

**Lite-On Technology Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

LITE-ON TECHNOLOGY CORPORATION

By



RAYMOND SOONG
Chairman

February 27, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lite-On Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Lite-On Technology Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated 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, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated 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, 2017, the key audit matters to the Group's consolidated 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 receivables and overdue balances, and we evaluated the reasonableness of management's estimation of the allowance for impairment loss.

For a summary of significant accounting policies, refer to Note 4 to the consolidated financial statements. Refer to Note 10 to the consolidated financial statements for the carrying amount of trade receivables and impairment loss for trade receivables. Our audit procedures for the aforementioned key audit matter are described as follows:

1. 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 compared the aging reports of current and prior accounting periods and examined both periods' bad debt write-offs. We confirmed the recoverability of outstanding trade receivables by testing the after period-end collection of receivables.
2. We reviewed the approval of client credit terms and examined reversals in the subledger of trade receivables in order to assess the effectiveness of internal controls relevant to trade 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.

For a summary of significant accounting policies, refer to Note 4 to the consolidated financial statements. Refer to Note 11 to the consolidated financial statements for the carrying amount of inventory. Our audit procedures for the aforementioned key audit matter are described as follows:

1. We assessed both inventory aging reports classified by product types 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 inventory aging reports. We compared the amount of allowance in prior years to the actual amount of write-downs in order to evaluate the appropriateness of the policy implemented relevant to the allowance for inventory valuation loss.
2. We obtained information of the year-end allowance for inventory valuation loss and inventory aging reports, and we 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 ensure that the inventory had been valued by the lower of cost or net realizable value method.

3. We obtained year-end inventory quantities from the inventory account books and compared it with data from the physical inventory counts to test the existence and completeness of management's assumptions. Through physical inventory counts, we evaluated the conditions of the inventory and, in turn, the appropriateness of the allowance estimated by management.

Impairment Loss for Property, Plant and Equipment and Intangible Assets (Including Goodwill)

Management should assess, on the financial statement date, any indication of impairment to property, plant and equipment and to intangible assets. If there is any indication of impairment, management should estimate the recoverable amount of these assets. 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.

For a summary of the significant accounting policies on property, plant and equipment and intangible assets impairment, refer to Note 4 to the consolidated financial statements. Refer to Notes 15 and 17 to the consolidated financial statements for disclosures of property, plant and equipment and intangible assets. Our audit procedures for the aforementioned key audit matter are described as follows:

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.

Other Matter

We have also audited the parent company only financial statements of Lite-On Technology Corporation as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 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 Tsai-Cheng Tsai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 57,783,860	30	\$ 65,208,491	31
Financial assets at fair value through profit or loss (Note 7)	101,677	-	173,068	-
Debt instruments with no active market (Note 9)	911,783	1	802,348	-
Notes receivable, net	282,316	-	374,182	-
Trade receivables, net (Note 10)	52,037,732	27	60,829,435	29
Trade receivables from related parties (Note 31)	79,288	-	60,178	-
Other receivables	1,364,028	1	1,093,853	1
Other receivables from related parties (Note 31)	2,806	-	5,840	-
Inventories, net (Note 11)	28,312,572	15	26,756,909	13
Non-current assets held for sale (Note 13)	815,143	-	-	-
Other current assets (Note 18)	3,372,102	2	2,619,735	1
Total current assets	<u>145,063,307</u>	<u>76</u>	<u>157,924,039</u>	<u>75</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets (Note 8)	513,129	-	658,655	-
Debt instruments with no active market (Note 9)	573,085	-	684,614	-
Investments accounted for using the equity method (Note 14)	3,681,951	2	3,810,433	2
Property, plant and equipment, net (Note 15)	22,490,411	12	27,826,214	13
Investment properties, net (Note 16)	1,426,134	1	429,790	-
Intangible assets, net (Note 17)	9,828,658	5	15,209,734	7
Deferred tax assets (Note 25)	3,614,920	2	3,041,666	2
Refundable deposits	641,387	-	510,142	-
Prepaid investments	1,354,950	1	4,457	-
Other non-current assets (Note 18)	807,825	1	757,044	1
Total non-current assets	<u>44,932,450</u>	<u>24</u>	<u>52,932,749</u>	<u>25</u>
TOTAL	<u>\$ 189,995,757</u>	<u>100</u>	<u>\$ 210,856,788</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 30,155,790	16	\$ 14,386,282	7
Financial liabilities at fair value through profit or loss (Note 7)	147,052	-	128,685	-
Notes payable	38,797	-	18,473	-
Trade payables	56,152,649	30	64,139,696	30
Trade payables to related parties (Note 31)	803,894	-	1,004,079	-
Other payables	21,123,576	11	22,541,026	11
Other payables to related parties (Note 31)	19,927	-	9,428	-
Current tax liabilities	3,221,310	2	3,186,867	2
Provisions (Note 21)	866,119	-	1,032,113	-
Advance receipts	2,049,789	1	1,981,913	1
Current portion of long-term borrowings (Note 19)	16,204	-	7,890,899	4
Finance lease payables (Note 20)	1,600	-	1,657	-
Total current liabilities	<u>114,596,707</u>	<u>60</u>	<u>116,321,118</u>	<u>55</u>
NON-CURRENT LIABILITIES				
Long-term borrowings, net of current portion (Note 19)	178	-	12,039,170	6
Deferred tax liabilities (Note 25)	1,324,792	1	2,932,121	1
Finance lease payables, net of current portion (Note 20)	1,764	-	3,646	-
Net defined benefit liabilities (Note 22)	224,025	-	189,104	-
Guarantee deposits	80,862	-	88,629	-
Credit balance of investments accounted for using the equity method (Note 14)	-	-	2,564	-
Total non-current liabilities	<u>1,631,621</u>	<u>1</u>	<u>15,255,234</u>	<u>7</u>
Total liabilities	<u>116,228,328</u>	<u>61</u>	<u>131,576,352</u>	<u>62</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
Share capital				
Ordinary shares	23,508,670	12	23,508,670	11
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	9,372,488	5	9,372,488	4
Bond conversions	7,462,138	4	7,462,138	4
Treasury share transactions	400,329	-	328,800	-
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership of subsidiaries	49,019	-	45,612	-
Changes in capital surplus from investments in associates accounted for using the equity method	276,782	-	273,487	-
Mergers	10,015,194	6	10,015,194	5
Total capital surplus	<u>27,575,950</u>	<u>15</u>	<u>27,497,719</u>	<u>13</u>
Retained earnings				
Legal reserve	11,786,967	6	10,845,332	5
Special reserve	1,338,878	1	398,602	-
Unappropriated earnings	10,093,753	5	16,252,206	8
Total retained earnings	<u>23,219,598</u>	<u>12</u>	<u>27,496,140</u>	<u>13</u>
Other equity				
Exchange differences on translating foreign operations	(2,528,893)	(1)	(1,195,684)	(1)
Unrealized loss on available-for-sale financial assets	(18,497)	-	(126,588)	-
Gain on financial instruments in cash flow hedging securities	3,372	-	-	-
Total other equity	<u>(2,544,018)</u>	<u>(1)</u>	<u>(1,322,272)</u>	<u>(1)</u>
Treasury shares	(1,248,722)	(1)	(1,248,722)	-
Total equity attributable to owners of the Parent Company	70,511,478	37	75,931,535	36
NON-CONTROLLING INTERESTS	3,255,951	2	3,348,901	2
Total equity	<u>73,767,429</u>	<u>39</u>	<u>79,280,436</u>	<u>38</u>
TOTAL	<u>\$ 189,995,757</u>	<u>100</u>	<u>\$ 210,856,788</u>	<u>100</u>

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

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 24 and 31)	\$ 220,857,071	103	\$ 235,674,455	103
Less: Sales allowance	5,075,609	2	5,033,596	2
Sales returns	1,217,140	1	1,069,101	1
Total operating revenue	214,564,322	100	229,571,758	100
COST OF GOODS SOLD (Notes 11, 27 and 31)	186,854,505	87	198,313,490	86
GROSS PROFIT	27,709,817	13	31,258,268	14
OPERATING EXPENSES (Notes 27 and 31)				
Selling and marketing expenses	6,774,460	3	6,431,916	3
General and administrative expenses	6,175,520	3	6,013,521	3
Research and development expenses	6,415,873	3	6,103,571	3
Total operating expenses	19,365,853	9	18,549,008	9
OPERATING INCOME	8,343,964	4	12,709,260	5
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates	170,309	-	82,626	-
Interest income	1,365,837	-	1,182,862	1
Dividend income	39,811	-	19,031	-
Other income (Notes 28 and 31)	1,401,724	1	1,119,464	-
Net gain on disposal of investments	179,115	-	5,957	-
Net gain on foreign currency exchange	226,478	-	173,194	-
Net gain on financial assets at fair value through profit or loss	341,680	-	325,208	-
Finance costs	(603,844)	-	(556,837)	-
Other expenses	(937,955)	(1)	(1,879,140)	(1)
Net loss on disposal of property, plant and equipment	(96,747)	-	(31,530)	-
Impairment loss (Notes 8, 14, 15 and 17)	(7,058,778)	(3)	(507,068)	-
Total non-operating income and expenses	(4,972,370)	(3)	(66,233)	-
PROFIT BEFORE INCOME TAX	3,371,594	1	12,643,027	5
INCOME TAX EXPENSE (Note 25)	(740,463)	-	(3,270,463)	(1)
NET PROFIT FOR THE YEAR	2,631,131	1	9,372,564	4

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LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22, 23 and 25)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ (43,909)	-	\$ (41,921)	-
Share of the other comprehensive loss of associates accounted for using the equity method	(9,920)	-	(15,770)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	<u>9,552</u>	-	<u>1,633</u>	-
	<u>(44,277)</u>	-	<u>(56,058)</u>	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(1,591,874)	-	(5,336,188)	(2)
Unrealized gain on available-for-sale financial assets	100,061	-	49,389	-
Share of the other comprehensive loss of associates for using the equity method	(64,169)	-	(288,338)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	<u>287,498</u>	-	<u>845,209</u>	-
	<u>(1,268,484)</u>	-	<u>(4,729,928)</u>	(2)
Other comprehensive loss for the year, net of income tax	<u>(1,312,761)</u>	-	<u>(4,785,986)</u>	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,318,370</u>	<u>1</u>	<u>\$ 4,586,578</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Parent Company	\$ 2,629,334	1	\$ 9,416,351	4
Non-controlling interests	<u>1,797</u>	-	<u>(43,787)</u>	-
	<u>\$ 2,631,131</u>	<u>1</u>	<u>\$ 9,372,564</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Parent Company	\$ 1,366,244	1	\$ 4,845,911	2
Non-controlling interests	<u>(47,874)</u>	-	<u>(259,333)</u>	-
	<u>\$ 1,318,370</u>	<u>1</u>	<u>\$ 4,586,578</u>	<u>2</u>

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LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 26)				
From continuing operations				
Basic	<u>\$1.13</u>		<u>\$4.05</u>	
Diluted	<u>\$1.13</u>		<u>\$4.00</u>	

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

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Equity Attributable to Owners of the Parent Company																				
	Capital Surplus (Note 23)										Retained Earnings (Notes 23 and 25)				Other Equity (Note 23)				Treasury Shares (Note 23)	Non-controlling Interests (Notes 23)	Total Equity
	Issue of Share Capital (Note 23)		Additional Paid-in Capital from Share Issuance in Excess of Par Value	Bond Conversions	Treasury Share Transactions	Difference Between Consideration and Carry Amounts Adjusted Arising from Changes in Percentage of Ownership in Subsidiaries	Changes in Capital Surplus from Investments in Associates Accounted for Using Equity Method	Mergers	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Total				
	Shares (In Thousands)	Amount																			
BALANCE AT JANUARY 1, 2016	2,334,928	\$ 23,349,283	\$ 9,251,603	\$ 7,462,138	\$ 275,516	\$ 43,236	\$ 278,747	\$ 10,015,194	\$ 27,326,434	\$ 10,123,042	\$ 232,213	\$ 13,011,073	\$ 23,366,328	\$ 3,347,902	\$ (152,714)	\$ -	\$ 3,195,188	\$ (1,248,722)			
Appropriation of the 2015 earnings																					
Legal reserve	-	-	-	-	-	-	-	-	-	722,290	-	(722,290)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	-	-	-	166,389	(166,389)	-	-	-	-	-	-	-	-	
Cash dividends - 21.9%	-	-	-	-	-	-	-	-	-	-	-	(5,113,493)	(5,113,493)	-	-	-	-	-	-	(5,113,493)	
Share dividends - 0.5%	11,675	116,746	-	-	-	-	-	-	-	-	-	(116,746)	(116,746)	-	-	-	-	-	-	-	
Effect of deconsolidation of subsidiaries (Note 28)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,320)	-	-	(3,320)	-	(26,985)	(30,305)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(59,863)	(59,863)	
Other changes in capital surplus																					
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	2,376	-	-	2,376	-	-	-	-	-	-	-	-	-	-	2,376	
Changes in capital surplus from investments in associates accounted for by using the equity method	-	-	-	-	-	-	(5,260)	-	(5,260)	-	-	-	-	-	-	-	-	-	-	(5,260)	
Share dividends of employees transferred to capital	4,264	42,641	120,885	-	-	-	-	-	120,885	-	-	-	-	-	-	-	-	-	-	163,526	
Changes in capital surplus from cash dividends of the Parent Company paid to subsidiaries	-	-	-	-	53,284	-	-	-	53,284	-	-	-	-	-	-	-	-	-	-	53,284	
Net profit (loss) for the year ended December 31, 2016	-	-	-	-	-	-	-	-	-	-	-	9,416,351	9,416,351	-	-	-	-	-	(43,787)	9,372,564	
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	-	-	-	-	-	(56,300)	(56,300)	(4,540,266)	26,126	-	(4,514,140)	-	(215,546)	(4,785,986)	
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-	-	-	-	-	-	9,360,051	9,360,051	(4,540,266)	26,126	-	(4,514,140)	-	(259,333)	4,586,578	
BALANCE AT DECEMBER 31, 2016	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)	3,348,901	79,280,436	
Appropriation of the 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 non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,076)	(45,076)	
Other changes in capital surplus																					
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	3,407	-	-	3,407	-	-	-	-	-	-	-	-	-	-	3,407	
Changes in capital surplus from investments in associates accounted for by using the equity method	-	-	-	-	-	-	3,295	-	3,295	-	-	-	-	-	-	-	-	-	-	3,295	
Changes in capital surplus from cash dividends of the Parent 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	-	-	-	-	-	1,797	2,631,131	
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)	-	(49,671)	(1,312,761)	
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)	-	(47,874)	1,318,370	
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)	3,255,951	73,767,429	

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

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,371,594	\$ 12,643,027
Adjustments for:		
Depreciation expenses	5,675,601	6,340,412
Amortization expenses	421,386	466,983
Impairment loss recognized (reversed) on trade receivables	(14,132)	8,263
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(341,680)	(325,208)
Finance costs	603,844	556,837
Interest income	(1,365,837)	(1,182,862)
Dividend income	(39,811)	(19,031)
Share of profit of associates	(170,309)	(82,626)
Net loss on disposal of property, plant and equipment	96,747	31,530
Gain on deconsolidation of subsidiaries (Note 28)	-	(7,362)
Net gain on disposal of available-for-sale financial assets	(49,598)	(5,957)
Net gain on disposal of investments accounted for using the equity method	(129,517)	-
Impairment loss recognized on financial assets	26,554	75,986
Impairment loss recognized on non-financial assets	8,054,479	32,052
Unrealized net gain on foreign currency exchange	(140,908)	(447,117)
Recognition of provisions	149,804	265,905
Changes in operating assets and liabilities		
Financial instruments held for trading	427,387	272,402
Notes receivable	87,012	(89,627)
Trade receivables	7,499,616	(11,785,807)
Trade receivables from related parties	(19,110)	6,160
Other receivables	(284,175)	162,907
Other receivables from related parties	3,033	4,641
Inventories	(3,340,153)	1,396,807
Other current assets	(874,201)	(105,504)
Notes payable	20,414	(157,351)
Trade payables	(4,995,977)	7,455,968
Trade payables to related parties	(200,185)	147,134
Other payables	(1,506,621)	2,711,424
Other payables to related parties	10,499	(3,513)
Provisions	(311,752)	(295,397)
Advance receipts	184,462	(1,201,903)
Net defined benefit liabilities	89,129	(7,514)
Cash generated from operations	12,937,595	16,861,659
Interest received	1,370,650	1,164,781
Dividends received	39,811	19,031
Interest paid	(598,421)	(545,202)
Income tax paid	(2,596,455)	(2,987,755)
Net cash generated from operating activities	<u>11,153,180</u>	<u>14,512,514</u>

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	\$ (15,110)	\$ (70,838)
Proceeds from sale of available-for-sale financial assets	298,632	55,833
Purchase of debt investments with no active market	-	(806,369)
Proceeds from sale of debt investments with no active market	17,548	-
Proceeds from disposal of investments accounted for using the equity method	246,708	-
Increase in prepaid investments	(1,354,950)	-
Net cash inflow on deconsolidation of subsidiaries (Note 28)	-	307,920
Payments for property, plant and equipment	(4,204,726)	(3,764,874)
Proceeds from disposal of property, plant and equipment	84,065	287,632
Decrease (increase) in refundable deposits	(140,276)	40,924
Payments for intangible assets	(228,654)	(164,802)
Proceeds from disposal of intangible assets	17,688	6,521
Increase in other non-current assets	(67,148)	(68,332)
Dividend received from associates	<u>95,057</u>	<u>89,702</u>
Net cash used in investing activities	<u>(5,251,166)</u>	<u>(4,086,683)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	16,066,496	-
Repayments of short-term borrowings	-	(3,006,580)
Repayments of long-term borrowings	(19,528,450)	(1,082,901)
Proceeds from (refunds of) guarantee deposits received	(6,273)	2,238
Decrease in finance lease payables	(1,567)	(92,029)
Cash dividends	(6,793,003)	(5,060,184)
Changes in non-controlling interests	<u>(47,305)</u>	<u>(94,185)</u>
Net cash used in financing activities	<u>(10,310,102)</u>	<u>(9,333,641)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(3,016,543)</u>	<u>(1,385,506)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,424,631)	(293,316)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>65,208,491</u>	<u>65,501,807</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 57,783,860</u>	<u>\$ 65,208,491</u>

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

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Lite-On Technology Corporation (the “Parent Company”) was established in March 1989. The Parent Company’s shares are listed on the Taiwan Stock Exchange. The Parent 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 processing 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 Parent Company merged with Lite-On Electronics, Inc., Silitek Corp. and GVC Corp., with the Parent Company as the surviving entity. The merger took effect on November 4, 2002, and the Parent Company thus assumed all rights and obligations of the three merged companies on that date.

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

The Parent 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 Parent 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 Parent Company as the surviving entity of all the mergers, and the Parent Company thus assumed all rights and obligations of the six merged companies on those respective dates.

The consolidated financial statements of the Parent Company and its subsidiaries, hereto forth collectively referred to as the Group, are presented in the Parent Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent Company’s board of directors on February 27, 2018.

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) (collectively, the “IFRSs”) 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 Group’s accounting policies:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transactions is enhanced. Refer to Note 31 for related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

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 amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income are reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Listed shares classified as available-for-sale will be classified as at fair value through profit or loss, with fair value changes recognized in profit or loss. Emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.
- b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets and equity</u>			
Financial assets at fair value through profit or loss - non-current	\$ -	\$ 88,740	\$ 88,740
Financial assets at fair value through other comprehensive income - non-current	-	424,389	424,389
Available-for-sale financial assets - non-current	513,129	(513,129)	-
Financial assets measured at amortized cost - current	-	911,783	911,783
Financial assets measured at amortized cost - non-current	-	573,085	573,085
Debt investments with no active market - current	911,783	(911,783)	-
Debt investments with no active market - non-current	<u>573,085</u>	<u>(573,085)</u>	<u>-</u>
Total effect on assets	<u>\$ 1,997,997</u>	<u>\$ -</u>	<u>\$ 1,997,997</u>
Retained earnings	\$ 10,093,753	\$ 205,348	\$ 10,299,101
Other equity - unrealized income or loss for financial assets at fair value through other comprehensive income - non-current	<u>(18,497)</u>	<u>(205,348)</u>	<u>(223,845)</u>
Total effect on equity	<u>\$ 10,075,256</u>	<u>\$ -</u>	<u>\$ 10,075,256</u>

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The Group performed a preliminary assessment and recognized revenue based on the facts and circumstances as at December 31, 2017, and the recognition and measurement did not change upon the application of IFRS 15.

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance.

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)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (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 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan amendments, Curtailments, and Settlements”	January 1, 2019 (Note 4)
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: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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 Group 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 Group 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.

When the Group 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 and when assets and such subsidiaries do not meet the IFRS 3 “Business Combinations” requirements, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated.

2) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

3) 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 Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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 consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group 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. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the entities controlled by the Parent Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Parent Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition.

See Note 12 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity'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 consolidated financial statements, the assets and liabilities of the Group's foreign operations 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 the Parent 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 disposal of an interest in a joint arrangement or 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 attributable to the owners of the Parent Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Parent Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and 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.

g. Inventories

Inventories consist of raw materials, work in progress, 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 the first-in, first-out (FIFO) cost.

h. Investment accounted for using the equity method

An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to participate in financial and operating policy decisions of an investee, but is not control or joint control over the policies.

Investment in associates is accounted for using the equity method.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate 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 Group'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 Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

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 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.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

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

i. Property, plant and equipment

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

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets 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 methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

j. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. 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 Group'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 in a business combination 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 which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. 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 lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates 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 (which is regarded as their cost). 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.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group 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 Group 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, with the resulting impairment loss 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 impairment loss are recognized in profit or loss.

n. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

o. Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 fair value through profit or loss) 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

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset does not meet the criteria of hedge accounting.

Financial assets at fair value through profit or loss 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. Please see Note 30 on financial instruments for remeasurement at fair value.

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 fair value through profit or loss.

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 Group's right to receive the dividends is established.

iii. Loans and receivables

Loans and receivables including cash and cash equivalent, note receivable, debt investments 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 equivalent includes time deposits and investments that meet short-term cash commitments, within highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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 Group 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 Group 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 an entity of the Group 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.

a) Financial liabilities subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

c) Equity instruments

Equity instruments issued by a group 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 an entity of the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Parent 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 Parent Company's own equity instruments.

3) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward exchange contracts and cross-currency swap contracts.

Derivatives are initially recognized at fair value at the date 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 hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

p. 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 Group's obligation by the management of the Group.

q. Revenue recognition

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. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past 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 Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group 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 Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group 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) Rental revenue

The operation of leasing business was in accordance with IAS 17- Leases, that is, the possible situation related to leasing (ex. the condition of leasing, and the burden of future cost) would treat as operating lease.

3) Electricity generation revenue

Revenue is recognized when the power is transmitted to the substation of a power company. Electricity generation revenue is based on the fair value of subsidiary's settled value with the power company. However, when receivables are expected to be realized within one year, the difference between fair value and maturity value of receivables is insignificant and the trading of power is very frequent, the fair value of settled value will not have to be discounted to the present value.

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 Group 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 Group 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.

r. 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 Group as lessor

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

2) The Group as lessee

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

s. 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, the effect of the changes to the asset ceiling 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) represent the actual deficit (surplus) in the Group'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 Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

t. 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 Group 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 Group 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 Group'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. 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. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables

When there is objective evidence of impairment loss for trade receivables, the Group 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 its estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Impairment of property, plant and equipment

The impairment of equipment in relation to the production of electronic equipment 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.

d. Write-down of inventory

The net realizable value of inventory 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 selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2017	2016
Cash on hand	\$ 4,001	\$ 17,623
Checking accounts	1,215,740	1,377,065
Demand deposits	35,683,512	30,644,835
Time deposits	<u>20,880,607</u>	<u>33,168,968</u>
	<u>\$ 57,783,860</u>	<u>\$ 65,208,491</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2017	2016
<u>Financial assets held for trading</u>		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	\$ 101,677	\$ 59,115
Currency swap contracts	<u>-</u>	<u>113,953</u>
	<u>\$ 101,677</u>	<u>\$ 173,068</u>
Current	\$ 101,677	\$ 173,068
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 101,677</u>	<u>\$ 173,068</u>

(Continued)

	December 31	
	2017	2016
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	\$ 96,393	\$ 128,685
Currency swap contracts	<u>50,659</u>	<u>-</u>
	<u>\$ 147,052</u>	<u>\$ 128,685</u>
Current	\$ 147,052	\$ 128,685
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 147,052</u>	<u>\$ 128,685</u>

(Concluded)

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2017</u>			
The Parent Company			
Currency swap contracts	USD/NTD	2018.01.10- 2018.11.06	USD130,000/NTD3,856,015
Lite-On Overseas Trading Co., Ltd.			
Forward exchange contracts	CNY/USD	2018.01.08- 2018.01.31	CNY575,824/USD87,000
LITE-ON SINGAPORE PTE. LTD.			
Forward exchange contracts	USD/EUR	2018.01.04	USD19,040/EUR16,000
Forward exchange contracts	USD/BRL	2018.01.18	USD2,000/BRL6,690
Forward exchange contracts	USD/NTD	2018.01.31- 2018.04.03	USD445,000/NTD13,233,313
Forward exchange contracts	CNY/USD	2018.01.17- 2018.01.29	CNY480,017/USD72,500
Forward exchange contracts	USD/CAD	2018.01.03	USD1,573/CAD2,000
Forward exchange contracts	USD/JPY	2018.01.04	USD889/JPY100,000
Lite-On Electronics (Thailand) Co., Ltd.			
Forward exchange contracts	THB/USD	2018.01.16- 2018.02.15	THB91,160/USD2,800
Philip & Lite-On Digital Solutions Corporation			
Forward exchange contracts	USD/EUR	2018.01.04	USD5,950/EUR5,000
Currency swap contracts	USD/NTD	2018.01.16	USD27,000/NTD808,650
LITE-ON MOBILE PTE. LTD.			
Forward exchange contracts	USD/CNY	2018.01.29	USD70,000/CNY459,620
Silitech Technology Corporation			
Forward exchange contracts	USD/MYR	2018.01.08- 2018.03.08	USD1,050/MYR4,379
Forward exchange contracts	EUR/MYR	2018.02.26- 2018.03.26	EUR150/MYR735

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2016</u>			
The Parent Company			
Currency swap contracts	USD/NTD	2017.10.06- 2017.12.08	USD170,000/NTD5,304,775
Lite-On Overseas Trading Co., Ltd.			
Forward exchange contracts	CNY/USD	2017.03.08- 2017.03.14	CNY202,869/USD30,000
LITE-ON SINGAPORE PTE. LTD.			
Forward exchange contracts	USD/EUR	2017.01.06	USD13,887/EUR13,000
Forward exchange contracts	USD/BRL	2017.02.06	USD2,500/BRL8,291
Forward exchange contracts	NTD/USD	2017.01.12- 2017.04.07	NTD6,072,165/USD189,000
Forward exchange contracts	USD/NTD	2017.01.12- 2017.03.27	USD62,000/NTD1,949,226
Forward exchange contracts	CNY/USD	2017.03.23- 2017.05.04	CNY205,470/USD29,800
Forward exchange contracts	USD/JPY	2017.01.06	USD1,234/JPY140,000
Lite-On Electronics (Thailand) Co., Ltd.			
Forward exchange contracts	THB/USD	2017.01.10- 2017.01.17	THB235,915/USD6,700
Philip & Lite-On Digital Solutions Corporation			
Forward exchange contracts	USD/EUR	2017.01.06	USD5,346/EUR5,000
LITE-ON MOBILE PTE. LTD.			
Forward exchange contracts	USD/CNY	2017.01.20- 2017.02.28	USD90,000/CNY618,415
Silitech Technology Corporation			
Forward exchange contracts	USD/MYR	2017.01.10- 2017.03.08	USD1,421/MYR6,331
Forward exchange contracts	EUR/MYR	2017.01.25- 2017.02.24	EUR150/MYR707

(Concluded)

The Group entered into derivative contracts in 2017 and 2016 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Group did not meet the criteria for hedge accounting. Thus, the derivative contracts classified as financial assets or financial liabilities at fair value through profit or loss. The financial risk management objectives of the Group were to minimize risks due to changes in fair value or cash flows.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 243,321	\$ 313,185
Emerging market shares	107,399	178,716
Unlisted shares	<u>15,785</u>	<u>15,785</u>
	<u>366,505</u>	<u>507,686</u>
Foreign investments		
Unlisted shares	72,575	89,370
Mutual funds	68,469	57,973
Listed shares	<u>5,580</u>	<u>3,626</u>
	<u>146,624</u>	<u>150,969</u>
	<u>\$ 513,129</u>	<u>\$ 658,655</u>

Refer to Note 30 for information relating to the fair values determined for 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 Group recognized impairment losses of \$10,987 thousand and \$75,986 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016, respectively.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Financial products	\$ 766,844	\$ 779,462
Pledged deposits and restricted bank deposits	<u>718,024</u>	<u>707,500</u>
	<u>\$ 1,484,868</u>	<u>\$ 1,486,962</u>
Current	\$ 911,783	\$ 802,348
Non-current	<u>573,085</u>	<u>684,614</u>
	<u>\$ 1,484,868</u>	<u>\$ 1,486,962</u>

Financial product mainly refers to subsidiary's guarantee income-bearing bank deposit products, which are measured at amortized cost; the products shall not be paid or redeemed within the contract period.

Refer to Note 32 for information on asset pledged as collateral or for security.

10. TRADE RECEIVABLES, NET

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Trade receivables	\$ 52,561,262	\$ 61,117,721
Allowance for impairment loss	(199,568)	(219,021)
Unrealized interests revenue	<u>(323,962)</u>	<u>(69,265)</u>
	<u>\$ 52,037,732</u>	<u>\$ 60,829,435</u>

The average credit period on sales of goods was 90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over 240 days because historical experience is that receivables that are past due beyond 240 days are not recoverable. Allowances for impairment loss were recognized against trade receivables between 1 day and 240 days past due based on the estimated irrecoverable amounts determined by reference to past default experience with the relevant counterparties and an analysis of their respective current financial positions.

The aging of receivables was as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Not overdue	<u>\$ 51,255,744</u>	<u>\$ 60,359,423</u>
Overdue		
1-60 days	1,006,738	532,570
61-210 days	144,809	54,002
211-240 days	1,661	3,430
Over 240 days	<u>152,310</u>	<u>168,296</u>
	<u>1,305,518</u>	<u>758,298</u>
	<u>\$ 52,561,262</u>	<u>\$ 61,117,721</u>

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

At the end of the reporting period, trade receivables from sales on installments by the Group were as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Trade receivables	\$ 2,171,192	\$ 1,114,886
Unrealized interests revenue	<u>(323,962)</u>	<u>(69,265)</u>
	<u>\$ 1,847,230</u>	<u>\$ 1,045,621</u>

The amount of the above trade receivables is expected to be recovered in the amounts of \$310,576 thousand, \$370,987 thousand, \$355,280 thousand, \$354,023 thousand, \$196,108 thousand, \$209,500 thousand, \$174,852 thousand, \$152,987 thousand, and \$46,879 thousand per year from 2018 to 2026, respectively.

Movements in allowances for impairment losses recognized on trade receivables were as follows:

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 219,021	\$ 239,849
Allowances recognized (reversed) for impairment losses	(14,132)	8,263
Amounts written off during the year as uncollectible	(308)	(20,277)
Foreign exchange translation	<u>(5,013)</u>	<u>(8,814)</u>
Balance at December 31	<u>\$ 199,568</u>	<u>\$ 219,021</u>

11. INVENTORIES, NET

	December 31	
	2017	2016
Finished goods	\$ 17,234,506	\$ 17,128,762
Raw materials	7,622,326	6,744,483
Work in progress	2,908,250	2,456,458
Inventory in transit	241,992	217,771
Merchandise	<u>305,498</u>	<u>209,435</u>
	<u>\$ 28,312,572</u>	<u>\$ 26,756,909</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 were \$186,854,505 thousand and \$198,313,490 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2017 included an increase in cost of goods sold amounting to \$1,022,255 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, 2016 included a reduction of cost of goods sold amounting to \$399,030 thousand, due to an increase in inventory's net realizable value. The increase was due to the Group writing off part of its inventories that had been impaired.

12. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		Remark
			December 31		
			2017	2016	
The Parent Company	Silitech Technology Corporation	Manufacture and sale of modules and plastic products	33.87	33.87	-
	Lite-On Integrated Service Inc.	Information outsourcing and system integrate	100.00	100.00	-
	Lite-On Capital Corporation	Investment activities	100.00	100.00	-
	SKYLA CORPORATION	Manufacture and sale of medical equipment	100.00	-	1)
	LITE-ON ELECTRONICS H.K. LIMITED	Sale of LED optical products	100.00	100.00	-
	Lite-On Electronics (Thailand) Co., Ltd.	Manufacture and sale of LED optical products	100.00	100.00	-
	Lite-On Japan Ltd.	Sale of LED optical products and power supplies	49.49	49.49	-
	Lite-On International Holding Co., Ltd.	Investment activities	100.00	100.00	-
	LTC GROUP LTD.	Investment activities	100.00	100.00	-
	LITE-ON TECHNOLOGY USA, INC.	Investment activities	100.00	100.00	-
	LITE-ON ELECTRONICS (EUROPE) LIMITED	Manufacture and sale of power supplies	100.00	100.00	-
	Lite-On Technology (Europe) B.V.	Market research and after-sales service	54.00	54.00	-
	Lite-On Overseas Trading Co., Ltd.	Merchandising business	100.00	100.00	-
	LITE-ON SINGAPORE PTE. LTD.	Manufacture and supply computer peripheral products	100.00	100.00	-
	LITE-ON VIETNAM CO., LTD.	Electronic contract manufacturing	100.00	100.00	-

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2017	2016	
	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Manufacture and sale of computer and appliance components	100.00	100.00	-
	EAGLE ROCK INVESTMENT LTD.	Import and export business and investment activities	100.00	100.00	-
	LITE-ON MOBILE PTE. LTD.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
	HIGH YIELD GROUP CO., LTD.	Holding company	100.00	100.00	-
	Lite-On Information Technology B.V.	Market research and customer service	100.00	100.00	-
	Philips & Lite-On Digital Solutions Corporation	Sale of optical disc drives	49.00	49.00	-
	LET (HK) LIMITED	Sale of optical disc drives	100.00	100.00	-
	Lite-On Automotive Electronics (Europe) B.V.	Sale of automotive parts and other electronic products	100.00	100.00	-
	Lite-On Automotive International (Cayman) Co., Ltd.	Investment activities	100.00	100.00	-
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	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	99.00	99.00	-
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	Manufacture and sale of phone chargers and power supplies	99.00	-	2)
	KBW-LITEON Jordan Private Shareholding Limited	Production and manufacture of energy-saving lights and project construction and maintenance	98.83	-	3)
Lite-On Capital Corporation	Silitech Technology Corporation	Manufacture and sale of modules and plastic products	0.64	0.64	-
	Lite-On Green Technologies Inc.	Manufacture and wholesale of electronic components and energy technology services	100.00	100.00	-
	Lite-On Green Energy (HK) Limited	Investment activities	100.00	100.00	-
	Lite-On Technology (Europe) B.V.	Market research and after-sales services	46.00	46.00	-
	LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Investment activities	100.00	100.00	-
Lite-On Green Technologies Inc.	Lite-On Green Technologies B.V.	Solar energy engineering	100.00	100.00	-
	Lite-On Green Technologies (HK) Limited	Solar energy engineering	100.00	100.00	-
LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Lite-On Green Energy B.V.	Investment activities	100.00	100.00	-
Lite-On Green Technologies (HK) Limited	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Solar energy engineering	100.00	100.00	-
LITE-ON ELECTRONICS H.K. LIMITED	LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	ODM services	100.00	100.00	-
	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Manufacture and sale of IT products	100.00	100.00	-
	CHINA BRIDGE (CHINA) CO., LTD.	Investment, sales agent	100.00	100.00	-
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture of electronic components	100.00	100.00	-
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Manufacture and sale of keyboards	100.00	100.00	-
	LITE-ON COMPUTER TECHNOLOGY (DONGGUAN) CO., LTD.	Manufacture and sale of display device	100.00	100.00	-
	DONGGUAN G-TECH COMPUTER CO., LTD.	Manufacture and sale of computer case	100.00	100.00	-
	DONGGUAN G-PRO COMPUTER CO., LTD.	Manufacture and sale of system products	79.29	79.29	-
	LITE-ON DIGITAL ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture and sale of computer peripheral products	100.00	100.00	-
LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	DONGGUAN G-PRO COMPUTER CO., LTD.	Manufacture and sale of system products	20.71	20.71	-
CHINA BRIDGE (CHINA) CO., LTD.	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Development, manufacture of new-type electronic components and provide technology consulting services, maintenance equipment and after-sales services	12.59	12.59	-
-	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Express and sale of power supplies, printers, display devices and scanners	100.00	100.00	-
LITE-ON ELECTRONICS COMPANY LIMITED	LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED	Manufacture and sale of mobile terminal equipment	100.00	100.00	-
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Manufacture and sale of printers and scanners	100.00	100.00	-
	LITE-ON (GUANGZHOU) INFORTECH CO., LTD.	Information outsourcing	100.00	100.00	-
	LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED	Manufacture and sale of mobile terminal equipment	100.00	100.00	-
	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	67.03	67.03	-
	LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED	Manufacture and sale of computer cases	100.00	100.00	-
	LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	Development, manufacture, sale and installation of power supplies and transformers and provision of technology consulting services, maintenance equipment and precision instruments	100.00	100.00	-
	LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	Investment activities	100.00	100.00	-
	LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Development, manufacture and sale of electronic components, power supplies and provision technology consulting services	100.00	100.00	-

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2017	2016	
LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	32.97	32.97	-
LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Mobile phone mold, assembly line design, manufacture and sale activities.	100.00	100.00	-
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Development, manufacture, sale and installation of power supplies and transformers and provision technology consulting services, maintenance equipment and after-sales services	100.00	100.00	-
	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Development, manufacture and sale of new-type electronic components and LED and provision technology consulting services, maintenance equipment and after-sales services	87.41	87.41	-
	LITE-ON MEDICAL DEVICE (CHANGZHOU) LTD.	Manufacture and sale of medical equipment	100.00	100.00	-
	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	100.00	100.00	-
	LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	Design, development, manufacture and sale of computer laptop keyboard modules and components and provision of technology consulting services and after-sales services	100.00	100.00	-
YET FOUNDATE LIMITED	DONGGUAN LITE-ON COMPUTER CO., LTD.	Manufacture and sale of computer hosts and components	100.00	100.00	-
FORDGOOD ELECTRONIC LIMITED	LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD	Manufacture and sale of electronic components	100.00	100.00	-
LITE-ON TECHNOLOGY USA, INC.	LITE-ON, INC.	Sales data processing business of optoelectronic products and power supplies	100.00	100.00	-
	LITE-ON TRADING USA, INC.	Sale of optical products	100.00	100.00	-
	LEOTEK ELECTRONICS USA LLC.	Sale of LED products	100.00	100.00	-
	POWER INNOVATIONS INTERNATIONAL, INC.	Development, design and manufacture of power control and energy management	95.25	95.25	-
	Lite-On Sales & Distribution Inc.	Sale of optical disc drives	100.00	100.00	-
	LITE-ON TECHNOLOGY SERVICE, INC.	After-sales service of optical products	100.00	100.00	-
Lite-On International Holding Co., Ltd.	LITE-ON CHINA HOLDING CO., LTD.	Manufacture and sale of computer cases	100.00	100.00	-
LITE-ON SINGAPORE PTE. LTD.	Lite-On Technology (Yingtan) Ltd.	Manufacture and sale of electronic components	100.00	100.00	-
	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Manufacture and sale of electronic components	100.00	100.00	-
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Manufacture and sale of energy saving equipment	100.00	100.00	-
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	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	1.00	1.00	-
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	Manufacture and sale of phone chargers and power supplies	1.00	-	2)
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	100.00	100.00	-
LTC GROUP LTD.	TITANIC CAPITAL SERVICES LTD.	Investment activities	100.00	100.00	-
	LTC INTERNATIONAL LTD.	Manufacture and sale of system products	100.00	100.00	-
Lite-On Technology (Europe) B.V.	Lite-On (Finland) Oy	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
Lite-On (Finland) Oy	Lite-On Mobile Oyj	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
LITE-ON CHINA HOLDING CO., LTD.	LITE-ON ELECTRONICS COMPANY LIMITED	Investment activities	100.00	100.00	-
	YET FOUNDATE LIMITED	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	I-SOLUTIONS LIMITED	Original equipment manufacturer of electronic products	100.00	100.00	-
	FORDGOOD ELECTRONIC LIMITED	Import and export and real estate business	100.00	100.00	-
G&W TECHNOLOGY (BVI) LIMITED	G&W TECHNOLOGY (BVI) LIMITED	Real estate management	50.00	50.00	-
EAGLE ROCK INVESTMENT LTD.	G&W TECHNOLOGY LIMITED	Leasing business	100.00	100.00	-
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	100.00	100.00	-
	HUIZHOU FU TAI ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	100.00	100.00	-
	LI SHIN TECHNOLOGY (HUIZHOU) LTD.	Manufacture and sale of new-type electronic components and peripheral materials	-	100.00	4)
HIGH YIELD GROUP CO., LTD.	LITE-ON IT INTERNATIONAL (HK) LIMITED	Sale of optical disc drives	100.00	100.00	-
LITE-ON IT INTERNATIONAL (HK) LIMITED	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Manufacture and sale of optical disc drives	100.00	100.00	-
	LiteON Auto Electric Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	100.00	100.00	-
	LITEON-IT OPTO TECH (BH) CO., LTD.	Manufacture and sale of optical disc drives	100.00	100.00	-
Lite-On Information Technology B.V.	Lite-On Information Technology GmbH	Sale of optical disc drives	100.00	100.00	-
Philips & Lite-On Digital Solutions Corporation	PLDS Germany GmbH	Development and sale of modules of automotive recorders	100.00	100.00	-
	Philips & Lite-On Digital Solutions USA, Inc.	Sale of optical disc drives	100.00	100.00	-
	Philips & Lite-On Digital Solutions Korea Ltd.	Sale of optical disc drives	100.00	100.00	-
	PLDS Netherlands B.V.	Sale and design of optical disc drives	100.00	100.00	-
	Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Sale of optical disc drives	100.00	100.00	-

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2017	2016	
Silitech Technology Corporation	Silitech (BVI) Holding Ltd.	Investment activities	100.00	100.00	-
	Lite-On Japan Ltd.	Sale of LED optical products and power supplies	7.87	7.87	-
Silitech (BVI) Holding Ltd. Silitech (Bermuda) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Investment activities	100.00	100.00	-
	Silitech Technology Corporation Limited	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	Silitech Technology Corp. Sdn. Bhd.	Manufacture of computer peripheral products	100.00	100.00	-
	Silitech (Hong Kong) Holding Ltd. Silitech International (India) Private Limited	Investment activities Development, manufacture and sale of automotive parts	100.00 100.00	100.00 100.00	- -
Silitech (Hong Kong) Holding Ltd. Silitech Technology Corporation Limited	Silitech Electronic (SuZhou) Co., Ltd.	Manufacture and sale of automotive parts	100.00	100.00	-
	Xurong Electronic (Shenzhen) Ltd.	Manufacture of automotive parts, touch panels and plastic and rubber assembly	100.00	100.00	-
	XURONG Tooling Manufacturing (Suzhou) Co., Ltd.	Development, manufacture and sale of precision modules and new-type electronic components (chip components, testing elements, hybrid integrated circuits)	60.00	60.00	-
Lite-On Automotive International (Cayman) Co., Ltd LITE-ON AUTOMOTIVE HOLDINGS (HONG KONG) CO., LIMITED	LITE-ON AUTOMOTIVE HOLDINGS (HONG KONG) CO., LIMITED	Investment activities	100.00	100.00	-
	LITE-ON AUTOMOTIVE (WUXI) CO., LTD	Manufacture, sale and processing of electronic products	100.00	100.00	-
Lite-On Japan Ltd.	Lite-On (Guangzhou) Automotive Electronics Limited	Manufacture, sale and processing of electronic products	100.00	100.00	-
	L&K Industries Philippines, Inc.	Import and export business of electronic components	100.00	100.00	-
	Lite-On Japan (H.K.) Limited	Import and export business of electronic components	100.00	100.00	-
	Lite-On Japan (Korea) Co., Ltd.	Import and export business of electronic components	100.00	100.00	-
Lite-On Japan (H.K.) Limited	LITE-ON JAPAN (Thailand) CO., LTD.	Import and export business of electronic components	100.00	100.00	-
	NL (SHANGHAI) CO., LTD.	Import and export business of electronic components	100.00	100.00	-
Lite-On Mobile Oyj	Lite-On Mobile Sweden AB	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Manufacture and sale of mobile phone modules and design for assembly line	2.97	3.08	-
LITE-ON MOBILE PTE. LTD.	LITE-ON MOBILE INDIA PRIVATE LIMITED	Manufacture and sale of mobile phone modules and design for assembly line	11.59	11.59	-
	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
	GUANGZHOU LITE-ON MOBILE ENGINEERING PLASTICS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
	BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
	Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Manufacture and sale of mobile phone modules and design for assembly line	97.03	96.92	-
	Perlos Precíziós Műanyagipari Korlátolt Felelősségű Társaság	Manufacture and sale of mobile phone modules and design for assembly line	-	100.00	5)
	LITE-ON MOBILE INDIA PRIVATE LIMITED	Manufacture and sale of mobile phone modules and design for assembly line	88.41	88.41	-
GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	LITE-ON YOUNG FAST PTE. LTD.	Investment activities	100.00	100.00	-
	YANTAI LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
LITE-ON YOUNG FAST PTE. LTD.	LITE-ON YOUNG FAST (HUIZHOU) CO., LTD.	Modules of touch panels	100.00	100.00	-

(Concluded)

Remark:

- 1) Established in November 2017
- 2) Established in April 2017.
- 3) Became a subsidiary in May 2017.
- 4) Dissolved after a merger with HUIZHOU LI SHIN ELECTRONIC CO., LTD. in December 2017.
- 5) Dissolved after liquidation in September 2017.

b. Subsidiaries excluded from consolidated financial statements: None.

c. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2017	2016
Silitech Technology Corp.	65.49%	65.49%

See Table 8 and Table 9 for the information on place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Silitech Technology Corp.	\$ (53,798)	\$ (79,185)	\$ 2,491,005	\$ 2,581,883
Others	<u>55,595</u>	<u>35,398</u>	<u>764,946</u>	<u>767,018</u>
	<u>\$ 1,797</u>	<u>\$ (43,787)</u>	<u>\$ 3,255,951</u>	<u>\$ 3,348,901</u>

The summarized financial information below represents amounts before intragroup eliminations.

Silitech Technology Corp. and Silitech Technology Corp.'s subsidiaries:

	December 31	
	2017	2016
Current assets	\$ 4,049,950	\$ 4,725,000
Non-current assets	815,100	1,615,292
Current liabilities	(945,650)	(1,340,826)
Non-current liabilities	<u>(116,205)</u>	<u>(1,057,556)</u>
Equity	<u>\$ 3,803,195</u>	<u>\$ 3,941,910</u>
Equity attributable to:		
Parent Company	\$ 1,312,190	\$ 1,360,027
Non-controlling interests of Silitech Technology Corp.	2,489,872	2,580,640
Non-controlling interests of Silitech Technology Corp.'s subsidiaries	<u>1,133</u>	<u>1,243</u>
	<u>\$ 3,803,195</u>	<u>\$ 3,941,910</u>
	For the Year Ended December 31	
	2017	2016
Revenue	<u>\$ 2,285,054</u>	<u>\$ 2,387,732</u>
Net loss for the year	\$ (82,105)	\$ (116,873)
Other comprehensive loss for the year	<u>(56,610)</u>	<u>(236,162)</u>
Total comprehensive loss for the year	<u>\$ (138,715)</u>	<u>\$ (353,035)</u>

(Continued)

	For the Year Ended December 31	
	2017	2016
Net loss attributable to:		
Parent Company	\$ (28,307)	\$ (37,688)
Non-controlling interests of Silitech Technology Corp.	(53,711)	(71,514)
Non-controlling interests of Silitech Technology Corp.'s subsidiaries	<u>(87)</u>	<u>(7,671)</u>
	<u>\$ (82,105)</u>	<u>\$ (116,873)</u>
Total comprehensive loss attributable to:		
Parent Company	\$ (47,836)	\$ (119,053)
Non-controlling interests of Silitech Technology Corp.	(90,769)	(225,902)
Non-controlling interests of Silitech Technology Corp.'s subsidiaries	<u>(110)</u>	<u>(8,080)</u>
	<u>\$ (138,715)</u>	<u>\$ (353,035)</u>
Net cash flow from:		
Operating activities	\$ (154,568)	\$ 15,467
Investing activities	(51,424)	(380,734)
Financing activities	(1,440,002)	(106,012)
Foreign exchange translation	<u>(46,278)</u>	<u>(155,579)</u>
Net cash outflow	<u>\$ (1,692,272)</u>	<u>\$ (626,858)</u>
Dividends paid to non-controlling interests attributable to: Silitech Technology Corp.	<u>\$ -</u>	<u>\$ 69,312</u> (Concluded)

13. NON-CURRENT ASSETS HELD FOR SALE

	December 31	
	2017	2016
Investment properties held for sale	\$ 399,594	\$ -
Property, plant and equipment held for sale	385,601	-
Land use right held for sale	<u>29,948</u>	<u>-</u>
	<u>\$ 815,143</u>	<u>\$ -</u>

The Group expects to dispose of investment properties, property, plant and equipment and land use rights in the Suzhou area and is aggressively looking for buyers. When the Group classified investment properties, property, plant and equipment and land use rights into non-current assets held for sale, no impairment loss was recognized.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Associates that are not individually material	\$ 3,681,951	\$ 3,807,869
Credit balance on the carrying value of investments accounted for using the equity method	<u>-</u>	<u>2,564</u>
	<u>\$ 3,681,951</u>	<u>\$ 3,810,433</u>

Aggregate Information of Associates That are Not Individually Material

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
The Group's share of:		
Profit for the year	\$ 170,309	\$ 82,626
Other comprehensive loss	<u>(74,089)</u>	<u>(304,108)</u>
Total comprehensive income (loss) for the year	<u>\$ 96,220</u>	<u>\$ (221,482)</u>

In July 2017, due to the bankruptcy of some of the above associates, the Group recognized \$15,567 thousand as an impairment loss on its investments accounted for by using the equity method. The impairment loss was recognized in the consolidated statements of comprehensive income. There was no impairment loss in 2016.

15. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
<u>Cost</u>									
January 1, 2017	\$ 2,324,761	\$ 18,915,082	\$ 39,797,206	\$ 2,707,256	\$ 63,509	\$ 2,163,576	\$ 786,526	\$ 7,513,576	\$ 74,271,492
Additions	-	163,256	2,780,511	91,490	2,495	238,765	44,669	1,284,127	4,605,313
Disposals	(691)	(204,668)	(3,293,484)	(489,298)	(3,771)	(206,009)	(2,290)	(174,260)	(4,374,471)
Reclassification	4,110	(588,732)	246,276	12,685	(190)	(18,398)	-	(2,268,914)	(2,613,163)
Effect of foreign currency exchange differences	<u>(1,879)</u>	<u>(240,014)</u>	<u>(445,556)</u>	<u>(19,672)</u>	<u>(1,224)</u>	<u>(29,279)</u>	<u>(927)</u>	<u>(94,329)</u>	<u>(832,880)</u>
December 31, 2017	<u>\$ 2,326,301</u>	<u>\$ 18,044,924</u>	<u>\$ 39,084,953</u>	<u>\$ 2,302,461</u>	<u>\$ 60,819</u>	<u>\$ 2,148,655</u>	<u>\$ 827,978</u>	<u>\$ 6,260,200</u>	<u>\$ 71,056,291</u>
<u>Accumulated depreciation</u>									
January 1, 2017	\$ -	\$ 8,718,781	\$ 27,497,682	\$ 2,514,537	\$ 54,910	\$ 1,830,294	\$ 580,760	\$ 4,046,477	\$ 45,243,441
Additions	-	710,822	4,153,408	150,329	5,230	198,489	26,264	409,081	5,653,623
Disposals	-	(157,058)	(2,798,733)	(495,655)	(3,331)	(201,434)	(2,290)	(165,368)	(3,823,869)
Reclassification	-	(336,205)	(181,936)	(12,645)	(288)	(14,534)	-	(50,362)	(595,970)
Effect of foreign currency exchange differences	<u>-</u>	<u>(101,004)</u>	<u>(267,741)</u>	<u>(18,487)</u>	<u>(1,008)</u>	<u>(24,036)</u>	<u>2,994</u>	<u>(33,932)</u>	<u>(443,214)</u>
December 31, 2017	<u>\$ -</u>	<u>\$ 8,835,336</u>	<u>\$ 28,402,680</u>	<u>\$ 2,138,079</u>	<u>\$ 55,513</u>	<u>\$ 1,788,779</u>	<u>\$ 607,728</u>	<u>\$ 4,205,896</u>	<u>\$ 46,034,011</u>
<u>Accumulated impairment</u>									
January 1, 2017	\$ -	\$ 254,172	\$ 734,237	\$ 13,624	\$ 453	\$ 7,055	\$ 38,787	\$ 153,509	\$ 1,201,837
Additions	-	30,904	1,828,468	974	-	315	-	1,357	1,862,018
Disposals	-	(2,766)	(339,233)	(38)	(215)	(1,357)	-	(26,181)	(369,790)
Effect of foreign currency exchange differences	<u>-</u>	<u>(3,822)</u>	<u>(100,636)</u>	<u>5,097</u>	<u>(238)</u>	<u>(3,302)</u>	<u>(720)</u>	<u>(58,575)</u>	<u>(162,196)</u>
December 31, 2017	<u>\$ -</u>	<u>\$ 278,488</u>	<u>\$ 2,122,836</u>	<u>\$ 19,657</u>	<u>\$ -</u>	<u>\$ 2,711</u>	<u>\$ 38,067</u>	<u>\$ 70,110</u>	<u>\$ 2,531,869</u>
December 31, 2017, net	<u>\$ 2,326,301</u>	<u>\$ 8,931,100</u>	<u>\$ 8,559,437</u>	<u>\$ 144,725</u>	<u>\$ 5,306</u>	<u>\$ 357,165</u>	<u>\$ 182,183</u>	<u>\$ 1,984,194</u>	<u>\$ 22,490,411</u>

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
Cost									
January 1, 2016	\$ 2,339,337	\$ 20,743,583	\$ 43,413,229	\$ 3,547,594	\$ 72,550	\$ 2,463,313	\$ 1,470,559	\$ 7,724,699	\$ 81,774,864
Additions	-	34,502	2,034,337	98,448	213	125,528	36,647	1,060,628	3,390,303
Disposals	(13,926)	(362,775)	(3,017,478)	(816,315)	(6,116)	(317,459)	(603,281)	(275,733)	(5,413,083)
Effect of business combination	-	(423,671)	-	-	-	-	-	(888)	(424,559)
Reclassification	-	18,614	353,806	55,854	-	(10,439)	-	(436,095)	(18,260)
Effect of foreign currency exchange differences	(650)	(1,095,171)	(2,986,688)	(178,325)	(3,138)	(97,367)	(117,399)	(559,035)	(5,037,773)
December 31, 2016	\$ 2,324,761	\$ 18,915,082	\$ 39,797,206	\$ 2,707,256	\$ 63,509	\$ 2,163,576	\$ 786,526	\$ 7,513,576	\$ 74,271,492
Accumulated depreciation									
January 1, 2016	\$ -	\$ 8,685,181	\$ 27,604,565	\$ 3,298,595	\$ 55,867	\$ 2,028,918	\$ 1,170,552	\$ 4,083,357	\$ 46,927,035
Additions	-	757,366	4,579,043	174,903	6,812	203,654	91,923	495,127	6,308,828
Disposals	-	(124,829)	(2,740,412)	(802,633)	(4,986)	(313,272)	(591,301)	(256,468)	(4,833,901)
Effect of business combination	-	(89,320)	-	-	-	-	-	(460)	(89,780)
Reclassification	-	-	23,756	15,876	(2)	(1,374)	-	(9,664)	28,592
Effect of foreign currency exchange differences	-	(509,617)	(1,969,270)	(172,204)	(2,781)	(87,632)	(90,414)	(265,415)	(3,097,333)
December 31, 2016	\$ -	\$ 8,718,781	\$ 27,497,682	\$ 2,514,537	\$ 54,910	\$ 1,830,294	\$ 580,760	\$ 4,046,477	\$ 45,243,441
Accumulated impairment									
January 1, 2016	\$ -	\$ 380,217	\$ 846,869	\$ 21,000	\$ 747	\$ 8,839	\$ 42,156	\$ 158,562	\$ 1,458,390
Additions	-	50,000	28,558	5,596	-	21	-	10,685	94,860
Disposals	-	(134,323)	(87,518)	(12,907)	(245)	(1,219)	-	(23,808)	(260,020)
Effect of business combination	-	(33,999)	-	-	-	-	-	-	(33,999)
Effect of foreign currency exchange differences	-	(7,723)	(53,672)	(65)	(49)	(586)	(3,369)	8,070	(57,394)
December 31, 2016	\$ -	\$ 254,172	\$ 734,237	\$ 13,624	\$ 453	\$ 7,055	\$ 38,787	\$ 153,509	\$ 1,201,837
December 31, 2016, net	\$ 2,324,761	\$ 9,942,129	\$ 11,565,287	\$ 179,095	\$ 8,146	\$ 326,227	\$ 166,979	\$ 3,313,590	\$ 27,826,214

(Concluded)

As a result of the declining sale of handset casing products in the market, the estimated future cash flows expected to arise from the related equipment used in the production of such products decreased, causing the recoverable amount to be less than the carrying amount. Therefore, the Group recognized an impairment loss in the amount of \$1,809,966 thousand in the third quarter of the year ended December 31, 2017. The impairment loss was recognized in the consolidated statements of comprehensive income. The Group determined the recoverable amount of the related equipment on the basis of their fair value less costs of disposal. The fair value of the recoverable amount was categorized as a Level 1 measurement.

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

Buildings	3-60 years
Machinery equipment	2-10 years
Tooling equipment	2-20 years
Transportation equipment	3-10 years
Office equipment	2-20 years
Equipment held under finance leases	3-10 years
Other equipment	2-20 years

16. INVESTMENT PROPERTIES, NET

	Completed Investment Properties
Cost	
Balance at January 1, 2016	\$ 727,664
Net exchange differences	<u>(58,162)</u>
Balance at December 31, 2016	<u>\$ 669,502</u>

(Continued)

	Completed Investment Properties
<u>Accumulated depreciation</u>	
Balance at January 1, 2016	\$ 227,714
Depreciation expense	31,584
Net exchange differences	<u>(19,586)</u>
Balance at December 31, 2016	<u>\$ 239,712</u>
Balance at December 31, 2016, net	<u>\$ 429,790</u>
<u>Cost</u>	
Balance at January 1, 2017	\$ 669,502
Transferred from property, plant and equipment	1,460,944
Transferred to non-current assets held for sale (Note 13)	(657,093)
Net exchange differences	<u>(12,409)</u>
Balance at December 31, 2017	<u>\$ 1,460,944</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2017	\$ 239,712
Depreciation expense	21,978
Transferred from property, plant and equipment	34,810
Transferred to non-current assets held for sale (Note 13)	(257,499)
Net exchange differences	<u>(4,191)</u>
Balance at December 31, 2017	<u>\$ 34,810</u>
Balance at December 31, 2017, net	<u>\$ 1,426,134</u> (Concluded)

The investment properties held by the Group are depreciated using the straight-line method over their estimated useful lives of 20 to 50 years.

The Group's management was unable to reliably measure the fair value of its investment property located in Shanghai because the market for comparable properties is inactive and alternative reliable measurements of fair value were not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

The fair value of the investment property that is located in Suzhou was valued by Wuxi Zhongzheng Assets Appraisal Co., which used Level 3 inputs to measure the fair value. The evaluation was determined by reference to the appraiser's market evidence of transaction prices of real estate, and the fair value of the investment property was valued at \$569,278 thousand using unobservable inputs. Said investment property has been reclassified into non-current assets held for sale. Refer to Note 13.

The Group has freehold interests in all of its investment properties.

17. OTHER INTANGIBLE ASSETS, NET

	Goodwill	Patents	Patents Use Rights	Client Relationships	Software	Other Intangible Assets	Total
<u>Cost</u>							
January 1, 2017	\$ 15,416,303	\$ 38,570	\$ 2,695,878	\$ 163,819	\$ 833,595	\$ 1,888,423	\$ 21,036,588
Additions	-	1,150	-	-	225,403	2,101	228,654
Disposals	-	-	-	-	(7,248)	(212,607)	(219,855)
Reclassification	-	11,535	-	-	8,077	(265)	19,347
Effect of foreign currency exchange differences	(3,112)	(11)	-	-	(1,948)	(461)	(5,532)
December 31, 2017	<u>\$ 15,413,191</u>	<u>\$ 51,244</u>	<u>\$ 2,695,878</u>	<u>\$ 163,819</u>	<u>\$ 1,057,879</u>	<u>\$ 1,677,191</u>	<u>\$ 21,059,202</u>
<u>Accumulated amortization</u>							
January 1, 2017	\$ 77,234	\$ 34,161	\$ 2,358,895	\$ 163,819	\$ 587,078	\$ 1,816,431	\$ 5,037,618
Additions	-	3,096	224,655	-	179,486	14,149	421,386
Disposals	-	-	-	-	(7,248)	(194,919)	(202,167)
Reclassification	-	11,535	-	-	3,773	(262)	15,046
Effect of foreign currency exchange differences	-	-	-	-	(1,683)	341	(1,342)
December 31, 2017	<u>\$ 77,234</u>	<u>\$ 48,792</u>	<u>\$ 2,583,550</u>	<u>\$ 163,819</u>	<u>\$ 761,406</u>	<u>\$ 1,635,740</u>	<u>\$ 5,270,541</u>
<u>Accumulated impairment</u>							
January 1, 2017	\$ 789,743	\$ -	\$ -	\$ -	\$ (507)	\$ -	\$ 789,236
Additions	5,170,200	-	-	-	6	-	5,170,206
Reclassification	-	-	-	-	561	-	561
December 31, 2017	<u>\$ 5,959,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 5,960,003</u>
December 31, 2017, net	<u>\$ 9,376,014</u>	<u>\$ 2,452</u>	<u>\$ 112,328</u>	<u>\$ -</u>	<u>\$ 296,413</u>	<u>\$ 41,451</u>	<u>\$ 9,828,658</u>
<u>Cost</u>							
January 1, 2016	\$ 15,524,903	\$ 37,773	\$ 2,695,878	\$ 163,819	\$ 669,053	\$ 1,991,449	\$ 21,082,875
Additions	-	800	-	-	159,667	4,336	164,803
Disposals	-	-	-	-	(23,647)	(54,185)	(77,832)
Effect of business combination	(75,671)	-	-	-	(573)	-	(76,244)
Reclassification	-	-	-	-	35,594	(13,231)	22,363
Effect of foreign currency exchange differences	(32,929)	(3)	-	-	(6,499)	(39,946)	(79,377)
December 31, 2016	<u>\$ 15,416,303</u>	<u>\$ 38,570</u>	<u>\$ 2,695,878</u>	<u>\$ 163,819</u>	<u>\$ 833,595</u>	<u>\$ 1,888,423</u>	<u>\$ 21,036,588</u>
<u>Accumulated amortization</u>							
January 1, 2016	\$ 77,234	\$ 30,853	\$ 2,134,238	\$ 163,819	\$ 415,910	\$ 1,869,056	\$ 4,691,110
Additions	-	3,308	224,657	-	196,693	42,325	466,983
Disposals	-	-	-	-	(21,742)	(49,064)	(70,806)
Effect of business combination	-	-	-	-	(285)	-	(285)
Reclassification	-	-	-	-	502	(13,231)	(12,729)
Effect of foreign currency exchange differences	-	-	-	-	(4,000)	(32,655)	(36,655)
December 31, 2016	<u>\$ 77,234</u>	<u>\$ 34,161</u>	<u>\$ 2,358,895</u>	<u>\$ 163,819</u>	<u>\$ 587,078</u>	<u>\$ 1,816,431</u>	<u>\$ 5,037,618</u>
<u>Accumulated impairment</u>							
January 1, 2016	\$ 453,533	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 453,533
Additions	336,210	-	-	-	12	-	336,222
Disposals	-	-	-	-	(505)	-	(505)
Effect of foreign currency exchange differences	-	-	-	-	(14)	-	(14)
December 31, 2016	<u>\$ 789,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (507)</u>	<u>\$ -</u>	<u>\$ 789,236</u>
December 31, 2016, net	<u>\$ 14,549,326</u>	<u>\$ 4,409</u>	<u>\$ 336,983</u>	<u>\$ -</u>	<u>\$ 247,024</u>	<u>\$ 71,992</u>	<u>\$ 15,209,734</u>

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

Patents	6 years
Patents use rights	12 years
Client relationships	4 years
Software	1-14 years
Other intangible assets	1-10 years

- b. The amounts of cash-generating unit used in amortizing the Group's goodwill are listed as follows:

	December 31	
	2017	2016
Parent Company	\$ 5,617,208	\$ 5,617,208
LITE-ON MOBILE PTE. LTD.	3,387,661	8,533,126
POWER INNOVATIONS INTERNATIONAL, INC.	332,261	360,108
Others	<u>38,884</u>	<u>38,884</u>
	<u>\$ 9,376,014</u>	<u>\$ 14,549,326</u>

Since the market of handset casings is increasingly competitive and the use of compound glass casing materials has increased, the prices of the Group's related products from its cash-generating units from LITE-ON MOBILE PTE. LTD. have dropped. Additionally, market demand has been slowing down. During the third quarter of the year December 31, 2017, the Group restructured its business units and repositioned its operation strategy for such cash-generating units and for resource allocation. As a result of the adjustment of strategy, the cash-generating units from goodwill might vary significantly. Therefore, the impairment loss from goodwill is assessed. The recoverable amount of cash-generating units is less than the carrying amount. Therefore, the impairment loss from goodwill is recorded at \$5,170,200 thousand for the three months ended September 30, 2017. The impairment loss was recognized in the consolidated statements of comprehensive income.

In 2016, the Group examined the current conditions and future prospects of the global optical disc drives market; the amount of \$336,210 thousand was recognized as goodwill impairment after the assessment, and the impairment loss was recognized in the consolidated statements of comprehensive income.

Goodwill is allocated to the Group'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. The discount rate used in the value-in-use calculation was 9.71% to 11.10%. Pre-tax cash flow projections after the four to five-year period are expected to have zero growth thereon.

Management determined the gross margin based on past performance, future profits under normal operation and future industry development goals. 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. OTHER ASSETS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Prepayments	\$ 2,402,109	\$ 1,929,273
Prepayments for leases	752,148	615,138
Offset against business tax payable	731,553	594,015
Prepayments for equipment	36,708	29,912
Others	<u>257,409</u>	<u>208,441</u>
	<u>\$ 4,179,927</u>	<u>\$ 3,376,779</u>
Current	\$ 3,372,102	\$ 2,619,735
Non-current	<u>807,825</u>	<u>757,044</u>
	<u>\$ 4,179,927</u>	<u>\$ 3,376,779</u>

Prepayments for leases with carrying amounts of \$556,646 thousand and \$582,914 thousand as of December 31, 2017 and 2016, respectively, referred to land use rights located in mainland China. The carrying amount of \$73,901 thousand as of December 31, 2017 refers to land use rights located in Vietnam.

19. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 30,155,790</u>	<u>\$ 14,386,282</u>

Market interest rates for short-term borrowings were as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Short-term borrowings	1.69%-4.4%	0.78%-8.55%

b. Long-term borrowings

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Unsecured borrowings</u>		
Lite-On Japan Ltd.	\$ 15,161	\$ 47,663
The Parent Company	-	12,000,000
LITE-ON MOBILE PTE. LTD.	-	6,440,000
Silitech Technology Corporation	<u>-</u>	<u>1,440,000</u>
	15,161	19,927,663
Current portion	<u>(15,161)</u>	<u>(7,889,817)</u>
	<u>-</u>	<u>12,037,846</u>

(Continued)

	December 31	
	2017	2016
<u>Secured borrowings</u>		
POWER INNOVATIONS INTERNATIONAL, INC.	\$ 1,221	\$ 2,406
Current portion	<u>(1,043)</u>	<u>(1,082)</u>
	<u>178</u>	<u>1,324</u>
	<u>\$ 178</u>	<u>\$ 12,039,170</u> (Concluded)

- 1) As of December 31, 2017, Lite-On Japan Ltd., a subsidiary of the Parent Company, had 2 long-term bank loans, with contract terms from June 2013 to October 2018, with interest rates of 1.1% and principals repayable in trimestral installments.

As of December 31, 2016, Lite-On Japan Ltd., a subsidiary of the Parent Company, had 4 long-term bank loans, with contract terms from March 2012 to October 2018, with interest rates of 1.3% to 1.5370% and principals repayable in trimestral installments.

- 2) As of December 31, 2016, the Parent Company had 2 long-term bank loans with contract terms between September 23, 2013 and September 23, 2021. The floating interest rates are 1.5789% to 1.7895% as of December 31, 2016. These loans should be repaid in 5 installments.

On September 12, 2013, the Parent Company signed another contract for a five-year syndicated loan with Citibank and 17 other financial institutions. The credit line was \$15 billion, which was for the Parent Company to repay the former syndicated loan with Citibank signed on September 23, 2008, consisting of (a) \$12 billion and (b) \$3 billion of the credit line of this syndicated loan. It should be used as a medium-term loan but may not be used on a revolving basis. The principal of this syndicated loan should be repaid three years after September 23, 2013 in five semiannual installments with the first payment paid on September 23, 2016, and the interest rate is the 90-day Taipei Interbank Offered Rate plus 61 points. Under the syndicated loan agreement, the Parent Company should maintain the agreed financial ratios based on the most recent semiannual or annual financial statements. As of December 31 2016, the Parent Company used \$9.6 billion of the credit line of component (a) of this syndicated loan.

On June 27, 2016, the Parent Company signed another contract for a five-year syndicated loan with Citibank and 15 other financial institutions. The credit line was \$12 billion, which was for the Parent Company to repay component (a) of the former syndicated loan with Citibank signed on September 12, 2013. It should be used as a medium-term loan but may not be used on a revolving basis. The principal of this syndicated loan should be repaid three years after September 23, 2016 in five semiannual installments with the first payment paid on September 23, 2019, and the interest rate is the 90-day Taipei Interbank Offered Rate plus 60 points. Under the syndicated loan agreement, the Parent Company should maintain the agreed upon financial ratios based on the most recent semiannual or annual financial statements. As of December 31, 2016, the Parent Company used \$2.4 billion of this syndicated loan.

The syndicated loan was repaid ahead of schedule in December 2017.

- 3) LITE-ON MOBILE PTE. LTD., a subsidiary of the Parent Company, had a long-term, syndicated-bank loan as of December 31, 2016. The interest rates were 1.98733%. The first repayment of each loan should be made three years after the loan starting date. The remaining principal is repayable after the first repayment in five semiannual installments.

On March 31, 2014, LITE-ON MOBILE PTE. LTD. signed with Citibank and 12 other financial institutions (the endorsements and guarantees were provided by the Parent Company). This contract is on a five-year syndicated loan of US\$200 million. This syndicated loan was for LITE-ON MOBILE PTE. LTD. to prepay the syndicated loan with Citibank under a contract signed on April 29, 2011. The syndicated loan was repaid in April 2017.

- 4) Silitech Technology Co., Ltd., a subsidiary of the Parent Company, entered into a \$2.4 billion syndicated loan contract with the Land Bank of Taiwan as the lead bank and a contract term from February 18, 2013 to February 18, 2018. This loan was obtained for the purposes of supporting working capital and capital expenditure. As of December 31, 2016, Silitech had used \$1.44 billion of the syndicated loan with a floating interest rate of 1.5856%. The syndicated loan was repaid in June 2017.
- 5) As of December 31, 2017 and 2016, POWER INNOVATIONS INTERNATIONAL, INC., a subsidiary of the Parent Company, had a long-term secured borrowing as a collateral loan for machinery and equipment, with contract terms from March 28, 2013 to February 28, 2019, and an interest rate of 4.4%.

20. FINANCE LEASE PAYABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Minimum lease payments</u>		
Not later than one year	\$ 1,722	\$ 1,866
Later than one year and not later than five years	<u>1,804</u>	<u>3,822</u>
	3,526	5,688
Future finance charges	<u>(162)</u>	<u>(385)</u>
	<u>\$ 3,364</u>	<u>\$ 5,303</u>
 <u>Present value of minimum lease payments</u>		
Not later than one year	\$ 1,600	\$ 1,657
Later than one year and not later than five years	<u>1,764</u>	<u>3,646</u>
	<u>\$ 3,364</u>	<u>\$ 5,303</u>
Current	\$ 1,600	\$ 1,657
Non-current	<u>1,764</u>	<u>3,646</u>
	<u>\$ 3,364</u>	<u>\$ 5,303</u>
 POWER INNOVATIONS INTERNATIONAL, INC.	\$ 3,364	\$ 5,303
Current portion of long-term capital lease liabilities	<u>(1,600)</u>	<u>(1,657)</u>
	<u>\$ 1,764</u>	<u>\$ 3,646</u>

- a. POWER INNOVATIONS INTERNATIONAL, INC. leased machinery and equipment under finance leases valid from March 28, 2013 to March 31, 2020. The terms of these leases were between five and seven years, with 3.49% to 4.75% interest rate. The machinery and equipment can be bought at bargain purchase prices at the end of the lease terms.

- b. GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD. leased buildings, machinery and equipment under financial leases valid from January 1, 2007 to December 31, 2016. The terms of these leases were 10 years, with 7.11% interest rate.

21. PROVISIONS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Warranties	\$ <u>866,119</u>	\$ <u>1,032,113</u>
	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ 1,032,113	\$ 1,068,810
Recognition of provisions	149,804	265,905
Usage	(311,752)	(295,397)
Effect of foreign currency exchange differences	<u>(4,046)</u>	<u>(7,205)</u>
Balance at December 31	\$ <u>866,119</u>	\$ <u>1,032,113</u>

Based on the local legislation for the sale of goods, provision for warranty claims is the present value of management's best estimate of the future outflow of economic benefits that will be required under the Parent Company's obligations for warranties. The estimate had been made on the basis of historical warranty trends and may vary as a result of the entry of new materials, altered manufacturing processes or other events affecting product quality.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Parent Company and subsidiaries - Philips & Lite-On Digital Solutions Corp., Silitech Technology Corp. and Lite-On Integrated Services Inc. of the Group 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 starting from July 1, 2015. Some consolidated entities, which are mainly in investments, have either very few or even no staff. These companies have no pension plans and thus do not contribute to pension funds and do not recognize pension costs. Except for these companies, the remaining companies all contribute to pension funds and recognize pension costs based on local government regulations.

b. Defined benefit plans

The Parent Company and subsidiaries - Philips & Lite-On Digital Solutions Corp. and Silitech Technology Corp. of the Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Parent Company and its subsidiaries - Philips & Lite-On Digital Solutions Corp. and Silitech Technology Corp. of the Group contribute amounts equal to 2% to 6% 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 Parent Company and its subsidiaries assess 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 Parent Company and its

subsidiaries are 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 Parent Company and its subsidiaries have no right to influence the investment policy and strategy.

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

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 1,271,333	\$ 1,267,158
Fair value of plan assets	<u>(1,047,308)</u>	<u>(1,078,054)</u>
Net defined benefit liabilities	<u>\$ 224,025</u>	<u>\$ 189,104</u>

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 (Assets)
Balance at January 1, 2016	<u>\$ 1,257,757</u>	<u>\$ (1,101,903)</u>	<u>\$ 155,854</u>
Current service cost	11,005	-	11,005
Net interest expense (income)	<u>14,627</u>	<u>(12,087)</u>	<u>2,540</u>
Recognized in profit or loss	<u>25,632</u>	<u>(12,087)</u>	<u>13,545</u>
Remeasurement			
Return on plan assets	-	4,406	4,406
Actuarial loss - changes in demographic assumptions	956	-	956
Actuarial gain - changes in financial assumptions	(16,404)	-	(16,404)
Actuarial loss - experience adjustments	<u>52,963</u>	<u>-</u>	<u>52,963</u>
Recognized in other comprehensive loss	<u>37,515</u>	<u>4,406</u>	<u>41,921</u>
Contributions from the employer	-	(21,059)	(21,059)
Benefits paid	(52,589)	52,589	-
Exchange differences on foreign plans	<u>(1,157)</u>	<u>-</u>	<u>(1,157)</u>
Balance at December 31, 2016	<u>\$ 1,267,158</u>	<u>\$ (1,078,054)</u>	<u>\$ 189,104</u>
Balance at January 1, 2017	<u>\$ 1,267,158</u>	<u>\$ (1,078,054)</u>	<u>\$ 189,104</u>
Current service cost	8,237	-	8,237
Net interest expense (income)	<u>16,248</u>	<u>(13,356)</u>	<u>2,892</u>
Recognized in profit or loss	<u>24,485</u>	<u>(13,356)</u>	<u>11,129</u>
Remeasurement			
Return on plan assets	-	2,972	2,972
Actuarial loss - changes in demographic assumptions	3,906	-	3,906
Actuarial loss - changes in financial assumptions	29,757	-	29,757
Actuarial loss - experience adjustments	<u>7,274</u>	<u>-</u>	<u>7,274</u>
Recognized in other comprehensive loss	<u>40,937</u>	<u>2,972</u>	<u>43,909</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	\$ -	\$ (20,512)	\$ (20,512)
Benefits paid	(61,642)	61,642	-
Exchange differences on foreign plans	<u>395</u>	<u>-</u>	<u>395</u>
Balance at December 31, 2017	<u>\$ 1,271,333</u>	<u>\$ (1,047,308)</u>	<u>\$ 224,025</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group 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 risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this 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	
	2017	2016
Discount rate(s)	1.00%-4.375%	1.25%-4.75%
Expected rate(s) of salary increase	3.00%-4.75%	3.00%-4.75%
Expected return on plan assets	1.00%-4.375%	1.25%-4.75%

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	
	2017	2016
Discount rate(s)		
0.25% increase	<u>\$ (29,864)</u>	<u>\$ (30,926)</u>
0.25% decrease	<u>\$ 30,927</u>	<u>\$ 32,059</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 29,657</u>	<u>\$ 30,843</u>
0.25% decrease	<u>\$ (28,809)</u>	<u>\$ (29,930)</u>

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	
	2017	2016
The expected contributions to the plan for the next year	<u>\$ 20,347</u>	<u>\$ 21,444</u>
The average duration of the defined benefit obligation	10.10-15.75 years	9.83-16.75 years

23. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>
Amount of shares authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,350,867</u>	<u>2,350,867</u>
Amount of shares issued	<u>\$ 23,508,670</u>	<u>\$ 23,508,670</u>

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

Of the Parent 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 Parent 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 Parent 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 Parent Company's 1,478 thousand marketable equity securities, which represented the Parent Company's 14,781 thousand ordinary shares.

As of December 31, 2017 and 2016, the outstanding GDRs were both 5,221 thousand units, representing 52,209 thousand ordinary shares of the Parent Company. The rights and obligation of security holders are the same as those of ordinary shareholders, except for voting rights. As of December 31, 2017 and 2016, the unredeemed GDRs amounted to 894 thousand units and 890 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; in addition, when the Parent Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital limited to a certain percentage of the Parent Company's capital surplus and once a year.

The capital surplus arising from share of changes in equities of subsidiaries, changes in equities of associates accounted for by the equity method and treasury share transactions from dividends according to the Parent Company's shares holding by subsidiaries may only be used to offset a deficit.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 24, 2016 and, in that meeting, had resolved amendments to the Parent Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

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 Parent Company shall first 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 Parent 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 to directors before and after amendment, refer to Note 27 (b) employee benefits expense.

The Parent 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 Parent Company shall set aside share dividends at no less than 70% of the net profit. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 90% of the total dividends.

After the Parent 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 Parent 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 Parent Company's paid-in capital. Legal reserve may be used to offset deficit. If the Parent Company has no deficit and the legal reserve has exceeded 25% of the Parent 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 Parent 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.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Parent Company.

The appropriations of earnings for 2016 and 2015 had been approved in the shareholders' meetings on June 22, 2017 and June 24, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2016	2015	2016	2015
Legal reserve	\$ 941,635	\$ 722,290		
Special reserve	940,276	166,389		
Cash dividends	6,864,532	5,113,493	\$ 2.92	\$ 2.19
Share dividends	-	116,746	-	0.05

The appropriation of earnings for 2017 were proposed by the Parent Company's board of directors on February 27, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
	2017	2017
Legal reserve	\$ 262,933	
Special reserve	1,367,076	
Cash dividends	963,855	\$ 0.41

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 22, 2018.

Besides, on February 27, 2018, the board of directors proposed to distribute \$2.51 cash dividends per share from \$5,900,676 thousand in capital surplus. The distribution will be subject to resolution in the shareholders' meeting to be held on June 22, 2018.

d. Other equity items

Movements in other equity items were as follows:

	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	(1,533,318)	-	-	(1,533,318)
Gain arising on changes in the fair value of available-for-sale financial assets	-	149,089	-	149,089
Reclassification to income from disposal of available-for-sale financial assets	-	(49,598)	-	(49,598)

(Continued)

For the Year Ended December 31, 2017

	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for- sale Financial Assets	Cash Flow Hedges	Total
Share of other comprehensive income (loss) of associates	\$ (76,141)	\$ 8,600	\$ 3,372	\$ (64,169)
Gain reclassified to profit or loss based on decreased proportions on disposal of associates	(4,185)	-	-	(4,185)
Income tax benefit	<u>280,435</u>	<u>-</u>	<u>-</u>	<u>280,435</u>
Balance at December 31	<u>\$ (2,528,893)</u>	<u>\$ (18,497)</u>	<u>\$ 3,372</u>	<u>\$ (2,544,018)</u> (Concluded)

For the Year Ended December 31, 2016

	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for- sale Financial Assets	Total
Balance at January 1	\$ 3,347,902	\$ (152,714)	\$ 3,195,188
Exchange differences arising on translating the financial statements of foreign operations	(5,117,763)	-	(5,117,763)
Gain arising on changes in the fair value of available-for-sale financial assets	-	55,055	55,055
Reclassification to income from disposal of available-for-sale financial assets	-	(5,957)	(5,957)
Share of other comprehensive loss of associates	(265,366)	(22,972)	(288,338)
Effect of deconsolidation of subsidiaries (Note 28)	(3,320)	-	(3,320)
Income tax benefit	<u>842,863</u>	<u>-</u>	<u>842,863</u>
Balance at December 31	<u>\$ (1,195,684)</u>	<u>\$ (126,588)</u>	<u>\$ (1,322,272)</u>

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Parent 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. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 3,348,901	\$ 3,695,082
Attributable to non-controlling interests:		
Share of profit (loss) for the year	1,797	(43,787)
Exchange difference arising on translation of foreign entities	(54,371)	(218,425)
Unrealized gain on available-for-sale financial assets	570	291
Remeasurement on define benefit plans	(2,933)	243
Related tax benefit	7,063	2,346
Effect of deconsolidation of subsidiaries (Note 28)	-	(26,985)
Decrease in non-controlling interests	<u>(45,076)</u>	<u>(59,864)</u>
Balance at December 31	<u>\$ 3,255,951</u>	<u>\$ 3,348,901</u>

The Group recognized a decrease in non-controlling interests for the years ended December 31, 2017 and 2016 because of the attribution of cash dividends to non-controlling interests amounting to \$47,305 thousand and \$94,185 thousand, respectively.

f. Treasury shares

Purpose of Buyback	Unit: In Thousands of Shares			
	Number of Shares at January 1	Increase During the Period	Decrease During the Period	Number of Shares at December 31
For the year ended <u>December 31, 2017</u>				
Shares held by subsidiaries	<u>26,841</u>	<u>-</u>	<u>-</u>	<u>26,841</u>
For the year ended <u>December 31, 2016</u>				
Shares held by subsidiaries	<u>26,708</u>	<u>133</u>	<u>-</u>	<u>26,841</u>

The Parent 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
<u>December 31, 2017</u>			
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	<u>105,515</u>	<u>99,322</u>
		<u>\$ 1,248,722</u>	<u>\$ 1,089,236</u>
<u>December 31, 2016</u>			
Lite-On Capital Corporation	15,116	\$ 718,857	\$ 734,631
LTC INTERNATIONAL LTD.	7,004	297,469	340,269
YET FOUNDATE LIMITED	2,271	126,881	110,276
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	<u>105,515</u>	<u>118,984</u>
		<u>\$ 1,248,722</u>	<u>\$ 1,304,160</u>

Under the Securities and Exchange Act, the Parent 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.

24. REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Revenue from the sale of goods	\$ 214,444,557	\$ 229,450,758
Rental income from property	112,377	112,961
Solar power income	<u>7,388</u>	<u>8,039</u>
	<u>\$ 214,564,322</u>	<u>\$ 229,571,758</u>

For segment revenue information, refer to Note 36.

25. INCOME TAX

a. Income tax recognized in profit or loss

Major components of tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2017	2016
Current income tax expense		
In respect of the current year	\$ 2,516,196	\$ 3,162,261
Adjustments for prior year	<u>127,289</u>	<u>(218,374)</u>
	<u>2,643,485</u>	<u>2,943,887</u>
Deferred income tax expense (benefit)		
The origination and reversal of temporary differences	<u>(1,903,022)</u>	<u>326,576</u>
Income tax expense recognized in profit or loss	<u>\$ 740,463</u>	<u>\$ 3,270,463</u>

In order to lower operating costs, during the third quarter of the year ended December 31, 2017, the Group 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 expense recognized in profit or loss is as follows:

	For the Year Ended December 31	
	2017	2016
Income before Income tax	<u>\$ 3,371,594</u>	<u>\$ 12,643,027</u>
Income tax expense calculated at the statutory rate	\$ 733,996	\$ 3,272,015
Deductible (nondeductible) items in determining taxable income	1,720,839	(213,941)
Additional income tax on unappropriated earnings	61,361	104,187
The origination and reversal of temporary differences	(1,903,022)	326,576
Adjustments for prior year	<u>127,289</u>	<u>(218,374)</u>
Income tax expense recognized in profit or loss	<u>\$ 740,463</u>	<u>\$ 3,270,463</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group entities based in the ROC. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by \$530,048 thousand and \$231,474 thousand, respectively, in 2018.

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 10% tax rate, are not reliably determinable.

b. Income tax benefit recognized in other comprehensive income

For the Year Ended December 31
2017 **2016**

Deferred income tax

Income tax recognized in other comprehensive income

Translation of foreign operations	\$ 287,775	\$ 845,227
Remeasurement on defined benefit plans	9,552	1,633
Share of other comprehensive loss of associates	<u>(277)</u>	<u>(18)</u>
	<u>\$ 297,050</u>	<u>\$ 846,842</u>

c. Deferred income tax

The movements of deferred tax assets were as follows:

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
<u>For the year ended December 31, 2017</u>					
Temporary differences					
Investment accounted for using the equity method	\$ 1,256,276	\$ 128,517	\$ 287,498	\$ -	\$ 1,672,291
Impairment loss on assets	351,520	327,728	-	(262)	678,986
Operating loss carryforward	145,933	290,315	-	(3,620)	432,628
Unrealized loss on inventories	183,136	(29,432)	-	(2,249)	151,455
Accrued warranty expense	268,718	(146,968)	-	(15)	121,735
Net defined benefit liability	72,727	943	9,552	(22)	83,200
Unrealized loss and expense	528,440	(467,647)	-	(1,273)	59,520
Unrealized sales profit	43,882	(31,194)	-	(6)	12,682
Others	<u>191,034</u>	<u>223,688</u>	<u>-</u>	<u>(12,299)</u>	<u>402,423</u>
	<u>\$ 3,041,666</u>	<u>\$ 295,950</u>	<u>\$ 297,050</u>	<u>\$ (19,746)</u>	<u>\$ 3,614,920</u>
<u>For the year ended December 31, 2016</u>					
Temporary differences					
Investment accounted for using the equity method	\$ 1,263,354	\$ (4,560)	\$ -	\$ (2,518)	\$ 1,256,276
Unrealized loss and expense	628,295	(64,327)	-	(35,528)	528,440
Impairment loss on assets	351,520	-	-	-	351,520
Accrued warranty expense	234,193	22,241	-	12,284	268,718
Unrealized loss on inventories	235,390	(33,662)	-	(18,592)	183,136
Operating loss carryforward	110,354	22,920	-	12,659	145,933
Net defined benefit liability	70,007	700	1,633	387	72,727
Unrealized sales profit	39,113	3,072	-	1,697	43,882
Others	<u>232,572</u>	<u>(26,758)</u>	<u>-</u>	<u>(14,780)</u>	<u>191,034</u>
	<u>\$ 3,164,798</u>	<u>\$ (80,374)</u>	<u>\$ 1,633</u>	<u>\$ (44,391)</u>	<u>\$ 3,041,666</u>

The movements of deferred tax liabilities were as follows:

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
<u>For the year ended December 31, 2017</u>					
Temporary differences					
Investment accounted for using the equity method	\$ 2,220,464	\$ (1,647,723)	\$ -	\$ -	\$ 572,741
Unrealized amortization of goodwill	353,808	-	-	-	353,808
Land value increment tax	239,693	-	-	-	239,693
Unrealized exchange gains, net	84,796	56,826	-	81	141,703
Others	<u>33,360</u>	<u>(16,175)</u>	<u>-</u>	<u>(338)</u>	<u>16,847</u>
	<u>\$ 2,932,121</u>	<u>\$ (1,607,072)</u>	<u>\$ -</u>	<u>\$ (257)</u>	<u>\$ 1,324,792</u>
<u>For the year ended December 31, 2016</u>					
Temporary differences					
Investment accounted for using the equity method	\$ 2,905,065	\$ 160,893	\$ (845,209)	\$ (285)	\$ 2,220,464
Unrealized amortization of goodwill	353,808	-	-	-	353,808
Land value increment tax	239,693	-	-	-	239,693
Unrealized exchange gains, net	-	84,946	-	(150)	84,796
Others	<u>32,998</u>	<u>363</u>	<u>-</u>	<u>(1)</u>	<u>33,360</u>
	<u>\$ 3,531,564</u>	<u>\$ 246,202</u>	<u>\$ (845,209)</u>	<u>\$ (436)</u>	<u>\$ 2,932,121</u>

d. Integrated income tax

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Unappropriated earnings		
Unappropriated earnings generated before January 1, 1998	\$ 2,215	\$ 2,215
Unappropriated earnings generated on and after January 1, 1998	<u>10,091,538</u>	<u>16,249,991</u>
	<u>\$ 10,093,753</u>	<u>\$ 16,252,206</u>
Imputation credits accounts	<u>\$ 1,340,876</u>	<u>\$ 1,034,031</u>

The estimated and actual creditable ratios for the distribution of earnings of 2017 and 2016 were 7.95% and 8.13%, respectively. Besides, the amendments to the Income Tax Act, as promulgated in February 2018, abolished the integrated income tax; therefore, the Parent Company expects not to apply the above creditable ratio for the 2018 distribution of earnings.

e. Income tax assessments

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

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share	\$ <u>1.13</u>	\$ <u>4.05</u>
Diluted earnings per share	\$ <u>1.13</u>	\$ <u>4.00</u>

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	
	2017	2016
Earnings used in the computation of basic earnings per share	\$ 2,629,334	\$ 9,416,351
Effect of potentially dilutive ordinary shares:		
Employees' compensation	_____ -	_____ -
Earnings used in the computation of diluted earnings per share	\$ <u>2,629,334</u>	\$ <u>9,416,351</u>

Weighted Average Number of Ordinary Shares Outstanding

Unit: In Thousand Shares

	For the Year Ended December 31	
	2017	2016
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	2,324,026	2,323,048
Effect of potentially dilutive ordinary shares:		
Employees' compensation	_____ 9,164	_____ 28,393
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	<u>2,333,190</u>	<u>2,351,441</u>

If the Parent Company settles the bonuses or remuneration paid to employees in cash or shares, the Parent Company presumed that the entire amount of the bonus or remuneration would 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, if the effect is dilutive. The 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.

27. ADDITIONAL INFORMATION ON EXPENSES

	For the Year Ended December 31	
	2017	2016
a. Depreciation and amortization		
Property, plant and equipment	\$ 5,653,623	\$ 6,308,828
Investment properties	21,978	31,584
Intangible assets	<u>421,386</u>	<u>466,983</u>
	<u>\$ 6,096,987</u>	<u>\$ 6,807,395</u>
An analysis of deprecation by function		
Recognized in operating costs	\$ 4,844,222	\$ 5,468,377
Recognized in operating expenses	<u>831,379</u>	<u>872,035</u>
	<u>\$ 5,675,601</u>	<u>\$ 6,340,412</u>
An analysis of amortization by function		
Recognized in operating costs	\$ 26,753	\$ 46,396
Recognized in operating expenses	<u>394,633</u>	<u>420,587</u>
	<u>\$ 421,386</u>	<u>\$ 466,983</u>
b. Employee benefit expenses		
Post-employment benefits		
Defined contribution plans	\$ 758,431	\$ 801,127
Defined benefit plans (Note 22)	<u>11,129</u>	<u>13,545</u>
	769,560	814,672
Termination benefits	198,629	141,827
Other employee benefits	<u>25,146,841</u>	<u>25,846,942</u>
	<u>\$ 26,115,030</u>	<u>\$ 26,803,441</u>
Employee benefits expense summarized by function		
Recognized in operating costs	\$ 16,061,202	\$ 16,830,099
Recognized in operating expenses	<u>10,053,828</u>	<u>9,973,342</u>
	<u>\$ 26,115,030</u>	<u>\$ 26,803,441</u>

The Parent 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 appropriations of employee compensation and remuneration of directors for 2017 and 2016, which have been approved by the Parent Company's board of directors on February 27, 2018 and February 24, 2017, respectively, were as follows:

	For the Year Ended December 31			
	2017		2016	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Employees' compensation	\$ 372,051	\$ -	\$ 1,332,414	\$ -
Remuneration of directors	27,284	-	80,039	-

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate and will be adjusted in the next year.

There was no difference between the actual amounts of employee's compensation and the remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016.

Information on 2018 and 2017 employees' compensation and remuneration of directors resolved by the Parent Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

28. DECONSOLIDATION OF SUBSIDIARY

On April 28, 2016, the Parent Company's subsidiary Lite-On Capital Corp., subscribed for additional new shares of Five Dimension Co., Ltd. at a percentage different from its existing ownership percentage and disposed of part of its holdings. Lite-On Capital Corp. lost its power to govern the financial and operating policies of Five Dimension Co., Ltd.; thus, the relevant assets and liabilities had been derecognized.

On January 27, 2016, the Parent Company's subsidiary Lite-On Green Energy B.V. disposed of its 100% ownership in Romeo Tetti PV1 S.R.L. Lite-On Green Energy B.V. lost its power to govern the financial and operating policies of Romeo Tetti PV1 S.R.L.; thus, the relevant assets and liabilities had been derecognized.

a. Consideration received from the disposal

	April 28, 2016	January 27, 2016
Sales proceeds	\$ <u>15,092</u>	\$ <u>297,778</u>

b. Analysis of asset and liabilities on the date control was lost

	April 28, 2016	January 27, 2016
Current assets		
Cash and cash equivalents	\$ 993	\$ 3,957
Receivables, net	-	11,733
Other receivables	35,022	-
Inventories, net	417	-
Other current assets	313	15,878
Non-current assets		
Property, plant and equipment, net	459	300,321
Intangible assets, net	288	-
Refundable deposits	1,640	-
Current liabilities		
Short-term borrowings	(572)	-
Payables	-	(38,557)
Other payables	(2,086)	(15,715)
Current portion of long-term borrowings	(3,135)	-
Non-current liabilities		
Long-term borrowings, net of current portion	<u>(24,043)</u>	<u>-</u>
Net assets disposed of	\$ <u>9,296</u>	\$ <u>277,617</u>

c. Gain on deconsolidation of subsidiary

	For the Year Ended December 31, 2016	
	Five Dimension Co., Ltd.	Romeo Tetti PV1 S.R.L.
Fair value of interest retained	\$ 80,741	\$ -
Consideration received	15,092	297,778
Add: Accumulated exchange differences reclassified to profit or loss after deconsolidation of subsidiary	3,320	-
Less: Net assets deconsolidated	9,296	277,617
Non-controlling interests	<u>26,985</u>	<u>-</u>
	62,872	20,161
Less: Goodwill of deconsolidated subsidiary	<u>55,736</u>	<u>19,935</u>
 Gain on disposal (recorded as non-operating income and expenses - other income)	 <u>\$ 7,136</u>	 <u>\$ 226</u>

d. Net cash inflow on deconsolidation of subsidiary

	For the Year Ended December 31, 2016
Consideration received in cash and cash equivalents	\$ 312,870
Less: Cash and cash equivalent balances disposed of	<u>(4,950)</u>
	<u>\$ 307,920</u>

29. CAPITAL MANAGEMENT

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

The Group'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.

30. FINANCIAL INSTRUMENTS

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

For certain financial instruments that are not measured at fair value but measured at amortized cost - including notes receivable, trade receivables, trade receivables - related parties, other receivables, other receivables - related parties, debt investments with no active market, short-term borrowings, notes payable, trade payables, trade payables - related parties, other payables, other payables - related parties, and finance lease payables - the Group'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, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ <u> -</u>	\$ <u> 101,677</u>	\$ <u> -</u>	\$ <u> 101,677</u>
Financial liabilities at FVTPL				
Derivative instruments	\$ <u> -</u>	\$ <u> 147,052</u>	\$ <u> -</u>	\$ <u> 147,052</u>
Available-for-sale financial assets				
Securities listed in ROC - equity securities	\$ 243,321	\$ -	\$ -	\$ 243,321
Securities listed in other countries - equity securities	5,580	-	-	5,580
Unlisted securities - ROC - equity securities	-	-	15,785	15,785
Unlisted securities - other countries - equity securities	-	-	72,575	72,575
Mutual funds	-	68,469	-	68,469
Emerging market shares	<u> -</u>	<u> 107,399</u>	<u> -</u>	<u> 107,399</u>
	<u>\$ 248,901</u>	<u>\$ 175,868</u>	<u>\$ 88,360</u>	<u>\$ 513,129</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ <u> -</u>	\$ <u> 173,068</u>	\$ <u> -</u>	\$ <u> 173,068</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ <u> -</u>	\$ <u> 128,685</u>	\$ <u> -</u>	\$ <u> 128,685</u>
Available-for-sale financial assets				
Securities listed in ROC - equity securities	\$ 313,185	\$ -	\$ -	\$ 313,185
Securities listed in other countries - equity securities	3,626	-	-	3,626
Unlisted securities - ROC - equity securities	-	-	15,785	15,785
Unlisted securities - other countries - equity securities	-	-	89,370	89,370
Mutual funds	-	57,973	-	57,973
Emerging market shares	<u> -</u>	<u> 178,716</u>	<u> -</u>	<u> 178,716</u>
	<u>\$ 316,811</u>	<u>\$ 236,689</u>	<u>\$ 105,155</u>	<u>\$ 658,655</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

	Investments on Equity Instruments <u>Unlisted Quotes</u>
<u>For the year ended December 31, 2017</u>	
Balance at January 1, 2017	\$ 105,155
Total gains or losses	
In profit or loss (Note 8)	(10,987)
In other comprehensive income	(5,316)
Disposals	<u>(492)</u>
Balance at December 31, 2017	<u>\$ 88,360</u>
<u>For the year ended December 31, 2016</u>	
Balance at January 1, 2016	\$ 110,462
Total gains or losses	
In profit or loss	(68,138)
In other comprehensive income	(149)
Additions	64,451
Disposals	<u>(1,471)</u>
Balance at December 31, 2016	<u>\$ 105,155</u>

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Financial assets at FVTPL - forward exchange contracts	Estimation of future cash flows using observable forward exchange rates at the end of year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Financial assets at FVTPL - currency swap contracts	Estimation of fair value of a currency swap contract is based on its principal and interest 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 similar market average price or the price of the same kind of tools provided by the mutual fund management company.
Emerging market shares	Using the recent emerging market share price of similar emerging market shares of investee companies and considering the adjustment of all the information on the performance and operation of the emerging company available from trading date to measuring date.

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

The fair values of unlisted equity securities - 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 with the same kind of tool to be estimated, the use of the discount rate and the parameters can refer to Reuters news agency or Bloomberg agency or other financial institutions with essentially the same conditions and characteristics of the interest rate swap offer financial products whose features including the remaining contract terms of fixed interest rates, the payment of principal, payment of currency, and etc. All the information can be obtained by the Group.

c. Categories of financial instruments

	December 31	
	2017	2016
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Derivative instruments	\$ 101,677	\$ 173,068
Loans and receivables (1)	113,034,898	129,058,941
Available-for-sale financial assets	513,129	658,655
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Derivative instruments	147,052	128,685
Amortized cost		
Short-term borrowings	30,155,790	14,386,282
Long-term loans (including current portion of long-term debts)	16,382	19,930,069
Payables (2)	78,138,843	87,712,702

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

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

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, and borrowings. The Group'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 Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group 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 Group'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 Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group'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). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts and currency swap contracts to hedge the exchange rate risk arising on the exports.

There were no changes to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group's had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward exchange contracts and currency swap contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period (Refer to Note 34).

The Group required all its group entities to use forward exchange contracts and currency swap contracts to eliminate currency exposure. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the U.S. dollar. 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 New Taiwan dollars strengthening 5% against the U.S. dollar. For a 5% weakening of New Taiwan dollars against the U.S. dollar, 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	
	2017	2016
Profit or loss	<u>\$ (645,616)</u>	<u>\$ 201,172</u>

b) Interest rate risk

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

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

	December 31	
	2017	2016
Fair value interest rate risk		
Financial assets (i)	\$ 20,865,475	\$ 34,655,930
Financial liabilities (ii)	28,199,681	11,715,606
Cash flow interest rate risk		
Financial assets (iii)	37,183,512	30,644,835
Financial liabilities (iv)	1,975,855	22,606,048

- i. The balances included time deposits at fixed interest rates and debt investments with no active market.
- ii. The balances included financial liabilities exposed to fair value risk from interest rate fluctuations.
- iii. The balances included demand deposits and time deposits at floating interest rates.
- iv. The balances included financial liabilities exposed to cash flow risk from interest rate fluctuations.

Sensitivity analysis

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

If interest rates had been 25 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2017 and 2016 would increase by \$88,019 thousand and \$20,097 thousand.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 10% higher, the pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would increase by \$24,890 thousand and \$31,681 thousand as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

a) Business related credit risk

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

For individual customers, risk factors considered include the customer's financial position, credit rating agency rating, the Group's internal credit rating, and transaction history as well as current economic conditions that may affect the customer's ability to pay. The Group 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 Group's Department of Finance Department to be measured and monitored. However, since the Group's counter-parties are all reputable financial institutions and government agencies, there is no significant financial credit risk.

3) Liquidity risk

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

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

December 31, 2017

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing		\$ 78,138,843	\$ 80,050	\$ -	\$ 812
Finance lease liabilities	3.49-4.75	1,600	1,764	-	-
Variable interest rate liabilities	1.98-2.29	1,975,855	-	-	-
Fixed interest rate liabilities	1.10-4.40	28,196,139	178	-	-
		<u>\$ 108,312,437</u>	<u>\$ 81,992</u>	<u>\$ -</u>	<u>\$ 812</u>

December 31, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 87,712,702	\$ 87,815	\$ -	\$ 814
Finance lease liabilities	3.49-4.75	1,657	3,646	-	-
Variable interest rate liabilities	1.11-1.9873	10,582,048	12,024,000	-	-
Fixed interest rate liabilities	1.3-8.55	11,695,133	15,170	-	-
		<u>\$ 109,991,540</u>	<u>\$ 12,130,631</u>	<u>\$ -</u>	<u>\$ 814</u>

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

December 31, 2017

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Forward exchange contracts				
Inflows	\$ 21,109,376	\$ -	\$ -	\$ -
Outflows	<u>(21,014,309)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>95,067</u>	<u>-</u>	<u>-</u>	<u>-</u>
Currency swap contracts				
Inflows	4,718,370	-	-	-
Outflows	<u>(4,664,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>53,705</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 148,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2016

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Forward exchange contracts				
Inflows	\$ 13,782,409	\$ -	\$ -	\$ -
Outflows	<u>(13,803,962)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(21,553)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Currency swap contracts				
Inflows	5,368,070	-	-	-
Outflows	<u>(5,304,775)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>63,295</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 41,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Parent Company and its subsidiaries, which were related parties of the Parent Company, had been eliminated on consolidation and are not disclosed in this note. Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and relationships

<u>Related Parties</u>	<u>Relationships with the Group</u>
Lite-On Semiconductor Corp.	Associate
Lite-Space Technology Company Limited	Associate
Yamada-Lom Fabricacao De Artefatos De Material Plastico Ltda. ("Yamada-Lom Ltda.")	Associate
Logah Technology Corp.	Associate
DragonJet Corporation	Associate
Silport Travel Corp.	Related party in substance
Chi Mei Mold Co.	Related party in substance

(Continued)

<u>Related Parties</u>	<u>Relationships with the Group</u>
Silport Technology Corp.	Related party in substance
Diodes Incorporated	Related party in substance
Auden Techno Corp.	Related party in substance
Lite-On Cultural Foundation	Related party in substance
Dongguan Huaqiang Information Technology Co., Ltd.	Related party in substance
Look Tec Co., Ltd.	Related party in substance
KBW-LEOTEK FACTORY Jordan Private Shareholding Limited	Related party in substance

(Concluded)

b. Sales of goods

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Related parties categories</u>		
Associates		
Lite-On Semiconductor Corp.	\$ 284,931	\$ 183,174
Related party in substance		
Others	591	1,010
	<u>\$ 285,522</u>	<u>\$ 184,184</u>

For the years ended December 31, 2017 and 2016, the Group's selling prices for Lite-On Semiconductor Corp. for the Group were at cost plus a negotiated profit. Except for this sales arrangement with Lite-On Semiconductor Corp., the sales terms between the Group and its related parties were the same as the sales terms with non-related parties.

Operating lease contracts with related parties were based on market prices and made under mutual agreements and normal terms; the market prices and contract terms between the Group and its related parties were normal.

c. Purchases of goods

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Related parties categories</u>		
Associates		
Lite-Space Technology Company Limited	\$ 4,006,557	\$ 3,898,176
Lite-On Semiconductor Corp.	1,237,763	1,089,100
	<u>5,244,320</u>	<u>4,987,276</u>
Related party in substance		
Others	709,938	625,326
	<u>\$ 5,954,258</u>	<u>\$ 5,612,602</u>

The cost of the Group's purchases from Lite-On Semiconductor Corp. for the years ended December 31, 2017 and 2016 was based on cost plus specific profit. Except for these purchases, the purchase terms between the Group and its related parties were normal.

d. Receivables from related parties

	December 31	
	2017	2016
<u>Related parties categories</u>		
Trade receivables		
Associates		
Lite-On Semiconductor Corp.	\$ 73,945	\$ 54,695
Others	<u>5,343</u>	<u>4,163</u>
	<u>79,288</u>	<u>58,858</u>
Related party in substance		
Others	<u>-</u>	<u>1,320</u>
	<u>\$ 79,288</u>	<u>\$ 60,178</u>
Other receivables		
Associates		
Yamada-Lom Ltda.	\$ 1,082	\$ 4,203
Lite-On Semiconductor Corp.	1,014	772
Lite-Space Technology Company Limited	-	579
Others	<u>254</u>	<u>158</u>
	<u>2,350</u>	<u>5,712</u>
Related party in substance		
KBW-LEOTEK FACTORY Jordan Private Shareholding Limited	420	-
Others	<u>36</u>	<u>128</u>
	<u>456</u>	<u>128</u>
	<u>\$ 2,806</u>	<u>\$ 5,840</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2017 and 2016, no allowance for doubtful accounts was recognized for trade receivables from related parties.

e. Payables to related parties

	December 31	
	2017	2016
<u>Related parties categories</u>		
Trade payables		
Associates		
Lite-On Semiconductor Corp.	\$ 388,159	\$ 337,927
Lite-Space Technology Company Limited	<u>153,398</u>	<u>436,955</u>
	<u>541,557</u>	<u>774,882</u>
Related party in substance		
Diodes Incorporated	227,239	217,442
Others	<u>35,098</u>	<u>11,755</u>
	<u>262,337</u>	<u>229,197</u>
	<u>\$ 803,894</u>	<u>\$ 1,004,079</u>

	December 31	
	2017	2016
Other payables		
Associates		
Others	\$ 24	\$ 133
Related party in substance		
Silport Travel Corp.	10,489	4,922
Chi Mei Mold Co.	9,333	4,132
Others	81	241
	<u>19,903</u>	<u>9,295</u>
	<u>\$ 19,927</u>	<u>\$ 9,428</u>

The outstanding trade payables from related parties are unsecured.

f. Operating expenses

	For the Year Ended December 31	
	2017	2016
<u>Related parties categories</u>		
Associates		
Lite-On Semiconductor Corp.	\$ 20,907	\$ 2
Related party in substance		
Silport Travel Corp.	83,549	62,673
Look Tec Co., Ltd.	16,797	-
Chi Mei Mold Co.	14,506	3,388
Others	250	663
	<u>115,102</u>	<u>66,724</u>
	<u>\$ 136,009</u>	<u>\$ 66,726</u>

g. Other revenue

	For the Year Ended December 31	
	2017	2016
<u>Related parties categories</u>		
Associates		
Lite-On Semiconductor Corp.	\$ 4,478	\$ 4,372
Yamada-Lom Ltda.	3,068	-
Lite-Space Technology Company Limited	-	2,218
Others	1,219	772
	<u>8,765</u>	<u>7,362</u>
Related party in substance		
Auden Techno Corp.	8,168	8,537
Others	1,468	1,577
	<u>9,636</u>	<u>10,114</u>
	<u>\$ 18,401</u>	<u>\$ 17,476</u>

h. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 582,380	\$ 669,016
Post-employment benefits	25,898	23,483
Termination benefits	<u>1,944</u>	<u>231</u>
	<u>\$ 610,222</u>	<u>\$ 692,730</u>

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

	December 31	
	2017	2016
Pledged time deposits and restricted bank deposits	<u>\$ 718,024</u>	<u>\$ 707,500</u>

Above assets included the guarantee deposits that had been provided for (a) a government projects (b) the customs agency for shipment clearance in advance of duty payments (c) the tax refund guarantee.

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In the fourth quarter of the year ended December 31, 2013, Acer Inc., Acer America Corporation, Gateway Inc. and Gateway U.S. Retail, Inc. filed a complaint that constituted an antitrust group lawsuit against the Parent Company and other companies with related businesses with the United States District Court for the Northern District of California. In November 2017, the Parent Company reached a settlement with the plaintiffs, and the contents of the settlement do not have a significant impact on the Parent Company's operations.
- b. From the second quarter of the year ended December 31, 2010 to the second quarter of 2014, petitioner Carlos Fogelman filed a motion for the 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. 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 Parent Company assigned lawyers as its representative in these lawsuits. Although the outcome of the proceedings has not been determined, the Parent Company accrued a reasonable amount in case of a loss on this lawsuit and will continue to recognize the losses quarterly on the basis of a reasonable estimation of the lawsuit until the settlement of this lawsuit.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,501,366	29.7100 (USD:NTD)	\$ 44,605,573
USD	1,352,449	6.4968 (USD:CNY)	40,181,252
USD	63,065	7.8156 (USD:HKD)	1,873,647
USD	31,368	32.5600 (USD:THB)	931,936
USD	4,637	0.8368 (USD:EUR)	137,765
EUR	13,876	1.1950 (EUR:USD)	<u>492,681</u>
			<u>\$ 88,222,854</u>

Non-monetary items

Investments accounted for using the equity method

USD	2,666	29.7100 (USD:NTD)	<u>\$ 79,217</u>
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Financial liabilities

Monetary items

USD	1,935,977	29.7100 (USD:NTD)	\$ 57,517,887
USD	1,136,372	6.4968 (USD:CNY)	33,761,613
USD	32,937	7.8156 (USD:HKD)	978,552
USD	32,186	32.5600 (USD:THB)	956,238
USD	11,290	0.8368 (USD:EUR)	<u>335,418</u>
			<u>\$ 93,549,708</u>

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,581,812	32.2000 (USD:NTD)	\$ 50,934,338
USD	1,364,261	6.9429 (USD:CNY)	43,929,207
USD	56,644	7.7551 (USD:HKD)	1,823,929
USD	26,143	35.8000 (USD:THB)	841,791
USD	13,769	0.9517 (USD:EUR)	443,376
EUR	11,342	1.0508 (EUR:USD)	<u>397,189</u>
			<u>\$ 98,369,830</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Investments accounted for using equity method			
USD	\$ 1,883	32.2000 (USD:NTD)	\$ <u>60,643</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,456,860	32.2000 (USD:NTD)	\$ 46,910,893
USD	1,284,163	6.9429 (USD:CNY)	41,350,062
USD	20,558	7.7551 (USD:HKD)	661,968
USD	27,898	35.8000 (USD:THB)	898,326
USD	19,244	0.9517 (USD:EUR)	<u>619,643</u>
			<u>\$ 90,440,892</u> (Concluded)

For the years ended December 31, 2017 and 2016 net foreign exchange gains was \$226,478 thousand and \$173,194 thousand. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Financing provided: See Table 1 below.
- 2) Endorsement/guarantee provided: See Table 2 below.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 3 below.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 4 below.
- 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: See Table 5 below.
- 6) Disposal of individual real estate properties 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 of at amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 6 below.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 7 below.
- 9) Trading in derivative instruments: See Notes 7 and 30 to the financial statements.
- 10) Information on investees: See Table 8 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 9 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 10 below.
- c. Intercompany relationships and significant intercompany transactions: See Table 10 below.

36. SEGMENT INFORMATION

a. General information

The Group identified the reportable segments based on the managerial reporting information, and the segments by the types of products which included Optoelectronics, Information Technologies, Storage, and Mobile Mechanics and Others. The types of products are described as follows:

- 1) Optoelectronics: LED Components and Lighting Products, Camera Modules and Automotive Electronics.
- 2) Information technologies: Products used in Server, Networking Devices, NB, Tablets, DT and Multifunction Peripheral.
- 3) Storage: Optical Disk Drives and Solid State Drives.
- 4) The Group also had Mobile Mechanics and Others operating segments that did not exceed the quantitative threshold. These segments mainly engage in manufacturing and selling of Mechanical Products for Mobile Devices, handset casing and others.

b. Measurement of segment information

The Group uses the income before income tax from operations as the measurement for segment profit and the basis of performance assessment. There was no material differences between the accounting policies of the operating segment and the accounting policies described in Note 4.

c. Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Optoelectronics	IT	Storage	Mobile Mechanics and Others	Elimination	Total
For the year ended <u>December 31, 2017</u>						
Sales from external customers	\$ 50,905,435	\$ 116,707,327	\$ 32,957,425	\$ 13,994,135	\$ -	\$ 214,564,322
Sales among segments	1,412,294	1,235,280	11,038	601,698	(3,260,310)	-
Operating profit (loss)	1,141,393	6,718,831	3,179,584	(1,916,651)	-	9,123,157
For the year ended <u>December 31, 2016</u>						
Sales from external customers	54,640,867	111,818,722	44,386,554	18,725,615	-	229,571,758
Sales among segments	1,357,365	1,371,829	7,543	496,602	(3,233,339)	-
Operating profit (loss)	2,790,309	7,626,326	4,254,516	(1,160,763)	-	13,510,388

d. Geographic information

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Asia	\$ 147,643,570	\$ 158,095,174	\$ 33,794,339	\$ 43,340,489
America	44,718,555	49,529,759	745,530	867,989
Europe	21,826,301	21,668,018	13,159	14,304
Others	<u>375,896</u>	<u>278,807</u>	<u>-</u>	<u>-</u>
	<u>\$ 214,564,322</u>	<u>\$ 229,571,758</u>	<u>\$ 34,553,028</u>	<u>\$ 44,222,782</u>

The geographic information is presented by billing regions. Noncurrent assets include intangible assets, properties, plant and equipment and others.

e. Information about major customers

Customer Name	For the Year Ended December 31			
	2017		2016	
	Sales Amount	Percentage	Sales Amount	Percentage
A	\$ 21,641,308	10.09	\$ -	-

There is no customer representing at least 10% of the Group's net sales for the year ended December 31, 2016.

f. Reconciliation information for segment profit (loss)

- 1) The revenue from external parties reported to the chief operating decision-maker is used the same accounting policies in consistent with in the statement of comprehensive income.
- 2) A reconciliation of reportable segments profit (loss) and income before income tax is provided as follows:

	For the Year Ended December 31	
	2017	2016
Reportable segments' profit	\$ 9,123,157	\$ 13,510,388
Unclassified loss	(779,193)	(801,128)
Non-operating income and expenses	<u>(4,972,370)</u>	<u>(66,233)</u>
Profit before income tax	<u>\$ 3,371,594</u>	<u>\$ 12,643,027</u>

- 3) Segment profit represented the profit before tax earned by each segment without unclassified headquarter administration costs, the share of profit of associates, interest income, dividend income, other income, net gain on disposal of investments, net gain on foreign currency exchange, valuation gain or loss on financial instruments, finance costs, other expenses, gain or loss on disposal of property, plant and equipment, impairment loss, and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 1)	Transaction Amount	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Receivables from related parties	Yes	\$ 136,683	\$ -	\$ -	3.045%	b	\$ -	Operating capital	\$ -	None	\$ -	\$ 722,541	\$ 722,541	
2	LiteON Auto Electric Technology (Guangzhou) Ltd.	YANTAI LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Receivables from related parties	Yes	45,561	-	-	3.045%	b	-	Operating capital	-	None	-	151,123	151,123	
3	LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Receivables from related parties	Yes	100,274	13,719	13,719	3.045%	b	-	Operating capital	-	None	-	650,921	650,921	
4	HUIZHOU FU TAI ELECTRONIC CO., LTD.	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Receivables from related parties	Yes	36,613	-	-	3.045%	b	-	Operating capital	-	None	-	62,371	62,371	
5	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Receivables from related parties	Yes	251,515	137,190	137,190	3.045%-3.325%	b	-	Operating capital	-	None	-	3,747,773	3,747,773	
6	GUANGZHOU LITE-ON MOBILE ENGINEERING PLASTICS CO., LTD.	ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Receivables from related parties	Yes	1,685,757	-	-	3.045%	b	-	Operating capital	-	None	-	1,819,472	1,819,472	
7	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Receivables from related parties	Yes	366,128	-	-	3.045%	b	-	Operating capital	-	None	-	3,546,382	3,546,382	
8	LITE-ON ELECTRONICS H.K. LIMITED	Lite-on Green Technologies (HK) Limited Lite-on Green Energy (HK) Limited LET (HK) LIMITED	Receivables from related parties Receivables from related parties Receivables from related parties	Yes Yes Yes	403 807 250,360	380 760 237,680	380 760 237,680	1.200% 1.200% 1.160%	b b b	- - -	Operating capital Operating capital Operating capital	- - -	None None None	- - -	7,457,476 7,457,476 7,457,476	7,457,476 7,457,476 7,457,476	
9	LITE-ON SINGAPORE PTE. LTD.	LITE-ON MOBILE PTE. LTD.	Receivables from related parties	Yes	1,251,800	1,188,400	1,188,400	0.860%	b	-	Operating capital	-	None	-	2,543,098	2,543,098	
10	LTC GROUP LTD.	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Receivables from related parties	Yes	93,885	89,130	89,130	2.130%	b	-	Operating capital	-	None	-	447,216	447,216	
11	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	Receivables from related parties	Yes	45,766	45,730	45,730	3.045%	b	-	Operating capital	-	None	-	2,811,482	2,811,482	
12	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD. ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Receivables from related parties Receivables from related parties	Yes Yes	228,830 1,966,390	- 1,966,390	- 1,966,390	- 3.325%	b b	- -	Operating capital Operating capital	- -	None None	- -	9,598,624 9,598,624	9,598,624 9,598,624	
13	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	YANTAI LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD. Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Receivables from related parties Receivables from related parties	Yes Yes	45,766 137,298	45,730 137,190	45,730 137,190	3.325% 3.045%	b b	- -	Operating capital Operating capital	- -	None None	- -	2,152,897 2,152,897	2,152,897 2,152,897	

(Continued)

Note 1: Reasons for financing are as follows:

- a. Business relationship.
- b. The need for short-term financing.

Note 2: Financing limit for each borrower and aggregate financing limits are calculated based on the Parent Company's policy.

Note 3: The net worth value is based on the most current audited financial statements.

Note 4: All intercompany financing loans have been eliminated from consolidation.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(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 Corporation (the "Parent Company")	LITE-ON MOBILE PTE. LTD.	b	\$ 7,051,148	\$ 6,259,000	\$ -	\$ -	\$ -	-	\$ 28,204,591	Yes	No	No	
		SILITEK ELEC. (DONGGUAN) CO., LTD.	c	7,051,148	1,251,800	-	-	-	-	28,204,591	Yes	No	Yes	
		Lite-On Technology (Europe) B.V.	b	7,051,148	68,055	67,462	67,462	-	0.10	28,204,591	Yes	No	No	
1	Lite-On Capital Corporation	Lite-On Green Energy B.V.	c	2,288,228	336,670	333,736	333,736	-	0.47	2,288,228	No	No	No	
		Lite-On Green Technologies B.V.	c	2,288,228	840,230	832,909	832,909	-	1.18	2,288,228	No	No	No	

Note 1: Relationship between endorser/guarantor and endorsee/guarantee are as follows:

- a. Business relationship.
- b. A subsidiary in which the Parent Company holds directly over 50% of equity interest.
- c. An investee in which the Parent 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. The endorsement/guarantee limit for each entity and the total endorsement/guarantee limit are calculated on the basis of Lite-On Capital Corporation's endorsement/guarantee procedures.

c. 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 AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars or Thousands of Foreign Currencies)

Held Company Name	Marketable Securities Type and Name	Relationship with the Held Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Lite-On Technology Corporation	<u>Ordinary shares</u>							
	EPSTAR Corporation	-	Available-for-sale financial assets - non-current	449	\$ 20,271	0.04	\$ 20,271	
	Wistron Corporation	-	Available-for-sale financial assets - non-current	5,282	126,502	0.20	126,502	
	Com2B Corp.	-	Available-for-sale financial assets - non-current	5,000	9,009	11.11	9,009	
	Avamax Corp.	-	Available-for-sale financial assets - non-current	559	-	6.99	-	Note
	Aetas Technology, Inc.	Member of the board of directors	Available-for-sale financial assets - non-current	4,026	-	8.07	-	Note
	AuriaSolar Co., Ltd.	-	Available-for-sale financial assets - non-current	41,400	-	19.71	-	Note
	Z-Com, Inc.	-	Available-for-sale financial assets - non-current	2,844	49,347	3.92	49,347	
	Fong Han Electronics Co., Ltd.	-	Available-for-sale financial assets - non-current	1,167	-	6.67	-	Note
	Xepex Electronics Co., Ltd.	-	Available-for-sale financial assets - non-current	-	-	-	-	Note
	North America Micro-Electronic & Software, Incorporated	-	Available-for-sale financial assets - non-current	5	-	2.67	-	Note
	Action Media Technologies, Inc.	-	Available-for-sale financial assets - non-current	38	-	-	-	Note
	Oplink Communications, Inc.	-	Available-for-sale financial assets - non-current	1	839	0.01	839	
	Taiwan Changxing Technology Co., Ltd.	-	Available-for-sale financial assets - non-current	462	4,620	15.40	4,620	
	<u>Preference shares</u>							
	Arkologic Holdings Limited	-	Available-for-sale financial assets - non-current	11,111	-	7.66	-	Note
	PI-CORAL	-	Available-for-sale financial assets - non-current	1,139	-	10.65	-	Note
	<u>Fund</u>							
	Arm IoT Fund, L.P.	-	Available-for-sale financial assets - non-current	-	15,110	-	15,110	
	<u>Convertible bond</u>							
Xepex Electronics Co., Ltd.	-	Debt investments with no active market - non-current	150	-	-	-	Note	
Lite-On Capital Corporation	<u>Ordinary shares</u>							
	Lite-On Technology Corporation	The Parent Company	Available-for-sale financial assets - non-current	15,116	613,704	0.64	613,704	
	Lead Data, Inc.	-	Available-for-sale financial assets - non-current	865	5,360	0.59	5,360	
	Compound Solar Technology Co., Ltd.	-	Available-for-sale financial assets - non-current	2,000	-	2.86	-	Note
	Z-Com, Inc.	-	Available-for-sale financial assets - non-current	2,412	41,841	3.33	41,841	
Auden Techno Corp.	Member of the board of directors	Available-for-sale financial assets - non-current	8,124	107,399	19.90	107,399		
Lite-On Green Energy (HK) Limited	<u>Ordinary shares</u>							
	Changzhou Binhu Thin Film Solar Greenhouse Co., Ltd.	-	Available-for-sale financial assets - non-current	-	US\$ 140	19.90	US\$ 140	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Held Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
LITE-ON ELECTRONICS COMPANY LIMITED	<u>Share certificates</u> Lite-On Technology Corporation GDR	The Parent Company	Available-for-sale financial assets - non-current	245	\$ 99,322	0.10	\$ 99,322	
YET FOUNDATE LIMITED	<u>Share certificates</u> Lite-On Technology Corporation GDR	The Parent Company	Available-for-sale financial assets - non-current	227	92,053	0.10	92,053	
	<u>Ordinary shares</u> Northern Lights Semiconductor	-	Available-for-sale financial assets - non-current	3,000	-	5.91	-	Note
LET (HK) LIMITED	<u>Fund</u> Innovation Works Development Fund, L.P.	-	Available-for-sale financial assets - non-current	-	HK\$ 6,841	-	HK\$ 6,841	
LITE-ON TECHNOLOGY USA, INC.	<u>Preference shares</u> Mojo NetWorks, Inc.	-	Available-for-sale financial assets - non-current	7,486	US\$ 2,000	2.90	US\$ 2,000	
LTC GROUP LTD.	<u>Ordinary shares</u> VIZIO, Inc.	-	Available-for-sale financial assets - non-current	437	-	2.90	-	Note
LTC INTERNATIONAL LTD.	<u>Ordinary shares</u> Lite-On Technology Corporation	The Parent Company	Available-for-sale financial assets - non-current	3,793	154,000	0.16	154,000	
	<u>Share certificates</u> Lite-On Technology Corporation GDR	The Parent Company	Available-for-sale financial assets - non-current	321	130,157	0.14	130,157	
LITE-ON CHINA HOLDING CO. LTD.	<u>Ordinary shares</u> COMMIT Incorporated	-	Available-for-sale financial assets - non-current	4,962	-	1.87	-	Note
Silitech Technology Corporation	<u>Ordinary shares</u> Chi Mei Mold Co., Ltd. RTR-TECH Technology Co., Ltd.	Member of the board of directors -	Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current	1,300 6,820	11,165 -	10.00 9.46	11,165 -	Note
Silitech (Bermuda) Holding Ltd.	<u>Fund</u> Innovation Works Development Fund, L.P.	-	Available-for-sale financial assets - non-current	-	US\$ 916	-	US\$ 916	
Lite-On Japan Ltd.	<u>Ordinary shares</u> Tamura Corporation The Dai-ichi Life Insurance Company, Limited	- -	Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current	19,250 7	JPY 16,343 JPY 1,627	0.03 -	JPY 16,343 JPY 1,627	
Lite-On Mobile Oyj (formerly: Perlos Oyj)	<u>Ordinary shares</u> Kontiolahti Golf Oy	-	Available-for-sale financial assets - non-current	1	-	-	-	Note

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

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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, 2017

(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty (Note5)	Nature of Relationship (Note5)	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 LITE-ON MOBILE PTE. LTD.	Investments accounted for using the equity method	LITE-ON MOBILE PTE. LTD.	100%-owned subsidiary	162,886	\$ 8,005,173	315,360	\$ 7,249,844 (Note1)	27,214 (Note1)	\$ -	\$ 6,253,260 (Note1)	\$ -	451,032	\$ 9,001,757
	The shares of KBW-LITEON Jordan Private Shareholding Limited	Investments accounted for using the equity method and prepaid investments (Note 4)	KBW-LITEON Jordan Private Shareholding Limited	98.83%-owned subsidiary	-	-	4,297	608,700 (Note2)	-	-	13,309 (Note2)	-	4,297	595,391
	The shares of SUZHOU LITE-ON STORAGE CO., LTD.	Prepaid investments	-	-	-	-	-	1,354,950	-	-	-	-	-	1,354,950
LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	The shares of LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Investments accounted for using the equity method	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	100%-owned subsidiary	-	CNY 885,560	-	CNY 261,080 (Note3)	-	CNY 327,096 (Note3)	-	-	-	CNY 819,544
Silitech Technology Corporation	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	21,658	\$ 350,000	21,658	\$ 350,197	350,000	197	-	\$ -
	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	28,053	440,000	28,053	440,339	440,000	339	-	-
Silitech Electronic (SuZhou) Co., Ltd.	Fixed Income Instruments	Debt investments with no active market - current	-	-	-	779,462 (CNY 167,300)	-	3,047,256 (CNY 666,400)	-	3,088,542 (CNY 672,269)	3,059,874 (CNY 666,000)	28,668 (CNY 6,269)	-	766,844 (CNY 167,700)

Note 1: The acquisition amount of \$6,907,500 thousand is from the capital increased by cash; the \$342,344 thousand is from the exchange differences on translating foreign operations; the disposal amount of \$1,081,206 thousand is from losses accounted for using the equity method; \$5,170,200 thousand is from impairment losses; and \$1,854 thousand is from changes in the equity accounted for using the equity method.

Note 2: The acquisition amount of \$186,462 thousand is from the capital increased by cash, the \$150,190 thousand is from the profit accounted for using the equity method, and the \$2,228 thousand and \$269,820 thousand are transfers from prepaid investments at the beginning of the year and the end of the year respectively; the disposal amount of \$13,309 thousand is from the exchange differences on translating foreign operations.

Note 3: The acquisition amount of CNY195,096 thousand is from the capital increased by cash, and the CNY65,984 thousand is from the profit accounted for using the equity method; the disposal amount of \$327,096 thousand is from the remittance of earnings.

Note 4: Prepaid investments are eliminated in the consolidated financial statements.

Note 5: The columns are applicable only to marketable securities which are accounted for using the equity method.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (Amounts in Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount (Note)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Lite-On Technology Corporation	Plant	June 22, 2017	Total amount in contracts of no more than \$2,035,000	Monthly settlement by the construction progress and acceptance	Fu Tsu Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Bidding, pricing comparison and price negotiation	Established operation center in Kaohsiung	None

Note: Final amount is based on actual settlement amount.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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, 2017
(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

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 LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Japan Ltd. LITE-ON TRADING USA, INC. Lite-On Sales & Distribution Inc. LITE-ON CHINA HOLDING CO. LTD. LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. LITE-ON, INC. LI SHIN INTERNATIONAL ENTERPRISE CORPORATION Lite-On Overseas Trading Co., Ltd. LITE-ON AUTOMOTIVE (WUXI) CO., LTD. Lite-On (Guangzhou) Automotive Electronics Limited Diodes Incorporated	Subsidiary	Sale	\$(19,712,094)	(14)	About 90 days	Cost-plus pricing	No significant difference	\$ 5,343,874	13	
		Fourth-tier subsidiary	Sale	(1,022,953)	(1)	About 90 days	Cost-plus pricing	No significant difference	351,530	1	
		Third-tier subsidiary	Sale	(699,056)	(1)	About 90 days	Cost-plus pricing	No significant difference	311,045	1	
		Subsidiary	Sale	(3,369,737)	(2)	About 90 days	Cost-plus pricing	No significant difference	317,884	1	
		Subsidiary	Sale	(574,055)	-	About 90 days	Cost-plus pricing	No significant difference	142,929	-	
		Sub-subsidiary	Sale	(4,986,038)	(4)	About 90 days	Cost-plus pricing	No significant difference	1,984,088	5	
		Sub-subsidiary	Sale	(588,278)	-	About 90 days	Cost-plus pricing	No significant difference	346,799	1	
		Sub-subsidiary	Sale	(201,850)	-	About 90 days	Cost-plus pricing	No significant difference	200,266	1	
		Fourth-tier subsidiary	Purchase	1,648,114	1	About 90 days	Cost-plus pricing	No significant difference	(588,792)	(2)	
		Subsidiary	Purchase	22,399,977	18	About 90 days	Cost-plus pricing	No significant difference	(5,194,655)	(15)	
		Sub-subsidiary	Purchase	110,980	-	About 90 days	Cost-plus pricing	No significant difference	-	-	
		Subsidiary	Purchase	2,721,873	2	About 90 days	Cost-plus pricing	No significant difference	(515,335)	(1)	
		Subsidiary	Purchase	81,486,302	65	About 90 days	Cost-plus pricing	No significant difference	(22,184,657)	(63)	
		Third-tier subsidiary	Purchase	102,332	-	About 90 days	Cost-plus pricing	No significant difference	(43,819)	-	
		Third-tier subsidiary	Purchase	307,288	-	About 90 days	Cost-plus pricing	No significant difference	(64,899)	-	
Related party in substance	Purchase	131,571	-	About 90 days	Cost-plus pricing	No significant difference	(56,487)	-			
Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions USA, Inc. PLDS Germany GmbH	Subsidiary	Sale	(9,741,031)	(48)	About 90 days	Cost-plus pricing	No significant difference	1,495,184	39	
		Subsidiary	Sale	(910,788)	(4)	About 90 days	Cost-plus pricing	No significant difference	223,703	6	
LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(1,757,312)	(100)	About 90 days	Cost-plus pricing	No significant difference	329,589	100	
LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. Lite-On Electronics (DongGuan) Co., Ltd. Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(203,670)	(1)	About 90 days	Cost-plus pricing	No significant difference	102,850	11	
		Affiliate	Sale	(122,630)	(1)	About 90 days	Cost-plus pricing	No significant difference	12,011	1	
		Affiliate	Sale	(19,159,867)	(98)	About 90 days	Cost-plus pricing	No significant difference	785,156	85	
LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(3,708,680)	(100)	About 90 days	Cost-plus pricing	No significant difference	1,013,879	100	
LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Affiliate	Sale	(637,455)	(100)	About 90 days	Cost-plus pricing	No significant difference	154,549	100	
LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(448,437)	(82)	About 90 days	Cost-plus pricing	No significant difference	119,747	66	
LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(11,983,592)	(55)	About 90 days	Cost-plus pricing	No significant difference	3,290,019	57	
		Affiliate	Sale	(8,004,438)	(37)	About 90 days	Cost-plus pricing	No significant difference	1,898,798	33	
Lite-On Technology (Yingtian) Ltd.	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Affiliate	Sale	(149,844)	(100)	About 90 days	Cost-plus pricing	No significant difference	-	-	
LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Affiliate	Sale	(717,147)	(100)	About 90 days	Cost-plus pricing	No significant difference	116,499	100	
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Affiliate	Sale	(541,102)	(8)	About 90 days	Cost-plus pricing	No significant difference	50,511	2	
WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Affiliate	Sale	(136,750)	(4)	About 90 days	Cost-plus pricing	No significant difference	24,456	2	
		Affiliate	Sale	(197,753)	(6)	About 90 days	Cost-plus pricing	No significant difference	46,951	3	
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(125,640)	(1)	About 90 days	Cost-plus pricing	No significant difference	147,434	8	
		Affiliate	Sale	(14,893,353)	(99)	About 90 days	Cost-plus pricing	No significant difference	1,740,213	92	
SILITEK ELEC. (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(8,767,770)	(95)	About 90 days	Cost-plus pricing	No significant difference	2,510,800	94	

(Continued)

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 POWER TECHNOLOGY (DONGGUAN) CO., LTD.	LITE-ON ELECTRONICS H.K. LIMITED	Parent	Sale	\$ (1,528,187)	(100)	About 90 days	Cost-plus pricing	No significant difference	\$ 79,832	100	
LITE-ON ELECTRONICS H.K. LIMITED	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(305,799)	(12)	About 90 days	Cost-plus pricing	No significant difference	100,860	17	
LITE-ON ELECTRONICS COMPANY LIMITED	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(1,528,186)	(100)	About 90 days	Cost-plus pricing	No significant difference	-	-	
DONGGUAN G-TECH COMPUTER CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(1,374,170)	(96)	About 90 days	Cost-plus pricing	No significant difference	-	-	
HUIZHOU LI SHIN ELECTRONIC CO., LTD.	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Affiliate	Sale	(1,207,290)	(77)	About 90 days	Cost-plus pricing	No significant difference	319,561	83	
DONGGUAN G-PRO COMPUTER CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(4,922,024)	(100)	About 90 days	Cost-plus pricing	No significant difference	-	-	
LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	Sale	(398,957)	(1)	About 90 days	Cost-plus pricing	No significant difference	152,584	2	
	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(30,343,966)	(63)	About 90 days	Cost-plus pricing	No significant difference	6,212,877	77	
LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(1,797,053)	(99)	About 90 days	Cost-plus pricing	No significant difference	231,706	93	
LiteON Auto Electric Technology (Guangzhou) Ltd.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	Sale	(538,656)	(100)	About 90 days	Cost-plus pricing	No significant difference	50,897	100	
LITEON-IT OPTO TECH (BH) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(15,036,630)	(100)	About 90 days	Cost-plus pricing	No significant difference	1,864,041	100	
Lite-On Electronics (Thailand) Co., Ltd.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(3,702,063)	(97)	About 90 days	Cost-plus pricing	No significant difference	917,228	96	
	Lite-On Japan Ltd.	Affiliate	Sale	(116,217)	(3)	About 90 days	Cost-plus pricing	No significant difference	42,716	4	
LITE-ON SINGAPORE PTE. LTD.	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Affiliate	Sale	(128,281)	-	About 90 days	Cost-plus pricing	No significant difference	47,273	-	
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Subsidiary	Sale	(3,151,544)	(5)	About 90 days	Cost-plus pricing	No significant difference	997,754	5	
	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Affiliate	Sale	(1,973,304)	(3)	About 90 days	Cost-plus pricing	No significant difference	855,954	5	
	LITE-ON ELECTRONICS H.K. LIMITED	Affiliate	Sale	(2,633,729)	(4)	About 90 days	Cost-plus pricing	No significant difference	895,629	5	
	Lite-On Japan Ltd.	Affiliate	Sale	(1,365,582)	(2)	About 90 days	Cost-plus pricing	No significant difference	493,035	3	
	LITE-ON, INC.	Affiliate	Sale	(754,200)	(1)	About 90 days	Cost-plus pricing	No significant difference	188,916	1	
	LITE-ON TRADING USA, INC.	Affiliate	Sale	(5,153,896)	(8)	About 90 days	Cost-plus pricing	No significant difference	1,884,412	10	
	LEOTEK ELECTRONICS USA LLC	Affiliate	Sale	(1,191,808)	(2)	About 90 days	Cost-plus pricing	No significant difference	288,168	2	
	Lite-On Sales & Distribution, Inc.	Affiliate	Sale	(167,618)	-	About 90 days	Cost-plus pricing	No significant difference	28,116	-	
	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(173,119)	-	About 90 days	Cost-plus pricing	No significant difference	294,684	2	
	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Affiliate	Sale	(199,706)	-	About 90 days	Cost-plus pricing	No significant difference	55,755	-	
	Lite-On Semiconductor Corp.	Associate	Purchase	101,386	-	About 90 days	Cost-plus pricing	No significant difference	(32,037)	-	
LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(165,171)	(100)	About 90 days	Cost-plus pricing	No significant difference	23,041	92	
Lite-On Overseas Trading Co., Ltd.	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Affiliate	Sale	(15,924,115)	(8)	About 90 days	Cost-plus pricing	No significant difference	2,665,329	5	
	LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Affiliate	Sale	(256,778)	-	About 90 days	Cost-plus pricing	No significant difference	50,650	-	
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Affiliate	Sale	(13,239,712)	(6)	About 90 days	Cost-plus pricing	No significant difference	4,751,507	9	
	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Affiliate	Sale	(279,673)	-	About 90 days	Cost-plus pricing	No significant difference	48,607	-	
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Affiliate	Sale	(12,042,182)	(6)	About 90 days	Cost-plus pricing	No significant difference	1,945,161	4	
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Affiliate	Sale	(6,458,115)	(3)	About 90 days	Cost-plus pricing	No significant difference	890,028	2	
	DONGGUAN G-TECH COMPUTER CO., LTD.	Affiliate	Sale	(771,630)	-	About 90 days	Cost-plus pricing	No significant difference	-	-	
	I-SOLUTIONS LIMITED	Affiliate	Sale	(183,611)	-	About 90 days	Cost-plus pricing	No significant difference	43,764	-	
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Affiliate	Sale	(664,957)	-	About 90 days	Cost-plus pricing	No significant difference	165,903	-	
	DONGGUAN G-PRO COMPUTER CO., LTD.	Affiliate	Sale	(4,218,521)	(2)	About 90 days	Cost-plus pricing	No significant difference	-	-	
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Affiliate	Sale	(36,319,074)	(17)	About 90 days	Cost-plus pricing	No significant difference	5,826,072	11	
	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Affiliate	Sale	(1,100,495)	(1)	About 90 days	Cost-plus pricing	No significant difference	364,735	1	
	LiteON Auto Electric Technology (Guangzhou) Ltd.	Affiliate	Sale	(168,415)	-	About 90 days	Cost-plus pricing	No significant difference	64,736	-	
	LITEON-IT OPTO TECH (BH) CO., LTD.	Affiliate	Sale	(14,511,302)	(7)	About 90 days	Cost-plus pricing	No significant difference	4,063,032	8	
	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(22,909,846)	(11)	About 90 days	Cost-plus pricing	No significant difference	7,877,852	15	

(Continued)

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 Semiconductor Corp. Diodes Incorporated	Associate Related party in substance	Purchase Purchase	\$ 604,402 327,158	- -	About 90 days About 90 days	Cost-plus pricing Cost-plus pricing	No significant difference No significant difference	\$ (235,097) (124,429)	1 -	
LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	Sale	(471,936)	(63)	About 90 days	Cost-plus pricing	No significant difference	182,340	62	
Lite-On (Guangzhou) Automotive Electronics Limited	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. LITE-ON SINGAPORE PTE. LTD.	Affiliate Affiliate	Sale Sale	(1,797,582) (1,683,027)	(39) (40)	About 90 days About 90 days	Cost-plus pricing Cost-plus pricing	No significant difference No significant difference	837,612 227,221	49 13	
Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Affiliate	Sale	(366,127)	(93)	About 90 days	Cost-plus pricing	No significant difference	153,438	97	
GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Lite-On Mobile Oyj LITE-ON MOBILE PTE. LTD.	Affiliate Parent	Sale Sale	(127,638) (1,176,443)	(4) (40)	About 90 days About 90 days	Cost-plus pricing Cost-plus pricing	No significant difference No significant difference	51,035 460,059	4 39	
ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	LITE-ON MOBILE PTE. LTD.	Parent	Sale	(502,204)	(47)	About 90 days	Cost-plus pricing	No significant difference	114,526	34	
LITE-ON MOBILE PTE. LTD.	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Affiliate	Sale	(182,311)	(9)	About 90 days	Cost-plus pricing	No significant difference	39,922	9	
Lite-On Japan Ltd.	Lite-On Semiconductor Corp. Lite-On Semiconductor Corp.	Associate Associate	Sale Purchase	JPY(1,036,615) JPY 1,951,960	(69) 19	About 90 days About 90 days	Cost-plus pricing Cost-plus pricing	No significant difference No significant difference	JPY 278,214 JPY (388,034)	10 (11)	
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	Sale	US\$ (22,173) JPY (17,385)	(91)	90 days	No significant difference	90-120 days	US\$ 8,874 JPY 7,332	92	
Xurong Electronic (Shenzhen) Ltd.	Silitech Technology Corporation Limited	Parent	Sale	US\$ (24,306) JPY (17,385)	(63)	90 days	No significant difference	90-120 days	US\$ 9,881 JPY 7,332	76	

Note 1: All intercompany sales and purchases have been eliminated from consolidation.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2017

(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Ending Balance of Notes Receivable-inter	Ending Balance of Trade Receivables-inter	Ending Balance of Other Receivables-inter	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	\$ -	\$ 5,343,874	\$ 2,296	3.47	\$ -	-	\$ 1,081,185	\$ -
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Fourth-tier subsidiary	-	351,530	-	2.67	-	-	-	-
	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Third-tier subsidiary	-	311,045	-	1.64	-	-	92,460	-
	LITE-ON SINGAPORE PTE. LTD.	Subsidiary	-	317,884	79,239	4.71	-	-	45,022	-
	Lite-On Japan Ltd.	Subsidiary	-	142,929	22,446	3.79	-	-	59,044	-
	LITE-ON TRADING USA, INC.	Sub-subsiary	-	1,984,088	12,152	2.89	-	-	623,871	-
	Lite-On Sales & Distribution Inc.	Sub-subsiary	-	346,799	70	1.20	-	-	-	-
	Lite-On Overseas Trading Co., Ltd.	Subsidiary	-	2,922,898	71,352	-	-	-	1,580,674	-
Lite-On China Holding Co., Ltd.	Sub-subsiary	-	200,266	-	1.14	-	-	-	-	
Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions USA, Inc.	Subsidiary	-	1,495,184	-	6.04	-	-	177,949	-
	PLDS Germany GmbH	Subsidiary	-	223,703	-	2.97	-	-	97,660	-
LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	329,589	-	5.96	-	-	167,844	-
LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Affiliate	-	102,850	-	2.61	-	-	24,393	-
	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	785,156	-	20.44	-	-	760,779	-
LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO.,	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	1,013,879	10,906	4.58	-	-	425,233	-
LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Affiliate	-	154,549	-	4.89	-	-	73,890	-
LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	119,747	-	4.94	-	-	59,553	-
LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Affiliate	-	-	137,748	-	-	-	106	-
	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	3,290,019	-	4.74	-	-	1,131,653	-
	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	1,898,798	-	4.68	-	-	1,688,643	-
LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Affiliate	-	116,499	-	6.03	-	-	74,399	-
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Affiliate	-	147,434	-	1.70	-	-	22,337	-
	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	1,740,213	-	10.42	-	-	1,451,885	-
SILITEK ELEC. (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	2,510,800	2,659	4.22	-	-	866,142	-
LITE-ON ELECTRONICS H.K. LIMITED	LET (HK) LIMITED	Affiliate	-	-	237,682	-	-	-	-	-
	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	100,860	-	2.86	-	-	32,978	-
HUIZHOU LI SHIN ELECTRONIC CO., LTD.	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Affiliate	-	319,561	-	7.00	-	-	88,387	-

(Continued)

Company Name	Related Party	Nature of Relationship	Ending Balance of Notes Receivable-inter	Ending Balance of Trade Receivables-inter	Ending Balance of Other Receivables-inter	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
							Amount	Action Taken		
LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	\$ -	\$ 152,584	\$ 585	3.29	\$ -	-	\$ 43,184	\$ -
	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	6,212,877	-	4.58	-	-	4,661,847	-
	ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Affiliate	-	-	1,975,082	-	-	-	-	-
LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	231,706	-	4.74	-	-	90,030	-
	Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Affiliate	-	-	139,256	-	-	-	-	-
LITEON-IT OPTO TECH (BH) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	1,864,041	-	5.31	-	-	1,864,041	-
Lite-On Electronics (Thailand) Co., Ltd.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	917,228	14,739	4.24	-	-	320,920	-
LITE-ON SINGAPORE PTE. LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Subsidiary	-	997,754	-	2.91	-	-	249,776	-
	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Affiliate	-	855,954	-	2.94	-	-	397,181	-
	LITE-ON ELECTRONICS H.K. LIMITED	Affiliate	-	895,629	84	3.76	-	-	88,931	-
	Lite-On Japan Ltd.	Affiliate	-	493,035	1,586	2.88	-	-	27,622	-
	LITE-ON, INC.	Affiliate	-	188,916	1,101	4.01	-	-	73,870	-
	LITE-ON TRADING USA, INC.	Affiliate	-	1,884,412	10,028	2.67	-	-	411,557	-
	LEOTEK ELECTRONICS USA LLC	Affiliate	-	288,168	4,577	3.39	-	-	98,375	-
	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	294,684	-	0.85	-	-	33,216	-
	LITE-ON MOBILE PTE. LTD.	Affiliate	-	-	1,188,854	-	-	-	-	-
G&W TECHNOLOGY (BVI) LIMITED	G&W TECHNOLOGY LIMITED	Subsidiary	-	-	156,999	-	-	-	-	-
Lite-On Overseas Trading Co., Ltd.	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Affiliate	-	2,665,329	1,816	6.30	-	-	1,470,191	-
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Affiliate	-	4,751,507	-	2.60	-	-	1,556,329	-
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Affiliate	-	1,945,161	-	6.46	-	-	1,293,662	-
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Affiliate	-	890,028	1,608	8.93	-	-	684,654	-
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Affiliate	-	165,903	49	4.11	-	-	101,698	-
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Affiliate	-	5,826,072	-	4.54	-	-	4,782,325	-
	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Affiliate	-	364,735	1,705	2.56	-	-	88,185	-
	LITEON-IT OPTO TECH (BH) CO., LTD.	Affiliate	-	4,063,032	716	3.08	-	-	1,820,835	-
	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	7,877,852	-	4.49	-	-	2,170,748	-
LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	-	182,340	2,439	2.46	-	-	-	-
Lite-On (Guangzhou) Automotive Electronics Limited	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	-	837,612	22,292	2.75	-	-	199,445	-
	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	227,221	21	5.15	-	-	202,196	-
Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Affiliate	-	153,438	-	3.19	-	-	138,595	-
GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	LITE-ON MOBILE PTE. LTD.	Parent	-	460,059	-	1.61	-	-	128,961	-
ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	LITE-ON MOBILE PTE. LTD.	Parent	-	114,526	-	1.12	-	-	-	-
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	-	US\$ 8,874 JPY 7,332	-	3.38	-	-	US\$ 2,698 JPY 1,557	-
Xurong Electronic (Shenzhen) Ltd.	Silitech Technology Corporation Limited	Parent	-	US\$ 9,981 JPY 7,332	-	3.24	-	-	US\$ 2,698 JPY 1,557	-

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE PARENT COMPANY EXERCISES SIGNIFICANT INFLUENCE

FOR THE YEAR ENDED DECEMBER 31, 2017

(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, 2017			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2017	December 31, 2016	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	\$ 1,287,758	\$ (82,018)	\$ (27,779)	Subsidiary
	Lite-On Integrated Service Inc.	Taipei City, Taiwan	Information outsourcing and system integrate	25,886	25,886	3,400	100.00	47,153	5,454	5,454	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	974,975	(56,735)	(16,807)	Associate
	Logah Technology Corp.	Kaohsiung City, Taiwan	Development, manufacture and sale of LCD TV inverters	198,585	389,240	16,164	14.34	95,242	197	(11,558)	Associate (Note 1)
	Lite-On Capital Corporation	Taipei City, Taiwan	Investment activities	4,096,367	4,096,367	209,545	100.00	1,603,803	204,045	159,907	Subsidiary
	LITE-ON ELECTRONICS H.K. LIMITED	Hong Kong	Sale of LED optical products	7,339,481	7,339,481	17,865	100.00	14,218,135	HK\$ 513,612	2,151,174	Subsidiary
	Lite-On Electronics (Thailand) Co., Ltd.	Thailand	Manufacture and sale of LED optical products	529,106	529,106	5,030	100.00	1,564,682	THB 145,202	129,380	Subsidiary
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	248,305	248,305	6,162	49.49	349,889	JPY 109,616	15,118	Subsidiary
	Lite-On International Holding Co., Ltd.	British Virgin Islands	Investment activities	US\$ 335,825	US\$ 335,825	335,825	100.00	17,379,624	US\$ (121,220)	(3,812,840)	Subsidiary
	LTC GROUP LTD.	British Virgin Islands	Investment activities	\$ 1,098,752	\$ 1,098,752	32,916	100.00	163,059	US\$ (3,474)	(121,531)	Subsidiary
	LITE-ON TECHNOLOGY USA, INC.	USA	Investment activities	US\$ 55,172	US\$ 55,172	470	100.00	2,302,123	US\$ 3,387	120,092	Subsidiary
	LITE-ON ELECTRONICS (EUROPE) LIMITED	United Kingdom	Manufacture and sale of power supplies	\$ 44,559	\$ 44,559	300	100.00	55,875	GBP 156	6,104	Subsidiary
	Lite-On Technology (Europe) B.V.	Netherlands	Market research and after-sales service	2,543,184	2,543,184	331	54.00	438,634	EUR 8,065	154,885	Subsidiary
	Lite-On Overseas Trading Co., Ltd.	British Virgin Islands	Merchandising business	168,947	168,947	5,143	100.00	273,986	US\$ (1,002)	(28,646)	Subsidiary
	LITE-ON SINGAPORE PTE. LTD.	Singapore	Manufacture and supply computer peripheral products	US\$ 63,788	US\$ 63,788	51,777	100.00	3,212,400	US\$ 120,646	3,697,311	Subsidiary
	Lite-On Semiconductor Corp.	New Taipei City, Taiwan	Manufacture of image sensor and rectifier	\$ 773,618	\$ 773,618	57,204	18.38	1,406,656	\$ 563,975	102,257	Associate (Note 1)
	LITE-ON VIETNAM CO., LTD.	Vietnam	Electronic contract manufacturing	US\$ 12,000	US\$ 12,000	-	100.00	331,292	US\$ (117)	(3,495)	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	(60,964)	US\$ (2)	(57)	Subsidiary
	EAGLE ROCK INVESTMENT LTD.	British Virgin Islands	Import and export business and investment activities	341	341	10	100.00	1,134,938	US\$ (2,349)	(71,441)	Subsidiary
	Canfield Ltd.	Apia, Samoa	Import and export business and investment activities	7,142	7,142	200	33.33	4,584	US\$ (12)	(99)	Associate
	LITE-ON MOBILE PTE. LTD.	Singapore	Manufacture and sale of mobile phone modules and design for assembly line	EUR 457,014	EUR 250,329	451,032	100.00	9,001,757	US\$ (35,570)	(1,081,206)	Subsidiary
	LET (HK) LIMITED	Hong Kong	Sale of optical disc drives	\$ 251,322	\$ 251,322	62,060	100.00	30,889	HK\$ 1,441	5,364	Subsidiary
	HIGH YIELD GROUP CO., LTD.	British Virgin Islands	Holding company	2,271,806	2,271,806	68,138	100.00	5,588,529	US\$ 3,698	209,093	Subsidiary
Lite-On Information Technology B.V.	Netherlands	Market research and customer service	1,163,591	1,163,591	11,018	100.00	16,898	EUR (14)	(489)	Subsidiary	
Philips & Lite-On Digital Solutions Corporation	Taiwan	Sale of optical disc drives	267,113	267,113	17,150	49.00	302,064	\$ 56,287	27,580	Subsidiary	
Lite-Space Technology Company Limited	Hong Kong	Sale of computer components	149,968	149,968	5,100	42.50	74,632	US\$ 2,675	23,140	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	85,195	MXN 16,408	24,990	Subsidiary	
Lite-On Automotive Electronics (Europe) B.V.	Netherlands	Sale of automotive parts and other electronic products	EUR 90	EUR 1,090	2	100.00	5,025	EUR (17)	(619)	Subsidiary	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2017	December 31, 2016	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Lite-On Capital Corporation	Lite-On Automotive International (Cayman) Co., Ltd.	Cayman	Investment activities	US\$ 100,626	US\$ 100,626	11,967	100.00	\$ 2,253,101	US\$ 9,271	\$ 327,068	Subsidiary
	KBW-LITEON Jordan Private Shareholding Ltd.	Jordan	Investment	US\$ 69	US\$ 69	49	49.00	4,491	JOD 135	2,818	Associate
	KBW-LITEON Jordan Private Shareholding Limited	Jordan	Production and manufacture of energy-saving lights and project construction and maintenance	US\$ 6,069	US\$ 69	4,297	98.83	325,571	JOD 3,600	150,190	Subsidiary
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	India	Manufacture and sale of phone chargers and power supplies	INR 403,920	INR -	40,392	99.00	171,585	INR (35,112)	(16,216)	Subsidiary
	SKYLA CORPORATION	Taiwan	Manufacture and sale of medical equipment	\$ 500	\$ -	50	100.00	500	\$ -	-	Subsidiary
	Silitech Technology Corporation	New Taipei City, Taiwan	Manufacture and sale of modules and plastic products	\$ 115,572	\$ 115,572	1,153	0.64	105,892	(82,018)	-	Subsidiary
	Lite-On Green Technologies Inc.	Taipei City, Taiwan	Manufacture and wholesale of electronic components and energy technology services	1,040,000	1,040,000	84,000	100.00	239,239	(8,232)	-	Subsidiary
	Lite-On Green Energy (HK) Limited	Hong Kong	Investment activities	US\$ 3,000	US\$ 3,000	3,000	100.00	3,325	US\$ (2)	-	Subsidiary
	Lite-On Technology (Europe) B.V.	Netherlands	Market research and after-sales service	\$ 2,126,479	\$ 2,126,479	282	46.00	371,799	EUR 8,065	-	Subsidiary
	Lite-On Semiconductor Corp.	New Taipei City, Taiwan	Manufacture of image sensor and rectifier	-	-	6,486	2.08	188,023	\$ 563,975	-	Associate (Note 1)
	LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Singapore	Investment activities	227,434	440,974	3,458	100.00	107,827	EUR 172	-	Subsidiary
	Logah Technology Corp.	Kaohsiung City, Taiwan	Development, manufacture and sale of LCD TV inverters	-	74,538	-	-	-	\$ -	-	Associate (Note 2)
	Five Dimension Co., Ltd.	Japan	Development, manufacture and sale of cell phone and camera lens modules	JPY 172,180	JPY 172,180	9	39.10	-	-	-	Associate (Note 3)
Lite-On Green Technologies Inc.	Lite-On Green Technologies B.V.	Netherlands	Solar energy engineering	EUR 16,020	EUR 16,020	30	100.00	209,884	EUR (58)	-	Subsidiary
	Lite-On Green Technologies (HK) Limited	Hong Kong	Solar energy engineering	US\$ 760	US\$ 760	4,000	100.00	(8,822)	US\$ (85)	-	Subsidiary
LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Lite-On Green Energy B.V.	Netherlands	Investment activities	EUR 2,500	EUR 2,500	9,140	100.00	EUR 637	EUR 186	-	Subsidiary
Lite-On Green Technologies B.V.	KompaktSolar GmbH	Berlin, Germany	Solar energy engineering	EUR 401	EUR 401	51	51.00	EUR -	EUR -	-	Associate
CHINA BRIDGE (CHINA) CO., LTD.	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Wuxi, China	Express and sale of power supplies, printers, display devices and scanners	CNY 36,244	CNY 36,244	-	100.00	CNY 111,897	CNY 16,472	-	Subsidiary
	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Changzhou, China	Development, manufacture of new-type electronic components and provide technology consulting services, maintenance equipment and after-sales services	CNY 85,015	CNY 85,015	-	12.59	CNY 74,629	CNY 16,128	-	Subsidiary
LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Changzhou, China	Development, manufacture, sale and installation of power supplies and transformers and provision technology consulting services, maintenance equipment and after-sales services	CNY 527,134	CNY 332,038	-	100.00	CNY 819,544	CNY 65,984	-	Subsidiary
	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Changzhou, China	Development, manufacture and sale of new-type electronic components and LED and provision technology consulting services, maintenance equipment and after-sales services	CNY 503,977	CNY 503,977	-	87.41	CNY 518,135	CNY 16,128	-	Subsidiary
	LITE-ON MEDICAL DEVICE (CHANGZHOU) LTD.	Changzhou, China	Manufacture and sale of medical equipment	CNY 30,640	CNY 30,640	-	100.00	CNY 23,603	CNY (4,062)	-	Subsidiary
	LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	Changzhou, China	Design, development, manufacture and sale of computer laptop keyboards and components and provision technology consulting services and after-sales services	CNY 55,924	CNY 55,924	-	100.00	CNY 52,504	CNY (1,225)	-	Subsidiary
Lite-On Automotive International (Cayman) Co., Ltd.	LITE-ON AUTOMOTIVE HOLDINGS (HONG KONG) CO., LIMITED	Hong Kong	Investment activities	HK\$ 41,384	HK\$ 41,384	100,626	100.00	US\$ 74,929	HK\$ 72,108	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2017	December 31, 2016	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
HIGH YIELD GROUP CO., LTD.	LITE-ON IT INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of optical disc drives	US\$ 102,400	US\$ 102,400	102,400	100.00	US\$ 208,465	US\$ 5,004	\$ -	Subsidiary
Lite-On Information Technology B.V.	Lite-On Information Technology GmbH	Germany	Sale of optical disc drives	EUR 25	EUR 25	-	100.00	EUR 40	EUR -	-	Subsidiary
Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions USA, Inc. PLDS Netherlands B.V.	USA	Sale of optical disc drives	\$ 33	\$ 33	1	100.00	\$ 227,899	US\$ 242	-	Subsidiary
		Netherlands	Sale and design of optical disc drives	381,221	381,221	15	100.00	48,522	EUR 17	-	Subsidiary
	PLDS Germany GmbH	Germany	Development and sale of modules of automotive recorders	1,326,996	1,326,996	-	100.00	958,699	EUR 1,439	-	Subsidiary
		South Korea	Sale of optical disc drives	15,376	15,376	18	100.00	34,009	KBW 22,804	-	Subsidiary
LITE-ON TECHNOLOGY USA, INC.	LITE-ON, INC.	USA	Sales data processing business of optoelectronic products and power supplies	US\$ 3,000	US\$ 3,000	3,000	100.00	US\$ 5,178	US\$ 451	-	Subsidiary
		California, USA	Sale of optical products	US\$ 31,500	US\$ 31,500	315	100.00	US\$ 34,302	US\$ 910	-	Subsidiary
	USA	Sale of LED products	US\$ 5,792	US\$ 5,792	-	100.00	US\$ 11,111	US\$ 1,489	-	Subsidiary	
	USA	Development, design and manufacture of power control and energy management	US\$ 15,756	US\$ 15,756	12,916	95.25	US\$ 17,486	US\$ 368	-	Subsidiary	
	USA	Sale of optical disc drives	US\$ 4,765	US\$ 4,765	1	100.00	US\$ 3,527	US\$ 224	-	Subsidiary	
Lite-On International Holding Co., Ltd.	LITE-ON CHINA HOLDING CO. LTD.	British Virgin Islands	Manufacture and sale of computer cases	US\$ 399,442	US\$ 399,442	399,442	100.00	US\$ 611,528	US\$ (121,216)	-	Subsidiary
LITE-ON SINGAPORE PTE. LTD.	LiteStar JV Holding (BVI) Co., Ltd.	British Virgin Islands	Investment activities	US\$ 27,000	US\$ 27,000	2	19.35	US\$ 26,082	\$ 271,346	-	Associate
		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\$ 50	US\$ 50	1	1.00	US\$ 29	MXN 16,408	-	Subsidiary
	India	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	Manufacture and sale of phone chargers and power supplies	INR 4,080	-	408	1.00	US\$ 58	INR (35,112)	-	Subsidiary
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	Yancheng, China	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	CNY 19,427	CNY 19,427	-	100.00	CNY 30,923	CNY 920	-	Subsidiary
LTC GROUP LTD.	TITANIC CAPITAL SERVICES LTD. LTC INTERNATIONAL LTD.	British Virgin Islands	Investment activities	\$ 529,106	\$ 529,106	8,655	100.00	US\$ 642	US\$ (78)	-	Subsidiary
		British Virgin Islands	Manufacture and sale of system products	485,514	485,514	15,120	100.00	US\$ 11,584	US\$ (2,433)	-	Subsidiary
Lite-On Technology (Europe) B.V.	Lite-On (Finland) Oy	Finland	Manufacture and sale of mobile phone modules and design for assembly line	EUR 76,674	EUR 76,674	3	100.00	EUR 19,480	EUR 7,774	-	Subsidiary
Lite-On (Finland) Oy	Lite-On Mobile Oyj	Finland	Manufacture and sale of mobile phone modules and design for assembly line	EUR 196,618	EUR 196,618	52,937	100.00	EUR 19,190	EUR 7,775	-	Subsidiary
LITE-ON CHINA HOLDING CO., LTD.	LITE-ON ELECTRONICS COMPANY LIMITED	Hong Kong	Investment activities	US\$ 360,760	US\$ 360,760	2,966,233	100.00	US\$ 586,824	HK\$ (826,461)	-	Subsidiary
		Hong Kong	Manufacture of plastic and computer peripheral products	CNY 73,220	CNY 73,220	68,430	100.00	US\$ 17,809	CNY (3,698)	-	Subsidiary
	British Virgin Islands	I-SOLUTIONS LIMITED	Original equipment manufacturer of electronic products	US\$ 1,500	US\$ 1,500	1,500	100.00	US\$ 1,500	US\$ -	-	Subsidiary
	Hong Kong	FORDGOOD ELECTRONIC LIMITED	Import and export and real estate business	US\$ 13,336	US\$ 13,336	105,450	100.00	US\$ 16,305	HK\$ 2,608	-	Subsidiary
	G&W TECHNOLOGY (BVI) LIMITED	British Virgin Islands	Real estate management	US\$ 3,900	US\$ 3,900	3,900	50.00	US\$ 4,052	US\$ 755	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2017	December 31, 2016	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
G&W TECHNOLOGY (BVI) LIMITED	G&W TECHNOLOGY LIMITED	Hong Kong	Leasing business	US\$ 65	US\$ 65	500	100.00	US\$ 597	US\$ 845	\$ -	Subsidiary
Silitech Technology Corporation	Lite-On Japan Ltd. Silitech (BVI) Holding Ltd.	Japan	Sale of LED optical products and power supplies	JPY 197,040	JPY 197,040	980	7.87	\$ 70,592	JPY 109,616	-	Subsidiary
		British Virgin Islands	Investment activities	US\$ 95,182	US\$ 95,182	95,182	100.00	3,343,000	US\$ 1,794	-	Subsidiary
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Bermuda	Investment activities	US\$ 95,132	US\$ 95,132	95,132	100.00	US\$ 111,934	US\$ 1,794	-	Subsidiary
Silitech (Bermuda) Holding Ltd.	Silitech (Hong Kong) Holding Ltd. Silitech Technology Corporation Sdn. Bhd. Silitech Technology Corporation Limited	Hong Kong	Investment activities	US\$ 77,200	US\$ 77,200	77,200	100.00	US\$ 56,952	CNY (8,911)	-	Subsidiary
		Malaysia	Manufacture of computer peripheral products	US\$ 5,632	US\$ 5,632	21,400	100.00	US\$ 13,895	MYR 15,023	-	Subsidiary
		Hong Kong	Manufacture of plastic and computer peripheral products	US\$ 8,000	US\$ 8,000	62,400	100.00	US\$ 29,866	CNY (13,640)	-	Subsidiary
		India	Development, manufacture and sale of automotive parts	US\$ 3,002	US\$ 3,002	4,173	100.00	US\$ 1,460	INR (2,680)	-	Subsidiary
Lite-On Japan Ltd.	L&K Industries Philippines, Inc. Lite-On Japan (H.K.) Limited Lite-On Japan (Korea) Co., Ltd. LITE-ON JAPAN (Thailand) CO., LTD	Philippines	Import and export business of electronic components	JPY 261,944	JPY 261,944	1,000	100.00	JPY 261,944	JPY (154,495)	-	Subsidiary (Note 4)
		Hong Kong	Import and export business of electronic components	JPY 70,000	JPY 70,000	50	100.00	JPY 70,000	JPY 42,079	-	Subsidiary (Note 4)
		South Korea	Import and export business of electronic components	JPY 22,593	JPY 22,593	20	100.00	JPY 22,593	JPY -	-	Subsidiary (Note 4)
		Thailand	Import and export business of electronic components	JPY 65,939	JPY 65,939	200	100.00	JPY 65,939	JPY 72,933	-	Subsidiary (Note 4)
Lite-On Japan (H.K.) Limited	NL (SHANGHAI) CO., LTD.	China	Import and export business of electronic components	JPY 35,655	JPY 35,655	30	100.00	JPY 35,655	JPY 13,276	-	Subsidiary (Note 4)
Lite-On Mobile Oyj	Lite-On Mobile Sweden AB LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA. LITE-ON MOBILE INDIA PRIVATE LIMITED	Sweden	Manufacture and sale of mobile phone modules and design for assembly line	EUR 20,551	EUR 20,551	20	100.00	EUR 366	SEK 167	-	Subsidiary
		Brazil	Manufacture and sale of mobile phone modules and design for assembly line	EUR 2,509	EUR 2,509	6,507	2.97	EUR 355	BRL 2,018	-	Subsidiary
		India	Manufacture and sale of mobile phone modules and design for assembly line	EUR 4,436	EUR 4,436	33,536	11.59	EUR 2,359	INR 13,442	-	Subsidiary
LITE-ON MOBILE PTE. LTD.	Perlos Precizios M'uanagipari Korlátolt Felelősségű Társaság LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA. LITE-ON YOUNG FAST PTE. LTD. Yamada-Lom Fabricacao De Artefatos De Material Plastico Ltda. LITE-ON MOBILE INDIA PRIVATE LIMITED	Hungary	Manufacture and sale of mobile phone modules and design for assembly line	US\$ -	US\$ 733	-	-	US\$ -	EUR (40)	-	Subsidiary
		Brazil	Manufacture and sale of mobile phone modules and design for assembly line	US\$ 108,302	US\$ 105,802	212,824	97.03	US\$ 13,908	BRL 2,018	-	Subsidiary
		Singapore	Investment activities	US\$ 7,864	US\$ 7,864	10	100.00	US\$ 3,459	US\$ (13)	-	Subsidiary
		Brazil	Manufacture and sale of mobile phone modules and design for assembly line	US\$ 540	US\$ 540	-	25.00	US\$ 120	BRL 1,951	-	Associate
		India	Manufacture and sale of mobile phone modules and design for assembly line	US\$ 47,239	US\$ 47,239	255,730	88.41	US\$ 21,506	INR 13,442	-	Subsidiary
GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	YANTAI LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Yantai, China	Manufacture and sale of mobile phone modules and design for assembly line	CNY 20,000	CNY 20,000	-	100.00	CNY 46,890	CNY 6,303	-	Subsidiary

Note 1: Information on net income (loss) of investee has not been approved by its board of directors, so it is shown as an estimated amount. For final amount of net income (loss), refer to financial statements published on the market observation post system.

Note 2: The entity has been disposed of in the year ended December 31, 2017.

Note 3: The investee is filing for bankruptcy, and the impairment loss has already been recognized.

Note 4: The Parent Company's grandchild company; investment income/losses and adjustment for changes in equities for using equity method recognized by the Parent Company.

Note 5: Refer to Table 9 for information on investments in mainland China.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017

(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	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Note
						Outflow	Inflow							
Lite-On Technology Corporation	LITE-ON COMPUTER TECHNOLOGY (DONGGUAN) CO., LTD.	Manufacture and sale of display device	\$ 487,244 (US\$ 16,400)	Note 1	\$ 845,814 (US\$ 28,469)	\$ -	\$ -	\$ 845,814 (US\$ 28,469)	\$ (12,134) (CNY -2,694)	100.00	\$ (12,134) (CNY -2,694)	\$ 408,593 (HK\$ 107,485)	\$ -	
	DONGGUAN G-PRO COMPUTER CO., LTD.	Manufacture and sale of system products	642,315 (HK\$ 168,968)	Note 1	517,697 (US\$ 17,425)	-	-	517,697 (US\$ 17,425)	181,155 (CNY 40,221)	100.00	181,155 (CNY 40,221)	-	-	Note 3
	LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	ODM services	1,975,715 (US\$ 66,500)	Note 1	1,975,656 (US\$ 66,498)	-	-	1,975,656 (US\$ 66,498)	78,311 (CNY 17,387)	100.00	78,311 (CNY 17,387)	2,975,835 (HK\$ 782,826)	-	
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture of electronic components	1,051,734 (US\$ 35,400)	Note 1	1,051,734 (US\$ 35,400)	-	-	1,051,734 (US\$ 35,400)	846,639 (CNY 187,975)	100.00	846,639 (CNY 187,975)	2,312,509 (HK\$ 608,331)	-	
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Manufacture and sale of keyboards	142,608 (US\$ 4,800)	Note 1	142,608 (US\$ 4,800)	-	-	142,608 (US\$ 4,800)	527,180 (CNY 117,047)	100.00	527,180 (CNY 117,047)	2,427,608 (HK\$ 638,609)	-	
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Manufacture and sale of printers and scanners	1,087,386 (US\$ 36,600)	Note 1	1,087,386 (US\$ 36,600)	-	-	1,087,386 (US\$ 36,600)	(1,386,696) (CNY -307,881)	100.00	(1,386,696) (CNY -307,881)	9,601,101 (HK\$ 2,525,675)	-	Note 4
	CHINA BRIDGE (CHINA) CO., LTD.	Investment, sales agent	891,300 (US\$ 30,000)	Note 1	883,724 (US\$ 29,745)	-	-	883,724 (US\$ 29,745)	71,069 (CNY 15,779)	100.00	71,069 (CNY 15,779)	1,298,501 (HK\$ 341,585)	-	
	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Manufacture and sale of IT products	420,991 (US\$ 14,170)	Note 1	420,991 (US\$ 14,170)	-	-	420,991 (US\$ 14,170)	227,083 (CNY 50,418)	100.00	227,083 (CNY 50,418)	3,390,024 (HK\$ 891,783)	-	Note 3
	LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED	Manufacture and sale of mobile terminal equipment	729,678 (US\$ 24,560)	Note 1	729,678 (US\$ 24,560)	-	-	729,678 (US\$ 24,560)	-	100.00	-	-	-	Note 4
	DONGGUAN G-TECH COMPUTER CO., LTD.	Manufacture and sale of computer case	382,033 (HK\$ 100,498)	Note 1	341,665 (US\$ 11,500)	-	-	341,665 (US\$ 11,500)	85,396 (CNY 18,960)	100.00	85,396 (CNY 18,960)	-	-	Note 3
	LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED	Manufacture and sale of computer case	986,372 (US\$ 33,200)	Note 1	986,372 (US\$ 33,200)	-	-	986,372 (US\$ 33,200)	-	100.00	-	-	-	Note 4
	COMMIT Incorporated	Manufacture and sale of application software and multimedia product design	953,275 (US\$ 32,086)	Note 1	17,826 (US\$ 600)	-	-	17,826 (US\$ 600)	-	1.87	-	-	-	
	LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED	Manufacture and sale of mobile terminal equipment	469,715 (US\$ 15,810)	Note 1	469,715 (US\$ 15,810)	-	-	469,715 (US\$ 15,810)	-	100.00	-	-	-	Note 4
	LITE-ON (GUANGZHOU) INFORTECH CO., LTD.	Information outsourcing	37,732 (US\$ 1,270)	Note 1	69,640 (US\$ 2,344)	-	-	69,640 (US\$ 2,344)	13,161 (CNY 2,922)	100.00	13,161 (CNY 2,922)	175,959 (HK\$ 46,288)	-	
	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	540,722 (US\$ 18,200)	Note 1	362,462 (US\$ 12,200)	-	-	362,462 (US\$ 12,200)	-	100.00	-	-	-	Note 4
	LITE-ON DIGITAL ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture and sale of computer peripheral products	89,130 (US\$ 3,000)	Note 1	89,130 (US\$ 3,000)	-	-	89,130 (US\$ 3,000)	(4,702) (CNY -1,044)	100.00	(4,702) (CNY -1,044)	85,756 (HK\$ 22,559)	-	
	LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Manufacture and sale of electronic components	356,520 (US\$ 12,000)	Note 1	396,213 (US\$ 13,336)	-	-	396,213 (US\$ 13,336)	(1,491) (CNY -331)	100.00	(1,491) (CNY -331)	401,367 (HK\$ 105,584)	-	
	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Manufacture and sale of electronic components	193,115 (US\$ 6,500)	Note 1	193,115 (US\$ 6,500)	-	-	193,115 (US\$ 6,500)	34,266 (CNY 7,608)	100.00	34,266 (CNY 7,608)	256,249 (US\$ 8,625)	-	
	LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	Development, manufacture, sale and installation of power supplies and transformers and provision of technology consulting services, maintenance equipment and precision instruments	4,486,210 (US\$ 151,000)	Note 1	4,486,210 (US\$ 151,000)	-	-	4,486,210 (US\$ 151,000)	392,600 (CNY 87,167)	100.00	392,600 (CNY 87,167)	7,508,826 (HK\$ 1,975,279)	-	
	LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	Investment activities	2,376,800 (US\$ 80,000)	Note 1	2,376,800 (US\$ 80,000)	-	-	2,376,800 (US\$ 80,000)	(2,025,791) (CNY -449,776)	100.00	(2,025,791) (CNY -449,776)	(288,743) (HK\$ -75,957)	-	
Lite-On Technology (Yingtian) Ltd.	Manufacture and sale of electronic components	326,810 (US\$ 11,000)	Note 1	326,810 (US\$ 11,000)	-	-	326,810 (US\$ 11,000)	(142,453) (CNY -31,628)	100.00	(142,453) (CNY -31,628)	285,216 (US\$ 9,600)	-		
LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Development, manufacture and sale of electronic components, power supplies and provision technology consulting services	474,528 (US\$ 15,972)	Note 1	474,528 (US\$ 15,972)	-	-	474,528 (US\$ 15,972)	(40,766) (CNY -9,051)	100.00	(40,766) (CNY -9,051)	722,544 (HK\$ 190,073)	-		

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Note
						Outflow	Inflow							
	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	\$ 29,710 (US\$ 1,000)	Note 1	\$ 29,710 (US\$ 1,000)	\$ -	\$ -	\$ 29,710 (US\$ 1,000)	\$ 5,432 (CNY 1,206)	100.00	\$ 5,432 (CNY 1,206)	\$ 20,295 (CNY 4,438)	\$ -	
	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Manufacture and sale of optical disc drives	1,277,530 (US\$ 43,000)	Note 1	1,277,530 (US\$ 43,000)	-	-	1,277,530 (US\$ 43,000)	(36,536) (CNY -8,112)	100.00	(36,536) (CNY -8,112)	2,152,905 (US\$ 72,464)	-	
	LiteON Auto Electric Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	59,420 (US\$ 2,000)	Note 1	59,420 (US\$ 2,000)	-	-	59,420 (US\$ 2,000)	16,813 (CNY 3,733)	100.00	16,813 (CNY 3,733)	151,135 (US\$ 5,087)	-	
	LITEON-IT OPTO TECH (BH) CO., LTD.	Manufacture and sale of optical disc drives	1,634,050 (US\$ 55,000)	Note 1	1,634,050 (US\$ 55,000)	-	-	1,634,050 (US\$ 55,000)	172,818 (CNY 38,370)	100.00	172,818 (CNY 38,370)	3,878,106 (US\$ 130,532)	-	
	Lite-On (Guangzhou) Automotive Electronics Limited	Manufacture, sale and processing of electronic products	184,202 (US\$ 6,200)	Note 1	174,398 (US\$ 5,870)	-	-	174,398 (US\$ 5,870)	225,146 (CNY 49,988)	100.00	225,146 (CNY 49,988)	1,575,251 (HK\$ 414,387)	-	
	LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	Manufacture, sale and processing of electronic products	148,550 (US\$ 5,000)	Note 1	148,550 (US\$ 5,000)	-	-	148,550 (US\$ 5,000)	57,525 (CNY 12,772)	100.00	57,525 (CNY 12,772)	650,921 (HK\$ 171,232)	-	
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	365,671 (US\$ 12,308)	Note 1	120,890 (US\$ 4,069)	-	-	120,890 (US\$ 4,069)	15,359 (CNY 3,410)	100.00	15,359 (CNY 3,410)	1,053,012 (US\$ 35,443)	-	
	HUIZHOU FU TAI ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	28,789 (US\$ 969)	Note 1	1,931 (US\$ 65)	-	-	1,931 (US\$ 65)	1,563 (CNY 347)	100.00	1,563 (CNY 347)	62,361 (US\$ 2,099)	-	
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Manufacture and sale of energy saving equipment	2,109,410 (US\$ 71,000)	Note 1	2,109,410 (US\$ 71,000)	-	-	2,109,410 (US\$ 71,000)	465,497 (CNY 103,352)	100.00	465,497 (CNY 103,352)	2,811,487 (US\$ 94,631)	-	
	LI SHIN TECHNOLOGY (HUIZHOU) LTD.	Manufacture and sale of new-type electronic components and peripheral materials	-	Note 1	-	-	-	-	2,829 (CNY 628)	-	2,829 (CNY 628)	-	-	Note 5
	BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	475,360 (US\$ 16,000)	Note 1	1,555,734 (US\$ 52,364)	-	-	1,555,734 (US\$ 52,364)	(200,820) (CNY -44,587)	100.00	(200,820) (CNY -44,587)	642,598 (US\$ 21,629)	-	
	GUANGZHOU LITE-ON MOBILE ENGINEERING PLASTICS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	581,425 (US\$ 19,570)	Note 1	2,692,528 (US\$ 90,627)	-	-	2,692,528 (US\$ 90,627)	33,785 (CNY 7,501)	100.00	33,785 (CNY 7,501)	1,819,470 (US\$ 61,241)	-	
	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	1,191,371 (US\$ 40,100)	Note 1	3,427,108 (US\$ 115,352)	-	-	3,427,108 (US\$ 115,352)	(870,826) (CNY -193,345)	100.00	(870,826) (CNY -193,345)	3,562,972 (US\$ 119,925)	-	
	Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	243,290 (HK\$ 64,000)	Note 1	387,745 (US\$ 13,051)	-	-	387,745 (US\$ 13,051)	(129,571) (CNY -28,768)	100.00	(129,571) (CNY -28,768)	208,653 (US\$ 7,023)	-	
	ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Manufacture and sale of mobile phone modules and design for assembly line	2,650,488 (CNY 579,595)	Note 1	461,366 (US\$ 15,529)	-	-	461,366 (US\$ 15,529)	(1,961,118) (CNY -435,417)	100.00	(1,961,118) (CNY -435,417)	(847,656) (CNY -185,361)	-	
	LITE-ON YOUNG FAST (HUIZHOU) CO., LTD.	Modules of touch panels	297,100 (US\$ 10,000)	Note 1	193,115 (US\$ 6,500)	-	-	193,115 (US\$ 6,500)	257 (CNY 57)	100.00	257 (CNY 57)	(16,133) (US\$ -543)	-	
	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Solar energy engineering	22,282 (US\$ 750)	Note 1	22,282 (US\$ 750)	-	-	22,282 (US\$ 750)	(2,522) (CNY -560)	100.00	(2,522) (CNY -560)	(8,259) (US\$ -278)	-	
	Changzhou Binhu Thin Film Solar Greenhouse Co., Ltd.	Manufacture and sale of solar energy engineering	457,300 (CNY 100,000)	Note 1	89,041 (US\$ 2,997)	-	-	89,041 (US\$ 2,997)	-	19.90	-	4,159 (US\$ 140)	-	
	Epricrystal (Changzhou) Co., Ltd.	Manufacture, design and sale of light-emitting diode products	4,664,470 (US\$ 157,000)	Note 1	802,170 (US\$ 27,000)	-	-	802,170 (US\$ 27,000)	283,702 (CNY 62,989)	21.55	61,133 (CNY 13,573)	930,994 (CNY 203,585)	-	
	DONGGUAN LITE-ON COMPUTER CO., LTD.	Manufacture and sale of computer hosts and components	59,420 (US\$ 2,000)	Note 1	59,420 (US\$ 2,000)	-	-	59,420 (US\$ 2,000)	1,522 (CNY 338)	100.00	1,522 (CNY 338)	99,216 (CNY 21,696)	-	
Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Sale of optical disc drives	29,710 (US\$ 1,000)	Note 1	29,710 (US\$ 1,000)	-	-	29,710 (US\$ 1,000)	15,516 (CNY 3,445)	100.00	15,516 (CNY 3,445)	498,035	-	
Silitech Technology Corporation	Xurong Electronic (Shenzhen) Ltd.	Manufacture of automotive parts, touch panels and plastic & rubber assembly	83,574 (US\$ 2,800)	Note 1	203,354	-	-	203,354	(60,838) (CNY -13,457)	100.00	(60,838) (CNY -13,457)	834,987 (CNY 182,602)	-	
	Silitech Electronic (SuZhou) Co., Ltd.	Manufacture and sale of automotive parts	2,328,144 (US\$ 78,000)	Note 1	2,328,144 (US\$ 78,000)	-	-	2,328,144 (US\$ 78,000)	(43,138) (CNY -9,542)	100.00	(43,138) (CNY -9,542)	1,600,500 (CNY 350,011)	58,947 (CNY 13,039)	
	XURONG Tooling Manufacturing (Suzhou) Co., Ltd.	Development, manufacture and sale of precision modules and new-type electronic components (chip components, testing elements, hybrid integrated circuits)	134,316 (US\$ 4,500)	Note 1	-	-	-	-	(212) (CNY -47)	60.00	(127) (CNY -28)	1,701 (CNY 372)	-	

(Continued)

Investor Company	Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Lite-On Technology Corporation	\$ 33,492,172 (US\$ 1,127,303)	\$ 38,235,285 (US\$ 1,286,950)	Note 6
Philips & Lite-On Digital Solutions Corporation	29,710 (US\$ 1,000)	29,710 (US\$ 1,000)	\$ 369,875 (Note 7)
Silitech Technology Corporation	2,621,042 (US\$ 81,000) (NT\$ 203,354)	2,767,446 (US\$ 85,905) (NT\$ 203,354)	7,586,818 (Note 8)

Note 1: Indirect investment in mainland China through holding companies.

Note 2: 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., with LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED as the surviving entity. Because the merging process was still under way as of December 31, 2017, the change in the amount of investment in mainland China has not yet been registered with the Ministry of Economic Affairs.

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 the LITE-ON ELECTRONICS (GUANGZHOU) LIMITED as the surviving entity. Because the merging process was still under way as of December 31, 2017, the change in the amount of investment in mainland China has not yet been registered with the Ministry of Economic Affairs.

Note 5: Dissolved after a merger with HUIZHOU LI SHIN ELECTRONIC CO., LTD. in December 2017.

Note 6: Under Order No. 09704604680 and Order No. 10420404350 issued by the Ministry of Economic Affairs, R.O.C. on August 29, 2008 and February 16, 2015, respectively, the Parent Company acquired a certification - approved by the Industrial Development Bureau and valid from February 9, 2015 to February 8, 2018 - of its status as operation headquarters in the ROC. Thus, the Parent Company has no limitation on the amount of investing in mainland China.

Note 7: Calculated based on 60% of Philips & Lite-On Digital Solutions Corporation's net worth.

Note 8: Calculated based on 60% of Silitech Technology Corporation's net worth or consolidated net worth, whichever is higher, plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China as of December 31, 2017.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			% of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Item	Amount	Terms	
0	Lite-On Technology Corporation	Philips & Lite-On Digital Solutions Corporation Philips & Lite-On Digital Solutions Corporation LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. LITE-ON SINGAPORE PTE. LTD. LITE-ON SINGAPORE PTE. LTD. LITE-ON TRADING USA, INC. LITE-ON TRADING USA, INC. Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd. LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	a. a. a. a. a. a. a. a. a. a. a. a. a.	Sales Accounts receivable Purchases Sales Purchases Accounts payable Sales Accounts receivable Accounts receivable Purchases Accounts payable Purchases	\$ 19,712,094 5,343,874 1,648,114 3,369,737 22,399,977 5,194,655 4,986,038 1,984,088 2,922,898 81,486,302 22,184,657 2,721,873	Cost-plus pricing Cost-plus pricing	9 3 1 2 10 3 2 1 2 38 12 1
1	Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions USA, Inc. Philips & Lite-On Digital Solutions USA, Inc.	a. a.	Sales Accounts receivable	9,741,031 1,495,184	Cost-plus pricing Cost-plus pricing	5 1
2	LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	1,757,312	Cost-plus pricing	1
3	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Lite-On Overseas Trading Co., Ltd.	c.	Sales	19,159,867	Cost-plus pricing	9
4	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD. LITE-ON SINGAPORE PTE. LTD.	c.	Sales Accounts receivable	3,708,680 1,013,879	Cost-plus pricing Cost-plus pricing	2 1
5	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd.	c. c. c. c.	Sales Accounts receivable Sales Accounts receivable	11,983,592 3,290,019 8,004,438 1,898,798	Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing	6 2 4 1
6	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd.	c. c.	Sales Accounts receivable	14,893,353 1,740,213	Cost-plus pricing Cost-plus pricing	7 1
7	SILITEK ELEC. (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd.	c. c.	Sales Accounts receivable	8,767,770 2,510,800	Cost-plus pricing Cost-plus pricing	4 1

(Continued)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			% of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Item	Amount	Terms	
8	LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	LITE-ON ELECTRONICS COMPANY LIMITED	c.	Sales	\$ 1,528,187	Cost-plus pricing	1
9	LITE-ON ELECTRONICS COMPANY LIMITED	LITE-ON SINGAPORE PTE. LTD.	c.	Sales	1,528,186	Cost-plus pricing	1
10	DONGGUAN G-TECH COMPUTER CO., LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	1,374,170	Cost-plus pricing	1
11	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	c.	Sales	1,207,290	Cost-plus pricing	1
12	DONGGUAN G-PRO COMPUTER CO., LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	4,922,024	Cost-plus pricing	2
13	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd. ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	c. c. c.	Sales Accounts receivable Other receivables	30,343,966 6,212,877 1,975,082	Cost-plus pricing Cost-plus pricing No significant difference	14 3 1
14	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	1,797,053	Cost-plus pricing	1
15	LITEON-IT OPTO TECH (BH) CO., LTD.	Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd.	c. c.	Sales Accounts receivable	15,036,630 1,864,041	Cost-plus pricing Cost-plus pricing	7 1
16	Lite-On Electronics (Thailand) Co., Ltd.	LITE-ON SINGAPORE PTE. LTD.	c.	Sales	3,702,063	Cost-plus pricing	2
17	LITE-ON SINGAPORE PTE. LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. LITE-ON ELECTRONICS H.K. LIMITED LITE-ON TRADING USA, INC. LITE-ON TRADING USA, INC. LEOTEK ELECTRONICS USA LLC LITE-ON MOBILE PTE. LTD.	c. c. c. c. c. c. c. c. c.	Sales Accounts receivable Sales Sales Sales Accounts receivable Sales Other receivables	3,151,544 997,754 1,973,304 2,633,729 5,153,896 1,884,412 1,191,808 1,188,854	Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing No significant difference	1 1 1 1 2 1 1 1
18	Lite-On Overseas Trading Co., Ltd.	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON ELECTRONICS (DONGGUAN) CO., LTD. LITE-ON ELECTRONICS (DONGGUAN) CO., LTD. SILITEK ELEC. (DONGGUAN) CO., LTD. DONGGUAN G-PRO COMPUTER CO., LTD.	c. c. c. c. c. c. c. c.	Sales Accounts receivable Sales Accounts receivable Sales Accounts receivable Sales Sales	15,924,115 2,665,329 13,239,712 4,751,507 12,042,182 1,945,161 6,458,115 4,218,521	Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing	7 1 6 3 6 1 3 2

(Continued)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statements Item	Amount	Terms	% of Consolidated Net Revenue or Total Assets (Note 3)
		LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	c.	Sales	\$ 36,319,074	Cost-plus pricing	17
		LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	c.	Accounts receivable	5,826,072	Cost-plus pricing	3
		LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	c.	Sales	1,100,945	Cost-plus pricing	1
		LITEON-IT OPTO TECH (BH) CO., LTD.	c.	Sales	14,511,302	Cost-plus pricing	7
		LITEON-IT OPTO TECH (BH) CO., LTD.	c.	Accounts receivable	4,063,032	Cost-plus pricing	2
		LITE-ON SINGAPORE PTE. LTD.	c.	Sales	22,909,846	Cost-plus pricing	11
		LITE-ON SINGAPORE PTE. LTD.	c.	Accounts receivable	7,877,852	Cost-plus pricing	4
19	Lite-On (Guangzhou) Automotive Electronics Limited	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	c.	Sales	1,797,582	Cost-plus pricing	1
		LITE-ON SINGAPORE PTE. LTD.	c.	Sales	1,683,027	Cost-plus pricing	1
20	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	LITE-ON MOBILE PTE. LTD.	c.	Sales	1,176,443	Cost-plus pricing	1

Note 1: The Parent Company and its subsidiaries are coded as follows:

- a. The Parent Company is coded "0".
- b. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

- a. From the Parent Company to its subsidiary.
- b. From a subsidiary to its Parent Company.
- c. Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of December 31, 2017. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2017.

Note 4: The intercompany transactions have been eliminated from consolidation.

Note 5: The above table only discloses the related-party transactions each amounting to at least 1% of total revenue or total asset, relative transactions below 1% of total revenue or total asset are not disclosed additionally.

(Concluded)