LITEON®

LITE-ON TECHNOLOGY CORP.

# 2006 Annual Report

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www.citibank.com/adr

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# Business Philosophy

## Vision

To become a company of World Class Excellence

- Business Scale : US$8 billion
- Leadership : worldwide absolute No. 1
- Profitability : top in the industry
- Corporate governance : transparent, independent and unbiased
- Corporate citizenship : globalization, environmental friendliness, social responsibility

## Mission

- Short-term : major player in opto-electronic components
- Long-term : global leader in digital converged devices

## Strategy

- Profitable Growth
- Customer Value Creation
- Cash Flow Maximization

## Lite-On Values

- Customer Satisfaction
- Excellence in Execution
- Innovation
- Integrity

# Members of Top Management

Chairman Raymond Soong
Lite-On Group CEO David Lin (Lite-On Tech. Vice Chairman)
Lite-On Group DCEO Warren Chen (Lite-On Core-Investment CEO)
Lite-On Tech CEO KC Terng
CTO Paul Lo ( Lite-On Automotive Int'l CEO )
CSO Danny Liao ( Lite-On IT CEO)
CFO Andrew Lin
CMO Cherng Chao

# Letter to Shareholders

Dear shareholders,

Lite-On Technology underwent significant change during 2005 and 2006. We fine-tuned our product portfolio, improved our profit structure and solidified our market position. We received many global recognitions and foreign shareholding continued to rise. Each milestone resulted from the unanimous execution of our "Profitable Growth" strategy and drove the company towards outstanding financial performance during 2005 and 2006. While revenue stayed flat during this period due to restructuring, operating margin improved 160 basis points and operating profit grew more than 50%. As a result, not only did foreign shareholding reach record high during 2006, Lite-On Technology´s shareprice also made record high since 4-in-1 merger in 2002.

In addition to its continuous effort in improving business, starting from 2002, Lite-On Technology has been very committed to a consistent and generous dividend policy. That coupled with well management on employee bonus shares shows that we have made it our first priority to increase shareholder value. To that end, we also announced a 30% capital reduction at the end of 2006. The reason behind a capital reduction is to increase shareholder return and for better cash management. Into 2007, our rich cash position will fund a strong growth plan, strategic investments and we will return NT$3.00 per share excess cash to our shareholders. Lite-On Technology has been and will continue to be a pioneer in the industry in taking care of shareholders.

Entering 2007, we are deploying the "Customer-Centric Growth Strategy" to initiate another growth cycle after the restructuring period in the last two years. In the upcoming two years, we aim to expand our product offering and add new customers. Organic growth in our high-margin businesses coupled with our never-ending effort in finding and making strategic investments will drive this company into the next growth phase.

As a corporate citizen of Taiwan, Lite-On Technology has initiated numerous projects to make contributions back to the society and help grow its economy. Lite-On Awards, the annually held competition, not only encourages talents of industrial design to advance their creativity and innovation, it also promotes communication and idea exchange amongst them. Lite-On Awards since its inception has broadened its scope from a competition within Taiwan to one with participants from all over

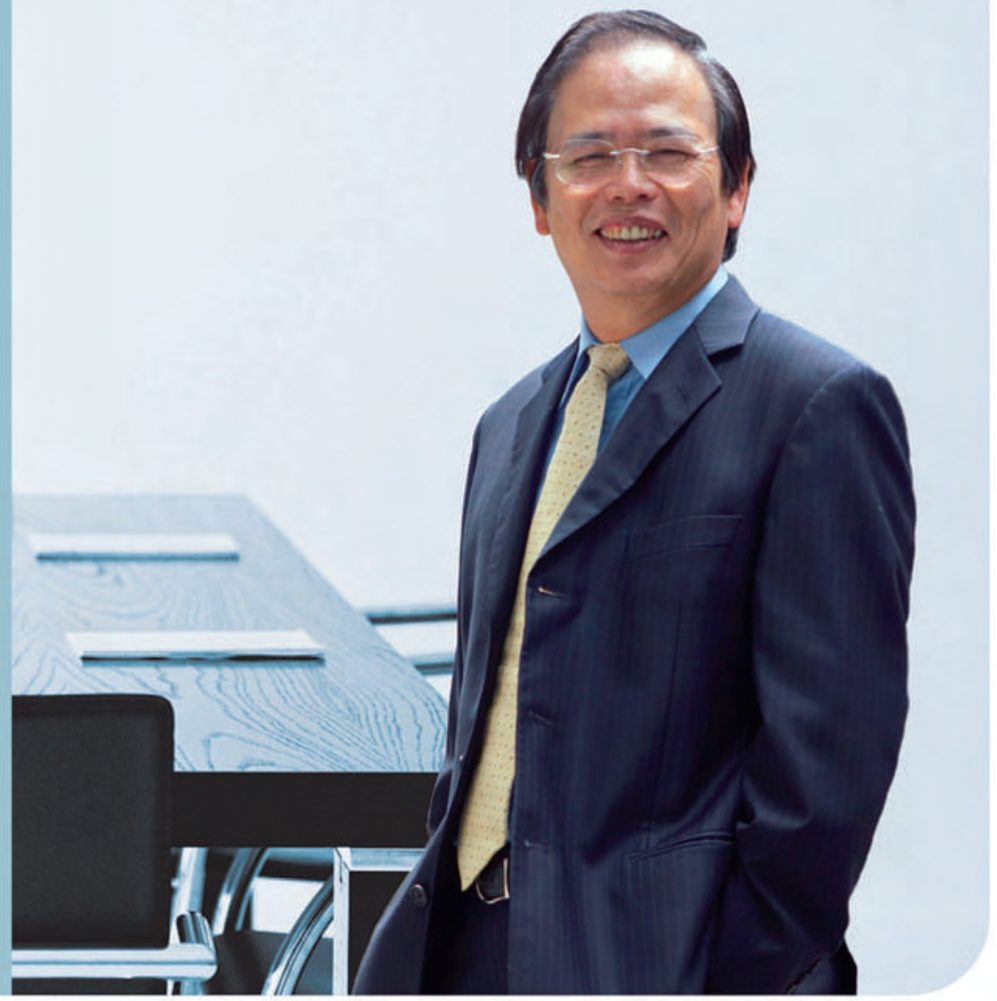
the world. Since 2001, Lite-On Awards has inspired over 7,000 Taiwanese and overseas Chinese industrial design talents to present their cutting-edge ideas and inventions. It has received positive recognition from world´s most renowned industrial design professionals. In addition, Lite-On Cultural Foundation is entering its 14th year of sponsoring and promoting community service to help children, teenagers and minority group. As a result, Lite-On Technology in 2006, for the third consecutive year, received recognition for the "Corporate Social Responsibility Awards" from Global Views, one of the top business magazines in Taiwan.

Lite-On Technology, in its day-to-day activities, demonstrates unwavering determination to build a truly great company. That continuous pursuit starts with cultivating our unique winning culture. We work relentlessly to defend and honor the Lite-On values, which are the engines that drive quality and performance. The values that we hold true to ourselves are customer satisfaction, excellence in execution, innovation, and integrity. In Lite-On Technology, we believe that helping our customer maximize their value to their customers is the only way to succeed. We aspire to be the first movers in the market, always monitoring market trends, capturing great opportunities and effectively executing strategies ahead of our competitors. Within Lite-On Technology, we underscore the ability to differentiate against competition and diligently develop skills for innovation. We understand that innovation is critical to achieve solid market leadership. And most importantly, we are aware that a proficient management team plus a motivated workforce don´t spell success without a strong commitment to integrity. We are convinced that the trust from shareholders, customers, and employees is earned only by uncompromising and unquestionable integrity. And only with that trust, Lite-On Technology can then be a company that is built to last.

All in all, we will continue our efforts in developing great teams, great technologies, great services and, in the end, great business. We hope you share our excitement about Lite-On Technology. On behalf of the management team, we appreciate the confidence you have placed in us as the stewards of your investment.  We commit to protect it and grow it responsibly.

Raymond Soong
Lite-On Group Chairman

David Lin
Lite-On Group CEO

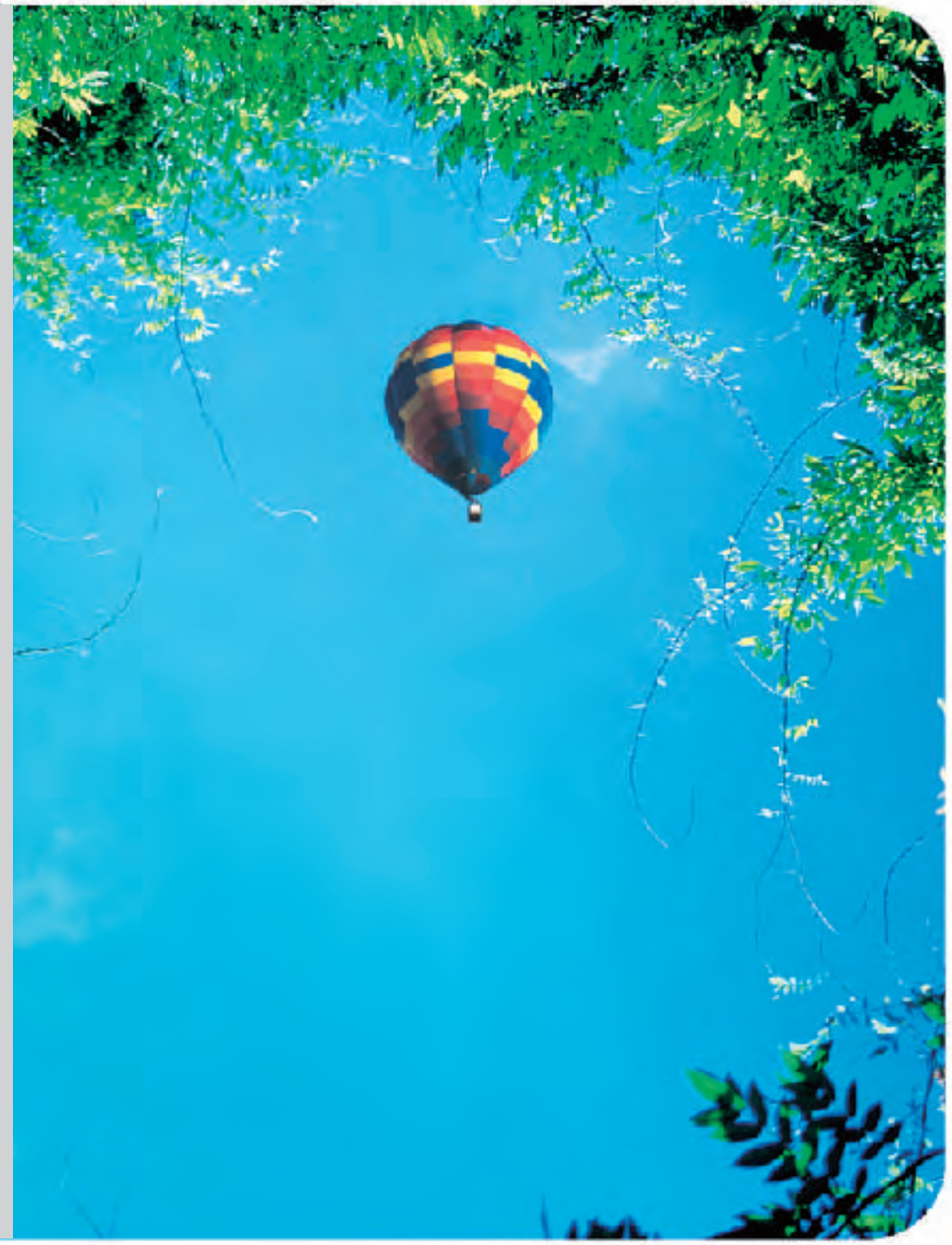


# Launch Customer Centric Growth Strategy

By trimming low-margin businesses and focused on profitable businesses, Lite-On proudly witnessed success from “Profitable Growth” strategy in the past two years.

Starting a new growth cycle, Lite-On continues to move on with the “Customer Centric Growth” strategy for incoming two years, aiming at boosting both profits and revenues. By adding new customers and providing “cluster” services, contribution from high-margin products is expected to expand.

Lite-On depicts its business scope blueprint into three stages. Short term, Lite-On aims to add new customers in high-margin products, including LED, power supply and casing. In the mid-term, “cluster” business model within handset, game console, notebook, printer and LCD TV will be the growth engines. In the long-term, Lite-On will steer into car components.



# CUSTOMER SATISFACTION

Customers are the ones who sign our paychecks.
Identifying their needs and understanding their markets will help maximize value creation for our customers.

# EXCELLENCE IN EXECUTION

First movers in the market always capture the future trends, formulate strategies accordingly and perform execution effectively in advance to the competitors.

# INNOVATION

Innovation often ends in complacency and is always fueled by daily renovations.

# INTEGRITY

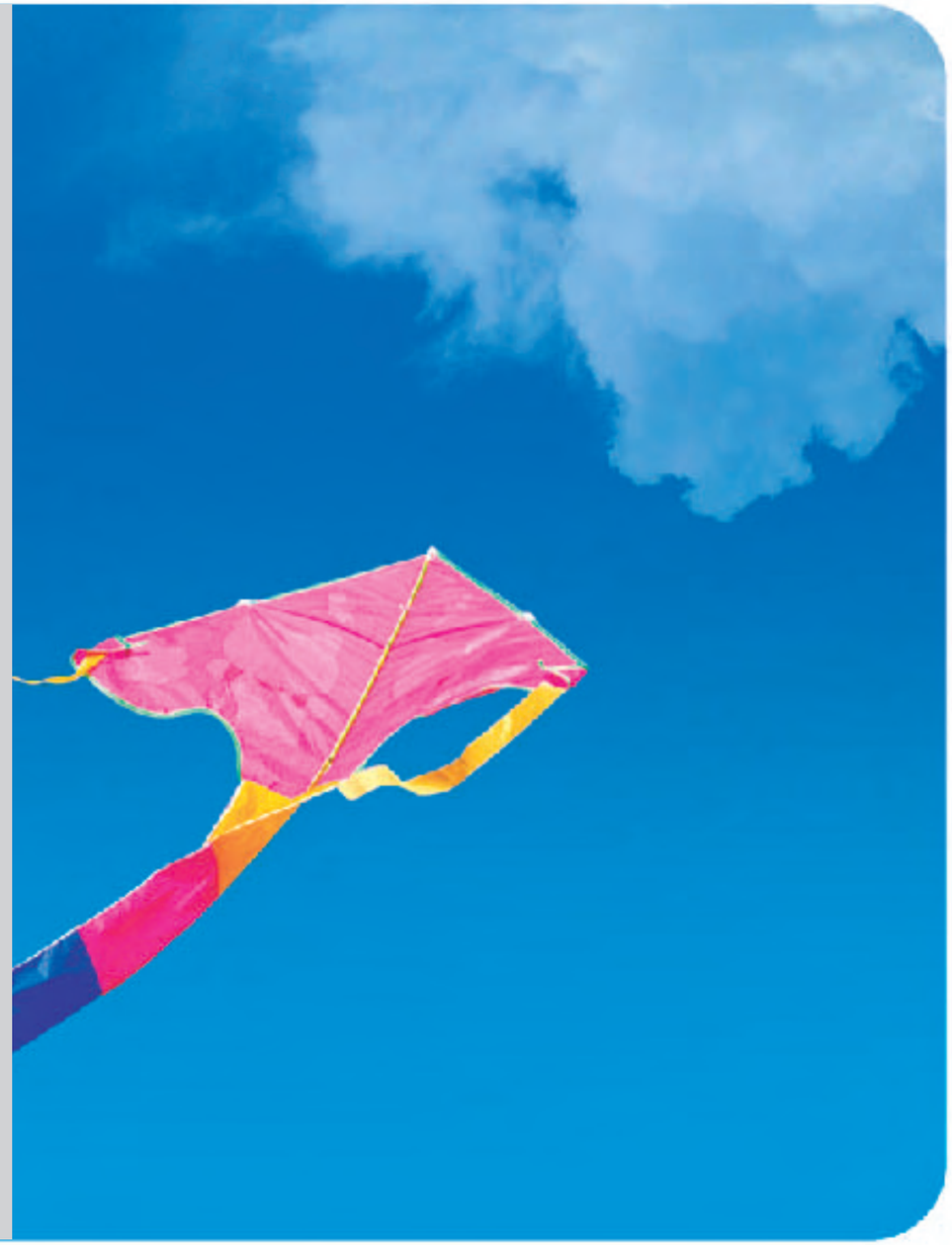
Trust from shareholders, customers, employees and suppliers is earned by strong commitment to integrity.
And that trust is the fountainhead for companies that are built to last.

# "LOHAS LITE-ON" for Bright Future

"LOHAS", a new life style originated from the western society, occurs to underline the same living attitude as Lite-On's corporate culture - "Joy, Growth, Health, and Balance", both are to encourage people to live a "Life Style of Health and Sustainability".

"LOHAS LITE-ON", a brand new corporate image esteemed by the public ever since.

Employees are the major assets of Lite-On. With the belief that employees could only ignite their professions by living a physically and mentally balanced life, Lite-On provides the most encouraging and healthy environment. By every employee's dedication, Lite-On will continue to develop at a fast pace, and create a bright future.



# 1.Corporate Overview

## 1.1 COMPANY PROFILE

Established: 1975/6/2
Date of Listing: 1983/1/26
Company Code: 2301
Paid-in-Capital: NT$ 29.1B (as of May 2007)

2007
- Special shareholder meeting approved the acquisition of 100% stake in Li-Shin International Enterprise Corporation via share swap, in order to expand power supply product portfolio.
- Special shareholder meeting approved the 30.34% capital reduction program with NT$8.7B.

2006
- Lite-On Technology underwent high-level reorganization for long-term growth.
- Lite-On IT Corporation acquired Benq Corporation's Optical Disk Drive Business.
- Lite-On IT Corporation announced strategic alliance with Philips, to penetrate car electronic component market.
- Lite-On Technology's affiliate, Actron Technology, issued initial public offering on the Taiwan Stock Exchange with Stock Code 8255.

2005
- Lite-On Technology acquired 100% stake in Lite-On Automotive Corporation, a subsidiary of Lite-On Technology.
- Lite-On Technology invested in ePS Corporation to position for car electronic component market.
- Lite-On Technology invested in DragonJet Corporation to strengthen product development capabilities in plastic injection molding.
- Lite-On Technology announced to indefinitely suspend the handset assembly business.

2004
- Lite-On Technology acquired Lite-On Enclosure Inc.
- Lite-On Technology's affiliate, Silitech, issued initial public offering on the Taiwan Stock Exchange with Stock Code 3311.

2002
- Lite-On Electronics, Silitek, Lite-On Technology and GVC merged and became known as Lite-On Technology Corporation.

2001
- Lite-On Technology's affiliate, Lite-On IT Corporation, issued initial public offering on the Taiwan Stock Exchange with Stock Code 8008.

1995
- Lite-On Technology's affiliate, Lite-On Semiconductor Corp., issued initial public offering on the Taiwan Stock Exchange with Stock Code 5305.

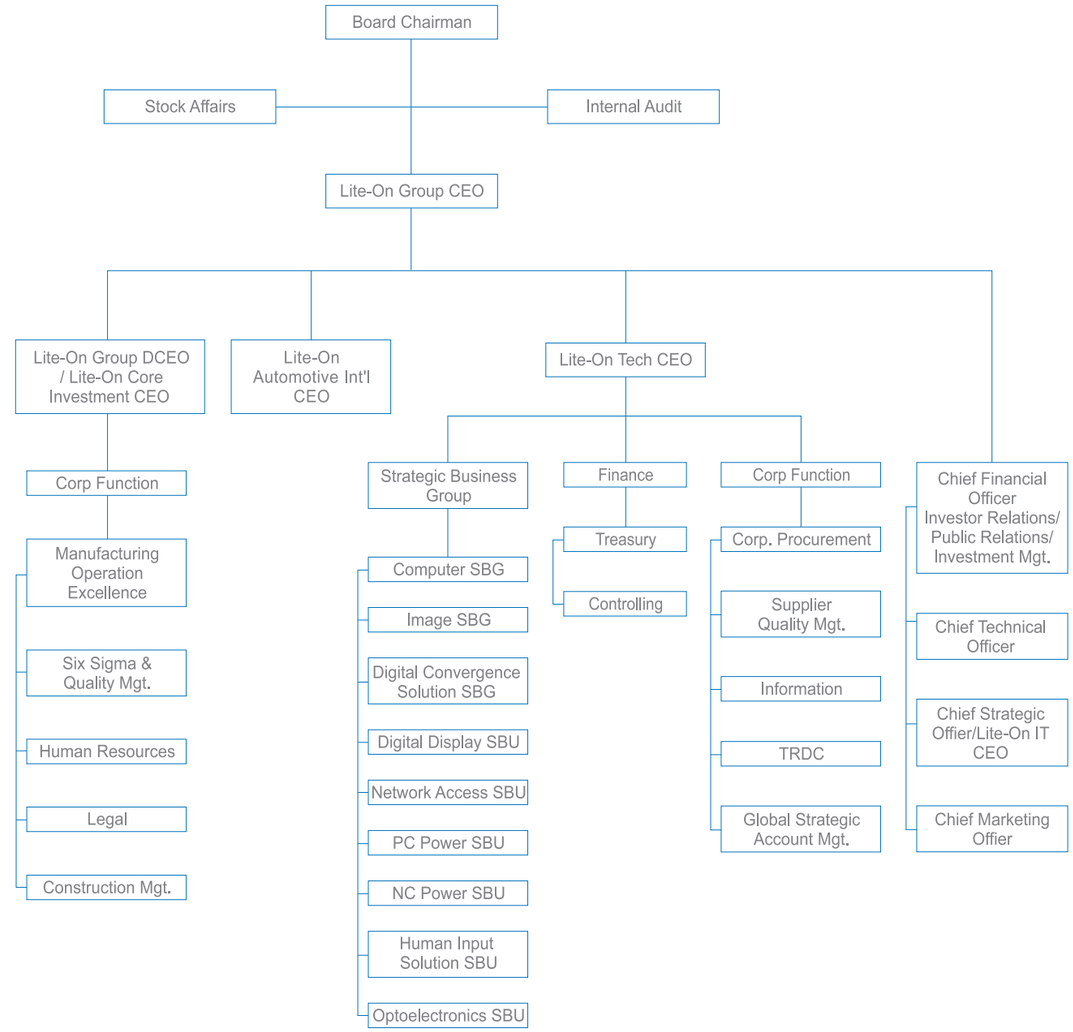
1989
- Lite-On Technology was established and began manufacturing CRT monitors with NT$110M paid-in-capital.

1985
- Lite-On Electronics created a new division to produce and market switching power supply.

1983
- Lite-On Electronics issued initial public offering as the first technology company listed on Taiwan Stock Exchange with Stock Code 2301.

1975
- Lite-On Electronics was established and initiated Taiwan's first LED production with NT$1M paid-in-capital.

## 1.2 Organizational Chart




Above is the Organization Chart of Lite-On Technology as of April, 2007. The company structure and staff members' organization balance business efficiency and scale, in order to achieve the collaborative effectiveness that comes from simplifying the organization, achieving balance between divisions, and emphasizing teamwork.

# 1.Corporate Overview

## 1.3 Board of Directors and Supervisors

Mr. Raymond Soong
Chairman

Mr. Chung-Yao Lin
Director
Representative of Dorcas Investment Co., Ltd.

Mr. David Lin
Director
Representative of Lite-On Capital Inc.

Mr. Warren Chen
Director
Representative of Lite-On Capital Inc.

Mr. Keh-Shew Lu
Director
Representative of Da-Song Investment Co., Ltd.

Mr. Rick Wu
Director
Representative of Da-Song Investment Co., Ltd.

Mr. Lu-Bao Shu
Director

Mr. CH Chen
Supervisor
Representative of Yuan Pao Investment Co., Ltd.

Mr. David Lee
Supervisor
Representative of Yuan Pao Investment Co., Ltd.

## 1.4 Information of the Major Shareholders of Institutional Investors

Record Date: April 23rd, 2007

| Name of Institutional Investors | Major Shareholders |
|---|---|
| Dorcas Investment Co., Ltd. | Paul Lin and Jenny Chang |
| Lite-On Capital Inc. | Lite-On Technology Corporation |
| Da-Song Investment Co., Ltd. | Raymond Soong and Fung-Ing Soong |
| Yuan Pao Investment Co., Ltd. | Raymond Soong and Fung-Ing Soong |

## 1.5 Issuance of Corporate Bonds

As of May 5, 2006

| Bond Type | First Secured Common Corporate Bond | First (93-1 Period) Unsecured Convertible Bond |
|---|---|---|
| Issue Date | September 25th and 26th, 2003, 2000 | September 7th 2004 |
| Face Value | NT$ 5,000,000 | USD $1000 |
| Issuance and Listing | Taiwan | Singapore |
| Issue Price | As per face value | As per face value |
| Total Amount | NT$ 4,000,000,000 | USD $225,000,000 |
| Coupon Rate | Note 1 | 0% |
| Term | 5 years Expiration date: September 25th and 26th, 2008 | 5 years Expiration date: September 7, 2008 |
| Guarantor | CitiBank Taipei Branch | N/A |
| Trustee | Bank Sinopac | Citi Bank |
| Underwriter | N/A | Overseas: Citigroup Global Markets Limited Local: KGI Securities Corporation |
| Attorney | Hui-Chi Kuo Modern Law Office | Liu, Rue Lin (Lee & Li Attorneys-at-Law) |
| Accountant | Clark Chen, James Wu (Deloitte & Touche) | Clark Chen, James Wu (Deloitte and Touche) |
| Payment Method | 30%, 30% and 40% of Principal will be paid on the third, fourth and fifth year. | Except for advance redemption, repurchase, cancellation or the bearer converting, principal must be paid for every due period |
| Outstanding Amount | NT$ 2,800,000,000 | USD $0 |
| Conditions on Redemption or Early Repayment | N/A | Note 1 |
| Restriction Clause | Note 2 | N/A |
| Name of The Credit Rating Institution, Date Rated, and Results on Rating of The Corporate Bond | N/A | N/A |
| Other Rights | | |
| The Amount of Converted Common Stock, Global Depositary Receipt, or Other Securities Upon the Date of Annual Report Released | N/A | N/A |
| Issuance, Conversion, or Warrants | N/A | N/A |
| Dilution Effect and Other Adverse Effects on Existing Shareholders | N/A | If all converted, equity diluted about 0% |
| Name of Custodian Institution Handling Exchange | N/A | N/A |

Note 1

Security A NT$400,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

Security B NT$400,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

Security C NT$200,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

Security D NT$400,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

Security E NT$300,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

Security F NT$300,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

Security G NT$200,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
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Security H NT$300,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
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□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.
Security J NT$200,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

Security K NT$300,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

Security L NT$200,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

Security M NT$300,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

Security N NT$200,000.000:□If 6M LIBOR□0.90%, coupon rate is 6M LIBOR
□ If 0.90%□6M LIBOR□2.00%, coupon rate is 3.05%;
□ If 6M LIBOR (2.00%, coupon rate is (4.0001%-6M LIBOR) MIN0.

The first coupon date is two business days before the issuing date for each Security. The coupon rate is adjusted by 6M LIBOR on the following coupon dates that are two business days before the basic coupon date of every 6 months starting from the issuing date and is calculated by simple rate on the basic coupon date . The face rate shall not be lower than %. (the business day here means the business days of banks in London. In case of holidays, one business before the basic coupon date is recognized.)

6M LIBOR: 6 month LIBOR means the Fixing Rates of USD 6-Month LIBOR listed on Page 3750 of Money line Telerate at 11 o'clock on the coupon date (London time).

Note2

Based upon the original restriction on the consolidated report (annual certification), the cap of leverage ratio is 125%, the bottom line of current ratio is 100%, the bottom line of TIE ratio is 300%, tangible net worth should be at least NT$35,000,000,000.

## 1.6 Issuance of Global Depositary Receipts

| Items \ Issue Date | September 25, 1996 |
|---|---|
| Issuance & Listing | London Stock Exchange |
| Total Amount | USD$ 71,295,000 |
| Offering Price per GDR | USD$14.55 |
| Units Issued | 4,900,000 Units |
| Underlying Securities | Common Shares from Cash Injection |
| Common Shares Represented | 49,000,000 Shares |
| Rights and Obligations of GDR Holders | Same as Those of Common Share Holders |
| Trustee | Citibank, |
| Depositary Bank | Citibank, |
| Custodian Bank | Citibank, |
| GDRs Outstanding | 6,375,978 Units |
| Apportionment of The Expenses For The Issuance and The Maintenance | Borne by the Company |
| Important Terms and Conditions in The Deposit Agreement and The Custody Agreement | -- |

| | | | |
|---|---|---|---|
| Closing Price per GDR | 2006 | High | USD$ 17.84 |
| | | Low | USD$ 11.46 |
| | | Average | USD$ 13.76 |
| | As of March 31, 2007 | High | USD$ 13 |
| | | Low | USD$ 12.69 |
| | | Average | USD$ 12.86 |

# 1.Corporate Overview

## 1.7 Introduction of Lite-On Awards

As a corporate citizen, Lite-On Technology Corporation has initiated numerous projects to make contributions back to the society and help grow its economy, one of them being Lite-On Awards. The annually held competition not only encourages talents of industrial design to advance their creativity and innovation, it also promotes communication and idea exchange amongst them. Lite-On Awards since its inception has broadened its scope from a competition within Taiwan to one with participants from all over the world. Taiwan has since received much attention from industrial design professionals worldwide; in addition, it has also helped the country grow a pool of talents in the profession of industrial design.

Since 2001, Lite-On Awards has inspired many Taiwanese and overseas Chinese industrial design talents to present their cutting-edge ideas and inventions. Lite-On Awards has extraordinarily increased exposure throughout the years and received positive recognition from world's most renowned industrial design professionals. Some Lite-On Awards competition winners have further been awarded by the top 3 global awards, iF Awards, Red Dot Awards, and IDEA Awards.

In April 2007, Lite-On Awards launched its seventh annual competition with the theme of "Foreseeing the Future", and has received 1,700 entries. The theme is to promote creative ideas in 4C (Computer, Communication, Consumer, and Car). Participants have emerged from 23 countries including Taiwan, China, Hong Kong, Singapore, Korea, Japan, Thailand, India, United States, England, Ireland, France, Norway, Austria, Italy, Spain, Turkey, Rumania, Arab, Russia, Chile, and Peru. Since its inception, there has been over 7,300 participants, Lite-On Awards has successfully transformed into an industrial design competition of the largest scale within Greater China.

Going forward, Lite-On Awards will continue broadening its horizon to reach more talents and encourage more ideas. Just as iF Awards is frequently considered the Oscar in industrial design, Lite-On Awards aspires to become the iF Awards for the Chinese descents around the world.

## 1.8 Introduction of Lite-On Cultural Foundation

### I Founders

The Lite-On Cultural Foundation was established in 1993 with initial funds donated by the three founders of Lite-On Group: Mr. Raymond Soong, Mr. Paul Lin and Mr. Simon Wu. The Lite-On Group continues to allocate NT$10 million annually to support the Foundation's initiatives and plans.

### II Primary Areas of Focus

i. Management of the Taipei Shin-Yi Community College

The purpose of Taipei Shin-Yi Community College offers lifelong learning opportunities to the community. The Foundation was honorably selected to manage the Taipei Shin-Yi Community College in 2001, offering 110 courses to approximately 3,000 students during each semester.

ii. Promotion of Counseling Services to Children

Children's counseling group recruits volunteering student parents and trains them before they are assigned to student counseling offices. The first “Children Counseling Group” was set up in Min- Zu Elementary School of Taipei City in March 1998. There are more than 40 groups of 20 to 30 volunteers serving at elementary schools, and more than 1,000 volunteers are available to provide children counseling services. More than 100,000 volunteers have been trained since inception.

iii. Broadcast Educational Programs on Radio

The Foundation started a radio program, “Love in Your Community”, with Good News Broadcasting Station since July, 1997. This program was renamed twice to “Build a New Home” on January 1st 2001 and then “Community College EASY GO” on August 1st 2003. The radio program discusses various topics such as life-time learning, environment protection, art and life, health, community counseling services, local literatures and history, community services, volunteering services, teenage issues, senior welfare, government policy and oversea community introduction.

iv. Sponsor Community Publications

The Foundation has published 17 titles of ”Community Development” series so far with the sponsorship of Bureau of Interior, R.O.C.

### III Awards and Achievement

i. The Lite-On Children Counseling Group

- The Foundation received the Group and Personal Award for Youth Volunteer Service from National Youth Commission in 2001.
- Junior High School, Lee Shan Elementary School and Da Hu Elementary School received the Group and Personal Golden Diamond Awards from the Government of Taipei City.
- Children Counseling Groups at Min-Zu Elementary School received the Group Golden Diamond Award from the Government of Taipei City.
- Children Counseling Groups at Min-Zu Elementary School, Jian Kang Elementary School and Fu Lin Elementary School received the Personal Golden Diamond Award from the Government of Taipei City.
- The quarterly magazine “Gen Shin Garden”, published by the Lite-On Children Counseling Group, won the “2002 Education Publication Excellence Award” from the Executive Yuan of the Taiwan government.
- The Lite-On Cultural Foundation was selected to manage the “National Children Counseling Seminar” from 2001 to 2002 by Children's Bureau of Interior R.O.C.
- Children Counseling Groups at Xi Song Elementary School received the Group and Personal Golden Diamond Awards from the Government of Taipei City in 2005.

ii. Broadcasting Programs

- The program, “Love in your community”, received the Golden Bell Award (Society Development Award) from the Government Information Office of Executive Yuan in 1997 and received the Broadcast Culture Award (Special Cultural Report Award) from the Council for Cultural Affairs of Executive Yuan in 1998.
- ”Searching for the Root”, a unit of “Build a New Home”, was recognized as Excellent Culture Program by the Council for Cultural Affairs of Executive Yuan in 2001 and 2002.
- “Build a New Home,” a radio program broadcasted by the Lite-On Cultural Foundation, won the National Golden Voice Award for the Best Talk Program” in 2002.

iii. Others

- Taipei Shin-Yi Community College, managed by the Lite-On Cultural Foundation, won “Excellence Award for Management and Development” from the Bureau of Education Administration of Government of Taipei City for the second consecutive year.
- The Foundation received “The Group Service Award of Social Education” from the Ministry of Education in 1998.
- The Foundation received the “Golden Wen-Xin Award” in 1998 and “Wen-Xin Award” in 2001 from the Council for Cultural Affairs (CCA) of Executive Yuan.
- The Foundation was selected to manage an inspection tour for post-earthquake reconstruction in Kobe, Japan.

# Operational Highlights

# 2.Operational Highlights

## 2.1 Business Overview

### I Business Scope

| Major Business Groups | Business Function | Major Products | % of Sales in 2006 |
|---|---|---|---|
| Digital Display | Design, develop, manufacture, and sales in digital display products. | ▪ CRT color displays.<br>▪ LED color displays. | 45% |
| Imaging | Design, develop, manufacture, and sales in imaging-related, portable image devices, and PDA products. | ▪ Scanning modules.<br>▪ MFPs.<br>▪ Phone camera modules.<br>▪ GPS PDAs. | 14% |
| Power Supply | Design, develop, manufacture, and sales in power supply products. | ▪ Power supplies for desktop and notebook PCs.<br>▪ Power supplies for fax machines, printers, and scanners.<br>▪ Power supplies for servers and workstations. | 16% |
| Optoelectronics | Design, develop, manufacture, and sales in opto-electronics products. | ▪ SMD LED, LED indicators, and LED displays.<br>▪ Infrared products.<br>▪ Photocouplers. | 6% |
| Others | Design, develop, manufacture, and sales in computer products, network products, and other PC-related components. | ▪ Desktop computer full systems.<br>▪ Desktop computer barebone systems.<br>▪ Network interface cards, switches, and routers.<br>▪ Modems. | 19% |

### II Major Future R&D Directions

- To strengthen R&D for software and System On Chip: In the future, 4C products will become “lighter, thinner, shorter, smaller, cheaper, and more efficient”, and should be “ready to use, handy, and easy to use”. Lite-On Technology will focus on developing the technology of software and System On Chip, as well as the R&D capacity thereof.
- To enhance intellectual property: Encouraging innovation, controlling patents, creating advantage in unfair competition, and avoiding repeated R&D time and expenses by professional IP management, as well as reducing R&D costs.
- To establish Lite-On Technology R&D Center: Integrating current R&D technology platforms and promoting e-design in order to increase the efficiency of R&D and shorten the R&D time; participating more in large scale projects in the production or governmental fields, in order to upgrade technology level; and recruiting outstanding talent from National Defense and cooperating with colleges to establish Incubator Centers, in order to contribute to the development of professional talent and further develop R&D potential for the Company.

### III Major R&D Focus in 2007

Electronic circuit design, system integration design and testing, and software development and integration

- Large-size, wide-format, high-performance LCD monitors
- High-brightness and high-power LED technologies and applications
- High-performance color laser multifunctional printer
- Digital LCD TV used power supply products
- Wireless networking and communication modules

### IV Research and Development

Unit: Thousand of NT dollars

| Item / Year | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| R&D Expenses | 818,646 | 1,873,467 | 2,031,020 | 2,171,642 | 1,974,739 |
| Expense amount as a % of net sales | 1.68% | 1.88% | 1.30% | 1.33% | 1.38% |

## 2.2 Market and Sales Overview

### I Market Analysis

1. Major Products of the Company:
   Lite-On Technology stands in the leading position in optoelectronics components areas. The Company's major products, including Digital Display, Imaging, Power Supply, and Optoelectronics, accounted for over 80% of the 2006 worldwide consolidated revenue. The Company either sustained or strengthened its competitive position in these segments during 2006 and looks to further solidify or gain market share. Hereunder is the market analysis of the four major products:

(1) Digital Display

Based on the latest IDC report, in 2007 there will be about 160 million units of desktop LCD monitors of demand in the market, a growth of 30% from 2006. This growth rate is to accelerate from less than 10% in 2006, the reason being the rollout of the new Vista platform plus replacement demand. Prices of panels, which make over 90% of the bill of materials for LCD monitors, saw more drops in 2006 that LCD monitors have become even more affordable than two years ago. This may create a demand to upgrade from 17" to 19" or demand for replacement. Moreover, IDC also estimates that by 2009, the entire LCD monitor market will expand to over 200 million units. Therefore, the Company is expecting the strength in the growth for LCD monitors to continue for incoming years.

(2) Imaging

Growth in the printer market has been accelerating for the past few years since the photo printer and multiple function peripheral (MFP) were introduced to the market. Lite-On Technology foresees that both color inkjet and color laser MFP's will create the need for customers to replace their existing printers, which becomes the major growth driver for the Imaging business. MFP generally combines the features of copying, printing, and scanning together. When the fax function is added to the system, it is called a 4-in-1 MFP. In 2004, the Company successfully developed the 8-in-1 MFP, in 2005, the Company successfully launched photo printers and photo MPF's. In 2006, the Company saw significant growth in demand for laser technologies and starting from 2007, the Company will have the complete product portfolio from inkjet printers to color laser MFP's to offer to its customers.

(3) Power Supply

The Switching Power Supply (SPS) market has been growing steadily, where it is most commonly applied in the IT-related products. Statistics from Micro Tech Consultant indicates that the global market value of SPS was about US$ 18.1 Billion with an annual growth rate of 4%. It is estimated that the market value will grow another 4% reaching over US$ 20 Billion by 2009. Because of wide variety in applications, SPS only has limited impact from the short-term downturn of the IT industry, and has been able to maintain steady growth. SPS products can be categorized into two different types - AC/DC and DC/DC, where AC/DC converters currently owns about 80% of the total market share. Currently, SPS for IT products is the primary application with about 43% of market share, followed by communication and industrial equipments, at about 20% and 16%, respectively.

(4) Optoelectronics

LED products can be divided into two categories, visible and invisible. The market for invisible LED such as infrared has stabilized as demand has not increased for short-distance wireless communication devices. Visible LED, on the other hand, has grown considerably due to the improvement on the brightness and emitting efficiency. The continuous cost-cutting efforts done by Taiwanese LED suppliers led to an escalation in the overall market demand for LED.

According to IEK data, in 2006 the market size of Light Emitting Diode (LED) reached US$ 6.2 Billion with 9% growth from the previous year. The market size is estimated to expand over 10% to approach US$ 7 in 2007. During the early development stages of LED, applications for LED were limited to the point lighting source for home appliances and electronic products. However, since LED brightness and efficiency have significantly improved in 2000, LED has became the key lighting source for screen and keypad backlight of portable devise, including mobile phones and PDAs. The strong growth in handheld devices further strengthens the LED application in backlight for screen size of 7” or smaller, which also explains the growing demand in LED. Going forward, in addition to 7” screens, LED will also start penetrating larger sizes such as notebook displays or TV screens.

2. Global Market Shares

Global market shares for the Company's major products:

| Major Products | 2006 Market Shares (%) |
|---|---|
| Digital Display | 8-10% |
| Imaging | 10-15% |
| Power Supplies | 30-50% |
| Optoelectronics | 5-10% |

3. Future Market Trends

Followings are estimates from the renowned research institutions such as IDC and Gartner.

| Markets Related to the Company's Major Products | Estimated Market Scale in 2007 | Estimated Compound Annual Growth Rate in the Next 2~3 Years (%) |
|---|---|---|
| Digital Display | Over 160 million units | About 9% |
| Imaging | Over 60 million units | Over 10% |
| Power Supplies | Over US $19.5 billion | About 5% |
| Optoelectronics | Over US $ 7 billion | Over 15% |

4. Competitive Niche and Development Vision

(1) Lite-On Technology is equipped with unparallel R&D capabilities. For any of Lite-On Technology's products, including display, components and peripherals, printers, scanners, networking and wireless, not including marketing channels, the Company offers total solution and one-stop shop to differentiating ourselves from conventional EMS/ODM suppliers.

(2) In terms of digital display products, Lite-On Technology has proven the economy of scale, as well as maintenance of good relationships with key component suppliers to achieve flexibility in better serving the customers.

(3) As for Imaging products, Lite-On Technology owns the design technology and production capability for scanners and inkjet printer modules. This makes Lite-On Technology the number-one choice for ODM/OEM by global customers.

(4) In terms of component products, Lite-On Technology has the advantage in the ability to integrate the upstream and the downstream, allowing Lite-On Technology to be ahead of the industry in new product development.

(5) Today's global market is driven by demand for products with shorter lifecycles which require continuous innovation, cost reduction and better customer service. These concerns are shared throughout the IT and electronics industries. Lite-On Technology's highly efficient and dedicated management team excels at running a multinational enterprise, tackling approaching challenges in ways that continue to add value to our competitive advantage.

5. Unfavorable Factors and Responses

| Unfavorable Factors | Responses |
|---|---|
| Fluctuation of the global economy | Diversify in product portfolio and customers to manage risks in the fluctuation of the global economy. |
| Fluctuation of the foreign exchange rate | Establish risk-managing measures against fluctuation of foreign exchange rate. |
| Uprising costs of steel and plastic, due to increase of oil price | Establish agreement with suppliers to help stabilizing the price and alleviate the fluctuation of raw material costs. |

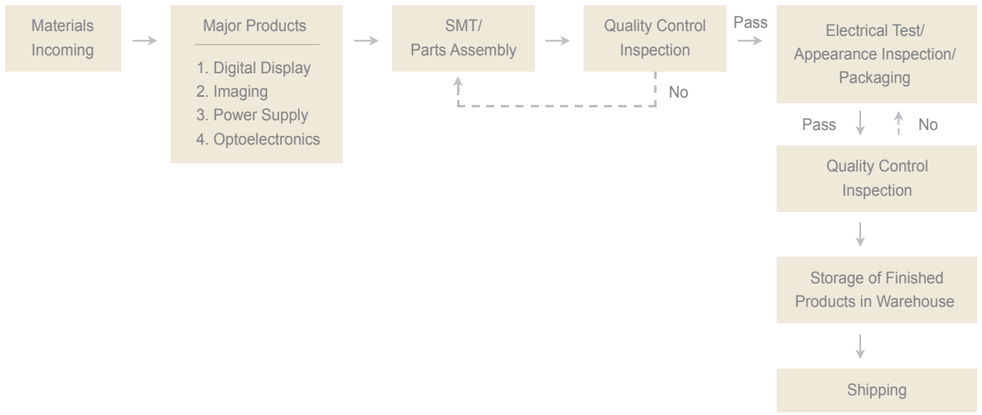
## II Main Functions and Production Process of Major Products

1. Main Functions of Major Products

| Product | Major Function |
|---|---|
| Digital Display | For PC and workstation use, and to assist terminal display of CAD/CAM models, image layout, internet-related information, and multi-media interactive images. |
| Imaging | Scanning, printing, copying, and faxing input/output-related products. |
| Power Supply | High-quality power supply for PCs, communication, and automation facilities for enterprise and personal use. |
| Optoelectronics | Widely applied in communication network, computer, and peripheral-related products, including consumer electronic products, automation facilities, medical treatment equipment, traffic signals and industrial indicator, Opto switches, display panel for indoor and outdoor use, car panels, stereos, brake lights, wireless information transmission products, and more. |

# 2.Operational Highlights

2. Production Process of Major Products




3. Status of Material Supply

All domestic and foreign Lite-On Technology factories retain a cooperative, long-term relationship with material suppliers. Suppliers are able to provide components on-time and help Lite-On Technology achieve competitive production costs through reasonable pricing. This process leads to smoother, more cost-effective production and enables Lite-On Technology to provide customers with the highest quality of goods and best service.

4. List of Major Customers and Suppliers in the Past Two Years

(1). List of Major Customers

Unit: Thousand of NT dollars

| | 2005 | | 2006 | |
|---|---|---|---|---|
| Customer's Name | Amount | % of Cost of Goods Sold | Amount | % of Cost of Goods Sold |
| Lite-On Trading USA, Inc | 48,533,369 | 30% | 42,350,860 | 30% |
| HPQ | 17,162,506 | 11% | 20,806,572 | 15% |
| Others | 97,097,351 | 59% | 80,238,810 | 55% |

(2). List of Major Suppliers

Unit: Thousand NT dollars

| | 2005 | | 2006 | |
|---|---|---|---|---|
| Supplier's Name | Amount | % of Annual Sales | Amount | % of Annual Sales |
| Titanic Capital Service | 71,056,771 | 49% | 66,126,018 | 51% |
| Others | 74,239,390 | 51% | 63,676,538 | 49% |

5. Production Capacity/Volume/Value Table in the Past Two Years

Unit: Thousand of Units, Sets, or NT dollars

| Production / Year / Major Product | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Capacity | Volume | Value | Capacity | Volume | Value |
| Digital Display | 10,579 | 10,946 | 72,849,248 | 13,626 | 11,188 | 65,392,196 |
| Imaging | 20,894 | 15,930 | 12,990,053 | 14,594 | 14,594 | 15,671,329 |
| Power Supply | 65,861 | 65,861 | 19,381,847 | 71,159 | 71,159 | 23,309,428 |
| Optoelectronics | 5,061,419 | 5,061,419 | 7,944,879 | 6,458,890 | 6,458,890 | 8,866,019 |
| Others | 76,497 | 45,508 | 34,699,850 | 113,349 | 64,924 | 30,706,003 |
| Total | 5,235,250 | 5,199,664 | 147,865,877 | 6,671,618 | 6,620,755 | 143,944,975 |

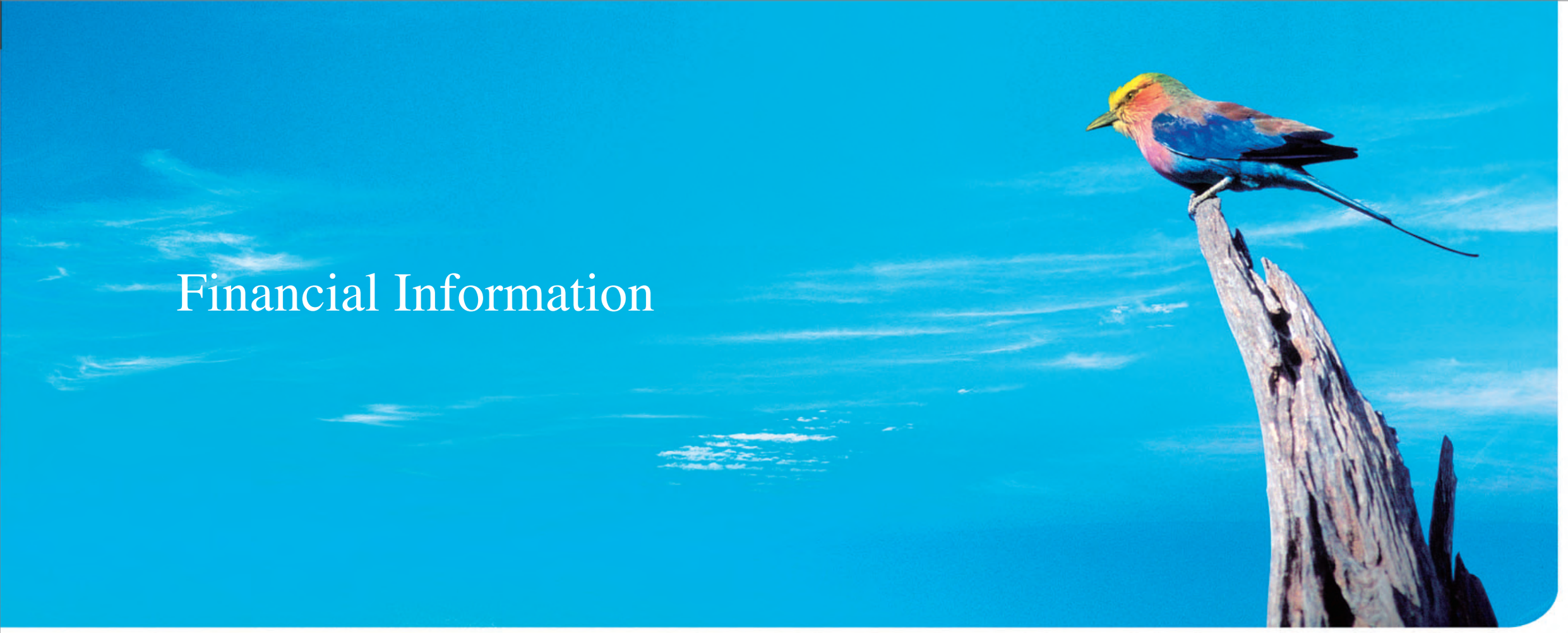
Note: Figures above are based worldwide consolidated numbers.

6. Sales Volume/Value Table in the Past Two Years

Unit: Thousand of Units, Sets, or NT dollars

| Sales / Year / Major Product | 2005 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic Sales | | Export | | Domestic Sales | | Export | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Digital Display | 18 | 14,733 | 11,018 | 76,345,603 | 0 | 71 | 11,880 | 70,229,103 |
| Imaging | 3,589 | 4,417,842 | 11,642 | 12,362,839 | 59 | 95,135 | 8,869 | 5,218,192 |
| Power Supply | 16,080 | 7,623,237 | 46,697 | 13,164,142 | 3,058 | 838,724 | 65,124 | 24,224,080 |
| Optoelectronics | 387,465 | 509,425 | 4,081,088 | 7,219,961 | 1,042,387 | 1,112,738 | 4,785,169 | 7,534,517 |
| Others | 7,293 | 3,413,787 | 43,760 | 37,721,657 | 328 | 40,545 | 48,815 | 34,103,137 |
| Total | 414,445 | 15,979,024 | 4,194,205 | 146,814,202 | 1,045,832 | 2,087,213 | 4,919,857 | 141,309,029 |

# Financial Information



# 3.Financial Information

## 3.1 Financial Historical Summary

### I Brief Balance Sheet and Income Statement for the Last 5 Years

i. Balance Sheet

Unit: Thousand of NT dollars

| Items | Year | Financial Data for the Last 5 Years (Note 1) | | | | | Fiscal Year Until 3/31/2007 |
|---|---|---|---|---|---|---|---|
| | | 2002 | 2003 | 2004 | 2005 | 2006 | |
| Current Assets | | 34,501,324 | 45,884,378 | 55,045,878 | 63,366,832 | 60,356,002 | 55,548,893 |
| Long-Term Investment | | 25,239,734 | 30,223,137 | 30,850,722 | 33,055,070 | 41,355,790 | 47,813,020 |
| Fixed Assets | | 7,387,659 | 4,022,951 | 3,349,498 | 2,820,418 | 3,257,387 | 2,860,548 |
| Intangible Assets | | 100,751 | - | 177,120 | 132,986 | 132,986 | 132,986 |
| Other Assets | | 1,189,078 | 664,251 | 1,023,985 | 716,225 | 605,805 | 555,636 |
| Total Liabilities | | 68,418,546 | 80,794,717 | 90,447,203 | 100,091,531 | 105,707,970 | 106,911,083 |
| Current Liabilities | Before Distribution | 25,926,702 | 31,469,410 | 32,153,335 | 43,143,634 | 39,708,265 | 38,778,908 |
| | After Distribution | 28,886,409 | 34,805,523 | 37,390,014 | 50,128,809 | (Note2) | (Note2) |
| Long-Term Liabilities | | 1,436,994 | 4,393,002 | 10,115,578 | 2,923,851 | 1,846,573 | 1,781,636 |
| Other Liabilities | | 185,327 | 460,404 | 439,443 | 1,173,660 | 1,202,176 | 1,291,731 |
| Total Liabilities | Before Distribution | 27,549,023 | 36,322,816 | 42,708,356 | 47,241,145 | 42,757,014 | 41,852,275 |
| | After Distribution | 30,508,730 | 39,658,929 | 47,945,035 | 54,226,320 | (Note2) | (Note2) |
| Capital Stock | | 19,094,383 | 22,476,906 | 25,121,449 | 26,225,639 | 29,081,192 | 29,101,694 |
| Capital Surplus | | 17,794,499 | 15,929,977 | 15,819,375 | 16,138,820 | 21,555,808 | 21,603,358 |
| Retained Earnings | Before Distribution | 5,988,417 | 8,598,465 | 10,093,729 | 12,505,237 | 13,150,059 | 14,886,746 |
| | After Distribution | 1,537,730 | 2,546,559 | 3,871,036 | 4,862,016 | (Note2) | (Note2) |
| Unrealized Gain or Loss on Financial Asset | | (515,073) | (411,775) | (543,575) | (399,345) | 376,247 | 617,930 |
| Cumulative Translation Adjustment | | 518,362 | (110,607) | (1,040,623) | (399,692) | 67,679 | 129,364 |
| Net Loss of Unrecognized Pension Costs | | - | - | (4,585) | (493) | (493) | (493) |
| Total Stockholders Equity | Before Distribution | 40,869,523 | 44,471,901 | 47,738,847 | 52,850,386 | 62,950,956 | 65,058,808 |
| | After Distribution | 37,909,816 | 41,135,788 | 42,502,168 | 45,865,211 | (Note2) | (Note2) |

Note 1: The balance sheet has been audited and verified by CPA of DELOITTE & TOUCHE.

Note 2: Distribution will be confirmed after being resolved in the 2007 shareholders meeting.

ii. Income Statement

Unit: Thousand of NT dollars

| Items | Year | Financial Data for the Last 5 Years (Note 1) | | | | | Fiscal Year Until 3/31/2007 |
|---|---|---|---|---|---|---|---|
| | | 2002 | 2003 | 2004 | 2005 | 2006 | |
| Net Sales | | 48,710,703 | 99,667,848 | 155,813,787 | 162,793,226 | 143,396,242 | 35,034,837 |
| Gross Profit | | 4,149,125 | 9,518,028 | 12,414,306 | 12,728,137 | 11,364,543 | 2,607,506 |
| Operating Income(Loss) | | 692,546 | 2,201,082 | 4,563,900 | 4,041,797 | 3,500,454 | 657,210 |
| Non-Operating Income(Loss) | | 4,371,994 | 6,879,374 | 5,612,358 | 6,779,823 | 6,971,796 | 1,562,290 |
| Non-Operating Expenses | | 467,790 | 732,593 | 2,071,448 | 1,194,180 | 1,284,033 | 227,930 |
| Income (Loss) before Tax for Active Operating Departments | | 4,596,750 | 8,347,863 | 8,104,810 | 9,627,440 | 9,188,217 | 1,991,570 |
| Income (Loss) after Tax for Active Operating Departments | | 5,126,750 | 7,280,863 | 7,557,177 | 8,732,358 | 8,401,959 | 1,736,687 |
| Income (Loss) for Inactive Operating Departments | | - | - | - | - | - | - |
| Extraordinary Gains (Losses) | | - | - | - | - | - | - |
| Cumulative Effects of Changes in Accounting Principles | | - | - | - | - | - | - |
| Net Income (Loss) | | 5,126,750 | 7,280,863 | 7,557,177 | 8,732,358 | 8,401,959 | 1,736,687 |
| Earnings (Losses) Per Share (Note 2) | | 3.62 | 2.89 | 2.88 | 3.33 | 3.04 | 0.6 |

Note 1: The income statement has been audited and verified by CPA of DELOITTE & TOUCHE.

Note 2: Calculated according to total shares after the increase of capital reserve fund and surplus adjustments.

iii. CPA's Opinions for the Last 5 Years.

| Year | Names of CPA | Audit Opinions |
|---|---|---|
| 2002 | Wu Chin Shun, Wu Chin Shun | Modified Unqualified Opinion |
| 2003 | Chen Chiung Hsiang, Wu Chin Shun | Modified Unqualified Opinion |
| 2004 | Chen Chiung Hsiang, Wei Yung Tu | Modified Unqualified Opinion |
| 2005 | Chen Chiung Hsiang, Wei Yung Tu | Modified Unqualified Opinion |
| 2006 | Wei Yung Tu, Ryh Yan Chang | Modified Unqualified Opinion |

# 3.Financial Information

## Financial Consolidated Data Analysis for the Last Five Years

Unit: Thousand of NT dollars

| Analyzed Items | Year | Financial Data for the Last 5 Years (Note1) | | | | | Fiscal Year Until 3/31/2007 |
|---|---|---|---|---|---|---|---|
| | | 2002 | 2003 | 2004 | 2005 | 2006 | |
| Financial Structure (%) | Debt Ratio | 40.27 | 44.96 | 47.22 | 47.20 | 40.45 | 39.15 |
| | Long-Term Funds to Fixed Assets | 572.66 | 1,214.65 | 1,727.26 | 1,978.05 | 1,989.25 | 2,336.63 |
| Solvency | Current Ratio(%) | 133.07 | 145.81 | 171.20 | 146.87 | 152.00 | 143.25 |
| | Quick Ratio (%) | 109.97 | 113.38 | 151.12 | 136.60 | 140.17 | 129.44 |
| | Number of Times of Interst Assurance(%) | 18.14 | 55.14 | 32.48 | 54.08 | 17.79 | 16.03 |
| Operation Ability | Turnover Rate of Receivables (Times) | 5.13 | 5.52 | 6.81 | 5.58 | 4.52 | - (Note 3) |
| | Number of Cashing Days of Receivables on Average | 71.00 | 66.00 | 54.00 | 65.00 | 81.00 | - (Note 3) |
| | Turnover Rate of Inventory (Times) | 9.64 | 11.63 | 18.38 | 30.54 | 31.84 | - (Note 3) |
| | Turnover Rate of Payable (Times) | 3.29 | 4.96 | 5.89 | 6.58 | 7.56 | - (Note 3) |
| | Number of Average Sales Days | 38.00 | 31.00 | 20.00 | 12.00 | 11.00 | - (Note 3) |
| | Turnover Rate of Fixed Assets (Times) | 6.59 | 24.77 | 46.52 | 57.72 | 44.02 | - (Note 3) |
| | Turnover Rate of Total Assets (Times) | 0.71 | 1.23 | 1.72 | 1.63 | 1.36 | - (Note 3) |
| Profitability | Asset Return Ratio (%) | 10.69 | 9.91 | 9.05 | 9.31 | 8.56 | - (Note 3) |
| | Return Rate of Shareholders' Equity (%) | 18.67 | 17.06 | 16.39 | 17.36 | 14.51 | - (Note 3) |
| | Operation Profits Ratio (%) | 3.63 | 9.79 | 18.17 | 15.41 | 12.04 | - (Note 3) |
| | Profits Before Tax Ratio (%) | 24.07 | 37.14 | 32.26 | 36.71 | 31.60 | - (Note 3) |
| | Net Profit Ratio (%) | 10.52 | 7.31 | 4.85 | 5.36 | 5.86 | 4.96 |
| | Earning (Loss) Per Share (NTD) (Note2) | 3.62 | 2.89 | 2.88 | 3.33 | 3.04 | 0.60 |
| Cash Flow (%) | Cash Flow Ratio(%) | 0.21 | 10.30 | 19.10 | 0.60 | 29.97 | 3.38 |
| | Appropriateness of Cash Flow(%) | 142.00 | 79.00 | 107.00 | 66.00 | 79.00 | 87.00 |
| | Ratio of Cash Reinvestment(%) | (2.02) | 1.13 | 4.88 | (7.86) | 7.59 | 1.84 |
| Leverage Degree | Operation Leverage | 5.95 | 1.53 | 1.28 | 1.41 | 1.29 | 1.34 |
| | Financial Leverage | 1.63 | 1.08 | 1.06 | 1.05 | 1.19 | 1.25 |

Note 1: The financial analysis has been audited and verified by CPA of DELOITTE & TOUCHE.
Note 2: Calculated according to total shares after the increase of capital reserve fund and surplus adjustments.
Note 3: The Profit & Loss is only for one quarter, therefore it's not included in the financial analysis.

Calculation Methods for Analyzed Items are as below:

i. Financial Structure:
(A) Debt Ratio = Total Liabilities / Total Assets.
(B) Long-Term Funds to Fixed Assets = (Net Shareholders' Equity + Long-Term Liabilities) / Net Fixed Assets.

ii. Solvency:
(A) Current Ratio (%) = Current Assets / Current Liabilities
(B) Quick Ratio (%) = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities.
(C) Number of Times of Interest Assurance (Times) = Net Profit before Income Tax and Interest Expenses / Interest Expenditures this Term

iii. Operation Ability :
(A) Turnover Rate of Receivable (Times) (Including Accounts Receivable and Notes Receivable Incurred By Business) Turnover Rate = Net Sales / Receivables Averaged in Various Terms (Including Accounts Receivable and Notes Receivable Incurred by Business) Balance.
(B) Number of Cashing Days of Receivables on Average = 365 / Turnover Rate of Receivables.
(C) Turnover Rate of Inventory (Times) = Costs Of Goods Sold / Average Inventory Value.
(D) Turnover Rate Of Payables (Times)(Including Accounts Payable And Notes Payable Incurred By Business) Turnover Rate = Costs of Goods Sold / Payables Averaged In Various Terms (Including Accounts Payable and Notes Payable Incurred by Business) Balance.
(E) Number of Days In Average Sales = 365 / Turnover Rate Inventory.
(F) Turnover Rate of Fixed Assets (Times) = Net Sales / Net Fixed Assets.
(G) Turnover Rate of Overall Assets (Times) = Net Sales / Total Fixed Assets.

iv. Profitability:
(A) Asset Return Ratio (%)= [ Net Income (Loss) Net Income + Interest Expense (1 - Tax Rate)] / Average Total Assets.
(B) Return Rate Of Shareholders' Equity = Profit (Loss) After Tax / Average Shareholders' Equity, Net
(C) Net Profit Ratio (%) = Income(Loss) / Net Sales
(D) Earning (Loss) per Share = [Net Income (Loss) Dividend of Preferred Shares] / Weighted Average of Outstanding Shares.

v. Cash Flow:
(A) Cash Flow Ratio = Net Cash Flow of Operating Activities / Current Liabilities.
(B) Appropriateness of Cash Flow = Net Cash Flow of Operating Activities in the Past Five Years / (Capital Expenditures + Increased Inventory + Cash Dividend) of The Past Five Years.
(C) Ratio of Cash Reinvestment : (Net Cash Flow of Operating Activities - Cash Dividend) / (Gross Fixed Assets + Long-Term Investment + Other Assets + Operating Funds).

vi. Leverage Degree:
(A) Operating Leverage = (Net Operating Revenues - Variable Operating Costs and Expenses) / Operating Profits.
(B) Financial Leverage = Operating Profit / (Operating Income Interest Expense)

## 3.2 Supervisor's Report

The Board of Directors have prepared and submitted to us the Company's 2006 Business Report, Financial Statements, and proposal for earnings distribution. The CPAs of DELOITTE & TOUCHE were retained to audit the Financial Statements and have submitted a report relating thereto. The above Business Report, Financial Statements and proposal for earnings distribution have been further examined as being correct and accurate by the undersigned, the ombudsmen of Lite-On Technology Corporation. According to Article 219 of the Company Law, we hereby submit this report.

Lite-On Technology Corporation

Supervisor: Yuan Pao Investment Co., Ltd
Representative: CH Chen

Supervisor: Yuan Pao Investment Co., Ltd
Representative: David Lee

April 25th, 2007

## 3.3 Standalone Financial Statement of 2006

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lite-On Technology Corporation

We have audited the accompanying balance sheets of Lite-On Technology Corporation as of December 31, 2006 and 2005, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. As disclosed in Note 7, we did not audit the financial statements of equity-method investees as of and for the years ended December 31, 2006 and 2005. The carrying values of these investments included in the accompanying balance sheets were 5.08% (NT$5,369,174 thousand) and 7.12% (NT$7,129,279 thousand) of the Corporation's total assets as of December 31, 2006 and 2005, respectively. Also, the equity in the net earnings of these investees were 10.31% (NT$947,757 thousand) and 10.08% (NT$970,471 thousand) of the Corporation's income before income tax in 2006 and 2005, respectively. The financial statements of the foregoing investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts pertaining to the above investments, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Lite-On Technology Corporation as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Lite-On Technology Corporation and subsidiaries for the years ended December 31, 2006 and 2005 (not presented herein) and have issued a modified unqualified opinion thereon in our report dated March 2, 2007.

Deloitte & Touche

March 2, 2007

# 3.Financial Information

## Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

LITE-ON TECHNOLOGY CORPORATION

BALANCE SHEETS

DECEMBER 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars, Except Par Value)

| ASSETS | 2006 Amount | 2006 % | 2005 Amount | 2005 % |
|---|---|---|---|---|
| CURRENT ASSETS | | | | |
| Cash (Note 4) | $ 21,103,215 | 20 | $ 20,918,426 | 21 |
| Notes receivable (Note 2) | 10,288 | - | 8,334 | - |
| Accounts receivable, net (Notes 2 and 5) | 17,523,213 | 17 | 17,416,363 | 17 |
| Receivable from related parties (Notes 2 and 20) | 16,175,290 | 15 | 19,738,850 | 20 |
| Other financial assets - current | 194,957 | - | 369,107 | - |
| Inventories, net (Notes 2 and 6) | 4,294,875 | 4 | 4,004,372 | 4 |
| Prepayments | 588,976 | 1 | 458,520 | 1 |
| Deferred income tax assets - current (Notes 2 and 17) | 465,178 | - | 452,860 | - |
| Total current assets | 60,356,002 | 57 | 63,366,832 | 63 |
| LONG-TERM INVESTMENTS (Notes 2, 3, 7, 8 and 9) | | | | |
| Available-for-sale financial assets - noncurrent | 904,011 | 1 | 928,490 | 1 |
| Financial assets measured at holding cost | 169,099 | - | 1,419,725 | 1 |
| Long-term investment under equity method | 40,282,680 | 38 | 30,706,855 | 31 |
| Total long-term investments | 41,355,790 | 39 | 33,055,070 | 33 |
| PROPERTIES (Notes 2, 10 and 22) | | | | |
| Cost | | | | |
| Land | 825,730 | 1 | 934,375 | 1 |
| Buildings | 1,061,754 | 1 | 1,327,721 | 1 |
| Machinery and equipment | 2,893,188 | 3 | 2,066,700 | 2 |
| Molding equipment | 716,940 | 1 | 596,327 | 1 |
| Transportation equipment | 17,683 | - | 29,569 | - |
| Office equipment | 583,799 | - | 670,130 | 1 |
| Miscellaneous equipment | 574,411 | - | 581,855 | - |
| Total cost | 6,673,505 | 6 | 6,206,677 | 6 |
| Less: Accumulated depreciation | 3,546,815 | 3 | 3,491,831 | 3 |
| Accumulated impairment | 65,080 | - | 68,878 | - |
| | 3,061,610 | 3 | 2,645,968 | 3 |
| Add: Advance payments | 195,777 | - | 174,450 | - |
| Net properties | 3,257,387 | 3 | 2,820,418 | 3 |
| GOODWILL, NET (Note 2) | 132,986 | - | 132,986 | - |
| OTHER ASSETS | | | | |
| Idle assets, net (Notes 2 and 11) | 42,141 | - | 27,978 | - |
| Refundable deposits | 72,455 | - | 58,396 | - |
| Deferred charges, net (Notes 2 and 22) | 491,209 | 1 | 629,851 | 1 |
| Total other assets | 605,805 | 1 | 716,225 | 1 |
| TOTAL | $105,707,970 | 100 | $100,091,531 | 100 |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 2006 Amount | 2006 % | 2005 Amount | 2005 % |
|---|---|---|---|---|
| CURRENT LIABILITIES | | | | |
| Short-term bank loans (Note 12) | $ 9,615,820 | 9 | $ 7,062,750 | 7 |
| Notes payable | 9,411 | - | 39,441 | - |
| Accounts payable | 11,026,883 | 10 | 12,160,574 | 12 |
| Payable to related parties (Note 20) | 12,643,277 | 12 | 10,403,938 | 10 |
| Income tax payable (Notes 2 and 17) | 822,246 | 1 | 604,759 | 1 |
| Accrued expenses | 1,807,464 | 2 | 2,179,100 | 2 |
| Advance from customers | 700,957 | 1 | 1,015,423 | 1 |
| Current portion of long-term debts (Notes 2 and 13) | 1,200,000 | 1 | 7,872,196 | 8 |
| Product warranty reserve (Note 2) | 377,692 | - | 472,763 | 1 |
| Other current liabilities | 1,504,515 | 1 | 1,332,690 | 1 |
| Total current liabilities | 39,708,265 | 37 | 43,143,634 | 43 |
| LONG-TERM LIABILITIES | | | | |
| Derivative financial liability for hedging - noncurrent (Notes 2, 3 and 24) | 59,756 | - | - | - |
| Long-term debts, net of current portion (Notes 2 and 13) | 1,665,192 | 2 | 2,800,000 | 3 |
| Total long-term liabilities | 1,724,948 | 2 | 2,800,000 | 3 |
| RESERVE FOR LAND VALUE INCREMENT TAX (Note 2) | 121,625 | - | 123,851 | - |
| OTHER LIABILITIES | | | | |
| Accrued pension costs (Notes 2 and 14) | 74,765 | - | 90,975 | - |
| Deferred income tax liabilities - noncurrent (Notes 2 and 17) | 698,359 | 1 | 386,904 | - |
| Deferred income (Note 2) | 428,834 | - | 544,065 | 1 |
| Miscellaneous (Notes 2 and 7) | 218 | - | 151,716 | - |
| Total other liabilities | 1,202,176 | 1 | 1,173,660 | 1 |
| Total liabilities | 42,757,014 | 40 | 47,241,145 | 47 |
| SHAREHOLDERS' EQUITY | | | | |
| Capital stock - $10 par value | | | | |
| Authorized - 3,500,000 thousand shares in 2006 and 2,601,821 thousand shares in 2005 | 28,734,812 | 27 | 26,018,213 | 26 |
| Issued - 2,873,481 thousand shares in 2006 and 2,601,821 thousand shares in 2005 | 29,081,192 | 28 | 26,225,639 | 26 |
| Advance receipts for common stock | 346,380 | 1 | 207,426 | - |
| Total capital stock | 29,081,192 | 28 | 26,225,639 | 26 |
| Capital surplus | | | | |
| Paid-in capital in excess of par value | 3,617,147 | 3 | 2,723,855 | 3 |
| Bond conversion | 7,596,809 | 7 | 3,006,606 | 3 |
| Treasury stock transactions | 85,931 | - | - | - |
| Long-term stock investments under the equity method | - | - | 152,438 | - |
| Merger | 10,255,921 | 10 | 10,255,921 | 10 |
| Total capital surplus | 21,555,808 | 20 | 16,138,820 | 16 |
| Retained earnings | | | | |
| Legal reserve | 3,417,409 | 3 | 2,544,173 | 3 |
| Special reserve | 399,837 | 1 | 818,597 | 1 |
| Unappropriated earnings | 9,332,813 | 9 | 9,142,557 | 9 |
| Total retained earnings | 13,150,059 | 13 | 12,505,237 | 13 |
| Other items of shareholders' equity | | | | |
| Unrealized loss on cash flow hedging | (59,756) | - | - | - |
| Unrealized gain (loss) on financial instruments | 376,247 | - | (399,345) | - |
| Cumulative translation adjustments | 67,679 | - | (399,692) | (1) |
| Miscellaneous | (493) | - | (493) | - |
| Total other items of shareholders' equity | 383,677 | - | (799,530) | (1) |
| Treasury stock - 38,720 thousand shares in 2006 and 38,531 thousand shares in 2005 | (1,219,780) | (1) | (1,219,780) | (1) |
| Total shareholders' equity | 62,950,956 | 60 | 52,850,386 | 53 |
| TOTAL | $105,707,970 | 100 | $100,091,531 | 100 |

The accompanying notes are an integral part of the financial statements. (With Deloitte & Touche audit report dated March 2, 2007)

## LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| SALES (Notes 2 and 20) | $144,421,053 | 101 | $163,717,316 | 100 |
| LESS: SALES RETURNS | 801,761 | 1 | 650,745 | - |
| SALES ALLOWANCES | 223,050 | - | 273,345 | - |
| NET SALES | 143,396,242 | 100 | 162,793,226 | 100 |
| COST OF SALES (Notes 18 and 20) | 132,142,915 | 92 | 149,623,026 | 92 |
| GROSS PROFIT | 11,253,327 | 8 | 13,170,200 | 8 |
| REALIZED (UNREALIZED) PROFITS ON INTERCOMPANY SALES (Note 2) | 111,216 | - | (442,063) | - |
| ADJUSTED GROSS PROFIT | 11,364,543 | 8 | 12,728,137 | 8 |
| OPERATING EXPENSES (Notes 18, 20 and 22) | | | | |
| Marketing | 3,737,257 | 3 | 4,326,190 | 3 |
| General and administrative | 2,152,093 | 2 | 2,188,508 | 1 |
| Research and development | 1,974,739 | 1 | 2,171,642 | 1 |
| Total operating expenses | 7,864,089 | 6 | 8,686,340 | 5 |
| OPERATING INCOME | 3,500,454 | 2 | 4,041,797 | 3 |
| NONOPERATING INCOME AND GAINS | | | | |
| Interest income | 434,779 | 1 | 231,809 | - |
| Investment income recognized under the equity method, net (Notes 2 and 7) | 4,358,534 | 3 | 4,038,253 | 2 |
| Dividend income | 29,918 | - | 32,562 | - |
| Gain on disposal of properties and idle assets | 31,342 | - | 47,281 | - |
| Gain on disposal of investments | 245,037 | - | 1,471,906 | 1 |
| Foreign exchange gain, net (Note 2) | 167,483 | - | 2,488 | - |
| Other income | 1,704,703 | 1 | 1,002,805 | 1 |
| Total nonoperating income and gains | 6,971,796 | 5 | 6,827,104 | 4 |
| NONOPERATING EXPENSES AND LOSSES | | | | |
| Interest expense (Notes 2 and 24) | 547,325 | 1 | 120,281 | - |
| Decline in carrying value of financial assets measured at holding cost | 168,895 | - | 298,549 | - |
| Loss on disposal of properties and idle assets | 39,829 | - | 81,678 | - |

(Continued)

## LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Loss on disposal of inventories | 137,814 | - | 39,062 | - |
| Loss on decline in inventory value (Notes 2 and 22) | 98,100 | - | 179,675 | - |
| Asset impairment loss (Notes 2, 10, 11 and 22) | - | - | 81,534 | - |
| Other expenses (Note 18) | 292,070 | - | 440,682 | 1 |
| Total nonoperating expenses and losses | 1,284,033 | 1 | 1,241,461 | 1 |
| INCOME BEFORE INCOME TAX | 9,188,217 | 6 | 9,627,440 | 6 |
| INCOME TAX EXPENSE (Notes 2 and 17) | 786,258 | - | 895,082 | 1 |
| NET INCOME | $ 8,401,959 | 6 | $ 8,732,358 | 5 |

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Pre-tax | After-tax | Pre-tax | After-tax |
| EARNINGS PER SHARE (Note 19) | | | | |
| Basic | $ 3.32 | $ 3.04 | $ 3.67 | $ 3.33 |
| Diluted | $ 3.20 | $ 2.92 | $ 3.48 | $ 3.16 |

Pro forma information on the assumption that shares of Lite-On Technology Corp. held by its direct and indirect subsidiaries were not treated as treasury stock.

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Pre-tax | After-tax | Pre-tax | After-tax |
| NET INCOME | $ 9,272,648 | $ 8,486,390 | $ 9,699,559 | $ 8,804,477 |
| EARNINGS PER SHARE | | | | |
| Basic | $□ 3.30 | $□ 3.02 | $□ 3.64 | $□ 3.30 |
| Diluted | $□ 3.18 | $□ 2.91 | $□ 3.46 | $□ 3.15 |

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

(With Deloitte & Touche audit report dated March 2, 2007)

(Concluded)

## LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars; Except Cash Dividends Per Share)

| | Issued Capital Stock (Note 15) | | Advance Receipts for Common Stock | Capital Surplus (Notes 2 and 15) | | | | | | Retained Earnings (Notes 2 and 15) | | | | Unrealized Loss on Cash Flows Hedging (Note 3) | Unrealized Gain (Loss) on Financial Instrument (Notes 2 and 3) | Cumulative Translation Adjustments (Note 2) | Miscellaneous | Treasury Stock (Notes 2 and 16) | Total Shareholder Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares (Thousands) | Amount | | Paid-in Capital in Excess of Par Value | Bond Conversion | Treasury Stock Transactions | Long-term Stock Investments Under the Equity Method | Merger | Total | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | | | | | | |
| BALANCE, JANUARY 1, 2005 | 2,512,145 | $25,121,449 | $ - | $2,733,555 | $2,481,006 | $ 183,677 | $ 128,693 | $10,292,444 | $15,819,375 | $1,789,456 | $ 522,382 | $7,781,891 | $10,093,729 | $ - | $ (543,575) | $(1,040,623) | $ (4,585) | $(1,706,923) | $47,738,847 |
| Appropriation of prior year's earnings | | | | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | - | 754,717 | - | (754,717) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | - | - | - | - | - | 296,125 | (296,125) | - | - | - | - | - | - | - |
| Cash dividends - 20% | - | - | - | - | - | - | - | - | - | - | - | (5,006,440) | (5,006,440) | - | - | - | - | - | (5,006,440) |
| Stock dividends - 2% | 50,064 | 500,644 | - | - | - | - | - | - | - | - | - | (500,644) | (500,644) | - | - | - | - | - | - |
| Bonus to employees - cash | - | - | - | - | - | - | - | - | - | - | - | (136,899) | (136,899) | - | - | - | - | - | (136,899) |
| Bonus to employees - stock | 48,537 | 485,370 | - | - | - | - | - | - | - | - | - | (485,370) | (485,370) | - | - | - | - | - | - |
| Remuneration to directors and supervisors | - | - | - | - | - | - | - | - | - | - | - | (93,340) | (93,340) | - | - | - | - | - | (93,340) |
| Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees | - | - | - | - | - | - | (85,286) | - | (85,286) | - | - | - | - | - | - | - | - | - | (85,286) |
| Cash dividends received by subsidiaries | - | - | - | - | - | 61,032 | - | - | 61,032 | - | - | - | - | - | - | - | - | - | 61,032 |
| Reversal of adjustment arising from changes in net loss of unrecognized pension costs in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,092 | - | 4,092 |
| Adjustment arising from changes in equity in investees | - | - | - | - | - | - | 58,535 | - | 58,535 | - | - | - | - | - | - | - | - | - | 58,535 |
| Adjustment arising from changes in subsidiaries' capital surplus | - | - | - | - | - | - | 50,496 | - | 50,496 | - | - | - | - | - | - | - | - | - | 50,496 |
| Retirement of treasury stock - 8,925 thousand shares | (8,925) | (89,250) | - | (9,700) | (8,804) | (244,709) | - | (36,523) | (299,736) | - | - | (98,157) | (98,157) | - | - | - | - | 487,143 | - |
| Net income in 2005 | - | - | - | - | - | - | - | - | - | - | - | 8,732,358 | 8,732,358 | - | - | - | - | - | 8,732,358 |
| Conversion of overseas convertible bonds into common stock | - | - | 207,426 | - | 534,404 | - | - | - | 534,404 | - | - | - | - | - | - | - | - | - | 741,830 |
| Reversal of unrealized loss on long-term stock investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 144,230 | - | - | - | 144,230 |
| Translation adjustments on long-term stock investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 640,931 | - | - | 640,931 |
| BALANCE, DECEMBER 31, 2005 | 2,601,821 | 26,018,213 | 207,426 | 2,723,855 | 3,006,606 | - | 152,438 | 10,255,921 | 16,138,820 | 2,544,173 | 818,507 | 9,142,557 | 12,505,237 | - | (399,345) | (399,692) | (493) | (1,219,780) | 52,850,386 |
| Effects of accouting changes since adopted SFAS No. 34 | - | - | - | - | - | - | - | - | - | - | - | - | - | (110,220) | 242,906 | - | - | - | 132,686 |
| Appropriation of prior year's earnings | | | | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | - | 873,236 | - | (873,236) | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | - | - | - | - | - | - | - | (418,670) | 418,670 | - | - | - | - | - | - | - |
| Cash dividends - $24% | - | - | - | - | - | - | - | - | - | - | - | (6,626,205) | (6,626,205) | - | - | - | - | - | (6,626,205) |
| Stock dividends - 0.5% | 13,805 | 138,046 | - | - | - | - | - | - | - | - | - | (138,046) | (138,046) | - | - | - | - | - | - |
| Bonus to employees - cash | - | - | - | - | - | - | - | - | - | - | - | (244,322) | (244,322) | - | - | - | - | - | (244,322) |
| Bonus to employees - stock | 52,000 | 520,000 | - | - | - | - | - | - | - | - | - | (520,000) | (520,000) | - | - | - | - | - | - |
| Remuneration to directors and supervisors | - | - | - | - | - | - | - | - | - | - | - | (114,648) | (114,648) | - | - | - | - | - | (114,648) |
| Conversion of overseas convertible bonds into common stock | 179,301 | 1,793,008 | 138,954 | - | 4,590,203 | - | - | - | 4,590,203 | - | - | - | - | - | - | - | - | - | 6,522,165 |
| Cash dividends received by subsidiaries | - | - | - | - | - | 84,431 | - | - | 84,431 | - | - | - | - | - | - | - | - | - | 84,431 |
| Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees | - | - | - | - | - | - | (160,191) | - | (160,191) | - | - | (113,916) | (113,916) | - | - | - | - | - | (274,107) |
| Adjustment arising from changes in capital surplus in subsidiaries | - | - | - | - | - | 1,500 | 7,753 | - | 9,253 | - | - | - | - | - | - | - | - | - | 9,253 |
| Unrealized gain or loss on cash flows hedging | - | - | - | - | - | - | - | - | - | - | - | - | - | 50,464 | - | - | - | - | 50,464 |
| Net income in 2006 | - | - | - | - | - | - | - | - | - | - | - | 8,401,959 | 8,401,959 | - | - | - | - | - | 8,401,959 |
| Unrealized gain or loss on available-for sale financial assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 532,686 | - | - | - | 532,686 |
| Translation adjustments on long-term stock investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 467,371 | - | - | 467,371 |
| Issuance of new shares due to share exchange | 26,554 | 265,545 | - | 893,292 | - | - | - | - | 893,292 | - | - | - | - | - | - | - | - | - | 1,158,837 |
| BALANCE, DECEMBER 31, 2006 | 2,873,481 | $28,734,812 | $ 346,380 | $3,617,147 | $7,596,809 | $ 85,931 | $ - | $10,255,921 | $21,555,808 | $3,417,409 | $ 399,837 | $9,332,813 | $13,150,059 | $ (59,756) | $ 376,247 | $ 67,679 | $ (493) | $(1,219,780) | $62,950,956 |

The accompanying notes are an integral part of the financial statements. (With Deloitte & Touche audit report dated March 2, 2007)

## LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 8,401,959 | $ 8,732,358 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 654,883 | 618,023 |
| Amortization | 316,264 | 436,311 |
| Reversal of allowance for bad debts | (8,598 ) | (40,102 ) |
| Loss on decline in inventory value | 98,100 | 179,675 |
| Loss on disposal of inventories | 137,814 | 39,062 |
| Gain on disposal of investments | (245,037 ) | (1,471,906 ) |
| Decline in carrying value of financial assets measured at holding cost | 168,895 | 298,549 |
| Loss on disposal of properties and idle assets,net | 8,487 | 34,397 |
| Impairment loss on assets | - | 81,534 |
| Investment income recognized under the equity method,net | (4,358,534 ) | (4,038,253 ) |
| Cash dividends from equity-method investees | 2,815,985 | 1,933,757 |
| Product warranty reserve | (95,071 ) | 126,138 |
| Accrued pension costs | (16,210 ) | 7,881 |
| Deferred income taxes | 299,137 | 385,040 |
| Deferred income | (115,231 ) | 447,722 |
| Net changes in operating assets and liabilities | | |
| Notes receivable | (1,964 ) | 17,450 |
| Accounts receivable | (98,252 ) | (3,171,979 ) |
| Receivable from related parties | 3,774,473 | (6,748,902 ) |
| Inventories | (526,417 ) | 1,570,982 |
| Other financial assets - current | 174,150 | 392,373 |
| Prepayments | (130,456 ) | 316,994 |
| Notes payable | (30,030 ) | (80,135 ) |
| Accounts payable | (1,133,691 ) | 2,371,804 |
| Payable to related parties | 2,239,339 | (2,534,528 ) |
| Income tax payable | 217,487 | 38,597 |
| Accrued expenses | (371,636 ) | 124,881 |
| Advances from customers | (314,466 ) | 83,229 |
| Other current liabilities | 39,684 | 109,607 |
| Net cash provided by operating activities | 11,901,064 | 260,559 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of available-for-sale assets | 782,738 | 218,094 |
| Proceeds from sale of financial asset measured at holding cost | 268,520 | 51,345 |
| Acquisition of long-term investments under the equity method | (10,707,359 ) | (2,724,459 ) |
| Acquisition in financial assets measured at holding cost | (29,738 ) | (19,009 ) |
| Proceeds from sale of long-term investments under the equity method | 4,863,276 | 4,314,322 |
| Acquisition of properties | (1,492,143 ) | (672,558 ) |
| Proceeds from disposal of properties and idle assets | 364,556 | 509,638 |

(Continued)

## LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|---|---|---|
| Increase in refundable deposits | (14,059 ) | (19,972 ) |
| Increase in deferred charges | (166,763 ) | (129,915 ) |
| Net cash provided by (used in) investing activities | (6,130,972 ) | 1,527,486 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term bank loans | 2,553,070 | 4,078,510 |
| Increase (Decrease) in long-term debts | (1,284,839 ) | 232,701 |
| Decrease in guarantee deposits | (500 ) | (1,048 ) |
| Cash dividends paid | (6,626,205 ) | (5,006,440 ) |
| Remuneration to directors and supervisors and bonuses to employees | (226,829 ) | (230,239 ) |
| Net cash used in financing activities | (5,585,303 ) | (926,516 ) |
| NET INCREASE IN CASH | 184,789 | 861,529 |
| CASH, BEGINNING OF YEAR | 20,918,426 | 20,056,897 |
| CASH, END OF YEAR | $ 21,103,215 | $ 20,918,426 |
| SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid (excluding capitalized interests) | $ 540,299 | $ 89,502 |
| Income tax paid | $ 211,512 | $ 475,180 |
| NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Current portion of long-term debts | $ 1,200,000 | $ 7,872,196 |
| Payable to cash dividends,remuneration of directors and supervisors and employees cash bonuses | $ 132,141 | $ - |
| Conversion of overseas convertible bonds into common stock and capital surplus | $ 6,522,615 | $ 741,830 |
| CASH PAID FOR ACQUISITION OF PROPERTIES | | |
| Increase in properties | $ 1,488,757 | $ 751,998 |
| Decrease (increase) in payable for properties | 3,386 | (79,440 ) |
| | $ 1,492,143 | $ 672,558 |

(Concluded)

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 2, 2007)

## 3.4 Consolidated Financial Statements of 2006

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lite-On Technology Corporation

We have audited the accompanying balance sheets of Lite-On Technology Corporation (“Parent Company”) and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, as stated in Note 2, we did not audit the financial statements as of and for the years ended December 31, 2006 and 2005 of consolidated subsidiaries. The assets of these subsidiaries were 4.30% (NT$7,130,662 thousand) and 12.56% (NT$19,252,022 thousand) of the consolidated total assets as of December 31, 2006 and 2005, respectively. The sales of these subsidiaries were 2.91% (NT$6,459,472 thousand) and 27.00% (NT$61,432,318 thousand) of the consolidated total sales in 2006 and 2005, respectively. As stated in Note 9, we did not audit the financial statements as of and for the years ended December 31, 2006 and 2005 of equity-method investees. The carrying values of the related equity-method investments included in the accompanying balance sheets were 0.81% (NT$1,345,000 thousand) and 0.17% (NT$266,322 thousand) of the consolidated total assets as of December 31, 2006 and 2005, respectively. Also, the equity in the net earnings of these investees were 0.36% (NT$38,289 thousand) and 0.32% (NT$40,052 thousand) of the consolidated income before income tax in 2006 and 2005, respectively. The financial statements of the foregoing consolidated subsidiaries and equity-method investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts pertaining to the above investments, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Lite-On Technology Corporation and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 2 to the financial statements, Lite-On Technology Corporation and subsidiaries adopted revised SFAS No. 7 "Consolidated Financial Statements", to prepare the consolidated financial statements. Since 2005, the consolidated entities include the accounts of all investors in which Lite-On Technology Corporation has a controlling interest.

Deloitte & Touche

March 2, 2007

# 3.Financial Information

## Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

## LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars, Except Par Value)

| ASSETS | 2006 Amount | % | 2005 Amount | % |
|---|---|---|---|---|
| CURRENT ASSETS | | | | |
| Cash (Note 4) | $ 48,756,254 | 29 | $ 42,311,146 | 27 |
| Financial assets at fair value through profit or loss - current (Notes 2, 3, 7 and 26) | 4,312 | - | 105,742 | - |
| Available-for-sale financial assets - current (Notes 2, 3 and 8) | 280,863 | - | 82,812 | - |
| Notes receivable (Note 2) | 109,448 | - | 24,240 | - |
| Accounts receivable, net (Notes 2 and 5) | 45,434,913 | 27 | 48,843,311 | 32 |
| Receivables from related parties (Notes 2 and 22) | 1,151,079 | 1 | 1,521,623 | 1 |
| Other financial assets - current | 2,138,636 | 1 | 1,294,646 | 1 |
| Inventories, net (Notes 2 and 6) | 25,576,626 | 16 | 28,521,927 | 19 |
| Prepayments | 1,501,281 | 1 | 1,141,459 | 1 |
| Deferred income tax assets - current (Notes 2 and 19) | 785,094 | 1 | 793,367 | - |
| Total current assets | 125,738,506 | 76 | 124,640,273 | 81 |
| LONG-TERM INVESTMENTS (Notes 2, 3, 9, 10 and 11) | | | | |
| Available-for-sale financial assets - noncurrent | 2,527,039 | 1 | 2,233,033 | 1 |
| Financial assets measured at holding cost | 895,340 | 1 | 2,280,233 | 2 |
| Long-term investment under equity method | 3,156,133 | 2 | 1,727,421 | 1 |
| Total long-term investments | 6,578,512 | 4 | 6,240,687 | 4 |
| PROPERTIES (Notes 2 ,12 and 24) | | | | |
| Cost | | | | |
| Land | 2,660,201 | 2 | 2,580,492 | 2 |
| Buildings | 12,053,482 | 7 | 11,338,214 | 7 |
| Machinery and equipment | 17,195,679 | 10 | 12,198,225 | 8 |
| Molding equipment | 926,571 | 1 | 1,519,395 | 1 |
| Transportation equipment | 168,150 | - | 129,119 | - |
| Office equipment | 2,171,900 | 1 | 1,788,092 | 1 |
| Miscellaneous equipment | 1,297,387 | 1 | 1,613,820 | 1 |
| Total cost | 36,473,370 | 22 | 31,167,357 | 20 |
| Less: Accumulated depreciation | 14,213,286 | 9 | 11,883,804 | 8 |
| Accumulated impairment | 75,576 | - | 152,329 | - |
| | 22,184,508 | 13 | 19,131,224 | 12 |
| Add: Construction in progress and advance payments | 2,774,390 | 2 | 834,571 | 1 |
| Net properties | 24,958,898 | 15 | 19,965,795 | 13 |
| INTANGIBLE ASSETS | | | | |
| Patent use rights (Notes 2 and 13) | 2,583,550 | 2 | 3,675 | - |
| Goodwill, net (Note 2 and 13) | 3,663,192 | 2 | 258,450 | - |
| Land use rights (Note 2) | 281,239 | - | 305,350 | 1 |
| Total intangible assets | 6,527,981 | 4 | 567,475 | 1 |
| OTHER ASSETS | | | | |
| Leased assets, net (Note 2) | - | - | 98,551 | - |
| Idle assets, net (Note 2) | 46,107 | - | 87,852 | - |
| Refundable deposits | 186,234 | - | 118,670 | - |
| Deferred charges, net (Note 2) | 1,323,174 | 1 | 1,444,152 | 1 |
| Miscellaneous | 293,911 | - | 97,698 | - |
| Total other assets | 1,849,426 | 1 | 1,846,923 | 1 |
| TOTAL | $165,653,323 | 100 | $153,261,153 | 100 |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 2006 Amount | % | 2005 Amount | % |
|---|---|---|---|---|
| CURRENT LIABILITIES | | | | |
| Short-term bank loans (Note 14) | $ 10,410,488 | 6 | $ 7,674,096 | 5 |
| Financial liabilities at fair value through profit or loss -current (Notes 2, 3 and 26) | 13,962 | - | - | - |
| Notes payable | 714,606 | 1 | 67,254 | - |
| Accounts payable | 53,458,407 | 32 | 57,819,482 | 38 |
| Payable to related parties (Note 22) | 852,434 | 1 | 1,015,163 | 1 |
| Income tax payable (Notes 2 and 19) | 2,381,335 | 2 | 1,901,134 | 1 |
| Accrued expenses | 5,660,739 | 3 | 5,108,861 | 3 |
| Other accounts payable | 3,935,383 | 2 | 2,815,018 | 2 |
| Advance from customers | 1,437,431 | 1 | 1,234,525 | 1 |
| Current portion of long-term debts (Notes 2 and 15) | 1,518,323 | 1 | 7,909,873 | 5 |
| Product warranty reserve (Note 2) | 666,651 | - | 798,449 | - |
| Other current liabilities | 481,514 | - | 959,656 | 1 |
| Total current liabilities | 81,531,273 | 49 | 87,303,511 | 57 |
| LONG-TERM LIABILITIES | | | | |
| Derivative financial liability for hedging - noncruuent (Notes 2, 3 and 26) | 59,756 | - | - | - |
| Long-term debts, net of current portion (Notes 2 and 15) | 2,367,306 | 2 | 2,942,889 | 2 |
| Total long-term liabilities | 2,427,062 | 2 | 2,942,889 | 2 |
| RESERVE FOR LAND VALUE INCREMENT TAX (Note 2) | 157,558 | - | 159,784 | - |
| OTHER LIABILITIES | | | | |
| Accrued pension costs (Notes 2 and 16) | 237,187 | - | 177,863 | - |
| Guarantee deposits | 8,133 | - | 32,495 | - |
| Deferred income tax liabilities - noncurrent (Notes 2 and 19) | 1,272,380 | 1 | 900,855 | 1 |
| Deferred income (Note 2) | 2,336 | - | 18,893 | - |
| Miscellaneous | 4,653 | - | 43,817 | - |
| Total other liabilities | 1,524,689 | 1 | 1,173,923 | 1 |
| Total liabilities | 85,640,582 | 52 | 91,580,107 | 60 |
| SHAREHOLDERS' EQUITY OF PARENT COMPANY | | | | |
| Capital stock - $10 par value | | | | |
| Authorized - 3,500,000 thousand shares | | | | |
| Issued - 2,873,481 thousand shares in 2006 and 2,601,821 thousand shares in 2005 | 28,734,812 | 18 | 26,018,213 | 17 |
| Advance receipts for common stock | 346,380 | - | 207,426 | - |
| | 29,081,192 | 18 | 26,225,639 | 17 |
| Capital surplus | | | | |
| Paid-in capital in excess of par value | 3,617,147 | 2 | 2,723,855 | 2 |
| Bond conversion | 7,596,809 | 5 | 3,006,606 | 2 |
| Treasury stock transactions | 85,931 | - | - | - |
| Long-term stock investments under the equity method | - | - | 152,438 | - |
| Merger | 10,255,921 | 6 | 10,255,921 | 7 |
| Total capital surplus | 21,555,808 | 13 | 16,138,820 | 11 |
| Retained earnings | | | | |
| Legal reserve | 3,417,409 | 2 | 2,544,173 | 2 |
| Special reserve | 399,837 | - | 818,507 | - |
| Unappropriated earnings | 9,332,813 | 6 | 9,142,557 | 6 |
| Total retained earnings | 13,150,059 | 8 | 12,505,237 | 8 |
| Other items of shareholders' equity | | | | |
| Unrealized loss on cash flow hedging | (59,756) | - | - | - |
| Unrealized gain or loss on financial instrument | 376,247 | - | (399,345) | - |
| Cumulative translation adjustments | 67,679 | - | (399,692) | (1) |
| Miscellaneous | (493) | - | (493) | - |
| Total other items of shareholders' equity | 383,677 | - | (799,530) | (1) |
| Treasury stock - 38,720 thousand shares in 2006 and 38,531 thousand shares in 2005 | (1,219,780) | (1) | (1,219,780) | (1) |
| Total shareholder's equity of parent company | 62,950,956 | 38 | 52,850,386 | 34 |
| MINORITY INTEREST | 17,061,785 | 10 | 8,830,660 | 6 |
| Total shareholders' equity | 80,012,741 | 48 | 61,681,046 | 40 |
| TOTAL | $165,653,323 | 100 | $153,261,153 | 100 |

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 2, 2007)

## LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| SALES (Notes 2 and 22) | $226,277,001 | 102 | $231,548,253 | 102 |
| LESS: SALES RETURNS | 2,996,857 | 1 | 2,009,176 | 1 |
| SALES ALLOWANCES | 1,241,499 | 1 | 2,197,696 | 1 |
| NET SALES | 222,038,645 | 100 | 227,341,381 | 100 |
| OTHER OPERATING REVENUE | 160,952 | - | 164,232 | - |
| Total operating revenue | 222,199,597 | 100 | 227,505,613 | 100 |
| OPERATING COST | | | | |
| Cost of sales (Notes 20 and 22) | 193,812,881 | 87 | 199,599,981 | 88 |
| Other operating cost | 29,761 | - | 79,969 | - |
| Total operating cost | 193,842,642 | 87 | 199,679,950 | 88 |
| GROSS PROFIT | 28,356,955 | 13 | 27,825,663 | 12 |
| REALIZED PROFITS ON INTERCOMPANY SALES (Note 2) | 2,394 | - | 3,199 | - |
| ADJUSTED GROSS PROFIT | 28,359,349 | 13 | 27,828,862 | 12 |
| OPERATING EXPENSES (Notes 20, 22 and 24) | | | | |
| Marketing | 9,806,782 | 4 | 8,964,804 | 4 |
| General and administrative | 4,650,957 | 2 | 4,715,769 | 2 |
| Research and development | 3,758,087 | 2 | 3,683,398 | 1 |
| Total operating expenses | 18,215,826 | 8 | 17,363,971 | 7 |
| OPERATING INCOME | 10,143,523 | 5 | 10,464,891 | 5 |
| NONOPERATING INCOME AND GAINS | | | | |
| Interest income | 1,026,463 | 1 | 582,986 | - |
| Investment income recognized under the equity method, net (Notes 2 and 9) | 242,510 | - | 181,835 | - |
| Dividend income | 32,331 | - | 57,952 | - |
| Gain on disposal of properties and idle assets | 59,644 | - | 203,914 | - |
| Gain on disposal of investments | 149,714 | - | 1,508,256 | 1 |
| Foreign exchange gain, net (Note 2) | 508,663 | - | 195,490 | - |
| Other income (Notes 2, 3 and 7) | 1,757,802 | 1 | 1,702,459 | 1 |

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Total nonoperating income and gains | 3,777,127 | 2 | 4,432,892 | 2 |
| NONOPERATING EXPENSES AND LOSSES | | | | |
| Interest expense (Note 2) | 654,183 | - | 202,626 | - |
| Decline in carrying value of financial assets measured at holding cost | 336,491 | - | 308,558 | - |
| Loss on disposal of properties and idle assets | 87,887 | - | 188,508 | - |
| Loss on disposal of inventories | 429,868 | - | 39,638 | - |
| Loss on decline in inventory value (Notes 2 and 24) | 849,339 | 1 | 348,567 | - |
| Asset impairment loss (Notes 2, 12 and 24) | 105,638 | - | 191,134 | - |
| Other expenses (Notes 2, 3, 7 and 20) | 784,224 | 1 | 1,107,893 | 1 |
| Total nonoperating expenses and losses | 3,247,630 | 2 | 2,386,924 | 1 |
| INCOME BEFORE INCOME TAX AND CUMULATIVE EFFECTS RESULTING FROM CHANGES IN ACCOUNTING PRINCIPLES | 10,673,020 | 5 | 12,510,859 | 6 |
| INCOME TAX EXPENSE (Notes 2 and 19) | 1,511,531 | 1 | 1,936,740 | 1 |
| CONSOLIDATED NET INCOME BEFORE CUMULATIVE EFFECTS RESULTING FROM CHANGES IN ACCOUNTING PRINCIPLES | 9,161,489 | 4 | 10,574,119 | 5 |
| CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3) (DEDUCT INCOME TAX 289 THOUSAND DOLLARS) | 711 | - | - | - |
| CONSOLIDATED NET INCOME | $ 9,162,200 | 4 | $ 10,574,119 | 5 |
| ATTRIBUTED TO: | | | | |
| Controlling Interest | $ 8,401,959 | 4 | $ 8,732,358 | 4 |
| Minority Interest | 760,241 | - | 1,841,761 | 1 |
| | $ 9,162,200 | 4 | $ 10,574,119 | 5 |

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Pretax | After-tax | Pretax | After-tax |
| EARNINGS PER SHARE (Note 21) | | | | |
| Basic | $ 3.32 | $ 3.04 | $ 3.67 | $ 3.33 |
| Diluted | $ 3.20 | $ 2.92 | $ 3.48 | $ 3.16 |

Pro forma information on the assumption that shares of Lite-On Technology Corp. held by its direct and indirect subsidiaries were not treated as treasury stock.

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Pretax | After-tax | Pretax | After-tax |
| CONSOLIDATED NET INCOME | $ 9,272,648 | $ 8,486,390 | $ 9,699,559 | $ 8,804,477 |
| EARNINGS PER SHARE | | | | |
| Basic | $ 3.30 | $ 3.02 | $ 3.64 | $ 3.30 |
| Diluted | $ 3.18 | $ 2.91 | $ 3.46 | $ 3.15 |

(Concluded)

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 2, 2007)

# LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
## YEARS ENDED DECEMBER 31, 2006 AND 2005
## (In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

| | Issued Capital Stock (Note 17) | | Advance Receipts for Common Stock | Capital Surplus (Notes 2 and 17) | | | | | | Retained Earnings (Notes 2 and 17) | | | | Unrealized Loss on Cash Flow Hedging (Note 3) | Unrealized Gain (Loss)on Financial Instrument (Notes 2 and 3) | Cumulative Translation Adjustments (Note 2) | Miscellaneous | Treasury Stock (Notes 2 and 18) | Minority Equity (Note2) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares (Thousands) | Amount | | Paid-in Capital in Excess of Par Value | Bond Conversion | Treasury Stock Transactions | Long-term Stock Investments Under the Equity Method | Merger | Total | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | | | | | | | |
| BALANCE, JANUARY 1, 2005 | 2,512,145 | $25,121,449 | $ - | $2,733,555 | $2,481,006 | $183,677 | $128,693 | $10,292,444 | $15,819,375 | $1,789,456 | $522,382 | $7,781,891 | $10,093,729 | $ - | $(543,575 ) | $(1,040,623) | $(4,585) | $(1,706,923) | $6,343,893 | $54,082,740 |
| Effect of change in consolidated entities since 2005 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,173,687 | 1,173,687 |
| Appropriation of prior year's earnings | | | | | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | - | 754,717 | - | (754,717 ) | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | - | - | - | - | - | 296,125 | (296,125 ) | - | - | - | - | - | - | - | - |
| Cash dividends - 20% | - | - | - | - | - | - | - | - | - | - | - | (5,006,440) | (5,006,440 ) | - | - | - | - | - | - | (5,006,440 ) |
| Stock dividends - 2% | 50,064 | 500,644 | - | - | - | - | - | - | - | - | - | (500,644 ) | (500,644 ) | - | - | - | - | - | - | - |
| Bonus to employees - cash | - | - | - | - | - | - | - | - | - | - | - | (136,899 ) | (136,899 ) | - | - | - | - | - | - | (136,899 ) |
| Bonus to employees - stock | 48,537 | 485,370 | - | - | - | - | - | - | - | - | - | (485,370 ) | (485,370 ) | - | - | - | - | - | - | - |
| Remuneration to directors and supervisors | - | - | - | - | - | - | - | - | - | - | - | (93,340 ) | (93,340 ) | - | - | - | - | - | - | (93,340 ) |
| Cash dividends received by subsidiaries | - | - | - | - | - | 61,032 | - | - | 61,032 | - | - | - | - | - | - | - | - | - | - | 61,032 |
| Adjustment arising from changes in equity in investees | - | - | - | - | - | - | 58,535 | - | 58,535 | - | - | - | - | - | - | - | - | - | - | 58,535 |
| Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees | - | - | - | - | - | - | (85,286 ) | - | (85,286 ) | - | - | - | - | - | - | - | - | - | - | (85,286 ) |
| Adjustment arising from changes in subsidiaries' capital surplus | - | - | - | - | - | - | 50,496 | - | 50,496 | - | - | - | - | - | - | - | - | - | - | 50,496 |
| Reversal arising from changes in subsidiaries' net losses not recognized as pension costs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,092 | - | - | 4,092 |
| Retirement of treasury stock - 8, 925 thousand shares | (8,925 ) | (89,250 ) | - | (9,700 ) | (8,804 ) | (244,709) | - | (36,523 ) | (299,736 ) | - | - | (98,157 ) | (98,157 ) | - | - | - | - | 487,143 | - | - |
| Conversion of overseas convertible bonds into common stock | - | - | 207,426 | - | 534,404 | - | - | - | 534,404 | - | - | - | - | - | - | - | - | - | - | 741,830 |
| Translation adjustment on long-term stock investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 640,931 | - | - | - | 640,931 |
| Consolidated net income in 2005 | - | - | - | - | - | - | - | - | - | - | - | 8,732,358 | 8,732,358 | - | - | - | - | - | 1,841,761 | 10,574,119 |
| Reversal of unrealized loss on long-term stock investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 144,230 | - | - | - | - | 144,230 |
| Effect on change of shareholders' equity of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (528,681 ) | (528,681 ) |
| BALANCE, DECEMBER 31, 2005 | 2,601,821 | 26,018,213 | 207,426 | 2,723,855 | 3,006,606 | - | 152,438 | 10,255,921 | 16,138,820 | 2,544,173 | 818,507 | 9,142,557 | 12,505,237 | - | (399,345 ) | (399,692 ) | (493) | (1,219,780 ) | 8,830,660 | 61,681,046 |
| Effect of change in consolidated entities since 2006 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,897,794 | 3,897,794 |
| Effects of accounting changes since adopted SFAS NO.34 | - | - | - | - | - | - | - | - | - | - | - | - | - | (110,220 ) | 242,906 | - | - | - | - | 132,686 |
| Appropriation of prior year's earnings | | | | | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | - | 873,236 | - | (873,236 ) | - | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | - | - | - | - | - | - | - | (418,670) | 418,670 | - | - | - | - | - | - | - | - |
| Cash dividends - 24% | - | - | - | - | - | - | - | - | - | - | - | (6,626,205) | (6,626,205 ) | - | - | - | - | - | - | (6,626,205 ) |
| Stock dividends - 0.5% | 13,805 | 138,046 | - | - | - | - | - | - | - | - | - | (138,046 ) | (138,046 ) | - | - | - | - | - | - | - |
| Bonus to employees - cash | - | - | - | - | - | - | - | - | - | - | - | (244,322 ) | (244,322 ) | - | - | - | - | - | - | (244,322 ) |
| Bonus to employees - stock | 52,000 | 520,000 | - | - | - | - | - | - | - | - | - | (520,000 ) | (520,000 ) | - | - | - | - | - | - | - |
| Remuneration to directors and supervisors | - | - | - | - | - | - | - | - | - | - | - | (114,648 ) | (114,648 ) | - | - | - | - | - | - | (114,648 ) |
| Conversion of overseas convertible bonds into common stock | 179,301 | 1,793,008 | 138,954 | - | 4,590,203 | - | - | - | 4,590,203 | - | - | - | - | - | - | - | - | - | - | 6,522,165 |
| Cash dividends received by subsidiaries | - | - | - | - | - | 84,431 | - | - | 84,431 | - | - | - | - | - | - | - | - | - | - | 84,431 |
| Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees | - | - | - | - | - | - | (160,191) | - | (160,191 ) | - | - | (113,916 ) | (113,916 ) | - | - | - | - | - | - | (274,107 ) |
| Adjustment arising from changes in capital surplus in subsidiaries | - | - | - | - | - | 1,500 | 7,753 | - | 9,253 | - | - | - | - | - | - | - | - | - | - | 9,253 |
| Unrealized gain or loss on cash flows hedging | - | - | - | - | - | - | - | - | - | - | - | - | - | 50,464 | - | - | - | - | - | 50,464 |
| Consolidated net income in 2006 | - | - | - | - | - | - | - | - | - | - | - | 8,401,959 | 8,401,959 | - | - | - | - | - | 760,241 | 9,162,200 |
| Unrealized gain or loss on available-for-sale financial assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 532,686 | - | - | - | - | 532,686 |
| Translation adjustments on long-term stock investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 467,371 | - | - | - | 467,371 |
| Issuance of new shares due to share exchange | 26,554 | 265,545 | - | 893,292 | - | - | - | - | 893,292 | - | - | - | - | - | - | - | - | - | - | 1,158,837 |
| Effect of change in shareholders' equity of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,573,090 | 3,573,090 |
| BALANCE, DECEMBER 31, 2006 | 2,873,481 | $28,734,812 | $346,380 | $3,617,147 | $7,596,809 | $85,931 | $ - | $10,255,921 | $21,555,808 | $3,417,409 | $399,837 | $9,332,813 | $13,150,059 | $ (59,756 ) | $376,247 | $ 67,679 | $ (493 ) | $(1,219,780) | $17,061,785 | $80,012,741 |

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 2, 2007)

(Concluded)

# LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
## YEARS ENDED DECEMBER 31, 2006 AND 2005
## (In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

| | Issued Capital Stock (Note 17) | | Advance Receipts for Common Stock | Capital Surplus (Notes 2 and 17) | | | | | | Retained Earnings (Notes 2 and 17) | | | | Unrealized Loss on Cash Flow Hedging (Note 3) | Unrealized Gain (Loss)on Financial Instrument (Notes 2 and 3) | Cumulative Translation Adjustments (Note 2) | Miscellaneous | Treasury Stock (Notes 2 and 18) | Minority Equity (Note2) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares (Thousands) | Amount | | Paid-in Capital in Excess of Par Value | Bond Conversion | Treasury Stock Transactions | Long-term Stock Investments Under the Equity Method | Merger | Total | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | | | | | | | |
| BALANCE, JANUARY 1, 2005 | 2,512,145 | $25,121,449 | $ - | $2,733,555 | $2,481,006 | $183,677 | $128,693 | $10,292,444 | $15,819,375 | $1,789,456 | $522,382 | $7,781,891 | $10,093,729 | $ - | $(543,575 ) | $(1,040,623) | $(4,585) | $(1,706,923) | $6,343,893 | $54,082,740 |
| Effect of change in consolidated entities since 2005 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,173,687 | 1,173,687 |
| Appropriation of prior year's earnings | | | | | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | - | 754,717 | - | (754,717 ) | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | - | - | - | - | - | 296,125 | (296,125 ) | - | - | - | - | - | - | - | - |
| Cash dividends - 20% | - | - | - | - | - | - | - | - | - | - | - | (5,006,440) | (5,006,440 ) | - | - | - | - | - | - | (5,006,440 ) |
| Stock dividends - 2% | 50,064 | 500,644 | - | - | - | - | - | - | - | - | - | (500,644 ) | (500,644 ) | - | - | - | - | - | - | - |
| Bonus to employees - cash | - | - | - | - | - | - | - | - | - | - | - | (136,899 ) | (136,899 ) | - | - | - | - | - | - | (136,899 ) |
| Bonus to employees - stock | 48,537 | 485,370 | - | - | - | - | - | - | - | - | - | (485,370 ) | (485,370 ) | - | - | - | - | - | - | - |
| Remuneration to directors and supervisors | - | - | - | - | - | - | - | - | - | - | - | (93,340 ) | (93,340 ) | - | - | - | - | - | - | (93,340 ) |
| Cash dividends received by subsidiaries | - | - | - | - | - | 61,032 | - | - | 61,032 | - | - | - | - | - | - | - | - | - | - | 61,032 |
| Adjustment arising from changes in equity in investees | - | - | - | - | - | - | 58,535 | - | 58,535 | - | - | - | - | - | - | - | - | - | - | 58,535 |
| Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees | - | - | - | - | - | - | (85,286 ) | - | (85,286 ) | - | - | - | - | - | - | - | - | - | - | (85,286 ) |
| Adjustment arising from changes in subsidiaries' capital surplus | - | - | - | - | - | - | 50,496 | - | 50,496 | - | - | - | - | - | - | - | - | - | - | 50,496 |
| Reversal arising from changes in subsidiaries' net losses not recognized as pension costs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,092 | - | - | 4,092 |
| Retirement of treasury stock - 8, 925 thousand shares | (8,925 ) | (89,250 ) | - | (9,700 ) | (8,804 ) | (244,709) | - | (36,523 ) | (299,736 ) | - | - | (98,157 ) | (98,157 ) | - | - | - | - | 487,143 | - | - |
| Conversion of overseas convertible bonds into common stock | - | - | 207,426 | - | 534,404 | - | - | - | 534,404 | - | - | - | - | - | - | - | - | - | - | 741,830 |
| Translation adjustment on long-term stock investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 640,931 | - | - | - | 640,931 |
| Consolidated net income in 2005 | - | - | - | - | - | - | - | - | - | - | - | 8,732,358 | 8,732,358 | - | - | - | - | - | 1,841,761 | 10,574,119 |
| Reversal of unrealized loss on long-term stock investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 144,230 | - | - | - | - | 144,230 |
| Effect on change of shareholders' equity of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (528,681 ) | (528,681 ) |
| BALANCE, DECEMBER 31, 2005 | 2,601,821 | 26,018,213 | 207,426 | 2,723,855 | 3,006,606 | - | 152,438 | 10,255,921 | 16,138,820 | 2,544,173 | 818,507 | 9,142,557 | 12,505,237 | - | (399,345 ) | (399,692 ) | (493) | (1,219,780 ) | 8,830,660 | 61,681,046 |
| Effect of change in consolidated entities since 2006 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,897,794 | 3,897,794 |
| Effects of accounting changes since adopted SFAS NO.34 | - | - | - | - | - | - | - | - | - | - | - | - | - | (110,220 ) | 242,906 | - | - | - | - | 132,686 |
| Appropriation of prior year's earnings | | | | | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | - | 873,236 | - | (873,236 ) | - | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | - | - | - | - | - | - | - | (418,670) | 418,670 | - | - | - | - | - | - | - | - |
| Cash dividends - 24% | - | - | - | - | - | - | - | - | - | - | - | (6,626,205) | (6,626,205 ) | - | - | - | - | - | - | (6,626,205 ) |
| Stock dividends - 0.5% | 13,805 | 138,046 | - | - | - | - | - | - | - | - | - | (138,046 ) | (138,046 ) | - | - | - | - | - | - | - |
| Bonus to employees - cash | - | - | - | - | - | - | - | - | - | - | - | (244,322 ) | (244,322 ) | - | - | - | - | - | - | (244,322 ) |
| Bonus to employees - stock | 52,000 | 520,000 | - | - | - | - | - | - | - | - | - | (520,000 ) | (520,000 ) | - | - | - | - | - | - | - |
| Remuneration to directors and supervisors | - | - | - | - | - | - | - | - | - | - | - | (114,648 ) | (114,648 ) | - | - | - | - | - | - | (114,648 ) |
| Conversion of overseas convertible bonds into common stock | 179,301 | 1,793,008 | 138,954 | - | 4,590,203 | - | - | - | 4,590,203 | - | - | - | - | - | - | - | - | - | - | 6,522,165 |
| Cash dividends received by subsidiaries | - | - | - | - | - | 84,431 | - | - | 84,431 | - | - | - | - | - | - | - | - | - | - | 84,431 |
| Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees | - | - | - | - | - | - | (160,191) | - | (160,191 ) | - | - | (113,916 ) | (113,916 ) | - | - | - | - | - | - | (274,107 ) |
| Adjustment arising from changes in capital surplus in subsidiaries | - | - | - | - | - | 1,500 | 7,753 | - | 9,253 | - | - | - | - | - | - | - | - | - | - | 9,253 |
| Unrealized gain or loss on cash flows hedging | - | - | - | - | - | - | - | - | - | - | - | - | - | 50,464 | - | - | - | - | - | 50,464 |
| Consolidated net income in 2006 | - | - | - | - | - | - | - | - | - | - | - | 8,401,959 | 8,401,959 | - | - | - | - | - | 760,241 | 9,162,200 |
| Unrealized gain or loss on available-for-sale financial assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 532,686 | - | - | - | - | 532,686 |
| Translation adjustments on long-term stock investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 467,371 | - | - | - | 467,371 |
| Issuance of new shares due to share exchange | 26,554 | 265,545 | - | 893,292 | - | - | - | - | 893,292 | - | - | - | - | - | - | - | - | - | - | 1,158,837 |
| Effect of change in shareholders' equity of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,573,090 | 3,573,090 |
| BALANCE, DECEMBER 31, 2006 | 2,873,481 | $28,734,812 | $346,380 | $3,617,147 | $7,596,809 | $85,931 | $ - | $10,255,921 | $21,555,808 | $3,417,409 | $399,837 | $9,332,813 | $13,150,059 | $ (59,756 ) | $376,247 | $ 67,679 | $ (493 ) | $(1,219,780) | $17,061,785 | $80,012,741 |

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 2, 2007)

(Concluded)

## LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | $ 9,162,200 | $ 10,574,119 |
| Cumulative effects of changes in accounting principles | (711 ) | - |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 2,719,837 | 2,341,551 |
| Amortization | 828,718 | 867,431 |
| Reversal of allowance for bad debts | (24,282 ) | (26,512 ) |
| Financial asset and liability revaluation loss (gain) | 10,060 | (13,736 ) |
| Loss on decline in inventory value | 849,339 | 348,567 |
| Loss on disposal of inventories | 429,868 | 39,638 |
| Gain on disposal of investments | (149,714 ) | (1,508,256 ) |
| Loss (gain) on disposal of properties and idle assets,net | 28,243 | (15,406 ) |
| Asset impairment loss | 105,638 | 191,134 |
| Decline in carrying value of financial assets measured at holding cost | 336,491 | 308,558 |
| Investment income recognized under the equity method,net | (242,510 ) | (181,835 ) |
| Cash dividends from equity-method investees | 138,298 | 276,055 |
| Product warranty reserve | (131,798 ) | 46,453 |
| Accrued pension costs | 59,324 | 38,177 |
| Deferred income taxes | 379,798 | 375,596 |
| Deferred income | (16,557 ) | (49,586 ) |
| Net changes in operating assets and liabilities | | |
| Notes receivable | (85,208 ) | 1,544 |
| Accounts receivable | 3,432,680 | (15,780,734 ) |
| Receivable from related parties | 370,544 | 4,220,876 |
| Inventories | 1,666,094 | (3,973,944 ) |
| Prepayments | (359,822 ) | (36,246 ) |
| Other financial assets - current | (843,990 ) | (74,341 ) |
| Notes payable | 647,352 | (53,303 ) |
| Accounts payable | (4,361,075 ) | 11,516,727 |
| Payables to related parties | (162,729 ) | (4,020,732 ) |
| Income taxes payable | 480,201 | 523,998 |
| Accrued expenses | 551,878 | 172,348 |
| Other accounts payable | 988,224 | 1,013,872 |
| Advances from customers | 202,906 | 91,223 |
| Other current liabilities | (478,142 ) | 395,107 |
| Net cash provided by operating activities | 16,531,155 | 7,608,343 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Decrease (increase) in financial assets at fair value through profit or loss | 92,081 | (413,571 ) |
| Proceeds from sale of available-for sale financial assets | 7,721,454 | 218,093 |
| Acquisition of available-for-sale financial assets | (6,772,019 ) | - |

(Continued)

## LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|---|---|---|
| Proceeds from financial assets measured at holding cost | 278,747 | 33,591 |
| Acquisition of financial assets measured at holding cost | (118,688 ) | (532,821 ) |
| Acquisition of long-term investments under the equity method | (452,000 ) | (3,129,770 ) |
| Proceeds from sale of long-term investments under the equity method | 82,886 | 4,332,083 |
| Acquisition of properties | (5,880,468 ) | (2,231,921 ) |
| Proceeds from property disposal | 775,036 | 1,324,054 |
| Decrease (increase) in refundable deposits | (67,564 ) | 30,100 |
| Increase in deferred charges | (567,729 ) | (979,330 ) |
| Acquisition of intangible assets | (1,226,855 ) | (3,675 ) |
| Increase in land use rights | - | (191,731 ) |
| The difference between the cost of acquisiting subsidiary and its shareholders' equity | (430,283 ) | - |
| Increase in other assets | (231,227 ) | (89,342 ) |
| Net cash used in investing activities | (6,796,629 ) | (1,634,240 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term bank loans | 2,736,392 | 4,689,856 |
| Increase in financial liabilities at fair value through profit of loss | 13,962 | - |
| Increase (decrease) in long-term debts | (444,968 ) | 413,267 |
| Increase (decrease) in guarantee deposits | (24,362 ) | 24,721 |
| Cash dividends paid | (7,863,327 ) | (6,530,181 ) |
| Remuneration to directors and supervisors and bonuses to employees | (226,829 ) | (498,577 ) |
| Net cash used in financing activities | (5,809,132 ) | (1,900,914 ) |
| EFFECTS OF EXCHANGE RATE CHANGES | 467,371 | 69,473 |
| CASH INCREASE DUE TO CHANGES IN CONSOLIDATED ENTITIES | 2,052,343 | 3,032,020 |
| NET INCREASE IN CASH | 6,445,108 | 7,174,682 |
| CASH, BEGINNING OF YEAR | 42,311,146 | 35,136,464 |
| CASH, END OF YEAR | $ 48,756,254 | $ 42,311,146 |
| SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid (excluding capitalized interests) | $ 641,579 | $ 165,103 |
| Income tax paid | $ 780,042 | $ 996,427 |
| NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Current portion of long-term debts | $ 1,518,323 | $ 7,909,873 |

| | 2006 | 2005 |
|---|---|---|
| Payable to cash dividends,remuneration of directors and supervisiors and employees cash bonuses | $ 136,284 | $ - |
| Conversion of overseas convertible bonds into common stock | $ 6,522,165 | $ 741,830 |
| The subsidiary issued stock to acquire intangible assets | $ 4,275,331 | $ - |
| CASH PAID FOR ACQUISITION OF PROPERTIES | | |
| Increase in properties | $ 6,191,428 | $ 2,035,739 |
| Decrease (increase) in payable for properties | (310,960 ) | 196,182 |
| | $ 5,880,468 | $ 2,231,921 |

(Concluded)

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 2, 2007)

This annual report contains excerpts from the Chinese version of Lite-On Technology Corporation's 2006 annual report, which was printed on May 5th, 2007 and published in accordance with “the Regulation of the Criteria Governing Information to be published in Annual Company Reports in the Republic of China.” For more information, please refer to the Chinese version of the Company's annual report.

Lite-On Technology Corporation

Raymond Soong, Chairman

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