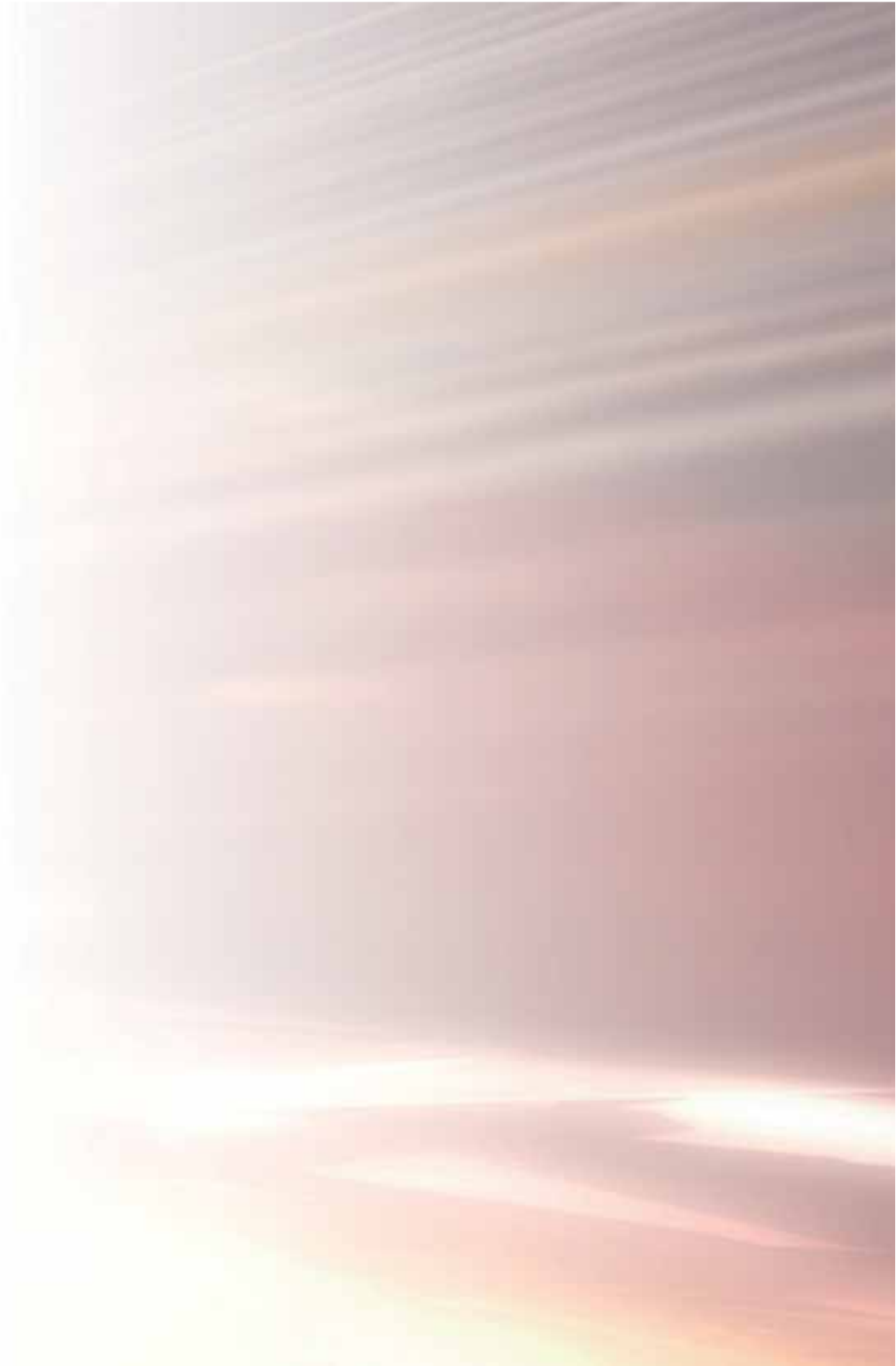


TSE #2301
www.liteon.com



2007 Annual Report



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GDR and related information:

Citibank, N.A.
www.citibank.com/adr

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Table of Contents

Business Philosophy

Members of Top Management

Letter to Shareholders

Launch Customer Centric Growth Strategy

Lite-On Values

1. Corporate Overview

1.1 Company Profile

1.2 Organization Chart

1.3 Board Members and Supervisors

1.4 Major Shareholders

1.5 Issuance of Corporate Bonds

1.6 Issuance of Global Depositary Receipts

1.7 Introduction of Lite-On Awards

1.8 Introduction of Lite-On Cultural Foundation

2. Operational Highlights

2.1 Business Overview

2.2 Market and Sales Overview

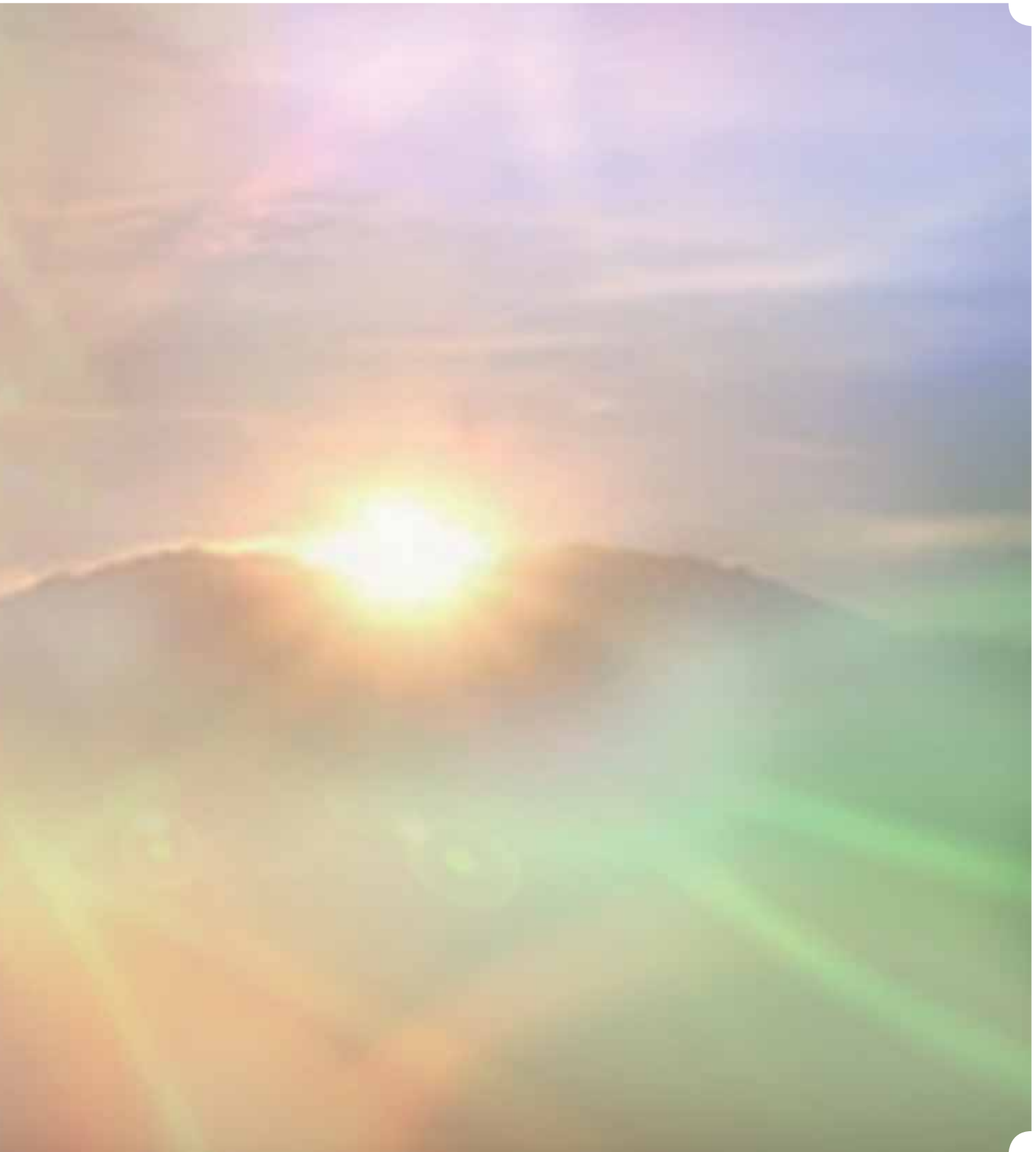
3. Financial Information

3.1 Financial Historical Summary

3.2 Supervisor's Report

3.3 Standalone Financial Statements of 2007

3.4 Consolidated Financial Statements of 2007





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 Optoelectronic Components
- Long-term: Global Leader in Digital Converged Devices

Strategy

- Customer Centric Growth
- Customer Value Creation
- Positive Free 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 Technology Vice Chairman)

Lite-On Group DCEO Warren Chen (Lite-On Group Core-Investment CEO)

Lite-On Technology CEO KC Terng

CTO Paul Lo (Lite-On Automotive International CEO)

CSO Danny Liao (Lite-On IT CEO)





Letter to Shareholders

Dear Shareholders,

Thanks to the concerted efforts of our employees and the support of our shareholders, Lite-On Technology achieved excellent results in 2007. During the year we optimized our product portfolio, raised profit quality through our Profitable Growth Strategy, and deployed a Customer-Centric Growth Strategy to strengthen our client structure. These measures drove revenues and profits, the twin engines of growth. Lite-On also continues to implement a corporate social responsibility (CSR) program, which has received a high degree of outside recognition for the past several years and demonstrates our commitment to becoming a world-class enterprise.

Customer-Centric Growth Strategy

With the implementation of our Customer-Centric Growth Strategy, Lite-On performed well in fiscal year 2007. Revenue of the mother company reached NT\$166.1 billion, while the worldwide consolidated revenue totaled NT\$261.9 billion, a historic high. Net income after tax was NT\$8.5 billion, growing from the previous year, and earnings per share was NT\$3.45. Major sources for revenues and profits were the high margins of our three core products: LEDs, power supplies, and cases, with annual revenue growth setting new records reaching 13%, 44%, and 38% respectively. In addition, as operations grow, we continue to promote M&A investment, simultaneous investment and capital reduction, and we returned NT\$3 per share to shareholders as promised.

Although the Digital Display Business Unit (DDBU) experienced a plant fire at the beginning of 2008, our management team has made great efforts to rebuild, and operations are already coming back online. In April 2008 the board of directors announced the sale and the transfer of DDBU to Wistron Corporation for NT\$9.2 billion. To enhance strategic ties with Wistron, Lite-On plans to take part in a private placement issued by Wistron with an investment amount up to NT\$1.2 billion.

The operational plan this year is to continue deploying a Customer-Centric Growth Strategy. This includes integrating with the core direction of our customer's future development, increasing revenues based on high margin products, and adjusting our operations strategy for improved profits. At the same time we will strengthen cost utilization and operations efficiency and increase profit growth for relevant products. Driving growth for core business units will be our promotion of new products in power supplies, LEDs, displays, and cases, as well as the generation of new customer orders. This year presents another new opportunity for profit growth.

Green Technology Supply Chain

With environmental protection, a major trend for future industrial development, Lite-On Group is dedicated to establishing a green technology supply chain, which is central to our next phase development. We will focus on solar power generation, inverters for converting energy, energy-saving LEDs, high efficiency power supplies, and applications such as energy efficient traffic and street lights. Last year, Lite-On acquired Li Shin International Enterprise Corp., Perlos, a supplier of handset casings, and the IrDA business division of Avago Technologies. Lite-On also invested in Leotek Electronics Corp, which has the second largest share of the U.S. LED traffic light market, as well as Auria Solar, a joint-

venture for developing thin-film solar cell technology. Lite-On also successfully listed inverter-maker Logah Technology Corp. on the emerging stock market. This year Lite-On is active in implementing a green technology supply chain by bringing together business units, invested companies, customers and our entire supply system to manufacture green technology products that meet environmental and customer requirements.

Mastering Change

In recent years the rising cost of oil and raw materials as well as the U.S. sub-prime mortgage crisis have weakened investor confidence. This produces a substantial effect on global economic performance. With the falling value of the U.S. dollar and the appreciation of the N.T. Dollar, the technology industry will find it difficult to sidestep the effects. However, rising demand from emerging markets, plus the continued profitability of a number of industry leaders shows there are still bright prospects for overall technology development. Many manufacturers continue to invest in the future and competition remains heated. This year the new domestic employee bonus system went into effect and the technology industry immediately faced the challenge of profits and retaining talents. Mainland China has also implemented a new labor law which has increased pressure on labor costs. Lite-On continues to stay ahead in terms of the general financial environment, competitive market position, and changes in domestic and foreign laws and regulations, so that we make positive gains from the changing situation and protect the interests of our shareholders.

CSR Becomes a Key Performance Index

Besides moving forward in operations and sales, we are making great strides in corporate social responsibility. Lite-On has received Global Views magazine's CSR award for the past four years in a row, as well as a high standing in Commonwealth magazine's corporate citizenship rankings. CSR emphasizes that in addition to developing technology, a corporation's management must consider the environment, the interests of stakeholders, and pay attention to employee workplace and job satisfaction. Lite-On Technology has become known as a Lifestyle of Health and Sustainability (LOHAS) enterprise.

We have declared 2008 as our "CSR Year" and we are promoting CSR as an important key performance index (KPI) throughout the company. Lite-On is beginning to measure actual CSR execution and results, and strengthen and promote CSR. Last year Lite-On established a Corporate Social and Environmental Responsibility (CSER) Committee with the expectation that CSER establishes a system that reaches throughout the organization.

For the future, Lite-On will communicate the powerful benefits of CSR to all stakeholders, strengthen our CSR implementation, and take the interests of all stakeholders into foremost consideration. Starting from this point, we hope to join the strength of all stakeholders and develop Lite-On's corporate citizenship, so that ultimately we become a company of world-class excellence.

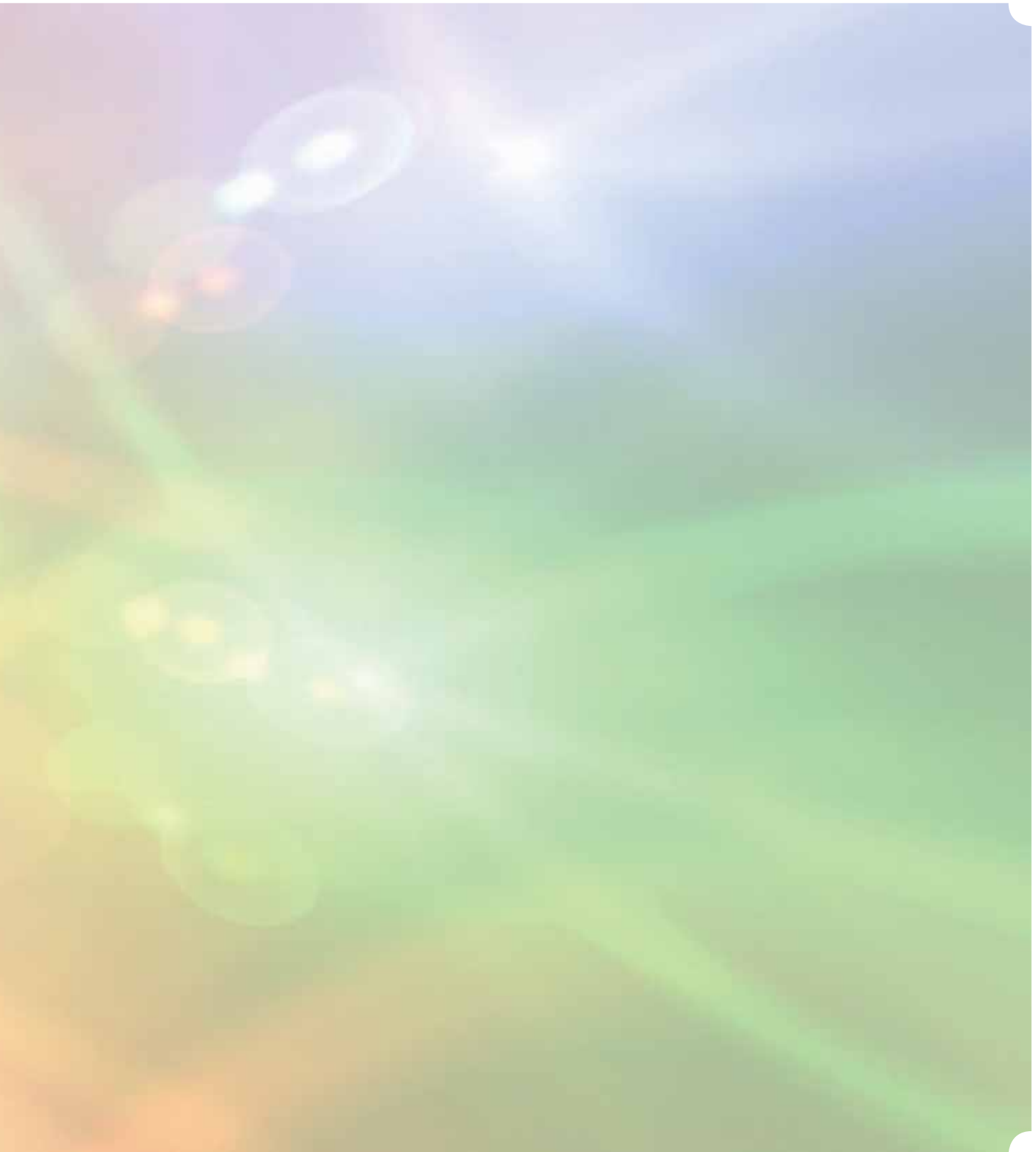


Launch Customer Centric Growth Strategy

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 imaging products. In the mid-term, “cluster” business model within handset, game console, notebook and printer will be the growth engines. In the long-term, Lite-On will steer into car components.





Lite-On Values

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.



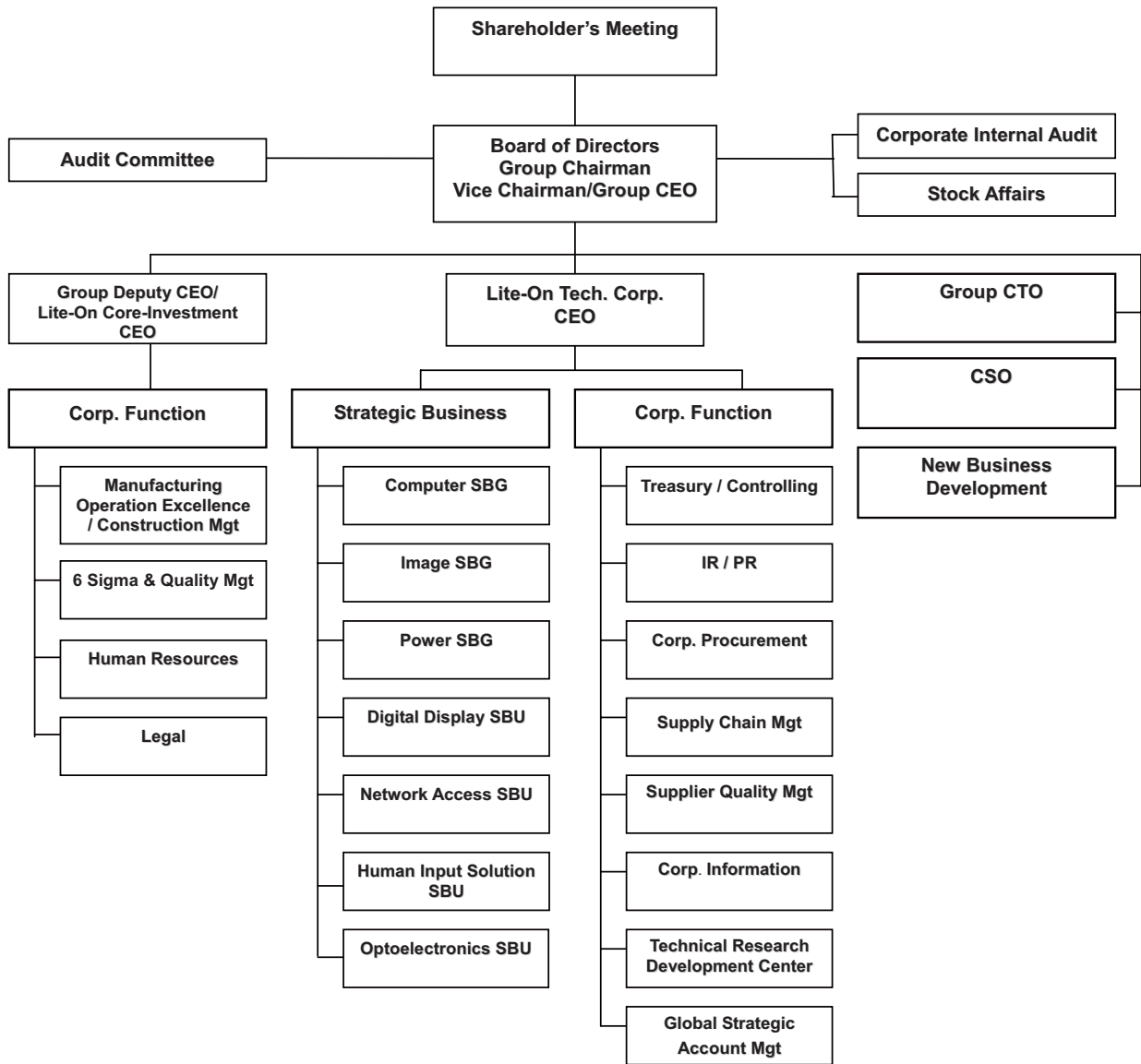
1. Corporate Overview

1.1 COMPANY PROFILE

Established:	1975/6/2
Date of Listing:	1983/1/26
Company Code:	2301
Paid-in-Capital:	NT\$ 21.8B (as of December 2007)

- 2008
- Honored with Global Views Magazine's fourth year's "Corporate Social Responsibility Award".
 - Ranked No. 4 in "Corporate Citizenship" by CommonWealth Magazine. Lite-On is the company with the most improvements this year.
 - Transfer of Digital Display Business Unit to Wistron to concentrate on core products and green energy technology.
 - The 8th Liteonawards were open for the first time to international young designers, with candidates from Asia, Europe, and North America, opening up a new perspective of Chinese industrial design competition.
 - Ranked No.1 in the category of "Enterprise for Computer Accessories and Parts" in the "Top 1000 Manufacturers in Taiwan of 2007" by CommonWealth Magazine.
- 2007
- Special shareholder meeting approved the acquisition of 100% stake in Li-Shin International Enterprise Corporation via share swap, in order to expand the 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 a strategic alliance with Philips, to penetrate the 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 Organization Chart



Above is the Organization Chart of Lite-On Technology as of April, 2008. 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.



1.3 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 30th, 2008

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 Dec 31, 2007

Bond Type		First Secured Common Corporate Bond
Issue Date		September 25 th and 26 th , 2003
Face Value		NT\$ 5,000,000
Issuance and Listing		Taiwan
Issue Price		As per face value
Total Amount		NT\$ 4,000,000,000
Coupon Rate		Note 1
Term		5 years Expiration date: September 25 th and 26 th , 2008
Guarantor		CitiBank Taipei Branch
Trustee		Bank Sinopac
Underwriter		N/A
Attorney		Hui-Chi Kuo Modern Law Office
Accountant		Clark Chen · James Wu (Deloitte & Touche)
Payment Method		30%, 30% and 40% of Principal will be paid on the third, fourth and fifth year.
Outstanding Amount		NT\$ 1,600,000,000
Conditions on Redemption or Early Repayment		N/A
Restriction Clause		Note 2
Name of The Credit Rating Institution, Date Rated, and Results on Rating of The Corporate Bond		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
	Issuance, Conversion, or Warrants	N/A
Dilution Effect and Other Adverse Effects on Existing Shareholders		N/A
Name of Custodian Institution Handling Exchange		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
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 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 I NT\$300,000.000: If 6M LIBOR < 0.90%, coupon rate is 6M LIBOR
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Security L NT\$200,000.000: If 6M LIBOR < 0.90%, coupon rate is 6M LIBOR
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Security M 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 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 0%. (the business day here means the business days of banks in London. In case of holidays, one business day 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).

Note 2: 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 Depository Receipts

As of May 31, 2008

Issue Date		September 25, 1996	
Items			
Issuance & Listing		London Stock Exchange	
Total Amount		US\$ 71,295,000	
Offering Price per GDR		US\$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,	
Depository Bank		Citibank,	
Custodian Bank		Citibank,	
GDRs Outstanding		5,131,750 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	2007	High	US\$ 20.69
		Low	US\$ 16.46
		Average	US\$ 18.01
	As of Mar 31, 2008	High	US\$ 13.80
		Low	US\$ 13.50
		Average	US\$ 15.65



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, Portugal, 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. 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 each semester.

ii. Promotion of Counseling Services to Children

Children's counseling group recruits voluntary 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.

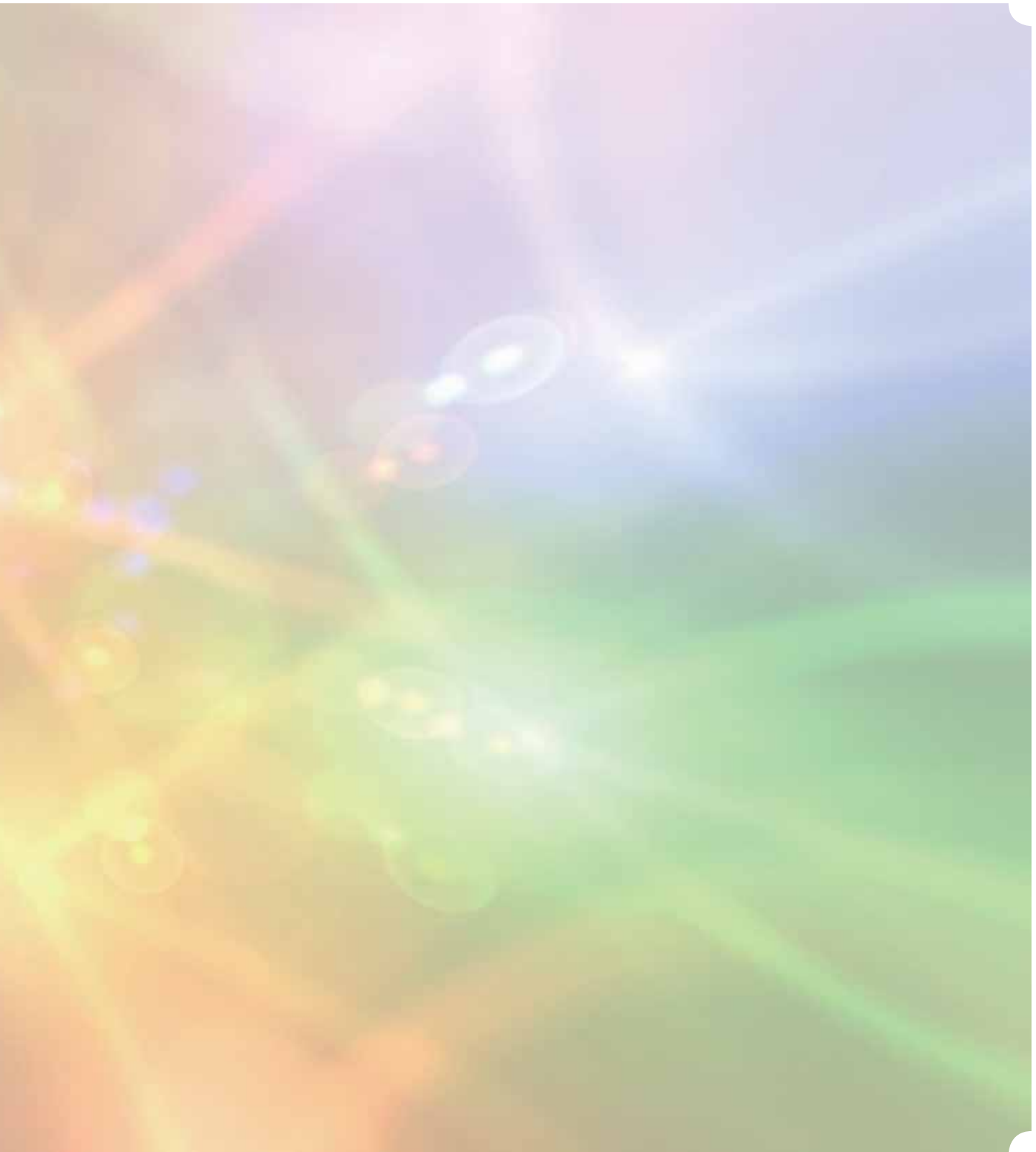
iii. Others

- 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 2007
Digital Display	Design, develop, manufacture, and sales in digital display products.	- CRT color displays. - LED color displays	45%
Imaging	Design, develop, manufacture, and sales in imaging-related, portable image devices, and PDA products.	- Scanning modules. - MFPs. - Phone camera modules. - GPS PDAs.	10%
Power Supply	Design, develop, manufacture, and sales in power supply products.	- Power supplies for desktop and notebook PCs. - Power supplies for fax machines, printers, and scanners. - Power supplies for servers and workstations.	20%
Optoelectronics	Design, develop, manufacture, and sales in opto-electronics products.	- SMD LED, LED indicators, and LED displays. - Infrared products. - Photocouplers.	6%
Others	Design, develop, manufacture, and sales in computer products, network products, and other PC-related components.	- Desktop computer full systems. - Desktop computer barebone systems - Network interface cards, switches, and routers. - 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	2007
R&D Expenses	818,646	1,873,467	2,031,020	2,171,642	1,974,739	1,764,450
Expense amount as a % of net sales	1.68%	1.88%	1.30%	1.33%	1.38%	1.06%

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.



2. Operational Highlights

(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 become the key lighting source for screen and keypad backlight of portable device, 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	2007Market Shares (%)
Digital Display	8
Imaging	9
Power Supplies	18
Optoelectronics	8

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 2008	Estimated Compound Annual Growth Rate in the Next 2~3 Years (%)
Digital Display	Over 170 million units	Over 10
Imaging	Over 81 million units	About 10
Power Supplies	Over US \$ 20 billion	About 5~10
Optoelectronics	Over US \$ 8 billion	About 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
<ul style="list-style-type: none"> ● Fluctuation of the global economy ● Fluctuation of the foreign exchange rate ● Uprising costs of steel and plastic, due to increase of oil price 	<ul style="list-style-type: none"> ● Diversify in product portfolio and customers to manage risks in the fluctuation of the global economy. ● Establish risk-managing measures against fluctuation of foreign exchange rate. ● 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

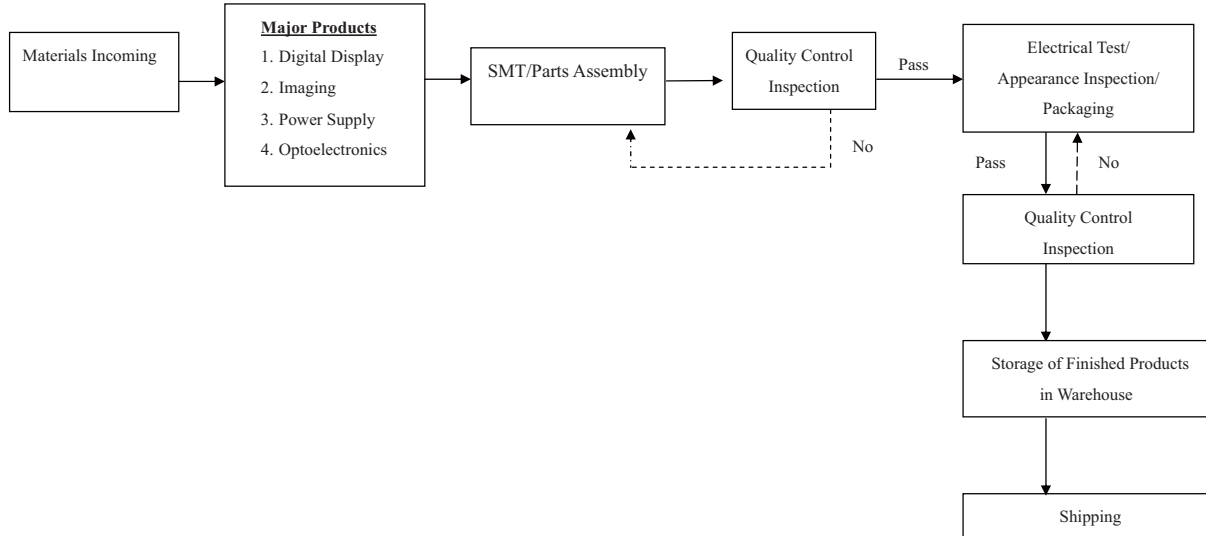
1. Main Functions of Major Products

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 Suppliers

Unit: Thousand NT Dollars

Year	2006		2007		
	Suppliers name	Amount	% of Annual Sales	Amount	% of Annual Sales
	Titanic Capital Service	66,126,018	51%	75,955,193	48%
	Yet Foundate Ltd.	4,532,076	4%	1,671,695	1%

(2) List of Major Customers

Unit: Thousand NT Dollars

Year	2006		2007		
	Customer's Name	Amount	% of Cost of Goods Sold	Amount	% of Cost of Goods Sold
	Lite-On Trading USA, Inc	42,350,860	30%	43,797,545	26%
	Dell	20,806,572	15%	22,748,873	14%

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

Unit: Thousand of units, sets, or NT Dollars

Production Major Product	Fiscal Year	2006			2007		
		Capacity	Volume	Value	Capacity	Volume	Value
Digital Display		13,626	11,188	65,392,196	13,645	13,645	77,180,555
Power Supply		71,159	71,159	23,309,428	89,310	89,310	28,628,124
Imaging		14,594	14,594	15,671,329	58,851	58,851	6,559,195
Optoelectronics		6,458,890	6,458,890	8,866,019	7,729,008	7,729,008	10,081,231
Others		113,349	64,924	30,706,003	123,109	84,125	32,957,707
Total		6,671,618	6,620,756	143,944,974	8,013,924	7,974,940	155,406,812

Note: Figures above are based worldwide consolidated numbers.

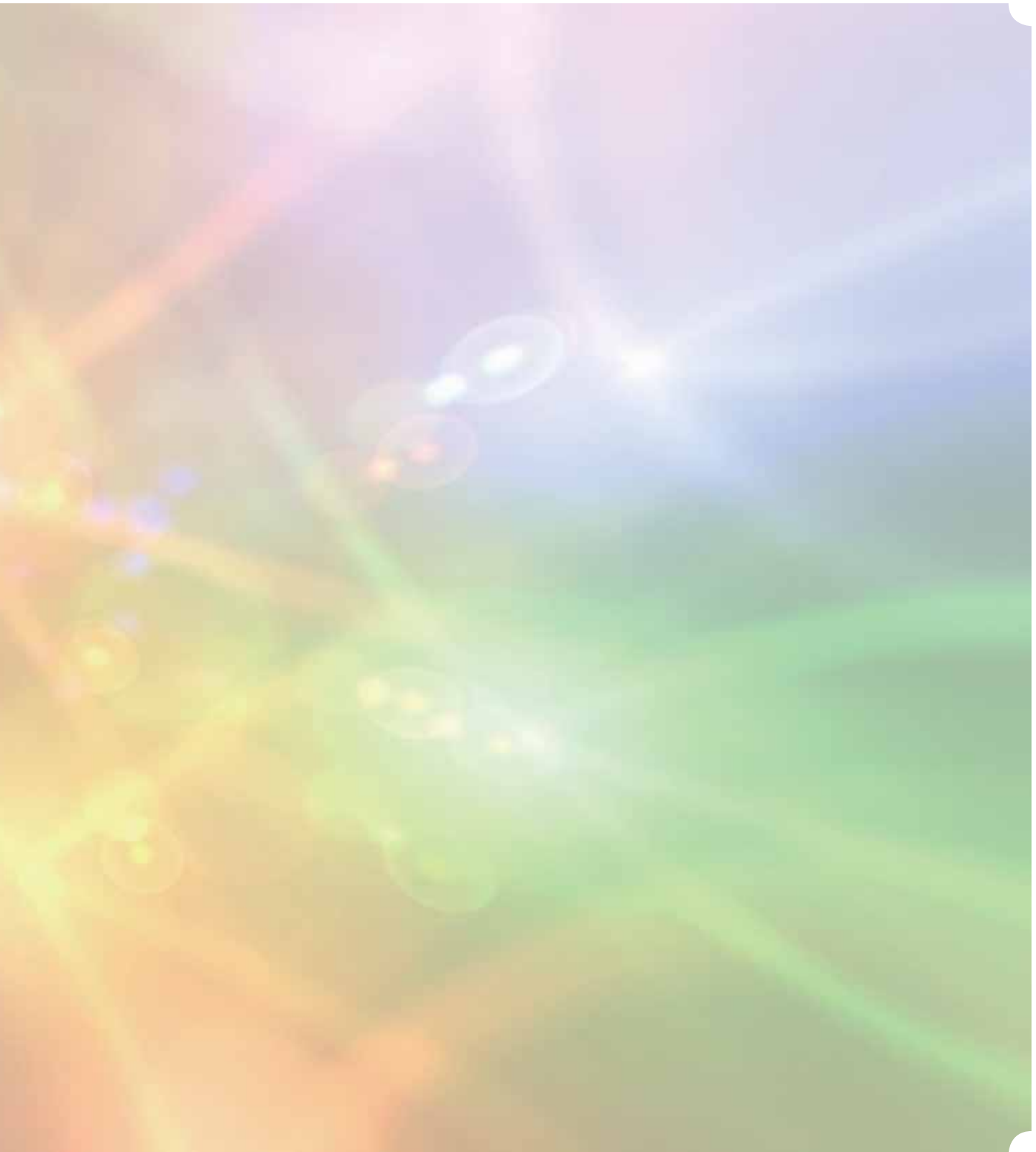
6. Sales Volume/Value Table in the Past Two Years

Unit: Thousand of units, sets, or NT Dollars

Sales Major Product	Fiscal Year	2006				2007			
		Domestic Sales		Export		Domestic Sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Digital Display		0	71	11,880	70,229,103	38	359,647	12,852	81,081,437
Power Supply		3,058	838,724	65,124	24,224,080	2,284	616,795	78,898	30,621,441
Imaging		59	95,135	8,869	5,218,192	65	3,477	366,048	4,065,628
Optoelectronics		1,042,387	1,112,738	4,785,169	7,534,517	1,431,030	1,375,130	6,125,182	8,518,499
Others		328	40,545	48,815	34,103,137	244	52,152	67,366	39,434,550
Total		1,045,832	2,087,212	4,919,857	141,309,029	1,433,661	2,407,200	6,650,347	163,721,555



Financial Information





3. Financial Information

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, 2007 and 2006, 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 to the financial statements, we did not audit the financial statements as of and for the years ended December 31, 2007 and 2006 of the consolidated subsidiaries. The assets of these subsidiaries were 14.23% (NT\$27,599,931 thousand) and 4.30% (NT\$7,130,662 thousand) of the consolidated total assets as of December 31, 2007 and 2006, respectively. The sales of these subsidiaries were 9.48% (NT\$24,832,962 thousand) and 2.91% (NT\$6,459,472 thousand) of the consolidated total sales in 2007 and 2006, respectively. As stated in Note 12 to the financial statements, we did not audit the financial statements as of and for the years ended December 31, 2007 and 2006 of the equity-method investees. The carrying values of these equity-method investments included in the accompanying balance sheets were 0.17% (NT\$335,480 thousand) and 0.81% (NT\$1,345,000 thousand) of the consolidated total assets as of December 31, 2007 and 2006, respectively. Also, the equity in the net loss and earnings of these investees were - 0.29% (NT\$37,361 thousand) and 0.36% (NT\$38,289 thousand) of the consolidated income before income tax in 2007 and 2006, 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 these 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 consolidated financial position of Lite-On Technology Corporation and subsidiaries as of December 31, 2007 and 2006, 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.

February 15, 2008

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 STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
SALES (Notes 2 and 24)	\$ 264,640,946	101	\$ 226,277,001	102
LESS: SALES RETURNS	1,991,250	1	2,996,857	1
SALES ALLOWANCES	<u>1,129,744</u>	<u>-</u>	<u>1,241,499</u>	<u>1</u>
NET SALES	261,519,952	100	222,038,645	100
OTHER OPERATING REVENUE	<u>355,991</u>	<u>-</u>	<u>160,952</u>	<u>-</u>
Total operating revenue	<u>261,875,943</u>	<u>100</u>	<u>222,199,597</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 22 and 24)	229,089,717	88	193,812,881	87
Other operating cost	<u>253,189</u>	<u>-</u>	<u>29,761</u>	<u>-</u>
Total operating costs	<u>229,342,906</u>	<u>88</u>	<u>193,842,642</u>	<u>87</u>
GROSS PROFIT	32,533,037	12	28,356,955	13
REALIZED (UNREALIZED) INTER-COMPANY GAINS (Note 2)	<u>(3,092)</u>	<u>-</u>	<u>2,394</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>32,529,945</u>	<u>12</u>	<u>28,359,349</u>	<u>13</u>
OPERATING EXPENSES (Notes 22 and 24)				
Selling expenses	11,790,003	4	9,806,782	4
General and administrative expenses	5,744,209	2	4,650,957	2
Research and development expenses	<u>4,613,028</u>	<u>2</u>	<u>3,758,087</u>	<u>2</u>
Total operating expenses	<u>22,147,240</u>	<u>8</u>	<u>18,215,826</u>	<u>8</u>
OPERATING INCOME	<u>10,382,705</u>	<u>4</u>	<u>10,143,523</u>	<u>5</u>
NONOPERATING INCOME AND GAINS				
Interest income	1,403,296	1	1,026,463	1
Investment income recognized under the equity method (Notes 2 and 12)	86,647	-	242,510	-
Dividend income	22,110	-	32,331	-
Gain on disposal of properties and idle assets	55,673	-	34,735	-
Gain on disposal of investments, net	762,527	-	149,714	-
Exchange gain, net (Note 2)	554,539	-	508,663	-
Income from scrap of inventories	70,807	-	13,428	-

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
Reversal of loss on decline in inventory value	53,298	-	-	-
Valuation gain on financial assets, net(Notes 2 and 5)	92,296	-	8,706	-
Miscellaneous income	<u>1,859,401</u>	<u>1</u>	<u>1,760,577</u>	<u>1</u>
Total nonoperating income and gains	<u>4,960,594</u>	<u>2</u>	<u>3,777,127</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	1,011,360	1	654,183	1
Loss on disposal of property and idle assets	204,022	-	571,958	-
Loss on disposal of inventories	210,832	-	171,045	-
Loss on decline in inventory value (Notes 2)	-	-	726,167	1
Impairment loss (Notes 2, 9, 10,11 and 25)	93,877	-	404,306	-
Valuation loss on financial liabilities, net (Note 2 and 5)	130,973	-	158,012	-
Miscellaneous expenses (Notes 2, 5 and 22)	<u>855,916</u>	<u>-</u>	<u>561,959</u>	<u>-</u>
Total nonoperating expenses and losses	<u>2,506,980</u>	<u>1</u>	<u>3,247,630</u>	<u>2</u>
INCOME BEFORE INCOME TAX AND CUMULATIVE EFFECTS RESULTING FROM CHANGES IN ACCOUNTING PRINCIPLES				
	12,836,319	5	10,673,020	5
INCOME TAX EXPENSE (Notes 2 and 21)	<u>2,290,580</u>	<u>1</u>	<u>1,511,531</u>	<u>1</u>
CONSOLIDATED NET INCOME BEFORE CUMULATIVE EFFECTS RESULTING FROM CHANGES IN ACCOUNTING PRINCIPLES				
	10,545,739	4	9,161,489	4
CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3), NET OF INCOME TAX EXPENSE OF \$289 THOUSAND				
	<u>-</u>	<u>-</u>	<u>711</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 10,545,739</u>	<u>4</u>	<u>\$ 9,162,200</u>	<u>4</u>
ATTRIBUTED TO:				
Controlling interest	\$ 8,490,217	3	\$ 8,401,959	4
Minority interest	<u>2,055,522</u>	<u>1</u>	<u>760,241</u>	<u>-</u>
	<u>\$ 10,545,739</u>	<u>4</u>	<u>\$ 9,162,200</u>	<u>4</u>

(Continued)

**LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF INCOME
 YEARS ENDED DECEMBER 31, 2007 AND 2006
 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Pretax	After-tax	Pretax	After-tax
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 3.74</u>	<u>\$ 3.45</u>	<u>\$ 3.24</u>	<u>\$ 2.96</u>
Diluted	<u>\$ 3.74</u>	<u>\$ 3.45</u>	<u>\$ 3.12</u>	<u>\$ 2.85</u>

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.

	2007		2006	
	Pretax	After-tax	Pretax	After-tax
CONSOLIDATED NET INCOME	<u>\$ 9,273,551</u>	<u>\$ 8,570,876</u>	<u>\$ 9,272,648</u>	<u>\$ 8,486,390</u>
EARNINGS PER SHARE				
Basic	<u>\$ 3.72</u>	<u>\$ 3.44</u>	<u>\$ 3.22</u>	<u>\$ 2.95</u>
Diluted	<u>\$ 3.72</u>	<u>\$ 3.44</u>	<u>\$ 3.10</u>	<u>\$ 2.84</u>

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

(With Deloitte & Touche audit report dated February 15, 2008) (Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 10,545,739	\$ 9,162,200
Cumulative effects of changes in accounting principles	-	(711)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,432,147	2,719,837
Amortization	1,021,621	828,718
Provision for (Reversal of) doubtful accounts	271,321	(18,454)
Valuation loss on financial instruments	38,677	149,306
Loss on (Reversal of) decline in inventory value	(53,298)	726,167
Loss on disposal of inventories	210,832	171,045
Gain on disposal of investments, net	(762,527)	(149,714)
Loss on disposal of properties and idle assets, net	148,349	537,223
Impairment loss	93,877	404,306
Investment income recognized under the equity method	(86,647)	(242,510)
Cash dividends received from equity-method investees	7,575	138,298
Product warranty reserve	310,747	(131,798)
Accrued pension costs	9,239	23,292
Deferred income taxes	128,194	379,798
Deferred income	3,092	(16,557)
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(66,089)	(33,203)
Notes receivable	40,413	(28,617)
Accounts receivable	571,211	5,918,007
Accounts receivable - related parties	(247,652)	370,593
Inventories	684,051	3,377,737
Prepayments	(1,144,596)	(222,504)
Other financial assets - current	(1,215,062)	(641,150)
Other current assets	2,130,595	(126,140)
Notes payable	477,051	646,162
Accounts payable	6,901,801	(6,788,802)
Accounts payable - related parties	(202,551)	(359,864)
Income taxes payable	(278,760)	429,264
Accrued expenses	2,948,333	251,812
Receipts in advances	(45,626)	202,906
Other current liabilities	(6,257,480)	(413,419)
Other liabilities	(271,657)	295,035
Net cash provided by operating activities	<u>19,342,920</u>	<u>17,558,263</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for sale financial assets	5,077,907	7,721,454
Acquisition of available-for-sale financial assets	(3,751,140)	(7,250,073)

(Continued)

**LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
Proceeds from financial assets carried at holding cost	8,328	278,747
Acquisition of financial assets carried at holding cost	(172,378)	(417,358)
Acquisition of long-term investments under the equity method	(59,996)	(399,480)
Proceeds from sale of investments accounted for equity method	-	82,886
Increase in prepayments for investment	(497,660)	-
Acquisition of properties	(8,236,087)	(6,389,448)
Proceeds from disposal of properties	841,605	775,036
Increase in refundable deposits	(922,498)	(59,612)
Increase in deferred charges	(1,672,060)	(507,120)
Acquisition of intangible assets	(4,275,531)	(1,226,855)
Decrease (Increase) in land use rights	(313,074)	30,876
Cash paid for acquisition of subsidiaries	(12,266,644)	(1,360,948)
Increase in restricted assets	(9,119)	(218,972)
Decrease in other assets	<u>1,087,797</u>	<u>205,122</u>
Net cash used in investing activities	<u>(25,160,550)</u>	<u>(8,735,745)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(5,304,601)	2,510,160
Increase (decrease) in long-term debts	13,085,234	(1,137,211)
Increase (decrease) in guarantee deposits	23,403	(25,368)
Cash dividends paid	(6,984,407)	(6,626,205)
Capital reducing	(8,730,508)	-
Remuneration to directors and supervisors and bonuses to employees	(330,978)	(226,829)
Increase in minority interest	<u>4,166,982</u>	<u>2,660,672</u>
Net cash used in financing activities	<u>(4,074,875)</u>	<u>(2,844,781)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>1,048,200</u>	<u>467,371</u>
NET INCREASE (DECREASE) IN CASH	(8,844,305)	6,445,108
CASH, BEGINNING OF YEAR	<u>48,756,254</u>	<u>42,311,146</u>
CASH, END OF YEAR	<u>\$ 39,911,949</u>	<u>\$ 48,756,254</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interests)	<u>\$ 698,754</u>	<u>\$ 641,579</u>
Income tax paid	<u>\$ 1,436,963</u>	<u>\$ 780,042</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term debts	<u>\$ 2,234,489</u>	<u>\$ 1,718,323</u>
Payable of remuneration to directors and supervisors and employees cash bonuses	<u>\$ 252,873</u>	<u>\$ 136,284</u>

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
Conversion of overseas convertible bonds into common stock	<u>\$ 65,192</u>	<u>\$ 6,522,165</u>
Issuance of new shares due to a share swap	<u>\$ 4,876,402</u>	<u>\$ 1,158,837</u>
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	\$ 8,245,608	\$ 6,700,408
Increase in payable for properties	<u>(9,521)</u>	<u>(310,960)</u>
	<u>\$ 8,236,087</u>	<u>\$ 6,389,448</u>

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

(With Deloitte & Touche audit report dated February 15, 2008) (Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Per Value)

	2007		2006		2007		2006	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
CURRENT ASSETS								
Cash (Note 4)	\$ 39,911,949	21	\$ 48,756,254	29	\$ 13,103,834	7	\$ 10,410,488	6
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 29)	21,579	-	4,312	-	3,817	-	13,962	-
Financial assets at fair value through profit or loss - non-current (Notes 2, 3 and 29)	7,043	-	280,863	-	1,211,174	1	714,606	-
Notes receivable (Note 2)	48,168,831	25	45,454,913	27	62,529,004	32	53,458,407	32
Accounts receivable - related parties (Note 24)	1,000,000	1	1,000,000	1	699,883	-	852,434	1
Accounts receivable - non-related parties (Notes 2 and 24)	3,221,204	2	1,935,096	1	8,665,197	4	5,609,735	2
Inventory (Notes 2 and 8)	29,133,093	15	25,576,626	16	1,413,707	-	1,437,431	3
Prepaid expenses	2,667,582	1	1,501,281	1	2,234,889	1	1,718,523	1
Non-current assets classified as held for sale (Notes 2 and 9)	177,600	-	785,094	-	977,398	1	666,651	-
Deferred income tax assets - current (Notes 2 and 21)	563,146	-	202,840	-	3,957,408	2	4,216,897	3
Other current assets	126,014,057	65	125,738,506	76	96,877,623	50	81,531,272	49
Total current assets								
INVESTMENTS (Notes 2, 3, 10, 11 and 12)								
Available-for-sale financial assets - non-current	2,753,106	2	2,527,039	1	20,568	-	59,756	-
Financial assets carried at cost - non-current	926,420	-	895,340	-	16,790,286	9	2,367,206	2
Investments accounted for the equity method	3,482,112	2	3,156,133	2	16,811,154	9	2,427,062	2
Prepayment for investment	497,660	-	-	-	-	-	-	-
Total long-term investments	7,659,298	4	6,578,512	4	145,117	-	157,558	-
PROPERTIES (Notes 2 and 13)								
Cost								
Land	2,627,534	1	2,660,201	2	249,915	-	237,187	-
Buildings	18,243,916	9	12,053,482	7	31,743	-	8,133	-
Machinery and equipment	33,148,498	17	17,195,679	11	1,284,075	1	1,272,380	1
Office equipment	67,498	-	67,498	-	5,228	-	2,336	-
Leasehold improvements	3,011,092	2	2,171,900	1	172,882	-	4,652	-
Miscellaneous equipment	3,032,312	2	2,223,958	1	1,743,343	1	1,524,689	1
Total cost	60,325,549	31	36,473,370	22	1,743,343	1	1,524,689	1
Less: Accumulated depreciation	21,852,370	11	14,213,286	9	-	-	-	-
Accumulated impairment	1,273,220	1	75,526	-	-	-	-	-
Net properties	1,702,806	1	2,184,558	13	115,578,046	60	85,640,582	52
Add: Construction in progress and prepayments for equipment	38,909,715	20	24,958,898	15	21,802,163	11	28,734,812	18
Total intangible assets	17,098,441	9	6,527,981	4	21,802,163	11	29,081,192	18
OTHER ASSETS								
Leased assets, net (Note 2 and 15)	79,621	-	-	-	-	-	-	-
Idle assets, net (Note 2 and 15)	62,653	-	46,107	-	-	-	-	-
Refundable deposits (Note 26)	1,108,765	1	186,234	-	9,286,827	5	3,932,813	6
Prepaid charges, net (Note 7)	2,547,474	1	1,547,474	1	15,533,129	7	13,150,052	8
Restricted assets - non-current (Note 25 and 26)	235,356	-	226,537	-	-	-	-	-
Others	445,745	-	67,674	-	(20,568)	-	(59,756)	-
Total other assets	4,299,626	2	1,849,426	1	1,025,890	1	376,247	-
TOTAL	\$ 193,981,137	100	\$ 165,653,323	100	\$ 193,981,137	100	\$ 165,653,323	100
LIABILITIES AND SHAREHOLDERS' EQUITY								
CURRENT LIABILITIES								
Short-term loans (Note 16)								
Financial liabilities at fair value through profit or loss - current (Notes 2, 3 and 29)								
Notes payable	1,211,174	1	280,863	-	1,211,174	1	714,606	-
Accounts payable	62,529,004	32	45,454,913	27	62,529,004	32	53,458,407	32
Accounts receivable - related parties (Note 24)	699,883	-	1,000,000	1	699,883	-	852,434	1
Accounts receivable - non-related parties (Notes 2 and 24)	8,665,197	4	5,609,735	2	8,665,197	4	5,609,735	2
Income tax payable (Notes 2 and 21)	1,413,707	-	25,576,626	16	1,413,707	-	1,437,431	3
Receivables in advances	1,437,431	-	2,234,889	1	1,437,431	-	1,718,523	1
Current portion of long-term debts (Notes 2 and 17)	2,234,889	1	1,501,281	1	2,234,889	1	1,718,523	1
Product warranty reserve (Note 2)	977,398	1	666,595	-	977,398	1	666,651	-
Other current liabilities	3,957,408	2	4,216,897	3	3,957,408	2	4,216,897	3
Total current liabilities	96,877,623	50	125,738,506	76	96,877,623	50	81,531,272	49
LONG-TERM LIABILITIES								
Hedging derivative liabilities - noncurrent (Notes 2, 3 and 29)	20,568	-	2,527,039	1	20,568	-	59,756	-
Long-term debts, net of current portion (Notes 2 and 17)	16,790,286	9	895,340	-	16,790,286	9	2,367,206	2
Total long-term liabilities	16,811,154	9	3,156,133	2	16,811,154	9	2,427,062	2
RESERVE FOR LAND VALUE INCREMENT TAX (Note 2)	145,117	-	6,578,512	4	145,117	-	157,558	-
OTHER LIABILITIES								
Accrued pension costs (Notes 2 and 18)	249,915	-	2,660,201	2	249,915	-	237,187	-
Guarantee deposits received	31,743	-	12,053,482	7	31,743	-	8,133	-
Deferred income tax liabilities - noncurrent (Notes 2 and 21)	1,284,075	1	1,284,075	1	1,284,075	1	1,272,380	1
Deferred credits - gain on inter-company transactions (Note 2)	5,228	-	67,498	-	5,228	-	2,336	-
Others	172,882	-	2,171,900	1	172,882	-	4,652	-
Total other liabilities	1,743,343	1	2,223,958	1	1,743,343	1	1,524,689	1
Total liabilities	115,578,046	60	145,578,046	60	115,578,046	60	85,640,582	52
SHAREHOLDERS' EQUITY OF PARENT COMPANY								
Capital stock at par value of \$10 each, 2,180,216 thousand shares	21,802,163	11	21,802,163	13	21,802,163	11	21,802,163	13
Additional paid-in capital, 2,873,481 thousand shares	21,802,163	11	24,958,898	15	21,802,163	11	28,734,812	18
Advance receipts for common stock	-	-	-	-	-	-	346,380	-
Capital surplus	7,608,080	4	2,583,550	2	7,608,080	4	3,617,147	2
Bond conversion	7,641,499	4	3,663,192	2	7,641,499	4	7,596,809	5
Treasury stock transactions	73,377	-	281,429	-	73,377	-	85,951	-
Long-term stock investments	2,338	-	-	-	2,338	-	-	-
Merger	10,255,921	5	6,527,981	4	10,255,921	5	10,255,921	6
Total capital surplus	25,700,275	13	24,958,898	15	25,700,275	13	21,555,808	13
Retained earnings	4,246,213	2	-	-	4,246,213	2	3,417,409	2
Legal reserve	399,837	-	46,107	-	399,837	-	399,837	-
Special reserve	9,286,827	5	186,234	-	9,286,827	5	9,332,813	6
Unappropriated earnings	15,533,129	7	1,547,474	1	15,533,129	7	13,150,052	8
Total retained earnings	(20,568)	-	226,537	-	(20,568)	-	(59,756)	-
Other	656,447	-	67,674	-	656,447	-	376,247	-
Unrealized loss on cash flow hedging	1,025,890	1	-	-	1,025,890	1	67,679	-
Cumulative gain (loss) on financial instrument	666,651	-	-	-	666,651	-	666,651	-
Cumulative translation adjustments	383,672	-	-	-	383,672	-	383,672	-
Others	(1,194,073)	-	1,849,426	1	(1,194,073)	-	(1,194,073)	-
Total shareholders' equity	61,592,791	31	16,810,300	10	61,592,791	31	62,950,956	38
Treasury stock - 2007: 27,250 thousand shares; 2006: 38,720 thousand shares	16,810,300	9	-	-	16,810,300	9	17,061,785	10
Total shareholder's equity of parent company	78,403,091	40	16,810,300	10	78,403,091	40	80,012,741	48
MINORITY INTEREST	193,981,137	100	165,653,323	100	193,981,137	100	165,653,323	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 15, 2008)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Cash Dividend Per Share)

	Issued and Outstanding Capital Stock (Note 19)		Share Subscriptions Received in Advance	Paid-in Capital in Excess of Par Value		Capital Surplus (Notes 2 and 19)		Retained Earnings (Notes 2 and 19)	Unappropriated Earnings (Notes 2 and 19)	Total	Unrealized Loss on Cash Flows Hedging (Notes 2 and 3)	Unrealized Gain (Loss) on Financial Instrument (Notes 2 and 3)	Cumulative Translation Adjustments (Note 3)	Miscellaneous	Treasury Stock (Notes 2 and 19)	Minority Equity	Total Shareholders' Equity
	Shares (Thousands)	Amount		Band Conversion	Treasury Stock Transactions	Investments Under the Equity Method	Merger										
BALANCE, JANUARY 1, 2006	2,601,821	\$26,018,213	\$207,426	\$2,723,855	\$152,438	\$10,255,921	\$2,544,173	\$818,507	\$9,142,557	\$161,388,200	\$-	\$ (399,345)	\$ (399,692)	\$ (493)	\$ (1,219,780)	\$ 8,830,660	\$61,681,046
Effect of change in consolidated entities since 2006	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to accounting changes (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of prior year's earnings	-	-	-	-	-	-	-	(418,670)	(418,670)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	873,236	-	873,236	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	(418,670)	(418,670)	-	-	-	-	-	-	-	-
Stock dividends - 20%	-	-	-	-	-	-	-	(138,046)	(138,046)	-	-	-	-	-	-	-	-
Stock dividends - 0.5%	13,805	138,046	-	-	-	-	-	(244,322)	(244,322)	-	-	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	(520,000)	(520,000)	-	-	-	-	-	-	-	-
Bonus to employees - stock	52,000	520,000	-	-	-	-	-	(114,648)	(114,648)	-	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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
Adjustments arising from changes in equity investments due to subsidiaries' distribution of bonus to employees	-	-	-	-	-	-	-	(160,191)	(160,191)	-	-	-	-	-	-	-	(274,107)
Adjustment arising from changes in capital surplus in subsidiaries	-	-	-	-	-	-	-	7,253	7,253	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	-	-	-	-	-	760,241	9,162,200
Unrealized valuation 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 a share swap	26,554	265,545	-	893,292	-	-	-	-	-	893,292	-	-	-	-	-	-	1,158,837
Effect on change of shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2006	2,875,481	28,754,812	346,380	3,617,147	7,596,609	10,255,921	3,474,009	399,837	9,332,813	131,900,659	(59,756)	376,247	67,679	(493)	(1,219,780)	17,061,785	80,012,741
Effect of change in consolidated entities since 2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of prior year's earnings	-	-	-	-	-	-	-	(399,837)	(399,837)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	(399,837)	(399,837)	-	-	-	-	-	-	-	-
Cash dividends - 20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock dividends - 0.5%	14,551	145,508	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus to employees - stock	40,000	400,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of overseas convertible bonds into common stock	36,688	366,882	(346,380)	-	-	-	44,690	-	-	44,690	-	-	-	-	-	-	65,192
Cash dividends received by subsidiaries	-	-	-	-	-	-	88,006	-	-	88,006	-	-	-	-	-	-	88,006
Adjustment arising from changes in equity investments due to subsidiaries' distribution of bonus to employees	-	-	-	-	-	-	-	(50,725)	(50,725)	-	-	-	-	-	-	-	(50,725)
Adjusting arising from changes in unrealized gain or loss of financial assets in subsidiaries	-	-	-	-	-	-	-	-	-	-	(17,295)	-	-	-	-	-	(17,295)
Adjustment arising from changes in capital surplus in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized gain or loss on cash flows hedging	-	-	-	-	-	-	-	-	-	-	391,188	-	-	-	-	-	391,188
Net income in 2007	-	-	-	-	-	-	-	8,490,217	8,490,217	-	-	-	-	-	-	2,055,522	10,545,739
Unrealized valuation gain or loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Translation adjustments on long-term stock investments	-	-	-	-	-	-	-	-	-	-	-	397,495	-	-	-	-	397,495
Issuance of new shares due to a share swap	88,547	885,469	-	3,990,933	-	-	-	-	-	-	-	-	-	-	-	-	958,211
Decreasing in the cost of holding parent company's share by subsidiaries due to capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,876,402
Capital reduction - May 22, 2007	(873,057)	(8,730,508)	-	-	-	-	-	-	-	-	-	-	-	-	115,707	-	115,707
Effect on change of shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2007	2,180,210	\$21,802,163	\$-	\$7,608,680	\$20,838	\$10,255,921	\$4,262,213	\$-	\$9,286,937	\$143,533,149	\$(206,568)	\$(656,447)	\$1,028,899	\$(493)	\$(1,104,023)	\$16,810,300	\$78,403,091

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 15, 2008)



This annual report contains excerpts from the Chinese version of Lite-On Technology Corporation's 2007 annual report, which was printed on May 20th, 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