Lite-On Technology Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2010 and 2009 and Independent Auditors' Report

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, 2010 and 2009, 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 disclosed in Note 2 to the financial statements, we did not audit the financial statements as of and for the years ended December 31, 2010 and 2009 of some consolidated subsidiaries, which were audited by other auditors. The assets of these subsidiaries were 4.13% (NT$7,959,149 thousand) and 3.83% (NT$7,007,682 thousand) of the consolidated total assets as of December 31, 2010 and 2009, respectively. The sales of these subsidiaries were 6.40% (NT$14,730,907 thousand) and 7.73% (NT$14,376,312 thousand) of the consolidated total sales in 2010 and 2009, respectively.

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, 2010 and 2009, 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 and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2009, Lite-On Technology Corporation and subsidiaries adopted the newly revised Statement of Financial Accounting Standards No. 10 - “Inventories.”

March 1, 2011

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated 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 jurisdiction. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors’ report and consolidated financial statements shall prevail.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

	2010		2009	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 50,441,322	26	$ 51,057,529	28
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 32)	483,637	-	152,751	-
Available-for-sale financial assets - current (Notes 2 and 6)	9	-	9	-
Notes receivable (Note 2)	58,533	-	72,528	-
Accounts receivable, net (Notes 2 and 7)	40,643,474	21	38,819,725	21
Accounts receivable from related parties (Notes 2 and 27)	141,404	-	86,065	-
Other receivables from related parties (Note 27)	3,125	-	17,284	-
Other financial assets - current	1,839,216	1	2,440,956	1
Inventories, net (Notes 2 and 8)	26,354,960	14	19,275,366	11
Construction in progress in excess of progressive billings (Notes 2 and 9)	11,976	-	11,777	-
Prepayments	3,295,392	2	2,301,093	1
Deferred income tax assets - current (Notes 2 and 24)	1,094,405	1	1,040,801	1
Other current assets	289,045	-	619,817	-
Total current assets	124,656,498	65	115,895,701	63
INVESTMENTS (Notes 2, 10, 11 and 12)				
Available-for-sale financial assets - noncurrent	4,987,062	3	3,878,135	2
Financial assets carried at cost - noncurrent	1,752,302	1	2,537,228	1
Investments accounted for by the equity method	2,646,233	1	2,866,326	2
Total investments	9,385,597	5	9,281,689	5
PROPERTIES (Notes 2 and 13)				
Cost				
Land	2,701,662	1	2,738,856	2
Buildings	18,376,917	9	17,924,091	10
Machinery and equipment	34,145,789	18	33,610,484	18
Transportation equipment	114,932	-	139,196	-
Office equipment	2,660,889	1	2,665,408	1
Leased assets	1,845,868	1	1,380,964	1
Miscellaneous equipment	4,990,341	3	3,088,001	2
Total cost	64,836,398	33	61,547,000	34
Less: Accumulated depreciation	29,020,366	15	26,972,057	15
Accumulated impairment	524,875	-	1,033,207	1
	35,291,157	18	33,541,736	18
Add: Construction in progress and prepayments for equipment	2,557,535	1	2,830,743	2
Net properties	37,848,692	19	36,372,479	20
INTANGIBLE ASSETS (Notes 2 and 14)				
Patents, net	19,220	-	23,742	-
Goodwill, net	14,722,638	8	14,783,260	8
Land use rights	564,172	-	383,825	1
Other intangible assets	1,777,073	1	2,042,684	1
Total intangible assets	17,083,103	9	17,233,511	10
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 15)	118,282	-	85,245	-
Idle assets, net (Notes 2 and 15)	683,007	1	667,928	-
Refundable deposits (Note 29)	404,685	-	1,377,379	1
Deferred charges, net (Note 2)	2,198,146	1	1,766,320	1
Restricted assets - noncurrent (Note 28)	113,984	-	191,488	-
Total other assets	3,518,104	2	4,088,360	2
TOTAL	$ 192,491,994	100	$ 182,871,740	100

	2010		2009	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 16)	$ 3,433,183	2	$ 1,889,176	1
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 32)	93,448	-	92,454	-
Notes payable	400,660	-	281,930	-
Accounts payable	55,898,217	29	52,744,441	29
Accounts payable to related parties (Note 27)	323,159	-	322,930	-
Income tax payable (Notes 2 and 24)	2,433,629	1	2,221,169	1
Accrued expenses	11,318,673	6	10,141,321	6
Other payable to related parties (Note 27)	30,314	-	77,090	-
Advance receipts	1,121,660	1	1,235,809	1
Progressive billings in excess of construction in progress (Notes 2 and 17)	44,599	-	-	-
Current portion of bonds payable (Note 18)	-	-	2,081,113	1
Current portion of long-term bank loans (Note 19)	3,507,889	2	769,601	-
Obligations under capital leases - current (Note 20)	90,090	-	99,573	-
Product warranty reserve (Note 2)	1,031,198	-	1,075,454	1
Other current liabilities	7,080,298	4	5,879,930	3
Total current liabilities	86,807,017	45	78,911,991	43
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Long-term bank loans (Note 19)	16,062,704	9	20,118,778	11
Hedging derivative liabilities - noncurrent (Notes 2 and 32)	159,166	-	188,357	-
Obligations under capital leases - noncurrent (Note 20)	388,157	-	493,865	-
Total long-term liabilities	16,610,027	9	20,801,000	11
RESERVE FOR LAND VALUE INCREMENT TAX (Note 2)	239,693	-	239,693	-
OTHER LIABILITIES				
Accrued pension costs (Notes 2 and 21)	153,870	-	157,306	-
Guarantee deposits received	100,866	-	63,962	-
Deferred income tax liabilities - noncurrent (Notes 2 and 24)	1,275,678	1	773,575	1
Deferred credits - gain on intercompany transactions (Note 2)	84,265	-	67,071	-
Others	-	-	105,416	-
Total other liabilities	1,614,679	1	1,167,330	1
Total liabilities	105,271,416	55	101,120,014	55
SHAREHOLDERS' EQUITY				
Capital stock of parent company at par value of NT$10.00				
Authorized 3,500,000 thousand shares; issued and outstanding 2,284,794 thousand shares in 2010; 2,262,118 thousand shares in 2009	22,847,940	12	22,621,180	12
Advance receipts for common stock	-	-	2,430	-
	22,847,940	12	22,623,610	12
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	8,200,480	4	7,934,732	4
Bond conversion	7,641,499	4	7,641,499	4
Treasury stock transactions	346,691	-	289,235	-
Long-term stock investments	959,438	1	904,659	1
Merger	10,255,921	5	10,255,921	6
Employee stock options	2,857	-	239	-
Total capital surplus	27,406,886	14	27,026,285	15
Retained earnings				
Legal reserve	6,226,667	3	5,521,483	3
Unappropriated earnings	11,985,007	6	8,836,865	5
Total retained earnings	18,211,674	9	14,358,348	8
Other equity				
Cumulative translation adjustments	489,217	-	1,208,207	1
Net loss not recognized as pension cost	(22,338)	-	(22,824)	-
Unrealized gain on financial instruments	1,429,993	1	1,095,436	-
Unrealized loss on cash flow hedging	(159,166)	-	(188,357)	-
Treasury stock - 2010：58,266 thousand shares; 2009：58,128 thousand shares	(1,857,643)	(1)	(1,857,643)	(1)
Total other equity	(119,937)	-	234,819	-
Total shareholders' equity of parent company	68,346,563	35	64,243,062	35
MINORITY INTEREST	18,874,015	10	17,508,664	10
Total shareholders' equity	87,220,578	45	81,751,726	45
TOTAL	$ 192,491,994	100	$ 182,871,740	100

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

(With Deloitte & Touche audit report dated March 1, 2011)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
SALES (Notes 2 and 27)	$ 232,595,670	101	$ 189,285,814	102
LESS: SALES RETURNS	1,257,214	-	1,893,442	1
SALES ALLOWANCES	1,689,860	1	1,392,823	1
NET SALES	229,648,596	100	185,999,549	100
OTHER OPERATING REVENUE	396,889	-	59,611	-
Total operating revenue	230,045,485	100	186,059,160	100
OPERATING COSTS				
Cost of goods sold (Notes 3, 8, 25 and 27)	193,493,418	84	155,681,734	83
Other operating cost	282,267	-	42,397	-
Total operating costs	193,775,685	84	155,724,131	83
GROSS PROFIT	36,269,800	16	30,335,029	17
REALIZED (UNREALIZED) INTERCOMPANY GAINS (Note 2)	(17,194)	-	9,075	-
REALIZED GROSS PROFIT	36,252,606	16	30,344,104	17
OPERATING EXPENSES (Notes 25 and 27)				
Marketing expenses	10,110,840	5	9,287,286	5
General and administrative expenses	7,608,393	3	6,896,928	4
Research and development expenses	4,558,461	2	4,108,391	2
Total operating expenses	22,277,694	10	20,292,605	11
OPERATING INCOME	13,974,912	6	10,051,499	6
NONOPERATING INCOME AND GAINS				
Interest income	399,948	-	312,828	-
Investment income recognized under the equity method (Notes 2 and 12)	93,860	-	-	-
Dividend income	134,358	-	51,506	-
Gain on disposal of properties	27,913	-	102,485	-
Gain on disposal of investments, net	488,226	-	1,026,941	1
Valuation gain on financial assets (Notes 2 and 5)	633,619	-	484,824	-
Other income (Note 30)	2,100,518	1	2,476,991	1
Total nonoperating income and gains	3,878,442	1	4,455,575	2

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LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Interest expense	$ 489,818	-	$ 757,736	1
Investment loss recognized under the equity method, net (Notes 2 and 12)	-	-	100,622	-
Loss on disposal of properties	136,083	-	168,853	-
Exchange loss, net (Note 2)	684,326	-	120,062	-
Impairment loss on financial assets available for sale, financial assets carried at cost, properties and idle assets (Notes 2, 10, 11, 13 and 15)	260,206	-	344,058	-
Valuation loss on financial liabilities (Notes 2 and 5)	256,114	-	323,828	-
Other expenses (Notes 25 and 30)	1,178,279	1	1,577,800	1
Total nonoperating expenses and losses	3,004,826	1	3,392,959	2
INCOME BEFORE INCOME TAX	14,848,528	6	11,114,115	6
INCOME TAX EXPENSE (Notes 2 and 24)	2,964,246	1	1,998,040	1
CONSOLIDATED NET INCOME	$ 11,884,282	5	$ 9,116,075	5
ATTRIBUTED TO:				
Shareholders of parent company	$ 8,986,457	4	$ 7,051,841	4
Minority interest	2,897,825	1	2,064,234	1
	$ 11,884,282	5	$ 9,116,075	5

	2010		2009	
	Pretax	**After-tax**	**Pretax**	**After-tax**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 26)				
Basic	$ 4.18	$ 4.05	$ 3.34	$ 3.18
Diluted	$ 4.11	$ 3.98	$ 3.30	$ 3.14

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LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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:

	2010		2009	
	Pretax	After-tax	Pretax	After-tax
CONSOLIDATED NET INCOME	$ 9,332,251	$ 9,041,290	$ 7,441,276	$ 7,085,807
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	$4.15	$4.02	$3.32	$3.16
Diluted	$4.08	$3.95	$3.27	$3.12

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

(With Deloitte & Touche audit report dated March 1, 2011) (Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars; Except Cash Dividends Per Share)

	Issued and Outstanding Capital Stock (Note 22)			Capital Surplus (Notes 2 and 22)							Retained Earnings (Notes 2 and 22)									
	Shares (Thousands)	Amount	Advance Receipts for Common Stock	Additional Paid-in Capital from Share Issuance in Excess of Par Value	Bond Conversion	Treasury Stock Transactions	Long-term Stock Investments	Merger	Employee Stock Options	Total	Legal Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost (Note 2)	Unrealized Gain or Loss on Financial Instruments (Notes 2 and 22)	Unrealized Loss on Cash Flow Hedging (Note 2)	Treasury Stock (Notes 2 and 23)	Minority Interest (Note 2)	Total Shareholders' Equity
BALANCE, JANUARY 1, 2009	2,231,117	$ 22,311,174	$ -	$ 7,608,080	$ 7,641,499	$ 247,956	$ -	$ 10,255,921	$ -	$ 25,753,456	$ 5,090,162	$ 5,407,146	$ 10,497,308	$ 2,375,674	$ (493)	$ (1,038,763)	$ (250,304)	$ (1,857,643)	$ 16,785,061	$ 74,575,470
Appropriation of prior year's earnings																				
Legal reserve	-	-	-	-	-	-	-	-	-	-	431,321	(431,321)	-	-	-	-	-	-	-	-
Cash dividends - 14%	-	-	-	-	-	-	-	-	-	-	-	(3,080,773)	(3,080,773)	-	-	-	-	-	-	(3,080,773)
Stock dividends - 0.5%	11,003	110,028	-	-	-	-	-	-	-	-	-	(110,028)	(110,028)	-	-	-	-	-	-	-
Issuance of stock on the exercise of employee stock options	-	-	2,430	8,286	-	-	-	-	-	8,286	-	-	-	-	-	-	-	-	-	10,716
Bonus to employees - stock	19,998	199,978	-	318,366	-	-	-	-	-	318,366	-	-	-	-	-	-	-	-	-	518,344
Cash dividends received by subsidiaries	-	-	-	-	-	33,966	-	-	-	33,966	-	-	-	-	-	-	-	-	-	33,966
Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees or issuance of common stock for cash	-	-	-	-	-	-	843,478	-	-	843,478	-	-	-	-	-	-	-	-	-	843,478
Adjustment arising from changes in unrealized gain or loss on subsidiaries' financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	283,053	-	-	-	283,053
Adjustment arising from changes in capital surplus from long-term equity investments	-	-	-	-	-	7,313	61,181	-	239	68,733	-	-	-	-	-	-	-	-	-	68,733
Unrealized gain on cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,947	-	-	61,947
Consolidated net income in 2009	-	-	-	-	-	-	-	-	-	-	-	7,051,841	7,051,841	-	-	-	-	-	2,064,234	9,116,075
Unrealized valuation gain on available-for sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,851,146	-	-	-	1,851,146
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,167,467)	-	-	-	-	-	(1,167,467)
Effect of change in parent's equity in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,340,631)	(1,340,631)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,331)	-	-	-	-	(22,331)
BALANCE, DECEMBER 31, 2009	2,262,118	22,621,180	2,430	7,934,732	7,641,499	289,235	904,659	10,255,921	239	27,026,285	5,521,483	8,836,865	14,358,348	1,208,207	(22,824)	1,095,436	(188,357)	(1,857,643)	17,508,664	81,751,726
Appropriation of prior year's earnings																				
Conversion of advance receipts for common stock	243	2,430	(2,430)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	705,184	(705,184)	-	-	-	-	-	-	-	-
Cash dividends - 22.5%	-	-	-	-	-	-	-	-	-	-	-	(5,021,541)	(5,021,541)	-	-	-	-	-	-	(5,021,541)
Stock dividends - 0.5%	11,159	111,590	-	-	-	-	-	-	-	-	-	(111,590)	(111,590)	-	-	-	-	-	-	-
Issuance of stock on the exercise of employee stock options	201	2,015	-	6,871	-	-	-	-	-	6,871	-	-	-	-	-	-	-	-	-	8,886
Bonus to employees - stock	11,073	110,725	-	258,877	-	-	-	-	-	258,877	-	-	-	-	-	-	-	-	-	369,602
Cash dividends received by subsidiaries	-	-	-	-	-	54,833	-	-	-	54,833	-	-	-	-	-	-	-	-	-	54,833
Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees	-	-	-	-	-	-	197,748	-	-	197,748	-	-	-	-	-	-	-	-	-	197,748
Adjustment arising from changes in unrealized gain or loss on subsidiaries' financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	439,964	-	-	-	439,964
Adjustment arising from changes in capital surplus from long-term equity investments	-	-	-	-	-	2,623	(142,969)	-	2,618	(137,728)	-	-	-	-	-	-	-	-	-	(137,728)
Unrealized gain on cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,191	-	-	29,191
Consolidated net income in 2008	-	-	-	-	-	-	-	-	-	-	-	8,986,457	8,986,457	-	-	-	-	-	2,897,825	11,884,282
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(105,407)	-	-	-	(105,407)
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	(718,990)	-	-	-	-	-	(718,990)
Effect of change in parent's equity in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,532,474)	(1,532,474)
Reversal of change in net loss not recognized as pension	-	-	-	-	-	-	-	-	-	-	-	-	-	-	486	-	-	-	-	486
BALANCE, DECEMBER 31, 2010	2,284,794	$ 22,847,940	$ -	$ 8,200,480	$ 7,641,499	$ 346,691	$ 959,438	$ 10,255,921	$ 2,857	$ 27,406,886	$ 6,226,667	$ 11,985,007	$ 18,211,674	$ 489,217	$ (22,338)	$ 1,429,993	$ (159,166)	$ (1,857,643)	$ 18,874,015	$ 87,220,578

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

(With Deloitte & Touche audit report dated March 1, 2011)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 11,884,282	$ 9,116,075
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,625,508	5,830,693
Amortization	1,516,757	1,507,814
Allowance (reversal of allowance) for doubtful accounts	(8,974)	10,797
Valuation gain on financial instruments, net	(377,505)	(160,996)
Gain on disposal of investments, net	(488,226)	(1,026,941)
Loss on disposal of properties, net	108,170	66,368
Impairment loss on financial assets available for sale, financial assets carried at cost, properties and idle assets	260,206	344,058
Investment loss (income) recognized under the equity method, net	(93,860)	100,622
Cash dividends received from equity-method investees	10,691	38,334
Gain on disposal of noncurrent assets classified as held for sale	-	(44,217)
Product warranty reserve	(37,066)	126,831
Accrued pension costs	(3,436)	(19,844)
Deferred income taxes	160,382	186,861
Deferred credits - gain on intercompany transactions	17,194	(9,075)
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	47,613	135,384
Notes receivable	13,995	(24,697)
Accounts receivable	(2,030,472)	(6,754,736)
Accounts receivable from related parties	(55,339)	(80,721)
Other receivable from related parties	14,159	(13,768)
Inventories	(7,216,202)	(388,732)
Construction in progress in excess of progressive billings	(199)	(11,777)
Prepayments	(1,015,869)	(64,874)
Other financial assets - current	594,550	(57,742)
Other current assets	330,772	(19,864)
Notes payable	118,730	(757,761)
Accounts payable	1,521,804	9,367,350
Accounts payable to related parties	229	111,591
Other payable to related parties	(46,776)	(64,312)
Income taxes payable	226,840	(100,448)
Accrued expenses	1,626,043	2,176,883
Advance receipts	(106,959)	(119,794)
Progressive billings in excess of construction in progress	44,599	-
Other current liabilities	672,330	(268,983)
Other liabilities	(105,416)	(380,315)
Net cash provided by operating activities	14,208,555	18,750,064

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties	$ (7,093,839)	$ (5,025,577)
Decrease (increase) in refundable deposits	972,694	(261,378)
Increase in deferred charges	(758,347)	(599,623)
Proceeds from disposal of financial assets carried at cost	332,682	189,187
Proceeds from disposal of properties	288,511	625,494
Proceeds from disposal of available-for sale financial assets	236,796	39,278
Increase in land use rights	(210,865)	-
Acquisition of available-for-sale financial assets	(166,489)	-
Decrease in restricted assets	77,504	101,936
Acquisition of financial assets carried at cost	(25,810)	-
Proceeds from disposal of noncurrent assets classified as held for sale	-	604,114
Proceeds from disposal of investments accounted for by the equity method	-	171,139
Proceeds from capital reduction of financial assets carried at cost	-	2,464
Proceeds from disposal of financial instruments at fair value	-	778
Net cash used in investing activities	(6,347,163)	(4,152,188)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(5,021,541)	(3,080,773)
Decrease in bonds payable	(2,081,113)	-
Increase (decrease) in short-term loans	1,565,577	(4,625,683)
Increase (decrease) in long-term bank loans	(1,188,367)	1,841,634
Increase (decrease) in minority interest	(1,094,345)	386,044
Decrease in obligations under capital lease	(115,191)	(139,587)
Increase in guarantee deposits	36,904	45,626
Proceeds from exercise of employee stock options	8,886	10,716
Net cash used in financing activities	(7,889,190)	(5,562,023)
EFFECTS OF EXCHANGE RATE CHANGES	(588,409)	(965,776)
NET INCREASE (DECREASE) IN CASH	(616,207)	8,070,077
CASH, BEGINNING OF YEAR	51,057,529	42,987,452
CASH, END OF YEAR	$ 50,441,322	$ 51,057,529
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 1,221,422	$ 817,400
Deduct: Capitalized interests	-	(9,025)
Interest paid (excluding capitalized interests)	$ 1,221,422	$ 808,375
Income tax paid	$ 2,591,404	$ 1,934,976

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term debts	$ 3,597,979	$ 2,950,287
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 7,672,206	$ 4,831,702
Decrease (increase) in payable for properties	(578,367)	193,875
	$ 7,093,839	$ 5,025,577

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

(With Deloitte & Touche audit report dated March 1, 2011) (Concluded)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Lite-On Technology Corporation (the "Parent Company") was established in March 1989. Its shares are traded on the Taiwan Stock Exchange. The Parent Company manufactures and markets (1) computer software, hardware, peripherals and components and (2) monitors, multifunction and all-in-one printers, cameras and Internet systems and image-processing equipment.

The Parent Company merged with Lite-On Electronics, Inc., Silitek Corp. and GVC Corp., with the Parent Company as the survivor entity. The merger took effect on November 4, 2002, and the Parent Company thus assumed all rights and obligations of the three merged companies on that date. The Parent Company issued 1,066,508 thousand common shares to the former shareholders of Lite-On Electronics, Inc., Silitek Corp. and GVC Corp. to effect a share swap at this ratio: 1 Parent Company share for 1.54 shares of Lite-On Electronics, Inc., 1.08 shares of Silitek Corp., and 2.58 shares of GVC Corp. The holders of the newly issued shares have the same rights and obligations as the Parent Company's other common shareholders. The merger was approved by the Ministry of Economic Affairs (MOEA) and relevant authorities.

On July 1, 2003 the Parent Company had spun off the operations, assets, and liabilities of its real estate management department to a establish a subsidiary named Lite-On Real Estate Management Co., Ltd. (LOREM) in accordance with the Business Mergers and Acquisition, Law. The Parent Company exchanged its net operating assets for 100,000 thousand common shares of LOREM at a ratio of $36.40745 thousand in net assets for one common share. The spin-off was approved by the MOEA and relevant authorities.

The carrying values of the spin-off assets and liabilities were $3,663,340 thousand and $22,595 thousand, respectively. Related details are shown as follows:

Land	$ 1,444,035
Construction in progress	2,219,305
Reserve for land value increment tax	(22,595)
Net assets	$ 3,640,745

On February 11, 2004, the board of directors of the Parent Company resolved that the Parent Company merge with its subsidiary, Lite-On Enclosure Inc., which paid the Parent Company $49,420 thousand (US$1,498 thousand), in cash. The Parent Company was the survivor entity. The merger was approved by the Taiwan Stock Exchange. The MOEA approved this merger. The Parent Company thus assumed all rights and obligations of the merged company.

On August 27, 2009, the board of directors of the Parent Company resolved that the Parent Company have a short-form merger with its wholly owned subsidiary, Lite-On Real Estate Management Co., Ltd. The Parent Company was the survivor entity. The board of directors resolved that the merger take effect on September 29, 2009. The Parent Company thus assumed all of the subsidiary's rights and obligations.

As of December 31, 2010 and 2009, the Parent Company and subsidiaries had 95,576 and 85,584 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. In preparing financial statements in conformity with these guidelines and principles, the Parent Company and its subsidiaries (hereinafter referred to as the "Group") are required to make certain estimates and assumptions that could affect the amount of the allowance for doubtful accounts, allowance for losses on inventories and properties leased to others, depreciation of properties, and idle assets, amortization of intangible assets and deferred charges, pension cost, income tax, product warranty reserve, and bonuses to employees, directors and supervisors. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

The Parent Company and its subsidiaries' significant accounting policies are summarized as follows:

Basis for Consolidation

As required by the revised ROC Statement of Financial Accounting Standards No. 7 - "Consolidated Financial Statements," starting from January 2005, consolidated financial statements should include the accounts of the Parent Company and its direct and indirect subsidiaries and other investees over which the Group has controlling influence. All significant intercompany accounts and transactions have been excluded from the consolidation.

Please see Table 3 (attached) for the intercompany relationships and percentages of ownership.

We did not audit the financial statements as of and for the years ended December 31, 2010 and 2009 of Lite-On Electronics (Thailand) Co., Ltd., Lite-On Electronics (Europe) Ltd., G&W Technology (BVI) Ltd., G&W Technology Limited, Fordgood Electronic Ltd., Philips & Lite-On Digital Solutions Netherlands B.V., Philips & Lite-On Digital Solutions USA Inc., Lite-On Information Technology B.V., Lite-On Information Technology GmbH, Philips & Lite-On Digital Solutions Germany GmbH., Silitech Technology (Europe) Ltd., Lite-On Automotive Electronics (Europe) B.V. and Lite-On Automotive North America Inc. The financial statements of the aforementioned subsidiaries were audited by other auditors.

In 2010 and 2009, Philips & Lite-On Digital Solutions Korea Ltd； in 2009, APMCQ Automotive Playback Modules Portugal Unipessoal LDA, Automotive Playback Modules Services Austria GmbH, Lite-On IT Lighting Technology (Zhenjiang) Corp. Ltd, Lite-On (USA) International Inc. and Lite-On IT Trading (Guangzhou) Ltd., these investees' financial statements did not have to be audited by independent auditors. The management of the subsidiaries believe that there would have been no significant adjustments had its investees' financial statements been audited by independent auditors.

Minority interests were 56.66%, 62.41%, 34.77%, 60.37%, 26.6% and 12.69% of shareholdings in Lite-On IT Corporation, Silitech Technology Corp. Ltd., Lite-On Japan Ltd., Logah Technology Co., Ltd. Leotek Electronics Corporation and Lite-On Automotive Co., Ltd. as of December 31, 2010, which were presented separately in consolidated financial statements. Minority interests were 56.23%, 60.37%, 34.77%, 60.37%, 28.95% and 8.05% of shareholdings in Lite-On IT Corporation, Silitech Technology Corp. Ltd., Lite-On Japan Ltd., Logah Technology Co., Ltd., Leotek Electronics Corporation and Lite-On Automotive Co., Ltd. as of December 31, 2009, which were presented separately in consolidated financial statements.

The financial statements of consolidated subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - year-end rates; shareholders' equity - historical rates; and income and expenses - average rate during the year.

Mergers

Mergers are accounted for under the Statement of Financial Accounting Standards No. 25 - "Business Combinations." If the Parent Company's payment in cash or other assets exceeds the fair value of the net assets of the dissolved company, the difference is regarded as goodwill. If the market value of equity securities issued in the merger cannot stand for the fair value of the acquired companies' net assets, the fair value of the acquired net assets should be evaluated. The net amount after deducting the par value of equity securities issued in the merger and related costs from the fair value of net assets is included in capital surplus.

Current and Noncurrent Assets and Liabilities

Current assets include cash, financial assets held for trading and other assets consumed or used up within 12 months. Current liabilities include financial liabilities resulting from trading and repaid or settled within 12 months. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

Cash equivalents, bank acceptances, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss (FVTPL) include financial assets or liabilities for trading and financial assets and liabilities that were designated at the time of initial recognition as assets or liabilities to be measured at fair value, with changes in fair value to be recognized under earnings. Derivatives are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, the derivatives are remeasured at fair value, and the changes in fair value are recognized in current earnings. Cash dividends received are recognized under current earnings. Regular purchase or sale of financial assets is recognized and de-recognized using trading date accounting.

Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities held for trading. When the fair value of a derivative is a positive amount, the derivative is recognized as a financial asset; when the fair value is a negative amount, the derivative is recognized as a financial liability.

The fair value of stocks listed on the Taiwan Stock Exchange or traded over the counter on the GreTai Securities Market ("GreTai") are their closing prices on the balance sheet date. For open-end funds, fair values are their net asset values on the balance sheet date. For bonds, fair values are the reference prices on GreTai on the balance sheet date. Fair values of financial instruments with no active market are estimated through valuation techniques incorporating estimates and assumptions that are consistent with those used by other market participants.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Sales revenues are recognized when titles to products and material risks of ownerships are transferred to clients, primarily upon shipment, when the earnings process is mostly completed and the profit has been realized or is realizable. Because the ownership and material risk of unprocessed material are not transferred, material for processing is not recognized as sales revenues.

If customers' payments are due a year after a sales transaction is made, revenue is recognized on the basis of the fair value of the transaction price (which includes commercial and volume discounts negotiated with the buyer by the Group) calculated at interest rates for similar transactions. In these transactions, the fair value and maturity value approximate the transaction price.

Royalties are recognized when:

a. It is probable that the economic benefits of a transaction will flow to the Parent Company; and
b. The revenue can be measured reliably.

Royalties are recognized on an accrual basis in accordance with the substance of the contract.

If a contract meets the recognition criteria for sales of goods and the following conditions, royalties are recognized at the time of sale:

a. The amount of the royalties is fixed or the royalties are nonrefundable;
b. The contract is noncancelable;
c. The contract permits the licensee to exploit the assigned rights freely; and
d. The licensor has no remaining obligations to perform.

Allowance for doubtful accounts is provided on the basis of a periodic review of the collectability of receivables based on aging analysis, credit ratings and economic conditions.

Construction Contracts

Revenues on and costs of long-term construction contracts are recognized by the percentage-of-completion method while revenues and costs of short-term construction contracts are recognized by the full-completion method. Under the percentage-of-completion method, the stage of completion of each contract is measured at the ratio of cumulative construction costs to total estimated contract costs.

Construction revenues and costs for the current year is the excess of cumulative construction revenue and costs, determined using the percentage-of-completion method, in excess of the cumulative construction revenue and costs recognized in prior years. Any estimated loss on a construction contract is recognized currently; any subsequent adjustment of this loss is recognized as either income or loss in the year of adjustment.

Construction in progress is carried at cost plus estimated construction profit or less estimated losses. Installment payments or collections received from construction projects are credited to progressive billings. Upon completion of each project, these progressive billings are offset against construction in progress.

Construction expenses incurred under the full-completion method are included in construction in progress, while collections received from construction projects are credited to progressive billings. Upon completion of each project, the construction in progress and progressive billings are recognized as construction revenues and costs, respectively.

At year-end, the balances of construction in progress and progressive billings from construction of each project are netted out, and the result is classified as current asset or current liability.

Inventories

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

Revenues and costs for the construction of the power generation facility held for sale are recognized by the full-completion method. Construction costs are measured on the basis of overhead and the acquisition cost for land use rights. After the completion of construction of structures, which are sold to buyers, the transfers of ownerships are recorded under the other operating revenue and other operating cost in the current year. The power generation facility held for sale is stated at the lower of investment cost and net realizable value.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. When the assets are subsequently measured at fair value, the changes in fair value are excluded from earnings and reported as a separate component of shareholders' equity. The accumulated gains or losses are recognized as earnings when the financial asset is de-recognized from the balance sheet. A regular purchase or sale of financial assets is recognized and de-recognized using trading date accounting.

The fair value of stocks listed on the Taiwan Stock Exchange or traded over the counter on the GreTai Securities Market ("GreTai") are their closing prices on the balance sheet date. For open-end funds, fair values are their net asset values on the balance sheet date. For bonds, fair values are the reference prices on GreTai on the balance sheet date. Fair values of financial instruments with no active market are estimated through valuation techniques incorporating estimates and assumptions that are consistent with those used by other market participants.

Cash dividends are recognized as investment income on the ex-dividend date but are accounted for as reductions of the original cost of investment if these dividends are declared on the investees' earnings before investment acquisition. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. After the receipt of stock dividends, the cost per share is recalculated on the basis of the new number of total shares held. For bond securities, the difference between the initially recognized carrying values and maturity values is amortized using the effective interest method. (If the difference is not material, the straight-line method can be used for amortization and subsequent differences are recognized as gain or loss.)

An impairment loss is recognized on the balance sheet date if there are objective evidences that a financial asset is impaired, and this impairment loss is charged to the net income of the current period. This impairment loss can be reversed to the extent of the original carrying value and recognized as adjustments to shareholders' equity. If the reversible amount of a debt instrument is clearly attributable to an event occurring after the impairment loss was recognized, this amount is recognized as income.

Financial Assets Carried at Cost

Investments with no quoted market prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks, are carried at their original cost. The costs of stocks sold are determined using the weighted-average method. If there is objective evidence of investment impairment, a loss is recognized, but a reversal of this impairment loss is not allowed.

Long-term Equity Investments

Investments in shares of stock of companies in which the Group owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Stock investments accounted for by the equity method are initially carried at cost and subsequently adjusted for the Group's proportionate share in the investees' earnings or losses and changes in capital surplus. Cash dividends received are recognized as a reduction of the carrying value of the investments. Investment income (or loss) is recognized whenever the investees recognize income (or loss). If the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to investees, the excess is recorded as part of other liabilities. But, since

2005, if the equity in losses recognized exceeds the original investment acquisition costs, the Group recognizes its investee's total losses unless other investors commit to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the profits should be recognized by the Group totally until its previously recognized losses are covered.

The difference between the cost of the investment and the Group's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. However, effective January 1, 2006, under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments under the Equity Method," investment premiums, representing goodwill, are no longer being amortized, but the Group needs to make asset impairment tests regularly or if there are indications that goodwill is probably impaired. If the net fair value of an asset exceeds its investment cost, the excess will be credited to depend on the ratio of noncurrent asset's (not include non-equity-method financial asset, dispose asset waiting for sale, differ tax asset and prepay pension cost or other pension pay) fair value. If the fair value of a noncurrent asset is not enough for crediting purposes, the excess will be recognized as extraordinary gain. In addition, from January 1, 2006 the unamortized portion of the premiums for the investments acquired before 2006 need no longer be amortized, and the accounting treatment for this portion becomes the same as that for goodwill.

If an investee issues additional shares and the Group acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Group's equity in its investee's net assets is credited to capital surplus. Any decrease in the Group's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings. The equity in the net income or net loss of investees that also have investments in the Group (reciprocal holdings) is computed using the treasury stock method. Upon the disposal of equity-accounted investments, the Group's shares in the capital surplus recognized by the investee Group, if any, will be included in current income in proportion to the investments sold. However, capital surplus from an investee's property disposal is transferred to retained earnings in proportion to the value of the investments sold. If the investee's accounting year is different from the Group's, investment income or loss recognized by the Group is based on its equity on the investee's balance sheet date.

All profits derived from sales of products by the Parent Company to its subsidiaries are deferred but only profit in proportion to the Group's equity interest is deferred for other equity-method investees that are not majority owned. Profit from the sales of products by equity-method investees to the Group is deferred in proportion to the Group's equity interest in the investee and credited against the investment. Profit from sales of products between equity-method investees are deferred to the extent of the Group's equity interests in those investees. The deferred profits are included as part of other liabilities. All of these profits are realized through the subsequent sale of the related products to third parties.

Stock dividends received are recorded only as an increase in the number of shares held but not recognized as investment income. Cost or carrying value per share is recomputed based on total shares after stock dividends are received.

For all stock investments, costs of investments sold are determined using the moving-average method.

Properties and Leased Assets

Properties and leased assets are stated at cost less accumulated depreciation. Major additions, renewals and betterments are capitalized, while maintenance and repairs are charged to current expense.

Assets held under capital leases are initially recognized as assets of the Group at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments; the corresponding liability is included in the balance sheet as obligations under capital leases. The interest included in lease payments is expensed when paid.

Depreciation is computed using the straight-line method over useful lives estimated as follows: buildings, 5 to 60 years; machinery and equipment, 2 to 10 years; molding equipment, 2 to 10 years; transportation equipment, 3 to 10 years; office equipment, 2 to 10 years; miscellaneous equipment, 2 to 10 years; and Leased assets, 3 to 40 years. Properties that have reached their residual value but are still in use are depreciated over their newly estimated service lives.

Upon revaluation of properties and leased assets, the resulting revaluation increment is recognized as part of the cost of the properties, and a reserve for land value increment tax is included in long-term liabilities, with the difference credited to capital surplus.

Upon sale or other disposal of properties and leased assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to nonoperating income or expense.

Intangible Assets

Intangible assets acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives. Patents, client relationships and patent rights (classified under other intangible assets) are amortized over six years, four years and twelve years, respectively.

Goodwill arising from a merger or the difference between the cost of the investment and the Group's equity in the investees' net assets is amortized over five years using the straight line method. Effective January 1, 2006, based on the newly revised Statement of Financial Accounting Standards (SFAS) No. 5 - "Long-Term Investments under the Equity Method," goodwill is no longer amortized and is assessed for impairment at least annually.

An internally generated intangible asset arising from development activities is capitalized and then amortized on a straight-line basis if the recognition criteria for intangible asset have been met; otherwise, the development expenditure is recognized as an expense when incurred.

Land Use Rights

Land use rights are amortized over 50 years.

Idle Assets

The idle fixed assets reclassified to other asset are stated at the lower of carrying value or net realizable value and depreciated in straight line method from January 1, 2006.

Deferred Charges

Deferred charges, consisting of computer software costs, royalty expenditures, issuance costs of bonds and office decoration expenditures are amortized using the straight-line method over periods ranging from 2 to 17 years.

Asset Impairment

An impairment loss should be recognized if the carrying amount of properties, goodwill, leased assets, idle assets, deferred expenses, equity-method investments exceeds and noncurrent assets classified as held for sale, as of the balance sheet date, their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years can be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the asset carrying amount that would have been determined had no impairment loss on the asset been recognized in prior years. However, reversal of impairment loss on goodwill is not allowed.

Product Warranty Reserve

Estimate of related cost is based on historical experience on product servicing and the warranty period.

Pension Costs

The Parent Company and subsidiaries have two types of pension plans: defined benefit and defined contribution.

If the defined benefit pension plan is revised, the prior service costs are amortized using the straight-line method over the average period from the revision date until the benefits are vested. When the benefits are vested, the prior service costs are immediately recognized as expense.

If the defined benefit pension plan is curtailed or settled, the resulting gains or losses should be recognized as part of the net pension cost for the period.

Defined contribution pension costs of the Parent Company, Lite-On IT Corp., Silitech Technology Corp., Li Shin International Enterprise Corp., Logah Technology Co., Ltd., Lite-On Automotive Corp., Leotek Electronics Corp. and Philips & Lite-On Digital Solutions Corporation are recognized on the basis of actuarial calculations. Unrecognized net transition obligations are amortized over 10 to 17 years. Actuarial gain or loss is amortized using the straight-line method over the employees' remaining service years.

Some consolidated subsidiaries, which are mainly in investments, have either very few or even no staff. These subsidiaries have no pension plans and thus do not contribute to pension funds and recognize pension costs. Except for these companies, the consolidated subsidiaries all contribute to pension funds and recognize pension costs based on local government regulations.

Treasury Stock

The Parent Company accounts for the cost of reacquiring its outstanding stock as a deduction to arrive at shareholders' equity.

Upon disposal of the treasury stock, the sales proceeds in excess of the cost are accounted for as capital surplus - treasury stock. If the sales proceeds are less than the cost, the difference is accounted for as a reduction in the remaining balance of capital surplus - treasury stock. If the remaining balance of capital surplus - treasury stock is insufficient to cover the difference, the remainder is recorded as a reduction of retained earnings.

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off to offset the par value and the capital surplus premium, if any, of the stock retired. If the weighted-average cost written off exceeds the sum of both the par value and the capital surplus premium, the difference is accounted for as either a reduction of capital surplus - treasury stock or a reduction of retained earnings for any deficiency where capital surplus - treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and premium, if any, of the stock retired, the difference is accounted for as an increase in capital surplus - treasury stock of the same type.

Effective January 1, 2002, the Parent Company adopted Statement of Financial Accounting Standards (SFAS) No. 30 - "Accounting for Treasury Stocks." SFAS No. 30 requires that the shares of the Parent Company held by subsidiaries should be reclassified from investments in those subsidiaries to treasury stocks. The reclassification amount was based on the carrying value of the subsidiaries' investments in the Parent Company as of January 1, 2002.

Stock-based Compensation

Employee stock option plans with a grant or amendment date on or after January 1, 2004 is accounted for under the interpretations issued by the Accounting Research and Development Foundation. Parent and Subsidiaries adopted the intrinsic value method, under which compensation cost is recognized on a straight-line basis over the vesting year.

Income Tax

Inter-period allocation for income tax is applied. Deferred tax assets are recognized for the tax effects of deductible temporary differences, loss carryforwards, investment tax credits, and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. Deferred income tax assets or liabilities are classified as current or noncurrent according to the nature of related assets or liabilities for financial reporting. But, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent depending on the expected reversal date of the temporary difference.

Tax credits for certain purchases of equipment or technique, research and development, personnel training, and stock investments can be deducted from the current year's tax expense.

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

Income taxes (10%) on undistributed earnings are recorded as expense in the year the shareholders resolve to retain the earnings.

Translation of Foreign-currency Financial Statements and Foreign-currency Transactions

ROC Statement of Financial Accounting Standards No. 14 - "The Effects of Changes in Foreign Exchange Rates" applies to foreign subsidiaries that use their local currencies as their functional currencies. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: assets and liabilities - year-end rates; shareholders' equity - historical rates; and income and expenses - average rate during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

Foreign currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the spot rates of exchange in effect when the transactions occur.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
b. Recognized in profit and loss if the changes in fair value are recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Parent Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Hedging Derivative Financial Instruments

Hedging derivative financial instruments are measured at fair value. The changes in fair values of these instruments are debited or charged to either shareholders equity or current income depending on the hedged items.

Hedge Accounting

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item if the account meets the conditions of hedge accounting. The hedge accounting is summarized as follows:

a. Fair value hedge: The gain or loss of derivative hedging instrument from changes in book value due to changes in exchange rates is recognized as profit or loss. The gain or loss of the hedged item from hedging is adjusted to its book value and recognized in profit or loss.

b. Cash flow hedge: The gain or loss on hedging instruments is recognized as adjustments to shareholders' equity and as gain or loss on a forecast the transaction affecting gain or loss. If the hedged of a forecast transaction results in the recognition of financial assets or liabilities, the gain or loss recognized directly under shareholders' equity should be reclassified into gain or loss in the same period or periods during which the asset acquired or liability assumed affects gain or loss. When net loss recognized as adjustment to shareholders' equity is deemed irreversible, it will be recognized as loss in the current year.

c. Hedge of a net investment in a foreign operating institution: The gain or loss from hedging instruments is recognized as adjustments to shareholders' equity and recognized as income when disposing the foreign operating institution.

The Parent Company and its subsidiaries use hedging to stabilize net interest income or expense and control market value risk. Cash flow hedge is used to reduce interest rate risk, while fair value hedge is used to reduce net present value risk.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2009 have been reclassified to be consistent with the presentation of financial statements as of and for the year ended December 31, 2010.

3. ACCOUNTING CHANGE

Accounting for Inventories

On January 1, 2009, the Parent Company and its subsidiaries adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value by item, except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. This accounting change resulted in decreases of $30,265 thousand in consolidated net income attributed to the Parent Company's shareholders; $57,391 thousand in consolidated net income; and NT$0.01 (based on the Parent Company's net income) and NT$0.03 (based on the consolidated net income) in earnings per share (after income tax) for 2009.

4. CASH AND CASH EQUIVALENTS

	December 31 2010	December 31 2009
Cash on hand	$ 9,443	$ 8,066
Checking deposits	3,385,425	1,388,046
Demand deposits	22,034,396	23,652,800
Time deposits - interest: 0.10%- 4.65 % in 2010 and 0.10%-3.15% in 2009	25,003,220	26,003,925
Bank acceptances	8,838	4,692
	$ 50,441,322	$ 51,057,529

As of December 31, 2010 and 2009, the bank deposits overseas of the Parent Company were as follows:

	December 31 2010	December 31 2009
Czech - Prague (CZK180,028 thousand in 2010 and CZK121,678 thousand in 2009)	$ 291,393	$ 212,645
Poland -Warsaw (PLN 1,003 thousand in 2010 and PLN 717 thousand in 2009)	10,275	8,010
U.S.A. - New York (US$53 thousand)	-	1,700
China - Hong Kong (US$1 thousand)	-	31
	$ 301,668	$ 222,386

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31 2010	December 31 2009
Financial assets held for trading		
Currency swap contracts	$ 342,293	$ 100,324
Forward exchange contracts	141,338	51,307
Options-call	6	1,120
	$ 483,637	$ 152,751
Financial liabilities held for trading		
Options-put	$ 41,939	$ 48,337
Forward exchange contracts	36,003	25,586
Currency swap contracts	15,506	18,531
	$ 93,448	$ 92,454

The outstanding forward contracts, currency swap contracts, and call option of the subsidiaries as of December 31, 2010 and 2009 are shown as follows:

	Currency	Maturity	Amount (Thousands)
December 31, 2010			
Lite-On IT Corp.			
Currency swap contracts	USD/NTD	January 4, 2011 - February 17, 2011	USD202,500/NTD6,158,480
Forward exchange contracts	EUR/USD	January 3, 2011 - January 20, 2011	EUR14,000/USD18,493
Forward exchange contracts	USD/NTD	March 24, 2011	USD44,000/NTD1,339,600
Lite-On Green Technologies Inc.			
Forward exchange contracts	EUR/USD	January 31, 2011	EUR2,200/USD2,894
Leotek Electronic Corp.			
Forward exchange contracts	USD/NTD	January 25, 2011 - May 25,2011	USD2,000/NTD61,240
Lite-On Automotive (Guangzhou) Corp.			
Forward exchange contracts	USD/CNY	January17, 2011 - January 28,2011	USD2,100/CNY13,969
Forward exchange contracts	EUR/CNY	January17, 2011 - January 28,2011	EUR1,000/CNY8,683
Lite-On Electronic (Thailand) Co., Ltd.			
Forward exchange contracts	USD/THB	January11, 2011 - March 29,2011	USD2,000/THB59,800
Lite-On Mobile Oyj (Original: Perlos Oyj)			
Currency swap contracts	MXN/USD	January 20, 2011	MXN30,000/USD2,385
Currency swap contracts	USD/EUR	January 18, 2011 - April 13, 2011	USD17,500/EUR13,340
Currency swap contracts	EUR/USD	January 24, 2011	EUR1,000/USD1,365
Currency swap contracts	SEK/EUR	March 18, 2011	SEK9,000/EUR981
Currency swap contracts	HUF/EUR	March 18, 2011	HUF250,000/EUR907
Forward exchange contracts	USD/BRL	January 21, 2011	USD3,000/BRL5,157
Forward exchange contracts	USD/INR	January10, 2011 - March 28,2011	USD9,000/INR414,810
Forward exchange contracts	USD/SEK	January18, 2011	USD500/SEK3,484
Forward exchange contracts	EUR/CNY	January 20 2011 - March 24,2011	EUR3,000/CNY19,988

(Continued)

	Currency	Maturity	Amount (Thousands)
Forward exchange contracts	USD/CAD	January 06, 2011	USD5,000/CAD33,273
Forward exchange contracts	JPY/USD	January 18, 2011	JPY250,000/USD2,980
Perols (Guangzhou) Electronic Components Co., Ltd.			
Forward exchange contracts	USD/CNY	January 14, 2011 - June 15,2011	USD2,000/CNY13,547
Forward exchange contracts	USD/JPY	January 05, 2011 - February 11, 2011	USD2,000/JPY167,380
Lite-On Japan Ltd.			
Call option	JPY/USD	March 05, 2011 - March 22, 2011	JPY169,500/USD1,500
Put option	JPY/USD	March 05, 2011 - March 22, 2011	JPY470,250/USD4,500
Currency swap contracts	JPY/USD	March 05, 2011 - March 20, 2011	JPY169,950/USD1,500
Lite-On Singapore Pte. Ltd.			
Forward exchange contracts	EUR/USD	January 05, 2011	EUR4,500/USD5,902
Forward exchange contracts	SGD/USD	January 05, 2011	SGD900/USD688
Forward exchange contracts	HUF/USD	January 05, 2011	HUF384,800/USD1,816
Forward exchange contracts	JPY/USD	January 05, 2011 - February 18, 2011	JPY118,000/USD1,405
Forward exchange contracts	USD/CAD	January 10, 2011 - February 22, 2011	USD3,000/CAD19,861
Silitech Technology Corp.			
Forward exchange contracts	JPY/USD	February 18, 2011	JPY82,825/USD1,000
Forward exchange contracts	EUR/USD	January 20, 2011	EUR1,500/USD1,986
Currency swap contracts	USD/NTD	January 04, 2011	USD12,000/NTD355,200
December 31, 2009			
Lite-On IT Corp.			
Currency swap contracts	USD/NTD	January 8, 2010 - February 8, 2010	USD153,000/NTD4,947,635
Forward exchange contracts	USD/NTD	January 8, 2010	USD10,000/NTD322,465

(Continued)

	Currency	Maturity	Amount (Thousands)
Leotek Electronic Corp.			
Forward exchange contracts	USD/NTD	January 26, 2010 - May 25, 2011	USD1,497/NTD48,929
Logah Technology Co., Ltd.			
Forward exchange contracts	USD/NTD	February 10, 2010	USD10,000/NTD9,664
Lite-On Automotive Corp.			
Forward exchange contracts	USD/NTD	January 10, 2010 - January 11, 2010	USD300/NTD9,677
Lite-On Electronic (Thailand) Co., Ltd.			
Forward exchange contracts	USD/THB	January 15, 2010 - March 18, 2010	USD2,000/THB64,936
Lite-On Mobile Oyj (Original Name: Perlos Oyj)			
Forward exchange contracts	USD/EUR	January 6, 2010 - June 4, 2010	USD5,000/EUR3,364
Forward exchange contracts	USD/INR	January 8, 2010	USD9,000/INR437,040
Forward exchange contracts	JPY/USD	January 22, 2010 - March 8, 2010	JPY200,000/USD2,218
Forward exchange contracts	USD/CNY	January 14, 2010 - January 25, 2010	USD11,000/CNY75,112
Forward exchange contracts	EUR/USD	January 25, 2010	EUR2,000/USD2,969
Forward exchange contracts	USD/BRL	January 25, 2010	USD1,000/BRL1,751
Currency swap contracts	HUF/EUR	January 7, 2010	HUF500,000/EUR1,843
Currency swap contracts	MXN/USD	January 7, 2010	MXN25,000/USD1,815
Currency swap contracts	SEK/EUR	February 16, 2010	SEK14,200/EUR1,388
Currency swap contracts	SGD/EUR	February 17, 2010	SGD8,600/EUR4,124
Perols (Guangzhou) Electronic Components Co., Ltd.			
Forward exchange contracts	USD/CNY	January 15, 2010 - March 19, 2010	USD1,000/CNY6,834
Perlos Ltda			
Forward exchange contracts	USD/BRL	January 4, 2010 - January 8, 2010	USD1,000/BRL1,741

(Continued)

	Currency	Maturity	Amount (Thousands)
Lite-On Japan Ltd.			
Currency swap contracts	JPY/USD	March 5, 2010 - March 20, 2010	JPY305,910/USD2,700
Call option	JPY/USD	March 5, 2010 - March 22, 2010	JPY305,100/USD2,700
Put option	JPY/USD	March 5, 2010 - March 22, 2010	JPY846,450/USD8,100
Lite-On Japan (H.K.) Limited			
Currency swap contracts	USD/JPY	September 14, 2010	USD3,000/JPY274,320

(Concluded)

The subsidiaries entered into derivative contracts in 2010 and 2009 to manage exposures due to exchange rate fluctuations. The financial risk management objectives of the subsidiaries were to minimize risks due to changes in fair value or cash flows.

Net gains on derivative financial instruments as of December 31, 2010 and 2009 were $377,505 thousand and $160,996 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2010	2009
Listed stocks (domestic)	$ 9	$ 9

7. ACCOUNTS RECEIVABLE, NET

	December 31	
	2010	2009
Accounts receivable	$ 41,381,434	$ 39,595,431
Allowance for doubtful accounts	(416,384)	(481,500)
Allowance for sales returns and discounts	(321,576)	(294,206)
	$ 40,643,474	$ 38,819,725

Movements of allowances for doubtful accounts were as follows:

	Years Ended December 31			
	2010		2009	
	Accounts Receivable	Overdue Receivable	Accounts Receivable	Overdue Receivable
Balance, beginning of year	$ 481,500	$ 73,546	$ 581,013	$ 945
Allowance (reversal of allowance) for doubtful accounts	1,199	(10,173)	(61,804)	72,601
Accounts receivable reclassified to overdue receivables	(1,143)	1,143	-	-
Amounts written off	(66,970)	(312)	(37,031)	-
Effect of exchange rate changes	1,798	-	(678)	-
	$ 416,384	$ 64,204	$ 481,500	$ 73,546

Overdue receivables were classified under other assets, an allowance for doubtful accounts fully covered these receivables (please refer to Note 15).

The unexpired factored accounts receivable of the Parent Company and its subsidiaries as of December 31, 2010 and 2009 were as follows:

The Parent Company

Factor	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates for Advances Received (%)	Credit Line
December 31, 2010					
Taishin International Bank	US$ 6,096	US$ 6,086	-	Note	$ 160,000
December 31, 2009					
Taishin International Bank	US$ 20,167	US$ 18,380	$ -	Note	$ 160,000
Bank SinoPac	US$ 14,992	US$ 14,978	-	Note	US$ 8,200

Philips & Lite-On Digital Solutions Corp,

Factor	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates for Advances Received (%)	Credit Line
December 31, 2010					
Taishin International Bank	US$ 27,605	US$ 26,073	$ -	Note	US$ 13,500
Far Eastern International Bank	US$ 1,895	US$ 1,895	-	Note	US$ 1,500
December 31, 2009					
Taishin International Bank	US$ 22,492	US$ 19,654	$ -	Note	US$ 19,500
Far Eastern International Bank	US$ 986	US$ 986	-	Note	US$ 1,500

Silitech Technology Corp.

Factor	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates for Advances Received (%)	Credit Line
December 31, 2010					
City Bank	EUR 16,272	EUR 8,947	EUR 7,325	1.41649-1.63	US$ 34,000
	US$ 12,219	US$ 2,977	US$ 9,242	0.93-0.96	
	CNY 37,559	CNY 33,592	CNY 3,967	4.59	US$ 9,000
December 31, 2009					
City Bank	EUR 5,931	EUR 5,931	EUR -	3.49-1.75	US$ 20,000
	CNY 6,248	CNY 1,223	CNY 5,025	4.37-4.86	US$ 9,000

Note: The Parent Company and its subsidiaries had not used the advance payments made by the factors on the accounts receivable.

The above credit lines may be used on a revolving basis. As of December 31, 2010, the amount of factored accounts receivable of the Parent Company and its subsidiaries remaining in 2009 had been collected.

Factored accounts receivable of the Parent Company and its subsidiaries were US$47,815 thousand, EUR16,272 thousand, and CNY37,559 thousand in 2010; US$58,637 thousand, EUR5,931 thousand and CNY6,248 thousand in 2009, respectively.

The Parent Company and its subsidiaries (Lite-On IT Corp., Philips & Lite-On Digital Solutions Corp. and Silitech Technology Corp.) signed accounts receivable factoring contracts with banks. Under these contracts, the risks on the accounts receivable were transferred to the banks.

8. INVENTORIES, NET

	December 31	
	2010	2009
Materials and supplies	$ 6,336,016	$ 4,895,172
Work in process	2,773,581	2,264,737
Finished goods	7,331,660	5,573,388
Merchandise	7,218,347	5,781,153
Goods in transit	1,325,576	760,916
Power generation facility held for sale	1,369,780	-
	$ 26,354,960	$ 19,275,366

As of December 31, 2010 and 2009, the allowance for inventory devaluation was $1,476,690 thousand and $1,271,755 thousand. The cost of inventories recognized as cost of sales was $193,493,418 thousand in 2010 and $155,681,734 thousand in 2009, respectively.

9. CONSTRUCTION IN PROGRESS IN EXCESS OF PROGRESSIVE BILLINGS

Item	Contract Cost	Cost Incurred to Date	Estimated Costs to Complete Construction	Construction in Progress	Progressive Billings	Percentage of Completion (%)	Estimated Completion Year	Gross Profit to Be Recognized
December 31, 2010								
Solar Power project	$ 41,200	$ 31,707	$ 1,984	$ 38,972	$ 26,996	90-100	2011	$ 7,265
December 31, 2009								
Solar Power project	$ 33,729	$ 25,893	$ 1,984	$ 31,500	$ 19,723	90-100	2010	$ 5,607

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NONCURRENT

	December 31	
	2010	2009
Domestic quoted stocks	$ 3,086,482	$ 3,088,021
Overseas quoted stocks	1,157,525	7,964
Mutual funds	743,055	782,150
	$ 4,987,062	$ 3,878,135

In 2009, a part of the available-for-sale assets of a subsidiary, Lite-On Capital Inc, was impaired. Thus, impairment was recognized as follows:

	2009
Hannstar Display Corp.	$ 13,380

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2010	2009
Domestic and overseas unquoted common stocks	$ 1,309,891	$ 1,855,824
Emerging market stocks	442,411	548,293
Overseas unquoted preferred stocks	-	133,111
	$ 1,752,302	$ 2,537,228

The above stocks had no market price in an active market and their fair value can be reasonably estimated only at great cost; thus, the Group valued these stocks at holding cost.

Some of the Group’s financial assets carried at cost - noncurrent in 2010 and 2009 were impaired. Thus, impairment losses were recognized as follows:

	December 31	
	2010	2009
Aetas Technology Inc.	$ 133,110	$ 52,000
Northern Lights Semiconductor Corporation	56,095	-
Compound Solar Technology Co., Ltd.	-	90,000
Glory Science Co., Ltd.	-	53,000
	$ 189,205	$ 195,000

12. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2010		2009	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Long-term stock investments				
Equity method				
Listed				
Lite-On Semiconductor Corp.	$ 1,461,213	20.31	$ 1,455,722	20.54
Jhen Vei Electronics Co., Ltd.	134,078	17.12	148,961	17.41
Payom Solar AG	-	-	151,650	20.01
	1,595,291		1,756,333	
Unlisted				
Dragonjet Corporation	1,047,676	29.83	1,106,401	29.83
Canfield Ltd.	3,266	33.33	3,592	33.33
	1,050,942		1,109,993	
	$ 2,646,233		$ 2,866,326	

Although Li Shin International Enterprise Corp. (“Li Shin”) held less than 20% of the total voting shares of Jhen Vei Electronics Co., Ltd. (“Jhen Vei”), Li Shin’s holding was still significantly higher than that of any other shareholder and was thus deemed to have significant influence over Jhen Vei’s. As a result, Li Shi used the equity method to account for its investment in Jhen Vei.

Li Shin held shares of Canfield Ltd. (“Canfield”), it's financial statements have not been audited by independent auditors. The management of Li Shin believed that no significant adjustments would have been required had the financial statements been audited by independent auditors.

The Parent Company’s auditors did not audit the financial statements (a) as of and for the years ended December 31, 2010 and 2009 of DIODES, INC and Dynacard Co., Ltd. (b) as of and for the year ended December 31, 2009 of Payom Solar AG, NPG Display Ltd. The financial statements of the above mentioned investees accounted for by the equity method were audited by other auditors.

The book values of the long-term equity method investments mentioned above that were audited by other auditors were $635,336 thousand and $703,984 thousand as of the years ended December 31, 2010 and 2009, respectively; the net investment income and loss recognized were $91,390 thousand in 2010 and $40,124 thousand in 2009, respectively.

13. PROPERTIES

Accumulated depreciation consisted of the following:

	December 31	
	2010	2009
Buildings	$ 4,662,364	$ 5,126,192
Machinery and equipment	16,558,855	15,786,152
Transportation equipment	82,713	92,076
Office equipment	1,952,601	1,936,343
Leased equipment	1,260,291	876,929
Miscellaneous equipment	4,503,542	3,154,365
	$ 29,020,366	$ 26,972,057

Depreciation expenses were $6,621,736 thousand in 2010 and $5,815,424 thousand in 2009.

Some of the Group's properties in 2010 and 2009 were impaired. Thus, impairment losses were recognized as follows:

	December 31	
	2010	2009
Perlos Precision Plastics Molding Limited Liability Company (Hungary)	$ 22,302	$ 40,912
Lite-On Electronic Tianjin Co., Ltd.	2,501	6,297
Wuxi Lite-On Tech. Co., Ltd.	397	-
Lite-On Japan Ltd.	-	3,883
	$ 25,200	$ 51,092

14. INTANGIBLE ASSETS

a. Patents and other intangible assets

The Parent Company completed the purchase of some assets of the IrDA Department of Avago Technologies Limited. Based on Statement of Financial Accounting Standards (SFAS) No. 25 - "Business Combinations" and SFAS No. 37 - "Intangible Assets," goodwill is recognized as the sum of the acquisition cost plus other direct transaction costs minus the fair value of the identifiable net assets acquired. The calculation of goodwill generated as of December 31, 2009 is as follows:

Acquisition costs		$ 708,863
Fair value of identifiable assets acquired		
Inventories	$ 59,278	
Properties	46,700	
Patents	27,134	
Client relationships (recognized as other intangible assets)	163,819	296,931
Goodwill		$ 411,932

As of the end of the years 2010 and 2009, the amounts amortized for patents, which have an estimated service life of six years, were $7,914 and $3,392 thousand, respectively, of accumulated amortization, and those for client relationships, which have an estimated service life of four years, are $71,670 and $30,716 thousand, respectively, of accumulated amortization.

On April 10, 2006, Lite-On IT Corporation (LOITC) and Qisda Corp. ("Qisda") signed a contract, under which LOITC will obtain Qisda's subcontract and manufacturing business on optical storage devices, including related authorization on product manufacturing, technology, technology acquisition, patent rights, etc. for $1,226,855 thousand plus 13% equity in LOITC. This acquisition was in line with LOITC's long-term strategic relationship with Qisda to expand production scale and promote market share.

In their special meeting on November 15, 2007, however, LOITC's shareholders approved the board of directors' proposal of August 27, 2007 to cancel the plan to use LOITC's shares to make the payment and to negotiate instead with Qisda for a new payment mode (i.e., wholly pay in cash) and schedule. LOITC thus paid cash for its acquisition at these amounts: $2,695,878 thousand, recorded under intangible assets - patent rights; and $2,806,508 thousand, recorded under goodwill.

As of December 31, 2010 and 2009, the accumulated amortization expenses for patent rights were $1,010,954 thousand and $786,297 thousand, respectively.

b. Goodwill

The amortization period for goodwill resulting from the Parent Company's acquisition of Lite-On Enclosure Inc. in 2004 was approximately five years. However, under the Guidelines Governing the Preparation of Financial Reports, effective January 1, 2006, goodwill need no longer be amortized. As of December 31, 2010 and 2009, the carrying value of goodwill was $132,986 thousand.

Except for the goodwill generated through the acquisition of Lite-On Enclosure Inc. by the Parent Company for $132,986 thousand, the Parent Company's purchase of some assets of the IrDA Department of Avago Technologies Limited for $411,932 thousand, and the goodwill carrying value of $2,806,508 thousand recognized by Lite-On IT Corp., the differences between (a) the acquisition costs of the Parent Company's investments in the subsidiaries and the acquisition costs of the subsidiaries' investments in other companies and (b) the Company's proportionate share in the investee's equity are listed as follows:

	December 31	
	2010	**2009**
Lite-On Mobile Ojy (Origonal: Perlos Oyj) and its subsidiaries	$ 8,631,570	$ 8,687,811
Li Shin International Enterprise Corp.	1,708,258	1,708,258
Philips & Lite-On Digital Solutions Germany GmbH.	448,723	457,175
Lite-On Automotive Corp.	303,073	303,077
Leotek Electronics Corp.	219,424	215,349
Others	60,164	60,164
	$ 11,371,212	$ 11,431,834

From January 1, 2006, based on the revised of the Statement of Financial Accounting Standards No. 5 - "Long-term Investments under the Equity Securities," goodwill should no longer be amortized but should be tested for impairment at regular intervals every year. For this test, the recoverable amount should be evaluated by the value in use of the tangible and intangible assets of the Parent Company and the subsidiaries' optical storage devices, and the project cash flows during the period of the expected use of these devices should be considered. Some factors to consider in assessing value in use are past operating performance, future profit situation under normal operation, operating strategies, industrial development goals on CD-ROM drives, market prospects, etc. Net cash input and the number of residual assets should be estimated, and the value in use of these assets should be calculated net of their weighted average capital cost. If the book value of the assets exceeds value in use, impairment loss is recognized.

15. OTHER ASSETS

a. Leased assets, net (operating lease)

Leotek Electronics Corp. and Li Shin International Enterprise leased out their land, buildings and office equipment as follows:

	December 31	
	2010	**2009**
Cost		
Land	$ 37,767	$ 36,063
Buildings	94,821	57,390
	132,588	93,453
Accumulated depreciation	(14,306)	(8,208)
	$ 118,282	$ 85,245

b. Idle assets, net

	December 31	
	2010	**2009**
Cost		
Land	$ 4,117	$ 5,821
Buildings	503,079	549,613
Machinery and equipment	1,233,190	1,234,691
Transportation equipment	3,899	4,382
Office equipment	48,468	50,382
Miscellaneous equipment	118,104	121,972
	1,910,857	1,966,861
Accumulated impairment losses	203,227)	(213,132)
Accumulated depreciation	(1,024,623)	(1,085,801)
	$ 683,007	$ 667,928

The change in accumulated impairment losses was as follows:

	2010	**2009**
Balance, beginning of year	$ 213,132	$ 230,958
Impairment losses	45,801	84,586
Disposals	(55,706)	(102,412)
Balance, end of year	$ 203,227	$ 213,132

c. Overdue receivables

	December 31	
	2010	**2009**
Overdue receivables	$ 64,204	$ 73,546
Allowance for doubtful accounts	(64,204)	(73,546)
	$ -	$ -

16. SHORT-TERM LOANS

	December 31 2010	December 31 2009
Unsecured bank loans - interest: 0.40%-9% in 2010 and 0.79%-4.86% in 2009	$ 3,433,183	$ 1,889,176

17. PROGRESSIVE BILLINGS IN EXCESS OF CONSTRUCTION IN PROGRESS

Item	Contract Cost	Cost Incurred to Date	Estimated Costs to Complete Construction	Construction in Progress	Progressive Billings	Percentage of Completion (%)	Estimated Completion Year	Gross Profit to Be Recognized
December 31, 2010								
Solar Power Project	$ 544,102	$ 206,146	$ 266,587	$ 239,236	$ 283,835	44.7-100	2011	$ 33,090

18. BONDS PAYABLE

	December 31 2010	December 31 2009
Unsecured overseas bonds	$ -	$ 2,081,113
Current portion	-	(2,081,113)
	$ -	$ -

As of December 31, 2009, a subsidiary, Lite-On Mobile Oyj (Original: Perlos Oyj), had two unsecured overseas bonds outstanding: (a) Bond Perlos I- issued through the Nordea Bank; maturity on March 10, 2010; aggregate face value of EUR30,000 thousand; and 4.76% nominal interest rate; and (b) Bond Perlos II - issued through the Skandinaviska Enskilda Banken AB; maturity on January 4, 2010; aggregate face value of EUR15,000 thousand; and 4.53% nominal interest rate.

19. LONG-TERM BANK LOANS (INCLUDING CURRENT PORTION)

	December 31 2010	December 31 2009
Parent Company	$ 14,333,334	$ 14,500,000
Lite-On Mobile Oyj (Original: Perlos Oyj)	3,238,832	4,162,617
Silitech Technology Corp.	1,200,000	1,200,000
Lite-On Japan Ltd.	453,398	825,884
Silitech Technology (Su Zhou) Co., Ltd.	345,029	199,878
	19,570,593	20,888,379
Current portion of long-term bank loans	(3,507,889)	(769,601)
	$ 16,062,704	$ 20,118,778

a. The Parent Company had two long-term bank loans with contract terms between July 31, 2008 and September 23, 2013 and as of December 31, 2010, with interest rate of 1.235% to 1.39 %, payable monthly or quarterly. These loans should be repaid in 5 or 12 installments from their due dates.

The Parent Company had two long-term loans with contract terms between July 31, 2008 and September 23, 2013 and as of December 31, 2009, with interest rate of 1.104% to 1.27%, payable monthly or quarterly. These loans should be repaid in 5 or 12 installments from their due dates.

On September 23, 2008, the Parent Company signed the contract for a five-year syndicated loan with Citi Bank, Chinatrust Bank, Taipei Fubon Bank, Taishin International Bank, Taiwan Landbank, Taiwan Cooperative Bank, Bank SinoPac, Mega International Commercial Bank, Chang Hwa Bank, First Bank, Yuanta Bank, Bank of Taiwan, Entie Commercial Bank, Agribank, and Sumitomo Mitsui Banking Corporation. The credit line is $15 billion, consisting of:

1) $12 billion, which is a refinancing of existing credit lines to improve financial structure, which should be used as a medium-term loan and may not be used on a revolving basis; and

2) $3 billion, which is for supporting operations, may be used on a revolving basis.

The principal of this syndication loan should be repaid in five semiannual installments from September 23, 2011, and the interest rate is set by adding 55 points to the 90-day Taiwan subprime commercial paper interest rate.

The contract also stipulated that the most recent semiannual or annual consolidated financial statements should show that the Parent Company meets the following requirements:

1) The current ratio should not be below 100%.

2) The debt ratio adjusted on cash basis (the ratio of total liabilities plus contingent liabilities minus total cash and cash equivalents divided by tangible equity) should not be above 150%.

3) The interest coverage ratio should not be below 400%.

4) The tangible equity (total equity, including minority interest, minus intangible assets) should not be less than NT$45 billion.

   As of December 31, 2010 and 2009, the Parent Company used a) NT$12 billion and b) NT$0.5 billion of the credit line of the above syndicated loan.

b. Lite-On Mobile Oyj (Original: Perlos Oyj) signed a contract for a five-year syndicated loan with Citi Bank, Chinatrust Bank, Taipei Fubon Bank, Taishin International Bank, Taiwan Landbank, Taiwan Cooperative Bank, Bank SinoPac, Mega International Commercial Bank, Chang Hwa Bank, First Bank, Yuanta Bank, Bank of Taiwan, Entie Commercial Bank, Agribank, and Sumitomo Mitsui Banking Corporation. The contract includes medium- and long-term loans of EUR100 million (the endorsements and guarantees provided by the Parent Company). Under this contract, Lite-On Mobile Oyj's most recent semiannual or annual consolidated financial statements should show compliance with the ratio requirements that are the same as those for the Parent Company. As of December 31, 2010 and 2009, Lite-On Mobile Oyj had drawn down EUR100 million and EUR90 million on the loan.

c. Silitech Technology Corporation had a long-term bank loans as of December 31, 2010 and 2009. The contract include long-term loans of $3 billion. As of December 31, 2010 and 2009, Silitech Technology Corporation had used $1.2 billion, 1.4218%-1.2844% interest floating rate. Contract terms from March 16, 2009 to March 16, 2014, with first repayments on December 16, 2011, repayable for each season and followed by ten equal repayments.

d. Lite-On Japan Ltd. had seventeen long-term bank loans, contract terms from March 31, 2005 to July 31, 2022, 1.16%-1.75% interest floating rate, principal repayable on due days.

e. Silitech Technology (Su Zhou) Co., Ltd. had a long-term bank loan, contract terms from September 25, 2006 to September 25, 2011; principal amortized semiannually and repaid at both US$2,700 thousand and CNY24,900 thousand for each of the first two installments, repaid US$8,904 thousand and CNY98,840 thousand at the third repayment, followed by four equal repayments of both US$924 thousand and CNY4,340 thousand.

   Silitech Technology (Su Zhou) Co., Ltd. had a long-term bank loan, contract terms from August 27, 2010 to August 27, 2013, 1.04188% interest floating rate; principal amortized semiannually and repaid at US$3,000 thousand for each of the first two installments, repaid US$4,000 thousand at the third repayment.

20. OBLIGATIONS UNDER CAPITAL LEASES

	December 31	
	2010	**2009**
Perlos (Guangzhou) Electronic Components Co., Ltd.	$ 389,372	$ 438,049
Perlos (Beijing) Electronic and Telecommunication Components	75,262	112,673
Perlos AB.	3,968	4,297
Lite-On Mobile Oyj (Original: Perlos Oyj)	3,349	6,704
The Parent Company	2,014	5,802
Perlos Precision Molds (Shenzhen) Co., Ltd.	1,660	3,231
Perlos Telecommunication and Electronic Components (India) Private Ltd.	1,585	2,859
Lite-On (Guang Zhou) Infortech Ltd.	1,037	9,431
Perlos (Guangzhou) Engineering Plastics Co., Ltd.	-	10,392
	478,247	593,438
Current portion of long-term capital lease liabilities	(90,090)	(99,573)
	$ 388,157	$ 493,865

a. Perlos (Guangzhou) Electronic Components Co., Ltd. - leased building, machinery and equipment under capital leases from October 15, 2007 to December 31, 2016. The terms of these leases were between 3 and 10 years, 7.11% interest rate. The building, machinery and equipment can be bought at a bargain purchase price at the end of the lease term.

b. Perlos (Beijing) Electronic and Telecommunication Components- leased building under capital leases from January 1, 2003 to December 31, 2012. The terms of these leases were 10 years, 4.24% interest rate. The building can be bought at a bargain purchase price at the end of the lease term.

c. Perlos AB. - leased machinery and equipment under capital leases valid from September 15, 2008 to January 15, 2013. The terms of these leases were between 2 and 4 years, with 2.79% to 12.83% interest rate.

d. Lite-On Mobile Oyj (Original Name: Perlos Oyj) - leased machinery and equipment under capital leases from April 1, 2008 to September 30, 2014. The terms of these leases were between 3 and 4 years, 5.00% interest rate. The machinery and equipment can be bought at a bargain purchase price at the end of the lease term.

e. The Parent Company leased machinery and equipment under capital leases valid from September 1, 2009 to February 1, 2013. The terms of these leases were between 3 and 5 years, with 15.6% interest rate. The payments of these leases were between 42 thousand and 120 thousand. The ownership of the leased assets will be transferred to the Parent Company at the end of the lease term.

f. Perlos Precision Molds (Shenzhen) Co., Ltd. - leased machinery and equipment under capital leases from July 1, 2009 to Dec 31, 2011. The terms of these leases were between 2 and 5 years, 11.38% interest rate. The machinery and equipment can be bought at a bargain purchase price at the end of the lease term.

g. Perlos Telecommunication and Electronic Components (India) Private Ltd. - leased machinery and equipment under capital leases from July 3, 2007 to April 18, 2013. The terms of these leases were between 3 and 5 years, 10.20% to 10.25% interest rate. The machinery and equipment can be bought at a bargain purchase price at the end of the lease term.

h. Lite-On (Guang Zhou) Infortech Ltd. - leased machinery and equipment under capital leases from June 15, 2006 to November 29, 2011. The terms of these leases were 4 years, 3.11% to 5.56% interest rate. The machinery and equipment can be bought at a bargain purchase price at the end of the lease term.

i. Perlos (Guangzhou) Engineering Plastics Co., Ltd. - leased building under capital leases from May 5, 2000 to April 5, 2010. The terms of these leases were 10 years, 4.61% interest rate. The building can be bought at a bargain purchase price at the end of the lease term.

21. PENSION PLAN

The Parent Company, Lite-On IT Corp., Silitech Technology Corp., Lite-On Automotive Corp., Li Shin International Enterprise Corp., Leotek Electronics Corp., Logah Technology Co., Ltd. and Philips & Lite-On Digital Solutions Corp. have pension plans for all regular employees, which provide benefits based on length of service and average basic pay for the six months before retirement.

The Parent Company, Lite-On IT Corp., Silitech Technology Corp., Lite-On Automotive Corp., Li Shin International Enterprise Corp., Logah Technology Co., Ltd., Leotek Electronics Corp. and Philips & Lite-On Digital Solutions Corp, contribute monthly an amount equal to 2%, 3%, 2.5%, 2%, 4%, 4%, 2% and 3%, respectively, of salaries and wages to a pension fund, respectively, which is administered by the employees' pension fund committee and deposited in the Bank of Taiwan in the committee's name.
Other information on the defined benefit plan is summarized as follows:

a. Components of net pension costs:

	December 31	
	2010	**2009**
Service cost	$ 22,083	$ 23,692
Interest cost	23,562	22,988
Expected return on plan assets	(25,359)	(24,154)
Curtailment gain	(57)	(580)
Amortization	(5,493)	(5,553)
Net pension costs	$ 14,736	$ 16,393

b. Reconciliation of the fund status of the plan and accrued pension cost:

	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	$ (163,776)	$ (110,911)
Non-vested benefit obligation	(593,648)	(546,495)
Accumulated benefit obligation	(757,424)	(657,406)
Additional benefits based on future salaries	(335,538)	(318,899)
Projected benefit obligation	(1,092,962)	(976,305)
Fair value of plan assets	1,080,266	1,044,645
Funded status	(12,696)	68,340
Unrecognized net transition obligation	13,375	16,370
Non-amortized net gain	(148,038)	(237,907)
Contribution of accrued pension cost	(1,602)	(1,714)
Unrecognized net gain	(4,909)	(2,395)
Accrued pension cost	$ (153,870)	$ (157,306)

	December 31	
	2010	2009
c. Actuarial assumptions:		
Discount rate used in determining present values	2.00%-2.50%	2.00%-2.75%
Future salary increase rate	2.50%-3.50%	2.50%-3.50%
Expected rate of return on plan assets	2.00%	1.50%-2.75%
d. Contributions to the fund	$ 22,968	$ 24,171
e. Payments from the fund	$ 7,709	$ 25,198

Based on the Labor Pension Act (the “Act”), the rate of monthly contributions by the Parent Company and subsidiaries - Lite-On IT Corp., Silitech Technology Corp., Lite-On Automotive Corp., Li Shin International Enterprise Corp., Logah Technology Co., Ltd., Leotek Electronics Corp., Lite-On Integrated Services Inc. and Philips & Lite-On Digital Solutions Corp. — to employees’ individual pension accounts is at 6% of monthly wages and salaries. For these contributions, the Parent Company and subsidiaries recognized a pension costs of $148,387 thousand in 2010 and $144,989 thousand in 2009.

Some consolidated entities, which are mainly in investments, have either very few or even no staff. These companies have no pension plans and thus do not contribute to pension funds and do not recognize pension costs.

Except for these companies, the remaining companies all contribute to pension funds and recognize pension costs based on local government regulations. The pension expenses recognized for 2010 and 2009 were $439,835 thousand for 2010 and $642,067 thousand for 2009.

22. SHAREHOLDERS’ EQUITY

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

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

As of December 31, 2010, the outstanding marketable equity securities were 5,187 thousand units, representing 51,869 thousand common shares of the Parent Company. The rights and obligation of security holders are the same as those of common shareholders, except for voting rights. As of December 31, 2010, the unredeemed GDRs amounted to 2,019 thousand units.

Employee Stock Option Plans

In December 2007, there was a grant of 30,000 options to qualified employees of the Parent Company and its subsidiaries. Each option entitles the holder to subscribe for one thousand common shares of the Parent Company when exercisable. The options granted are valid for 6 years and exercisable at certain percentages after the second, the third, and the fourth anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Parent Company's common shares listed on the TSEC on the grant date. For distributing cash dividends and stock dividends, and reducing capitals (besides writing off treasury stocks), the exercise price and the number of options are adjusted accordingly.

Other information on the employee stock option plans is as follows:

	Years Ended December 31			
	2010		2009	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance, beginning of year	22,644	$ 44.1	25,150	$ 46.6
Options expired	(1,788)	44.1	(2,263)	46.6
Options exercised	(201)	44.1	(243)	44.1
Balance, end of year	20,655	41.4	22,644	44.1
Weighted-average fair value of options granted in thousand	$ 16.964		$ 16.964	

The weighted-average remaining life of the outstanding and exercisable options as of December 31, 2010 and 2009 was 3 and 4 years, respectively.

Compensation cost recognized under the intrinsic value method was $0 thousand for the year ended December 31, 2010. Had the Parent Company recognized compensation cost based on the fair value method using the binomial option pricing model, the assumption and pro forma result of the Parent Company for the years ended December 31, 2010 and 2009 would have been as follows:

	Years Ended December 31	
	2010	**2009**
Assumptions		
Risk-free interest rate	2.5101%	2.5101%
Expected life	3 year	4 year
Expected volatility	40.07%	40.07%
Expected dividend yield	7.07%	7.07%
Net income		
As reported	$ 8,986,457 thousand	$ 7,051,841 thousand
Pro forma	$ 8,912,240 thousand	$ 6,850,394 thousand
Basic after income tax earnings per share (New Taiwan dollars)		
As reported	$4.05	$3.18
Pro forma	4.02	3.09
Diluted after income tax earnings per share (New Taiwan dollars)		
As reported	3.98	3.14
Pro forma	3.95	3.03

Capital Surplus

Under the Company Law, capital surplus from long-term investments under the equity method may not be used for any purpose. Otherwise, the capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds, capital surplus from merger, and treasury stock transactions) can be capitalized, which however is limited to a certain percentage of the Parent Company's paid-in capital.

Appropriation of Earnings and Dividend Policy

The Parent Company's Articles of Incorporation provide that the annual net income, less any deficit and 10% legal reserve as well as special reserve equal to the debit balances of the shareholders' equity accounts, together with the distributable unappropriated earnings of prior years, can be retained partially on the basis of operating requirements. The remainder should be distributed as follows:

a. Bonus to employees: Not below 1%
b. Remuneration to directors: Not above 1.5%
c. Others, as dividends

If the bonus to employees described above is share bonus, it may be distributed to the employees of subsidiaries of the Parent Company. The requirements and the method of distribution of these share bonuses are resolved by the board of directors as authorized.

The bonus to employees and remuneration to directors recognized for 2010 and 2009 were estimated on the basis of past appropriation experience at 15% and 1%, respectively, of the estimated appropriations from prior year's earnings. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by shareholders differ from the proposed amounts, the differences are recorded in the year of the shareholders' resolution as a change in accounting estimate. If stock bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares on the day preceding the shareholders' meeting.

These appropriations should be resolved by the shareholders in the following year and given effect in the financial statements of that year.

On June 15, 2010 and June 22, 2009, the shareholders resolved the appropriation of earnings and dividend per share in 2009 and 2008 as follows:

	Appropriation of Earnings		Dividend Per Share (Dollars)	
	2009	**2008**	**2009**	**2008**
Legal reserve	$ 705,184	$ 431,321	$ -	$ -
Stock dividends	111,590	110,028	0.05	0.05
Cash dividends	5,021,541	3,080,773	2.25	1.40

The sharing with employees of profits of $603,034 thousand in cash and $369,602 thousand in stock as well as the remuneration to directors of $61,674 thousand for 2009 was approved in the shareholders' meeting on June 15, 2010. The amount of the stock bonus to employees of 11,073 thousand shares was determined at the closing price of the Parent Company's common shares (after considering the effect of dividends) of the day immediately preceding the shareholders' meeting.

The appropriation of the earnings for 2009 was approved by the Financial Supervisory Commission, Executive Yuan, ROC. The board of directors resolved that the date of distributing stock dividends and cash dividends was August 20, 2010.

As of March 1, 2011, the auditors' report date, the Parent Company's board of directors had not decided the appropriation of the 2010 earnings. Related information may be accessed through the Market Observation Post System through the Web site of the Taiwan Stock Exchange.

Under the regulations of the Securities and Futures Bureau, the Parent Company should appropriate a special reserve equivalent to the debit balances, as of the balance sheet date, in the shareholders' equity account, except for treasury stock and deficit. The special reserve will be distributable when the debit balances in the shareholders' equity are reversed.

According to the regulations of Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, R.O.C. the companies listed on the Taiwan Stock Exchange Corporation (TSEC) and the GreTai Securities Market (GTSM) should contribute the special reserve on the basis of the proportionate share as the same as the difference between market value and book value of the subsidiaries holding the Parent Company's stock and the amount cannot be appropriated. If the valuation of the stock rises up thereafter, TSEC/GTSM listed companies can reverse the special reserve as much as the reversal of valuation on the basis of the proportionate share (please refer to the Note 20).

Under the Integrated Income Tax System, which took effect on January 1, 1998, ROC resident shareholders are allowed a tax credit for the income tax paid by the Parent Company on earnings generated since January 1, 1998. An imputation credit account (ICA) is maintained by the Parent Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the ICA balance on the dividend distribution date.

Under the Company Law, the appropriation for legal reserve should be made until the reserve equals the Parent Company's paid-in capital. This reserve may be used to offset a deficit. Also, when the reserve reaches 50% of the capital, up to 50% may be transferred to capital.

For the years ended December 31, 2010 and 2009, the Parent Company's movements of unrealized gain or loss on financial instruments were as follows:

	Recognized in Shareholders' Equity	Equity-method Investments Recognized in Shareholders' Equity	Total
Year ended December 31, 2010			
Balance, beginning of year	$ 1,202,514	$ (107,078)	$ 1,095,436
Increase (decrease) in 2010	(105,407)	439,964	334,557
Balance, end of year	$ 1,097,107	$ 332,886	$ 1,429,993
Year ended December 31, 2009			
Balance, beginning of year	$ (648,632)	$ (390,131)	($1,038,763)
Increase in 2009	1,851,146	283,053	2,134,199
Balance, end of year	$ 1,202,514	$ (107,078)	$ 1,095,436

23. TREASURY STOCK (COMMON STOCK)

Unit: In Thousand Shares

Reason for Repurchase	Beginning of Year	Changes in Fiscal Year: Increase	Decrease	End of Year
2010				
Parent Company's shares held by direct and indirect subsidiaries reclassified from long-term stock investments to treasury stock	27,563	138	-	27,701
For transfer to employees	30,565	-	-	30,565
	58,128	138	-	58,266
2009				
Parent Company's shares held by direct and indirect subsidiaries reclassified from long-term stock investments to treasury stock	27,426	137	-	27,563
For transfer to employees	30,565	-	-	30,565
	57,991	137	-	58,128

At the end of 2010 and 2009, the Parent Company transferred $1,104,073 thousand from available-for-sales financial asset of direct and indirect subsidiaries to treasury stock proportionate to its ownership. Both the carrying value and market value of treasury stock mentioned above were $1,123,527 thousand in 2010 and $1,326,003 thousand in 2009.

Under the Securities and Exchange Law, the maximum number of treasury stock purchased should not exceed 10% of the Parent Company's total outstanding shares, and the aggregate purchase cost should not exceed the sum of retained earnings, additional paid-in capital in excess of par value and realized capital surplus. The treasury stock cannot be pledged or exercise shareholders' rights. Treasury stock should be reissued within three years from the reacquisition date. Shares not transferred within the time limit will be deemed unissued, and the Parent Company should register with the authorities the change in the number of shares.

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

24. INCOME TAX

a. The reconciliation of income tax expense - current to income tax expense for income before income tax at statutory rate is as follows:

	2010	2009
Income tax expense on income before income tax using the statutory rate	$ 4,345,672	$ 3,917,325
Deduct tax effects of:		
Permanent differences	(452,249)	(1,514,889)
Temporary differences	(422,946)	(386,025)
Unappropriated earnings tax rate (10%)	188,620	165,673
Basic income tax	-	104,345
Less: Investment tax credits	(359,321)	(245,686)
Loss carryforwards used	(65,263)	-
Income tax expense - current	$ 3,234,513	$ 2,040,743

b. The components of income tax expense are shown below:

	2010	2009
Income tax expense - current	$ 3,234,513	$ 2,040,743
Deferred income tax	160,382	186,861
Prior year's adjustment	(430,649)	(229,714)
Tax separately levied on interest from short-term bills	-	150
Income tax expense	$ 2,964,246	$ 1,998,040

c. The components of deferred income tax assets and liabilities were as follows:

	December 31	
	2010	**2009**
Current		
Deferred income tax assets		
Investment tax credits	$ 442,317	$ 500,325
Allowance for loss on inventories	166,938	177,056
Accrued warranty expense	140,140	164,770
Foreign exchange loss, net	131,372	28,786
Unrealized sales return and allowance	74,324	131,686
Loss carryforwards	58,698	42,304
Unrealized sales profit	53,848	39,797
Reimbursement payable	32,682	30,794
Excess allowance for doubtful receivables	14,482	13,438
Unrealized allowance for loss on inventories	8,517	-
Others	98,658	74,389
	1,221,976	1,203,345
Valuation allowance	(57,419)	(56,691)
	1,164,557	1,146,654
Deferred income tax liabilities		
Unrealized gain on financial instruments	(56,381)	-
Unrealized foreign exchange gain	(13,771)	(105,435)
Others	-	(418)
	(70,152)	(105,853)
Deferred income tax assets, net	$ 1,094,405	$ 1,040,801
Noncurrent		
Deferred income tax assets		
Investment tax credit	$ 997,325	$ 1,308,114
Loss carryforwards	356,944	333,167
Accumulated equity in the net loss of foreign investees	304,905	549,624
Impairment loss	202,489	218,092
Excess provisions for pension costs	89,494	91,815
Excess allowance for doubtful receivables	53,308	-
Others	132,172	71,313
	2,136,637	2,572,125
Valuation allowance	(1,395,769)	(1,301,547)
	740,868	1,270,578
Deferred income tax liabilities		
Accumulated equity in the net gain of foreign investees	(1,427,924)	(1,829,069)
Unrealized amortization of goodwill	(218,740)	(205,757)
Others	(369,882)	(9,327)
	(2,016,546)	(2,044,153)
Deferred income tax liabilities, net	$ (1,275,678)	$ (773,575)

The income tax rate of the Parent Company and its subsidiaries used in recognizing deferred income tax was 17% in 2010 and 25% in 2009. The income tax rate of other subsidiaries used in recognizing deferred income tax was based on legal tax rate.

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective 2010. The Group recalculated its deferred tax assets and liabilities in accordance with this amendment Article and recorded the resulting difference as a deferred income tax benefit or expense.

Income tax returns through 2008 have been examined and cleared by the tax authorities. The Parent Company disagreed with the tax authorities' assessment of its 2004 to 2008 tax return and had applied for a reexamination. Nevertheless, the Parent Company made a provision for the income tax assessed by the tax authorities for conservatism.

d. The information on investment tax credit is as follows:

Legislation	Deduction Item	Tax Credit Amount	Unused Tax Credits Ending Balance	Expiry Year
Statute for Upgrading Industries	Research and development cost and professional training expenses	$ 406,739	$ 406,739	2011
	Research and development cost and professional training expenses	264,049	264,049	2012
	Research and development cost and professional training expenses	299,906	299,906	2013
		$ 970,694	$ 970,694	

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 to December 31, 2019.

The integrated income tax information is as follows:

	December 31	
	2010	2009
Balance of ICA		
The Parent Company	$ 558,086	$ 516,923

The expected tax credit ratio on earnings as of December 31, 2010 and applicable tax credit ratio on earnings as of December 31, 2009 are as follows:

	2010	2009
The Parent Company	8.92%	10.32%

The unappropriated earnings as of December 31, 2010 and 2009 did not include earnings generated up to December 31, 1997.

25. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSE

	2010			2009		
	Included in Cost of Sales	Included in Operating Expenses	Total	Included in Cost of Sales	Included in Operating Expenses	Total
Employment						
Salary	$ 16,085,597	$ 8,287,623	$ 24,373,220	$ 12,049,919	$ 12,814,209	$ 24,864,128
Insurance	762,726	515,636	1,278,362	796,469	789,720	1,586,189
Pension	300,349	302,609	602,958	298,645	504,804	803,449
Others	364,791	242,008	606,799	1,374,669	638,516	2,013,185
	17,513,463	9,347,876	26,861,339	14,519,702	14,747,249	29,266,951
Depreciation	5,729,895	891,841	6,621,736	4,733,147	1,082,277	5,815,424
Amortization	610,336	906,421	1,516,757	402,438	1,105,376	1,507,814
	$ 23,853,694	$ 11,146,138	$ 34,999,832	$ 19,655,287	$ 16,934,902	$ 36,590,189

As of the end of 2010 and 2009, expenses for the depreciation of idle assets and assets leased to others were $1,092 thousand and $2,680 thousand, respectively, in 2010. However, expenses of $6,030 thousand and $9,239 thousand in 2009 (included in nonoperating expenses - other expenses), were not included in the above depreciation expenses.

26. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) were as follows:

	Amounts (Numerator)		Shares (Denominator)	Earnings Per Share (Dollars)	
	Pretax	After-tax	(Thousands)	Pretax	After-tax
2010					
Basic consolidated EPS					
Consolidated net income	$ 9,277,418	$ 8,986,457	2,919,018	$ 4.18	$ 4.05
The effect of potential common stock with dilution effect					
Bonus to employees	-	-	39,886		
Common stock-based compensation	-	-	-		
Diluted consolidated EPS					
The net income of common shareholders plus the effect of potential common stock	$ 9,277,418	$ 8,986,457	2,258,904	$ 4.11	$ 3.98
Pro forma information on the assumption that the Parent Company's shares held by its direct and indirect subsidiaries were not treated as treasury stocks					
Basic consolidated EPS					
Consolidated net income	$ 9,332,251	$ 9,041,290	2,246,719	$ 4.15	$ 4.02
The effect of potential common stock with dilution effect					
Bonus to employees	-	-	39,886		
Common stock-based compensation	-	-	-		
Diluted consolidated EPS					
The net income of common shareholders plus the effect of potential common stock	$ 9,332,251	$ 9,041,290	2,286,605	$ 4.08	$ 3.95

(Continued)

	Amounts (Numerator)		Shares (Denominator)	Earnings Per Share (Dollars)	
	Pretax	After-tax	(Thousands)	Pretax	After-tax
2009					
Basic consolidated EPS					
Consolidated net income	$ 7,407,310	$ 7,051,841	2,215,009	$ 3.34	$ 3.18
The effect of potential common stock with dilution effect					
Bonus to employees	-	-	31,533		
Common stock-based compensation	-	-	-		
Diluted consolidated EPS					
The net income of common shareholders plus the effect of potential common stock	$ 7,407,310	$ 7,051,841	2,246,542	$ 3.30	$ 3.14
Pro forma information on the assumption that the Parent Company's shares held by its direct and indirect subsidiaries were not treated as treasury stocks					
Basic consolidated EPS					
Consolidated net income	$ 7,441,276	$ 7,085,807	2,242,710	$ 3.32	$ 3.16
The effect of potential common stock with dilution effect					
Bonus to employees	-	-	31,533		
Common stock-based compensation	-	-	-		
Diluted consolidated EPS					
The net income of common shareholders plus the effect of potential common stock	$ 7,441,276	$ 7,085,807	2,274,243	$ 3.27	$ 3.12

(Concluded)

The Parent Company presumes that the partial amount of the bonus to employees will be settled in shares and potential shares from bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the closing price (after consideration of the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares need to be included in the calculation of diluted EPS until the shares of employee bonuses are resolved in the shareholders' meeting in the following year.

At the end of 2010 and 2009, the stock-based compensation exercise price was greater than the average price of the shares, the number of common shares outstanding decreased and earnings per share increased, and these developments had an anti-dilutive effect; thus, these shares were not included in the calculation of diluted EPS.

The average number of shares outstanding for EPS calculation was adjusted retroactively for the issuance of stock dividends. Thus, in 2009, basic and diluted EPS before tax decreased from NT$3.36 to NT$3.34, and from NT$3.31 to NT$3.30, respectively, and basic and diluted EPS after tax decreased from NT$3.20 to NT$3.18 and from NT$3.15 to NT$3.14, respectively.

27. RELATED-PARTY TRANSACTIONS

Significant transactions with related parties are summarized below and in the accompanying Tables 1 and 2:

a. The sale price of the Parent Company's and subsidiaries' sales to Lite-On Semiconductor Corp. in 2010 and 2009 is based on cost plus specific profit. Except for these purchases, the sales terms between the Parent Company and its related parties are normal.

b. The cost of the Parent Company's and subsidiaries' purchases from Lite-On Semiconductor Corp. in 2010 and 2009 is based on cost plus specific profit. Except for these purchases, the purchase terms between the Parent Company and its related parties are normal.

c. The subsidiary companies leased offices owned by its related parties at one-year renewable operating lease agreements, and the rental payment terms between the Group and its related parties are normal.

d. The financing and endorsements and guarantees provided by the Parent Company and Subsidiary Companies in 2010 and 2009 are summarized in Note 2.

e. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2010	**2009**
Bonus	$ 608,607	$ 437,586
Salaries	257,864	198,283
Special compensation	89,135	74,745
Incentives	51,168	13,065
	$ 1,006,774	$ 723,679

28. MORTGAGED OR PLEDGED ASSETS-NONCURRENT

	December 31	
	2010	**2009**
Mortgaged or pledged assets - noncurrent		
Time deposits	$ 103,000	$ 167,325
Demand deposits	10,984	24,163
	$ 113,984	$ 191,488

Mortgaged or pledged assets - noncurrent included Lite-On IT Corporation and Logah Electronics (Su Zhou) Co., Ltd.'s guarantee deposits with the export customs agency and other guarantee items for shipment clearance in advance of customs duty payments.

29. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

a. On September 8, 2010, INPRO II Licensing Sarl (INPRO) filed a lawsuit with the Superior Court of California in the County of San Francisco and charged the Parent Company with breach of contract. INPRO alleged that the Parent Company incurred a debt on patent rights obtained from Hitachi Limited. INPRO also claimed it had assumed Hitachi's rights to payments for patent use. The Parent Company dismissed INPRO's claims and filed a lawsuit against INPRO, alleging that the Parent Company had no patent obligations. As of March 1, 2011, the date of the accompanying auditors' report, this case was still under court review. Thus, the Parent Company could not determine the possible results and impact of this case.

b. In October 2009, the U.S. Department of Justice (DOJ) announced that it would make antitrust investigations of CD-ROM factories. Lite-On IT Corp. (“Lite-On IT”) received an investigation notice from the DOJ. Lite-ON IT stated it would cooperate with the DOJ in the investigation. Also in October 2009, CMP Consulting Service, Inc. and KI, Inc.filed an antitrust group lawsuit against the Lite-On IT and its subsidiaries - Philips & Lite-On Digital Solutions Corporation, Philips & Lite-On Digital Solutions USA, Inc. and other companies with related businesses - with a court in California. In 2010, Aaron Wagner, The Stereo Shop, David Carney, Jr. Tina Corse, Cynthia R. Rall and Richard R. Rall also filed an antitrust group lawsuit against Lite-On IT and its subsidiaries - Philips & Lite-On Digital Solutions Corporation, Philips & Lite-On Digital Solutions USA, Inc. and other companies with related businesses. Furthermore, Aaron Deshaw filed an antitrust lawsuit with a court in Oregon. Lite-On IT assigned lawyers to deal with these lawsuits. As of March 1, 2011, the date of the accompanying auditors’ report, these cases were still in the preliminary stage, and Lite-On IT could not estimate possible outcomes.

c. On April 7, 2010, petitioner Carlos Fogelman filed a motion for authorization to institute class action proceedings before the Superior Court of Quebec in the district of Montreal. On June 11, 2010, the Fanshawe College of Applied Arts and Technology filed a statement of claim in Ontario. On September 27, 2010, Neil Godfrey filed a statement of claim with the Superior Court of British Columbia. All plaintiffs filed the antitrust group lawsuit against Lite-On IT Corporation and its subsidiaries - Philips & Lite-On Degital Solutions USA, Inc. and other companies with related businesses. Lite-On IT assigned lawyers as its representative in these lawsuits. As of March 1, 2011, the date of the accompanying auditors’ report, these cases were still in the preliminary, stage, and Lite-On IT could not estimate the outcome of the case or range of possible loss.

d. Lite-On IT Corp. (“Lite-On IT”) had entered into a joint operations agreement with certain unrelated parties. Thus, starting from the first quarter of 2007, Lite-On IT will appropriate funds quarterly into a refundable deposit account as a guarantee for technical development authorization. The 2009 year-end balance of this refundable deposit account was $1,140,209 thousand respectively. In 2010, Lite-On IT terminated a joint operation agreement with parties, and collected back all deposits,which were reserved for guarantee.

30. OTHER EVENTS

a. On February 3, 2008, the Parent Company’s factory in Shijie Town in Dong Guan City in China burned down because of an accident. Based on recent physical counts, the estimated loss on the factories, equipment and inventories of Titanic Capital Services Ltd., Lite-On Computer Tech (DG), Yet Foundate Ltd., and Silitech Electronic (DG) Ltd., subsidiaries of the Parent Company, was NT$1.085 billion (about US$33,700 thousand) at book value. As of March 1, 2010, the Parent Company had reconfirmed to the insurance company the list of property damaged and compensation. Property damage by this fire accident is currently being verified by the Parent Company and the insurance company. The Parent Company believes that the property and business insurance is enough to cover this loss.

b. BENQ Mobile GmbH & OHG (“BENQ”), a customer of Lite-On Mobile Oyj (Original: Perlos Oyj), was declared bankrupt by a German court. Lite-On Mobile Oyj appointed lawyers to file a business loss lawsuit against its insolvency administrator and accrued compensation of about EUR43.6 million for business loss as a result of the bankruptcy. In 2006, Lite-On Mobile Oyj recognized losses resulting from BENQ’s bankruptcy and estimated compensation receivables oaf about EUR3.1 million. In the first half of 2009, the local court decided the lawsuit in favor of P Lite-On Mobile Oyj and ordered BENQ to pay Lite-On Mobile Oyj a compensation of approximately EUR15.26 million. At the end of 2009, all compensation was paid, of which Lite-On Mobile Oyj retained about EUR10.53 million (approximately $487.21 million), included in nonoperating income, after deducting compensation payable to suppliers of about EUR1.63 million and initially recognizing compensation receivables of about EUR3.1 million.

c. Responding to the global economic downturn, a subsidiary of the Parent Company, Lite-On IT Corporation, adjusted its research and development (R&D) direction and product line by reducing the scale of the R&D department of the grandson company, Philips & Lite-On Digital Solutions Netherlands B.V., and estimated the related possible expenses and at about $144,355 thousand (approximately EUR3,135 thousand) in 2009. This amount was recorded in nonoperating expenses - other expenses.

d. Lite-On IT Corporation, a subsidiary of the Parent Company, liquidated its subsidiary, Automotive Playback Modules Hungary Electronical Mechanical and Trading Limited Liability Company in light of the tight global economy, the market fluctuation and management costs. The related possible expense was estimated at $174,282 thousand (approximately EUR4,148 thousand), which was recorded under nonoperating expenses - other expenses in 2010.

e. The Group's significant foreign currency-denominated financial assets and liabilities were as follows:

(In Thousands of New Taiwan Dollars, Except Exchange Rate)

	December 31, 2010		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
JPY	$ 4,118,641	0.3582	$ 1,475,297
CNY	3,493,710	4.4405	15,513,818
USD	1,808,127	29.13	52,670,749
THB	333,072	0.9753	324,845
HKD	271,026	3.748	1,015,807
EUR	189,919	38.92	7,391,653
CZK	180,095	1.5597	280,894
RUB	4,990	0.9936	4,958
GBP	3,793	45.19	171,401
PLN	1,003	10.24	10,271
MXN	362	2.4528	888
SGD	164	22.73	3,728
AUD	1	29.68	30
Nonmonetary items			
USD	305,549	29.13	8,900,655
JPY	142,219	0.3582	50,943
HKD	54,033	3.748	202,514
CNY	48,875	4.4405	217,029
EUR	4,194	38.92	163,241

(Continued)

	December 31, 2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial Liabilities</u>			
Monetary items			
JPY	$ 3,602,480	0.3582	$ 1,290,408
CNY	3,159,184	4.4405	14,028,356
USD	1,942,096	29.13	56,573,259
THB	1,011,016	0.9753	986,044
EUR	344,391	38.92	13,403,690
CZK	166,926	1.5597	260,354
HKD	132,715	3.748	497,416
RUB	5,729	0.9936	5,692
MXN	441	2.4528	1,082
GBP	149	45.19	6,718
Nonmonetary items			
JPY	82,825	0.3582	29,668
EUR	50,804	38.92	1,977,292
USD	5,464	29.13	159,166

(Concluded)

	December 31, 2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
CNY	$ 6,294,293	4.6918	$ 29,531,566
JPY	4,685,384	0.3478	1,629,576
USD	2,621,261	32.03	83,958,990
THB	1,359,650	0.9633	1,309,751
HKD	227,374	4.1304	939,146
CZK	121,678	1.5597	189,781
EUR	156,068	46.2513	7,218,341
RUB	41,488	1.0567	43,840
GBP	8,433	51.6163	435,283
MXN	6,200	2.4458	15,165
PLN	717	11.179	8,015
SGD	466	22.8769	10,661
AUD	1	28.8206	29
USD	184,284	32.03	5,902,616
CNY	130,821	4.6918	613,786
HKD	53,969	4.1304	222,915
JPY	5,295	0.3478	1,842

(Continued)

	December 31, 2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary items			
CNY	$ 4,815,060	4.6918	$ 22,591,299
JPY	4,537,301	0.3478	1,578,073
HKD	3,052,413	4.1304	12,607,688
USD	1,589,332	32.03	50,906,306
THB	1,047,820	0.9633	1,009,365
EUR	319,500	46.2513	14,777,300
PHP	115,743	0.6934	80,256
GBP	4,039	51.6163	208,457
MXN	3,076	2.4458	7,524
CZK	1,609	1.5597	2,510
RUB	1,296	1.0567	1,369
SGD	65	22.8769	1,487
Nonmonetary items			
USD	5,880	32.03	188,336
EUR	53	46.2513	2,451

(Concluded)

31. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for the Parent Company and its investees:

1) Financing provided: Note 2 to the financial statements

2) Endorsement/guarantee provided: Note 2 to the financial statements

3) Marketable securities held: Note 2 to the financial statements

4) Marketable securities acquired and disposed of at costs or prices of at least $100 million or 20% of the capital stock: Note 2 to the financial statements

5) Acquisition of individual real estates at costs of at least $100 million or 20% of the capital stock: None

6) Disposition of individual real estates at least $100 million or 20% of the capital stock: None

7) Total purchase from or sale to related parties amounting to at least $100 million or 20% of the capital stock: Note 2 to the financial statements

8) Receivables from related parties amounting to at least $100 million or 20% of the capital stock: Note 2 to the financial statements

9) Names, locations, and related information of investees on which the Parent Company exercises significant influence: Note 2 to the financial statements

10) Derivative financial transactions: Note 32 to the financial statements

b. Investment in Mainland China

1) Investment in Mainland China: Note 2 to the financial statements

2) Significant direct or indirect transactions with the investee, prices, payment terms, and unrealized gain or loss: Note 2 to the financial statements

32. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2010		2009	
Nonderivative Financial Instruments	**Carrying Amount**	**Fair Value**	**Contract Amount**	**Fair Value**
Assets				
Available-for-sale financial assets - current	$ 9	$ 9	$ 9	$ 9
Available-for-sale financial assets - noncurrent	4,987,062	4,987,062	3,878,135	3,878,135
Financial assets measured at cost - noncurrent	1,752,302	-	2,537,228	-
Liabilities				
Current portion of bonds payable	-	-	2,081,113	2,081,113
Current portion of long-term bank loans	3,507,889	3,507,889	769,601	769,601
Current portion of obligations under capital leases	90,090	90,090	99,573	99,573
Long-term bank loans, net of current portion	16,062,704	16,062,704	20,118,778	20,118,778
Obligations under capital leases, net of current portion	388,157	388,157	493,865	493,865

	December 31			
	2010		2009	
	Carrying Amount	**Fair Value**	**Contract Amount**	**Fair Value**
Derivative Financial Instruments				
Lite-On Technology Corp.				
Derivative financial liability for hedging - noncurrent				
Interest rate swap	$ (159,166)	$ (159,166)	$ (188,357)	$ (188,357)
Location				
Domestic	(159,166)	(159,166)	(188,357)	(188,357)
Lite-On IT Corp.				
Financial assets at fair value through profit or loss - current				
Forward exchange contracts	-	-	2,165	2,165
Cross-currency swap	259,655	259,655	47,045	47,045
Location				
Domestic	3,510	3,510	2,165	2,165
Foreign (including foreign corporation operating locally)	256,145	256,145	47,045	47,045
Financial liabilities at fair value through profit or loss - current				
Forward exchange contracts	(5,961)	(5,961)	-	-
Location				
Domestic			-	-
Foreign (including foreign corporation operating locally)	(5,961)	(5,961)	-	-

(Continued)

	December 31			
	2010		2009	
	Carrying Amount	Fair Value	Contract Amount	Fair Value
Philips & Lite-On Digital Solutions Corp.				
Financial assets at fair value through profit or loss - current				
Forward exchange contracts	$ 57,880	$ 57,880	$ -	$ -
Location				
Foreign (including foreign corporation operating locally)	57,880	57,880	-	-
Lite-On Green Technologies Inc.				
Financial liabilities at fair value through profit or loss - current				
Forward exchange contracts	(1,342)	(1,342)	-	-
Location				
Domestic	(1,342)	(1,342)	-	-
Leotek Electronics Corp.				
Financial assets at fair value through profit or loss - current				
Forward exchange contracts	14,940	14,940	2,091	2,091
Location				
Domestic	14,940	14,940	2,091	2,091
Lite-On Mobile Oyj (Original: Perlos Oyj)				
Financial assets at fair value through profit or loss - current				
Cross currency swap	35,045	35,045	5,273	5,273
Forward exchange contracts	51,052	51,052	44,201	44,201
Location				
Foreign (including foreign corporation operating locally)	86,097	86,097	49,474	49,474
Financial liabilities at fair value through profit or loss - current				
Forward exchange contracts	(20,613)	(20,613)	(24,398)	(24,398)
Cross-currency swap	(14,612)	(14,612)	(11,509)	(11,509)
Location				
Foreign (including foreign corporation operating locally)	(35,225)	(35,225)	(35,907)	(35,907)
Perlos Ltda				
Financial assets at fair value through profit or loss - current				
Forward exchange contracts	-	-	90	90
Location				
Foreign (including foreign corporation operating locally)	-	-	90	90
Financial liabilities at fair value through profit or loss - current				
Forward exchange contracts	-	-	(315)	(315)
Location				
Foreign (including foreign corporation operating locally)	-	-	(315)	(315)

(Continued)

	December 31			
	2010		2009	
	Carrying Amount	Fair Value	Contract Amount	Fair Value
Perlos (Beijing) Electronic and Telecommunications Components				
Financial assets at fair value through profit or loss - current				
Forward exchange contracts	$ 3,455	$ 3,455	$ -	$ -
Location				
Foreign (including foreign corporation operating locally)	3,455	3,455	-	-
Perlos (Guangzhou) Electronic Components Co., Ltd.				
Financial assets at fair value through profit or loss - current				
Forward exchange contracts	12,993	12,993	110	110
Location				
Foreign (including foreign corporation operating locally)	12,993	12,993	110	110
Financial liabilities at fair value through profit or loss - current				
Forward exchange contracts	-	-	(717)	(717)
Location				
Foreign (including foreign corporation operating locally)	-	-	(717)	(717)
Lite-On Electronics (Thailand) Ltd.				
Financial liabilities at fair value through profit or loss - current				
Forward exchange contracts	(633)	(633)	(156)	(156)
Location				
Foreign (including foreign corporation operating locally)	(633)	(633)	(156)	(156)
Lite-On Automotive Corp.				
Financial assets at fair value through profit or loss - current				
Forward exchange contracts	-	-	123	123
Location				
Foreign (including foreign corporation operating locally)	-	-	123	123
Lite-On (Guangzhou) Automotive Corp.				
Financial assets at fair value through profit or loss - current				
Forward exchange contracts	1,018	1,018	-	-
Location				
Foreign (including foreign corporation operating locally)	1,018	1,018	-	-
Financial liabilities at fair value through profit or loss - current				
Forward exchange contracts	(225)	(225)	-	-
Location				
Foreign (including foreign corporation operating locally)	(225)	(225)	-	-

(Continued)

	December 31			
	2010		2009	
	Carrying Amount	Fair Value	Contract Amount	Fair Value
Lite-On Japan Ltd.				
Financial assets at fair value through profit or loss - current				
Options-call	$ 6	$ 6	$ 1,120	$ 1,120
Cross currency swap	41,953	41,953	48,006	48,006
Location				
Foreign (including foreign corporation operating locally)	41,959	41,959	49,126	49,126
Financial liabilities at fair value through profit or loss - current				
Cross currency swap	(894)	(894)	(1,012)	(1,012)
Options-put	(41,939)	(41,939)	(48,337)	(48,337)
Location				
Domestic				
Foreign (including foreign corporation operating locally)	(42,833)	(42,833)	(49,349)	(49,349)
Silitech Technology Corp.				
Financial assets at fair value through profit or loss - current				
Cross currency swap	5,640	5,640	-	-
Location				
Foreign (including foreign corporation operating locally)	5,640	5,640	-	-
Financial liabilities at fair value through profit or loss - current				
Forward exchange contracts	(506)	(506)	-	-
Location				
Foreign (including foreign corporation operating locally)	(506)	(506)	-	-
Lite On Singapore Pte.				
Financial liabilities at fair value through profit or loss - current				
Cross currency swap	(6,723)	(6,723)	-	-
Location				
Foreign (including foreign corporation operating locally)	(6,723)	(6,723)	-	-
Lite On Japan (H.K.) Pte. Ltd.				
Financial liabilities at fair value through profit or loss - current				
Cross currency swap	-	-	(6,010)	(6,010)
Location				
Foreign (including foreign corporation operating locally)	-	-	(6,010)	(6,010)
Logah Technology Corp.				
Financial assets at fair value through profit or loss - current				
Forward exchange contracts	-	-	2,527	2,527
Location				
Foreign (including foreign corporation operating locally)	-	-	2,527	2,527

(Concluded)

b. Methods and assumptions used in the determination of fair values of financial instruments.

1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash, notes receivable, accounts receivable, accounts receivables from related parties, other receivable from related parties, other financial assets - current, short-term loans, notes and accounts payable, accrued expenses, accounts payables to related parties, other payable to related parties ,and current portion of long-term debts.

2) The carrying amounts of the refundable deposits and guarantee deposits received approximate their fair values due to the amount which will be received in the future approaches to the book value.

3) Fair values of the available-for-sale assets are based on their quoted prices in an active market. Fair values of derivatives are based on their quoted prices in an active market. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

4) Financial assets carried at cost have no fair values because these are investments in unlisted stocks with no quoted market prices and determining their fair value entails an unreasonably high cost.

5) Fair value of long-term loans is estimated using the present value of future cash flows. The rate for long-term debts with interests of our company are all floating rate, its book value is the fair market value.

c. The fair values of the Group's financial assets and liabilities were based on quoted market prices or on estimates using certain valuation techniques, as follows:

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	December 31		December 31	
	2010	2009	2010	2009
Lite-On Technology Corp.				
Assets				
Available-for-sale financial assets - noncurrent	$ 2,858,304	$ 2,763,743	$	$ -
Liabilities				
Derivative financial liabilities for hedging - noncurrent	-	-	159,166	188,357
Long-term loans (including current portion)	-	-	14,333,334	14,500,000
Obligations under capital leases	-	-	2,014	5,802
Lite-On IT Corporation				
Assets				
Financial assets at fair value through profit or loss - current	-	-	259,655	49,210
Available-for-sale financial assets - noncurrent	117,421	124,562	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	5,961	-

(Continued)

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	December 31		December 31	
	2010	2009	2010	2009
Philips & Lite-On Digital Solutions Corp.Silitech Technology Corp.				
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 57,880	$ -
Silitech Technology Co., Ltd.				
Assets				
Financial assets at fair value through profit or loss - current	-	-	5,640	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	506	-
Long-term debts (including current portion)	-	-	1,200,000	1,200,000
Silitech Technology (SuZhou) Co., Ltd.				
Liabilities				
Long-term debts (including current portion)	-	-	345,029	199,878
Lite-On Green Technologies Inc.				
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	1,342	-
Lite-On Capital Inc.				
Assets				
Available-for-sale financial assets - noncurrent	11,093	13,657	-	-
Leotek Electronics Corporation				
Assets				
Financial assets at fair value through profit or loss - current	-	-	14,940	2,091
Lite-On Technology (Europe) B.V.				
Assets				
Available-for-sale financial assets - noncurrent	23,171	-		-
Lite-On Technology USA, Inc.				
Assets				
Available-for-sale financial assets - noncurrent	1,049,880	-	-	-

(Continued)

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	December 31		December 31	
	2010	2009	2010	2009
Lite-On (Guangzhou) Automotive Corp.				
Assets				
Financial assets at fair value through profit or loss - current	$ -	-	$ 1,018	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	225	-
Lite-On Singapore Pte. Ltd.				
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	6,723	-
Lite-On Electronics Co., Ltd.				
Assets				
Available-for-sale financial assets - noncurrent	211,019	222,914	-	-
Lite-On International Holding Co., Ltd.				
Assets				
Available-for-sale financial assets - noncurrent	306,893	324,336		-
Yet Foundate Ltd.				
Assets				
Available-for-sale financial assets - noncurrent	225,143	234,900	-	-
Lite-On (Guang Zhou) Infortech Ltd.				
Liabilities				
Long-term debts (including current portion)	-	-	1,037	9,431
Lite-On Automotive Corp.				
Assets				
Available-for-sale financial assets - noncurrent	182,449	192,181	-	-
Financial assets at fair value through profit or loss - current	-	-	-	123
Li Shin International Enterprise Corp.				
Assets				
Available-for-sale financial assets - current	9	9	-	-

(Continued)

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	December 31		December 31	
	2010	2009	2010	2009
Logah Technology Corp.				
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ -	$ 2,527
Lite-On Electronics (Thailand) Ltd.				
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	633	156
Lite-On Japan Ltd.				
Assets				
Financial assets at fair value through profit or loss - current	-	-	41,959	49,126
Available-for-sale financial assets - noncurrent	1,689	1,842	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	42,833	49,349
Long-term debts (including current portion)	-	-	453,398	825,884
Lite-On Japan (H.K.) Ltd.				
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-		6,010
Lite-On Mobile Oyj (Original: Perlos Oyj)				
Assets				
Financial assets at fair value through profit or loss - current	-	-	86,097	49,474
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	35,225	35,907
Long-term bank loans (including current portion)	-	-	3,238,832	4,162,617
Obligations under capital leases (including current portion)	-	-	3,349	6,704
Bonds payable (including current portion)	-	-	-	2,081,113
Perlos (Beijing) Electronic and Telecommunications Components Co., Ltd.				
Assets				
Financial assets at fair value through profit or loss - current		-	3,455	-
Liabilities				
Obligations under capital leases (including current portion)		-	75,262	112,673

(Continued)

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	December 31		December 31	
	2010	2009	2010	2009
Perlos (Guangzhou) Electronic Components Co., Ltd.				
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 12,993	$ 110
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	-	717
Obligations under capital leases (including current portion)	-	-	389,372	438,049
Perlos Ltda				
Assets				
Financial assets at fair value through profit or loss - current	-	-	-	90
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	-	315
Perlos AB				
Liabilities				
Obligations under capital leases (including current portion)	-	-	3,968	4,297
Perlos Precision Molds (Shenzhen) Co., Ltd.				
Liabilities				
Obligations under capital leases (including current portion)	-	-	1,660	3,231
Perlos Telecommunication and Electronic Components (India) Private Ltd.				
Liabilities				
Obligations under capital leases (including current portion)	-	-	1,585	2,859
Perlos (Guangzhou) Engineering Plastics Co., Ltd.				
Liabilities				
Obligations under capital leases (including current portion)	-	-	-	10,392

(Concluded)

d. As of December 31, 2010 and 2009, financial assets exposed to fair value risk from interest rate fluctuation amounted to $25,106,220 thousand and $26,171,250 thousand, respectively; financial assets exposed to cash flow risk from interest rate fluctuation amounted to $22,045,380 thousand and $23,676,963 thousand, respectively; and financial liabilities exposed to cash flow risk from interest rate fluctuation amounted to $23,482,023 thousand and $25,452,106 thousand.

e. The Parent Company recognized the increase of $105,407 thousand and the decrease of $1,851,146 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets on December 31, 2010 and 2009, respectively.

f. Financial risks

1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge exchange rate fluctuations of non- functional foreign currency-dominated stocks and sales. The market risk is not significant due to the gain or loss on derivatives will offset by the gain or loss on the exchange rate fluctuations of hedged items. The available-for-sale financial assets held by the cooperation and its subsidiaries are listed stocks. Thus, price fluctuations in the open market would result in changes in fair values of these stocks.

2) Credit risk. Credit risk represents the potential loss that would be incurred by the Parent Company and its subsidiaries if the counter-parties or other parties breach the financial instrument contracts. Thus, contracts with positive fair values on the balance sheet date are evaluated for credit risk. In addition, since the counter-parties to derivative financial transactions are reputable financial institutions, management believes its exposure to default by counter-parties is low.

3) Liquidity risk. For long-term equity-method investments and financial assets carried at cost, the Parent Company and its subsidiaries keep liquidity reserves, which are available on a short term. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

4) Cash flow hedge. The Parent Company's liabilities with floating interest rate might be affected by changes in the market rate. Thus, future cash flows on those liabilities might fluctuate, exposing the Parent Company to cash flow risk. To hedge against this risk, the Parent Company entered into an interest rate swap contract with a bank to change the rate on its liabilities from floating to fixed. Other information on the cash flow hedge transactions is summarized below.

Financial Instruments	Date	Nominal Principal	Float Rate	Fixed Rate	Settlement Date	Due Date
Lite-On Technology Corp.						
Interest rate swap	December 31, 2010	$ 1,500,000	Note	2.375%	Quarterly	2013.9.23
	December 31, 2010	1,000,000	〃	2.3575%	Quarterly	2013.9.23
	December 31, 2010	1,500,000	〃	2.323%	Quarterly	2013.9.23
	December 31, 2010	1,000,000	〃	2.275%	Quarterly	2013.9.23
	December 31, 2010	1,000,000	〃	2.2125%	Quarterly	2013.9.23
Interest rate swap	December 31, 2009	$ 1,500,000	Note	2.375%	Quarterly	2013.9.23
	December 31, 2009	1,000,000	〃	2.3575%	Quarterly	2013.9.23
	December 31, 2009	1,500,000	〃	2.323%	Quarterly	2013.9.23
	December 31, 2009	1,000,000	〃	2.275%	Quarterly	2013.9.23
	December 31, 2009	1,000,000	〃	2.2125%	Quarterly	2013.9.23

Note: Based on the average rate for 90-day notes in Taiwan's secondary market.

	Designated Hedging Instruments			Expected	Expected Period of
		Fair Value		Period of	Realizing
	Financial Instruments	December 31		Cash	Gains or
Hedged Items	Designated	2010	2009	Flows	Losses
Medium and long-term loans	Interest rate swap	$ (159,166)	$ (188,357)	2008-2013	2008-2013

33. SEGMENT INFORMATION

a. Industry: The Parent Company and its subsidiaries are engaged in a single industry only, the manufacture and sale of monitors, multifunction and all-in-one printers, printers, modems and computer peripherals.

b. Foreign operations: Because sales to unaffiliated customers and identifiable assets of foreign segments were less than 10 percent of those of the Parent Company and subsidiaries, there was no need to disclose information on foreign operations.

c. Export sales: Export sales are summarized by geographical area as follows:

Geographical Area	**2010**	**2009**
America	$ 40,789,920	$ 41,493,444
Europe	34,412,916	26,780,811
Asia	125,771,827	77,981,258
Others	4,266,941	1,164,868
	$ 205,241,604	$ 147,420,381

d. Major customers

No single customer accounted for at least 10% of the Group's sales; thus, the disclosure of major customers does not apply to here.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (Note 1)	Receivable from Related Parties					Payable to Related Parties				
		Accounts Receivable		Other Receivable			Accounts Payable		Other Payable		
		Amount	% (Note 2)	Amount	% (Note 2)	Total	Amount	% (Note 2)	Amount	% (Note 2)	Total
2010											
Lite-On Semiconductor Corp.	a	$ 140,657	97	$ 2,831	2	$ 143,488	$ 274,575	78	$ 48	-	$ 274,623
Silpert Travel Service Co., Ltd.	c	-	-		-	-	-	-	9,283	3	9,283
Jhen Vei Electronic (Wujian) Co., Ltd.	b	-	-		-	-	3,307	-	-	-	3,307
S/G Industries Inc.	b	-	-	293	-	293	-	-	-	-	-
Jen Vei Electronics Co. Ltd.	b	-	-	1	-	1	5,580	2	-	-	5,580
Chi Mei Mold Co., Ltd.	e		-	-	-	-	39,697	11	20,983	6	60,680
Co Tech Copper Foil Corp.	d	747	1	-	-	747	-	-	-		-
		$ 141,404	98	$ 3,125	2	$ 144,529	$ 323,159	91	$ 30,314	9	$ 353,473
2009											
Lite-On Semiconductor Corp.	a	$ 86,065	83	$ 15,678	15	$ 101,743	$ 309,547	77	$ 2,857	-	$ 312,404
Silpert Travel Service Co., Ltd.	c	-	-	-	-	-	-	-	5,073	1	5,073
Jhen Vei Electronic (Wujian) Co., Ltd.	b	-	-	5	-	5	13,383	4	-	-	13,383
S/G Industries Inc.	b	-	-	1,601	2	1,601	-	-	-	-	-
Canfield Ltd.	b	-	-	-	-	-	-	-	69,160	18	69,160
		$ 86,065	83	$ 17,284	17	$ 103,349	$ 322,930	81	$ 77,090	19	$ 400,020

Note 1: a. Equity-method investee.
b. An investee of an equity-method subsidiary.
c. Its chairman is a relative of the Parent Company's chairman.
d. Its director is the parent company's chairman.
e. An investee of a subsidiary is its chairman.

Note 2: Percentage of specific account balance.

Note 3: Significant transactions between the entities of consolidation have already eliminated.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (Note 1)	Sales (Note 2) Amount	Sales (Note 2) % (Note 3)	Purchases (Note 2) Amount	Purchases (Note 2) % (Note 3)	Other Revenue	Rental Expense	Other Expense (Note 4)	Property Transaction Book Value	Property Transaction Proceeds	Property Transaction Disposal Gain (Loss)	Property Transaction Cost
2010												
Silpert Travel Service Co., Ltd.	c	$ 57	-	$ -	-	$ -	$ -	$ 103,023	$ -	$ -	$ -	$ -
Lite-On Semiconductor Corp.	a	411,681	-	1,012,141	1	3,279	-	-	-	-	-	-
Dragonjet Corporation	a	-		-	-	247	-	-	-	-	-	-
Jhen Vei Electronic (Wujian) Co., Ltd.	b			11,510	-	-	-	-	-	-	-	-
Co Tech Copper Foil Corp.	f	3,024		-	-	-	-	-	-	-	-	-
Jen Vei Electronics Co. Ltd.	b	-		3,426	-	-	-	-	-	-	-	-
Chi Mei Machinery Corp.	d	-		103,022	-	914	-	13,425	-	-	-	-
Lite-On Cultural Foundation	e	462		-	-	46	-	-	-	-	-	-
Actron Technology Corp.	f	-		-	-	504	-	1,542	-	-	-	-
Ellen C. Wu	g	-		-	-	-	2,974	-	-	-	-	
		$ 415,224	-	$1,330,099	1	$ 4,990	$ 2,974	$ 117,990	$ -	$ -	$ -	$ -
2009												
Silpert Travel Service Co., Ltd.	c	$ -	-	$ -	-	$ -	$ 48	$ 45,702	$ -	$ -	$ -	$ -
Lite-On Semiconductor Corp.	a	413,748	-	823,026	1	3,241	-	-	-	-	-	-
Dragonjet Corporation	a	-	-	-	-	199	-	-	-	-	-	-
Jhen Vei Electronic (Wujian) Co., Ltd.	b	-	-	51,959	-	-	-	-	-	-	-	-
Ellen C. Wu	g	-	-	51,959	-	-	4147	-	-	-	-	-
S/G Industries Inc.	b	105,392	-	-	-	-	-	21,783	-	-	-	-
		$ 519,140	-	$ 874,985	1	$ 3,440	$ 4,195	$ 67,485	$ -	$ -	$ -	$ -

Note 1: a. Equity-method investee.
b. An investee of an equity-method subsidiary.
c. Its chairman is a relative of the Parent Company’s chairman.
d. An investee of a subsidiaries its chairman.
e. The Parent Company’s director is its chairman.
f. The Parent Company’s major shareholder is its benefactors.
g. Its vice chairman is relative of an investee of an equity-method subsidiary.

Note 2: Except for certain transactions described in Note 27, these sales and purchases were conducted under normal terms.

Note 3: Percentage of specific account balance.

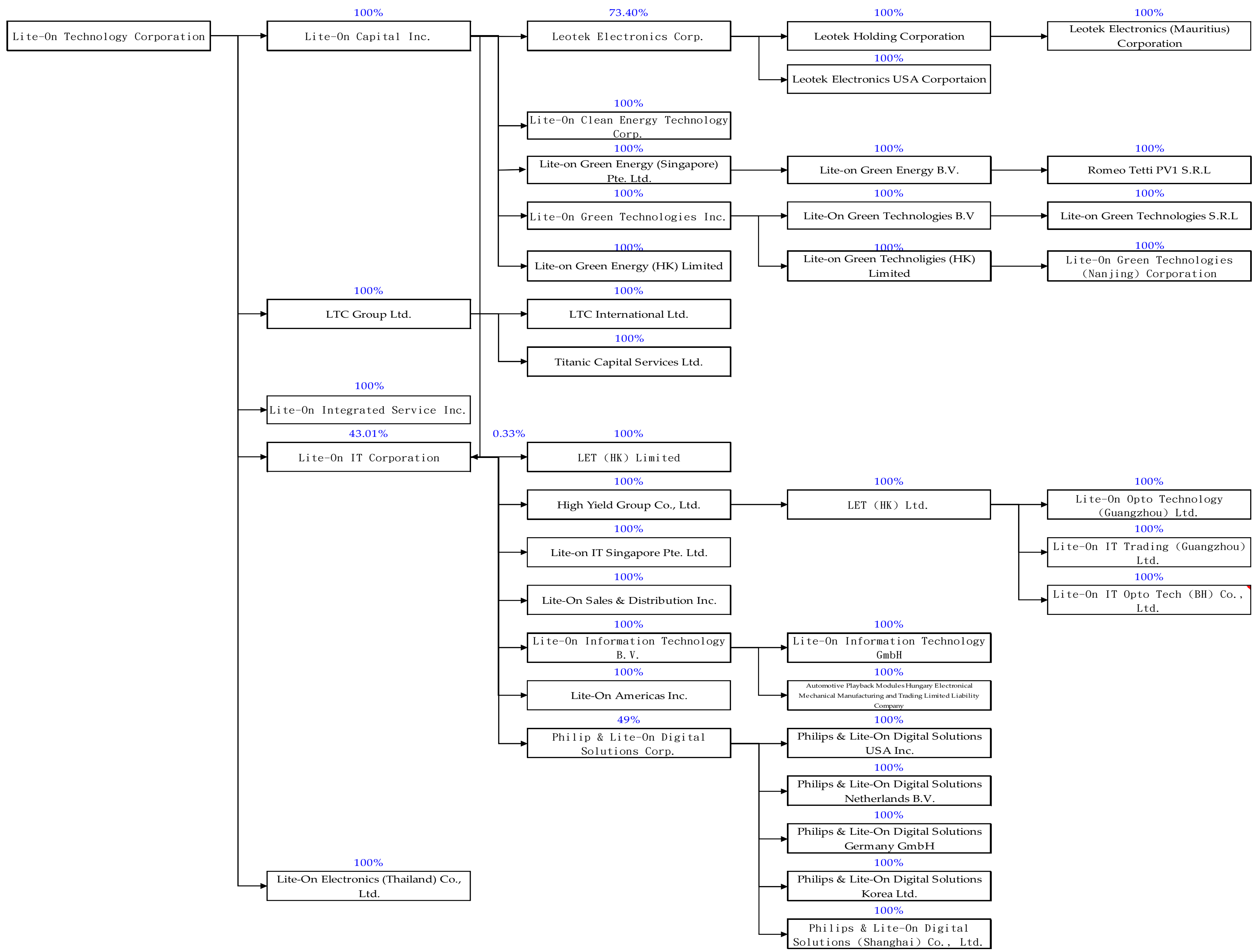
Note 4: Mainly included promotion fees and repair expenses.

Note 5: Significant transactions between the entities of consolidation have already eliminated.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND PERCENTAGES OF OWNERSHIP
YEARS ENDED DECEMBER 31, 2010 AND 2009

December 31, 2010



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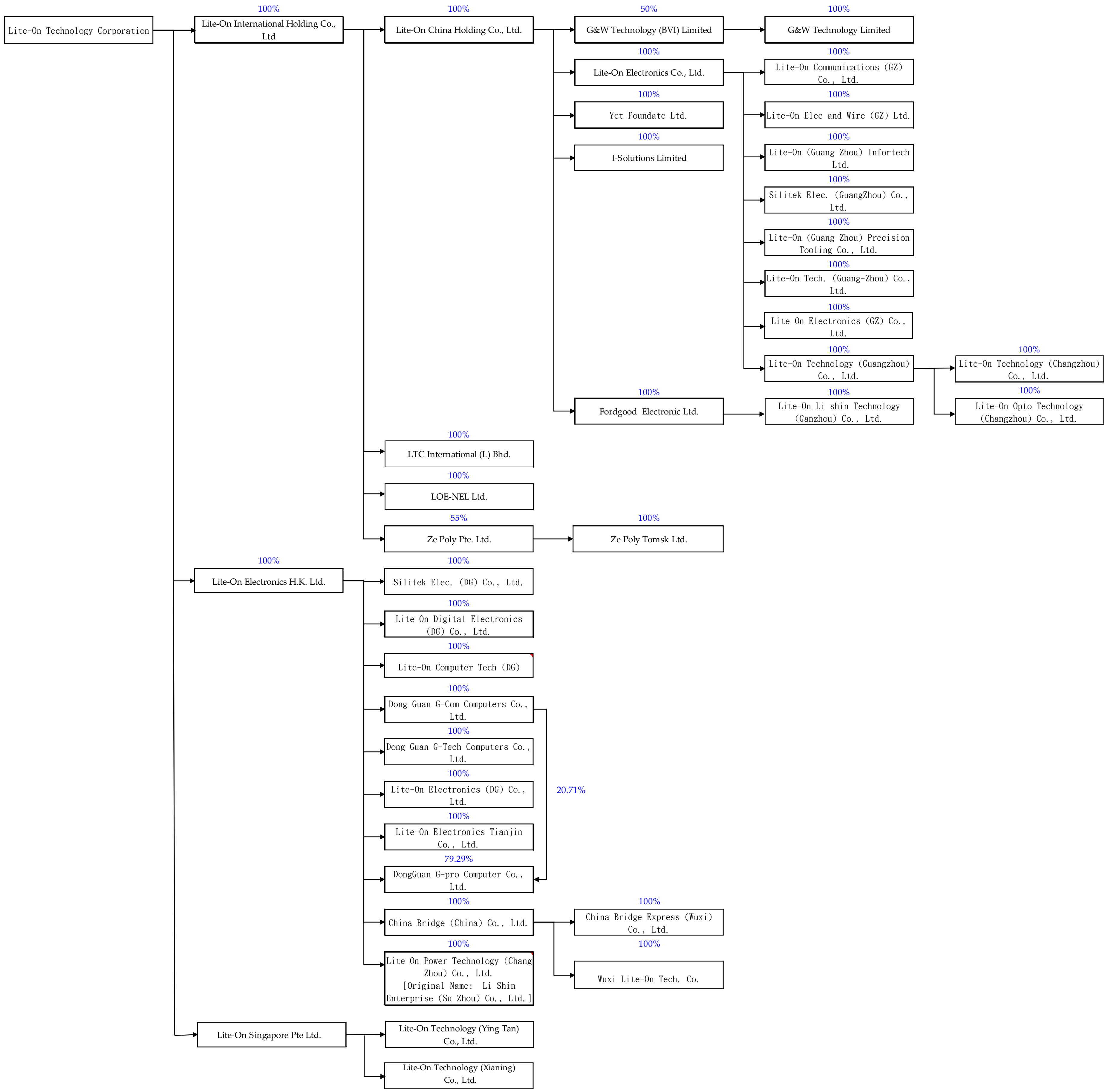
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Lite-On International Holding Co., Ltd
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Lite-On China Holding Co., Ltd.
50%
G&W Technology (BVI) Limited
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G&W Technology Limited
100%
Lite-On Electronics Co., Ltd.
100%
Lite-On Communications (GZ) Co., Ltd.
100%
Yet Foundate Ltd.
100%
Lite-On Elec and Wire (GZ) Ltd.
100%
I-Solutions Limited
100%
Lite-On (Guang Zhou) Infortech Ltd.
100%
Silitek Elec. (GuangZhou) Co., Ltd.
100%
Lite-On (Guang Zhou) Precision Tooling Co., Ltd.
100%
Lite-On Tech. (Guang-Zhou) Co., Ltd.
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Lite-On Electronics (GZ) Co., Ltd.
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Lite-On Technology (Guangzhou) Co., Ltd.
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Lite-On Technology (Changzhou) Co., Ltd.
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Fordgood Electronic Ltd.
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Lite-On Li shin Technology (Ganzhou) Co., Ltd.
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Lite-On Opto Technology (Changzhou) Co., Ltd.
100%
LTC International (L) Bhd.
100%
LOE-NEL Ltd.
55%
Ze Poly Pte. Ltd.
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Ze Poly Tomsk Ltd.
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Lite-On Electronics H.K. Ltd.
100%
Silitek Elec. (DG) Co., Ltd.
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Lite-On Digital Electronics (DG) Co., Ltd.
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Lite-On Computer Tech (DG)
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Dong Guan G-Com Computers Co., Ltd.
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Dong Guan G-Tech Computers Co., Ltd.
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Lite-On Electronics (DG) Co., Ltd.
20.71%
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Lite-On Electronics Tianjin Co., Ltd.
79.29%
DongGuan G-pro Computer Co., Ltd.
100%
China Bridge (China) Co., Ltd.
100%
China Bridge Express (Wuxi) Co., Ltd.
100%
Lite On Power Technology (Chang Zhou) Co., Ltd. [Original Name: Li Shin Enterprise (Su Zhou) Co., Ltd.]
100%
Wuxi Lite-On Tech. Co.
Lite-On Singapore Pte Ltd.
Lite-On Technology (Ying Tan) Co., Ltd.
Lite-On Technology (Xianing) Co., Ltd.

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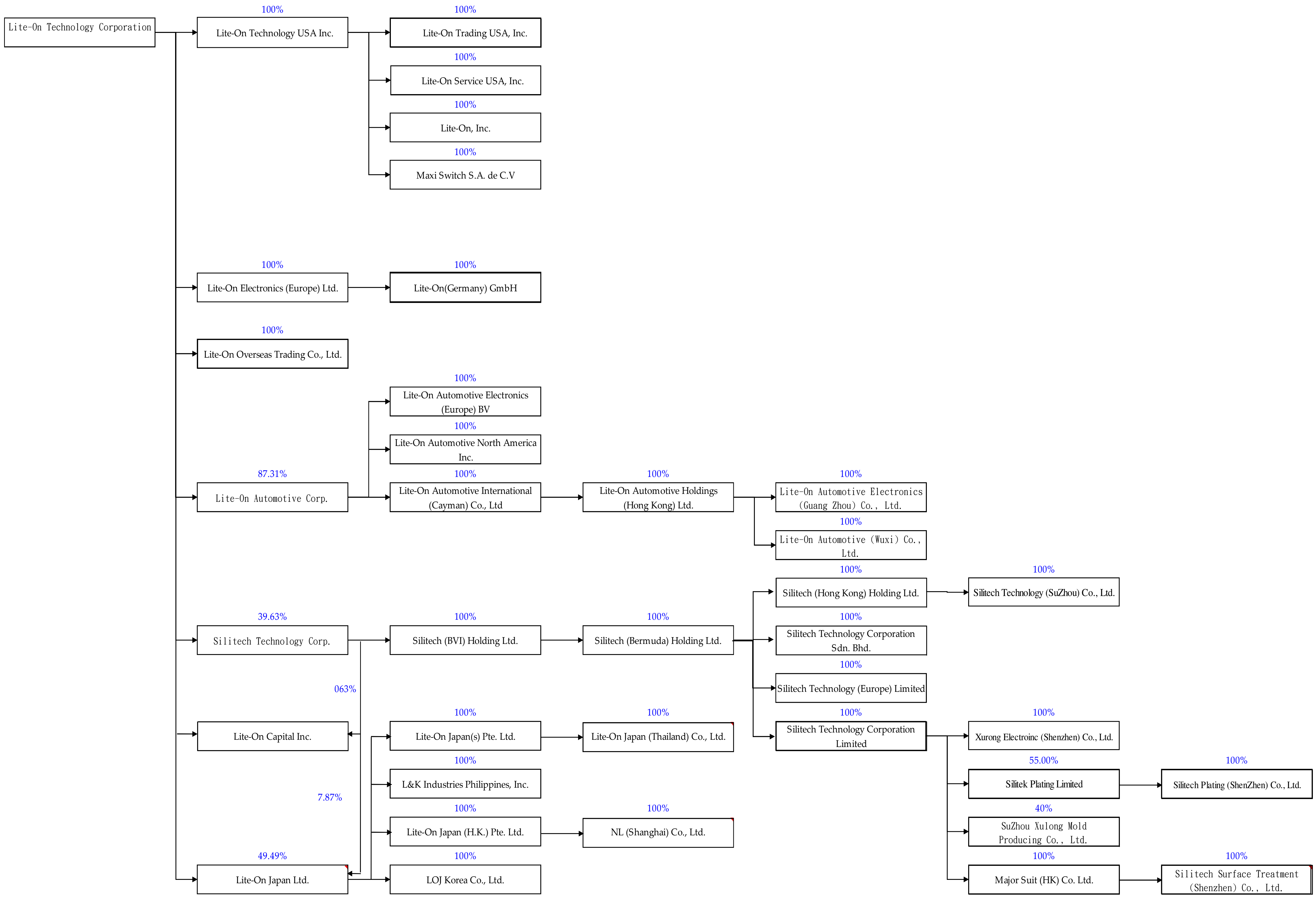
Lite-On Technology Corporation
100%
Lite-On Technology USA Inc.
100%
Lite-On Trading USA, Inc.
100%
Lite-On Service USA, Inc.
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Lite-On, Inc.
100%
Maxi Switch S.A. de C.V
100%
Lite-On Electronics (Europe) Ltd.
100%
Lite-On(Germany) GmbH
100%
Lite-On Overseas Trading Co., Ltd.
100%
Lite-On Automotive Electronics (Europe) BV
100%
Lite-On Automotive North America Inc.
87.31%
Lite-On Automotive Corp.
100%
Lite-On Automotive International (Cayman) Co., Ltd
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Lite-On Automotive Holdings (Hong Kong) Ltd.
100%
Lite-On Automotive Electronics (Guang Zhou) Co., Ltd.
100%
Lite-On Automotive (Wuxi) Co., Ltd.
100%
Silitech (Hong Kong) Holding Ltd.
100%
Silitech Technology (SuZhou) Co., Ltd.
39.63%
Silitech Technology Corp.
100%
Silitech (BVI) Holding Ltd.
100%
Silitech (Bermuda) Holding Ltd.
100%
Silitech Technology Corporation Sdn. Bhd.
100%
Silitech Technology (Europe) Limited
063%
Lite-On Capital Inc.
100%
Lite-On Japan(s) Pte. Ltd.
100%
Lite-On Japan (Thailand) Co., Ltd.
100%
Silitech Technology Corporation Limited
100%
Xurong Electroinc (Shenzhen) Co., Ltd.
100%
L&K Industries Philippines, Inc.
55.00%
Silitek Plating Limited
100%
Silitech Plating (ShenZhen) Co., Ltd.
7.87%
100%
Lite-On Japan (H.K.) Pte. Ltd.
100%
NL (Shanghai) Co., Ltd.
40%
SuZhou Xulong Mold Producing Co., Ltd.
49.49%
Lite-On Japan Ltd.
100%
LOJ Korea Co., Ltd.
100%
Major Suit (HK) Co. Ltd.
100%
Silitech Surface Treatment (Shenzhen) Co., Ltd.

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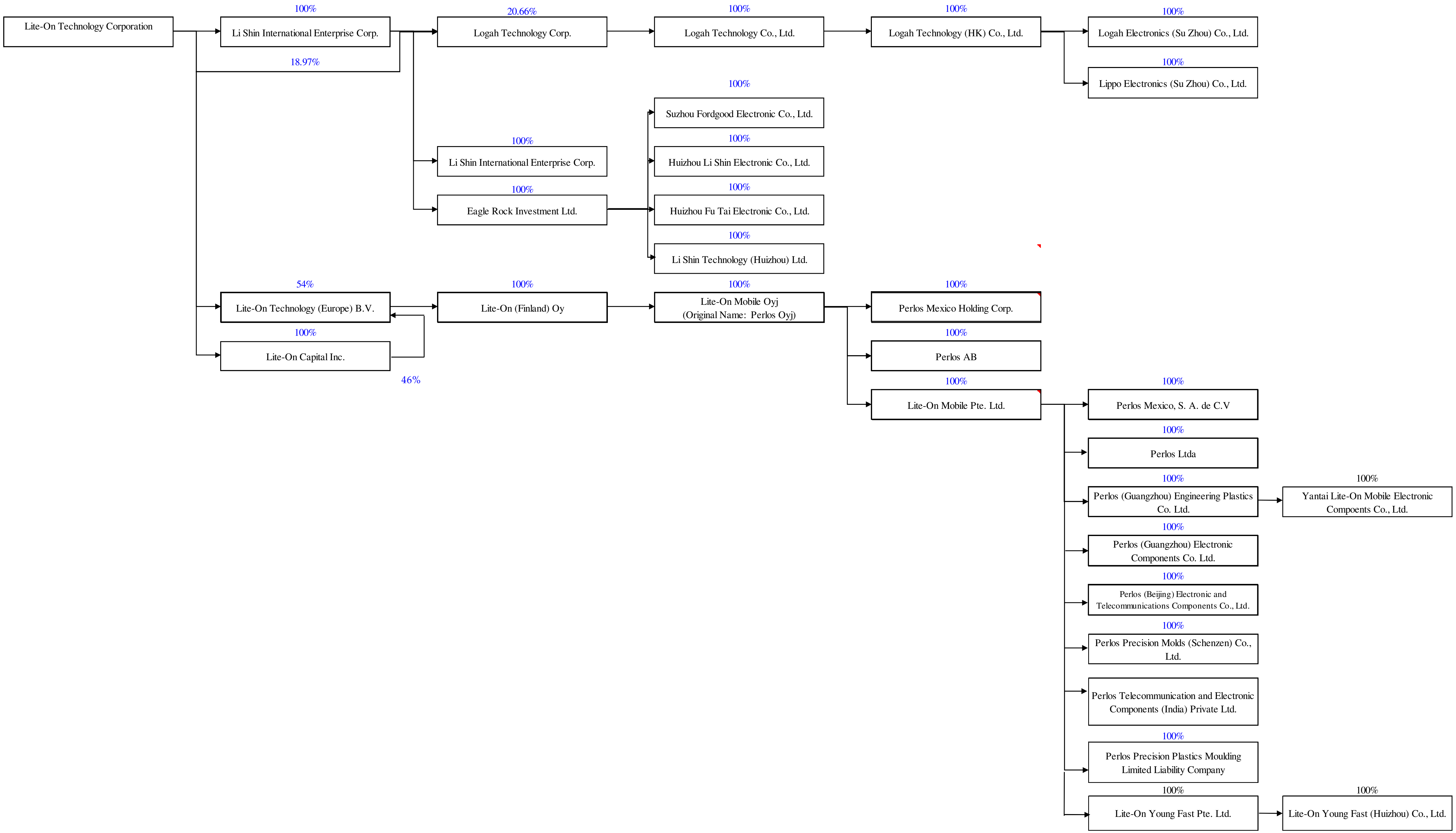
Lite-On Technology Corporation
100%
Li Shin International Enterprise Corp.
18.97%
20.66%
Logah Technology Corp.
100%
Logah Technology Co., Ltd.
100%
Logah Technology (HK) Co., Ltd.
100%
Logah Electronics (Su Zhou) Co., Ltd.
100%
Lippo Electronics (Su Zhou) Co., Ltd.
100%
Li Shin International Enterprise Corp.
100%
Eagle Rock Investment Ltd.
100%
Suzhou Fordgood Electronic Co., Ltd.
100%
Huizhou Li Shin Electronic Co., Ltd.
100%
Huizhou Fu Tai Electronic Co., Ltd.
100%
Li Shin Technology (Huizhou) Ltd.
54%
Lite-On Technology (Europe) B.V.
100%
Lite-On Capital Inc.
46%
100%
Lite-On (Finland) Oy
100%
Lite-On Mobile Oyj
(Original Name: Perlos Oyj)
100%
Perlos Mexico Holding Corp.
100%
Perlos AB
100%
Lite-On Mobile Pte. Ltd.
100%
Perlos Mexico, S. A. de C.V
100%
Perlos Ltda
100%
Perlos (Guangzhou) Engineering Plastics Co. Ltd.
100%
Yantai Lite-On Mobile Electronic Components Co., Ltd.
100%
Perlos (Guangzhou) Electronic Components Co. Ltd.
100%
Perlos (Beijing) Electronic and Telecommunications Components Co., Ltd.
100%
Perlos Precision Molds (Schenzen) Co., Ltd.
Perlos Telecommunication and Electronic Components (India) Private Ltd.
100%
Perlos Precision Plastics Moulding Limited Liability Company
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Lite-On Young Fast Pte. Ltd.
100%
Lite-On Young Fast (Huizhou) Co., Ltd.

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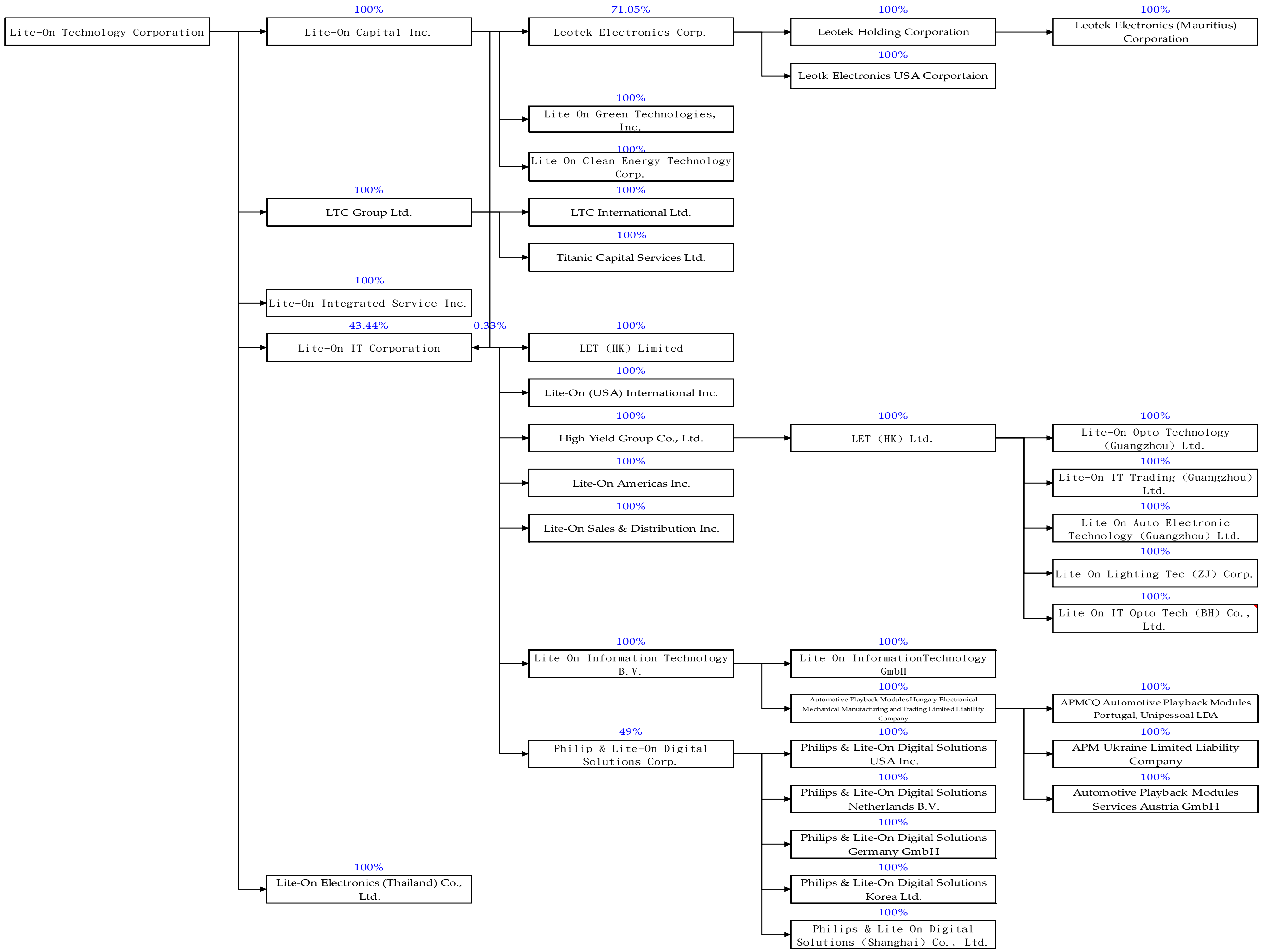
December 31, 2009



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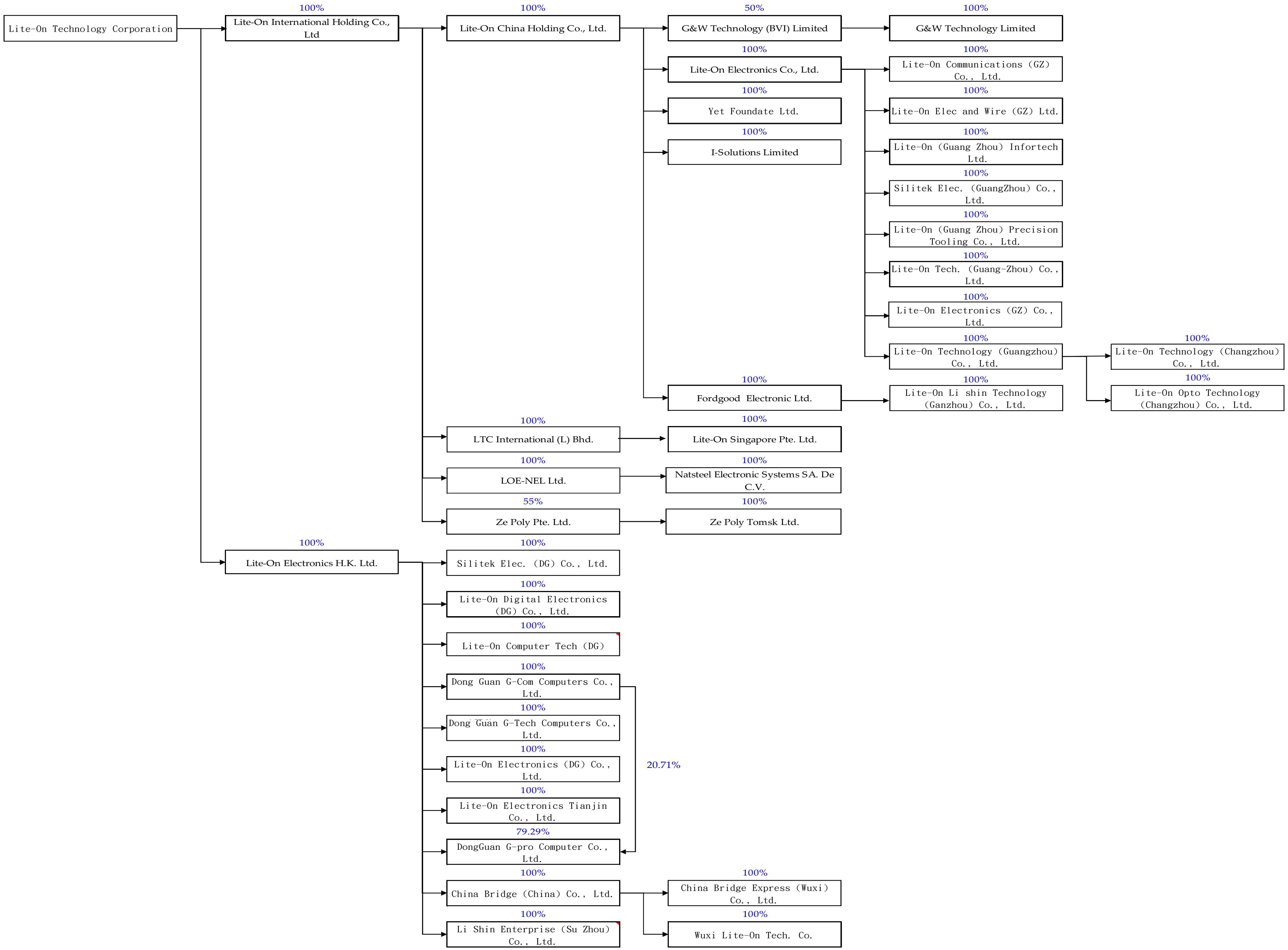
Lite-On Technology Corporation
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Lite-On International Holding Co., Ltd
100%
Lite-On China Holding Co., Ltd.
50%
G&W Technology (BVI) Limited
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G&W Technology Limited
100%
Lite-On Electronics Co., Ltd.
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Lite-On Communications (GZ) Co., Ltd.
100%
Yet Foundate Ltd.
100%
Lite-On Elec and Wire (GZ) Ltd.
100%
I-Solutions Limited
100%
Lite-On (Guang Zhou) Infortech Ltd.
100%
Silitek Elec. (GuangZhou) Co., Ltd.
100%
Lite-On (Guang Zhou) Precision Tooling Co., Ltd.
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Lite-On Tech. (Guang-Zhou) Co., Ltd.
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Lite-On Electronics (GZ) Co., Ltd.
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Lite-On Technology (Guangzhou) Co., Ltd.
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Fordgood Electronic Ltd.
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Lite-On Li shin Technology (Ganzhou) Co., Ltd.
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Lite-On Opto Technology (Changzhou) Co., Ltd.
100%
LTC International (L) Bhd.
100%
Lite-On Singapore Pte. Ltd.
100%
LOE-NEL Ltd.
100%
Natsteel Electronic Systems SA. De C.V.
55%
Ze Poly Pte. Ltd.
100%
Ze Poly Tomsk Ltd.
100%
Lite-On Electronics H.K. Ltd.
100%
Silitek Elec. (DG) Co., Ltd.
100%
Lite-On Digital Electronics (DG) Co., Ltd.
100%
Lite-On Computer Tech (DG)
100%
Dong Guan G-Com Computers Co., Ltd.
100%
Dong Guan G-Tech Computers Co., Ltd.
100%
Lite-On Electronics (DG) Co., Ltd.
20.71%
100%
Lite-On Electronics Tianjin Co., Ltd.
79.29%
DongGuan G-pro Computer Co., Ltd.
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China Bridge (China) Co., Ltd.
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China Bridge Express (Wuxi) Co., Ltd.
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Li Shin Enterprise (Su Zhou) Co., Ltd.
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Wuxi Lite-On Tech. Co.

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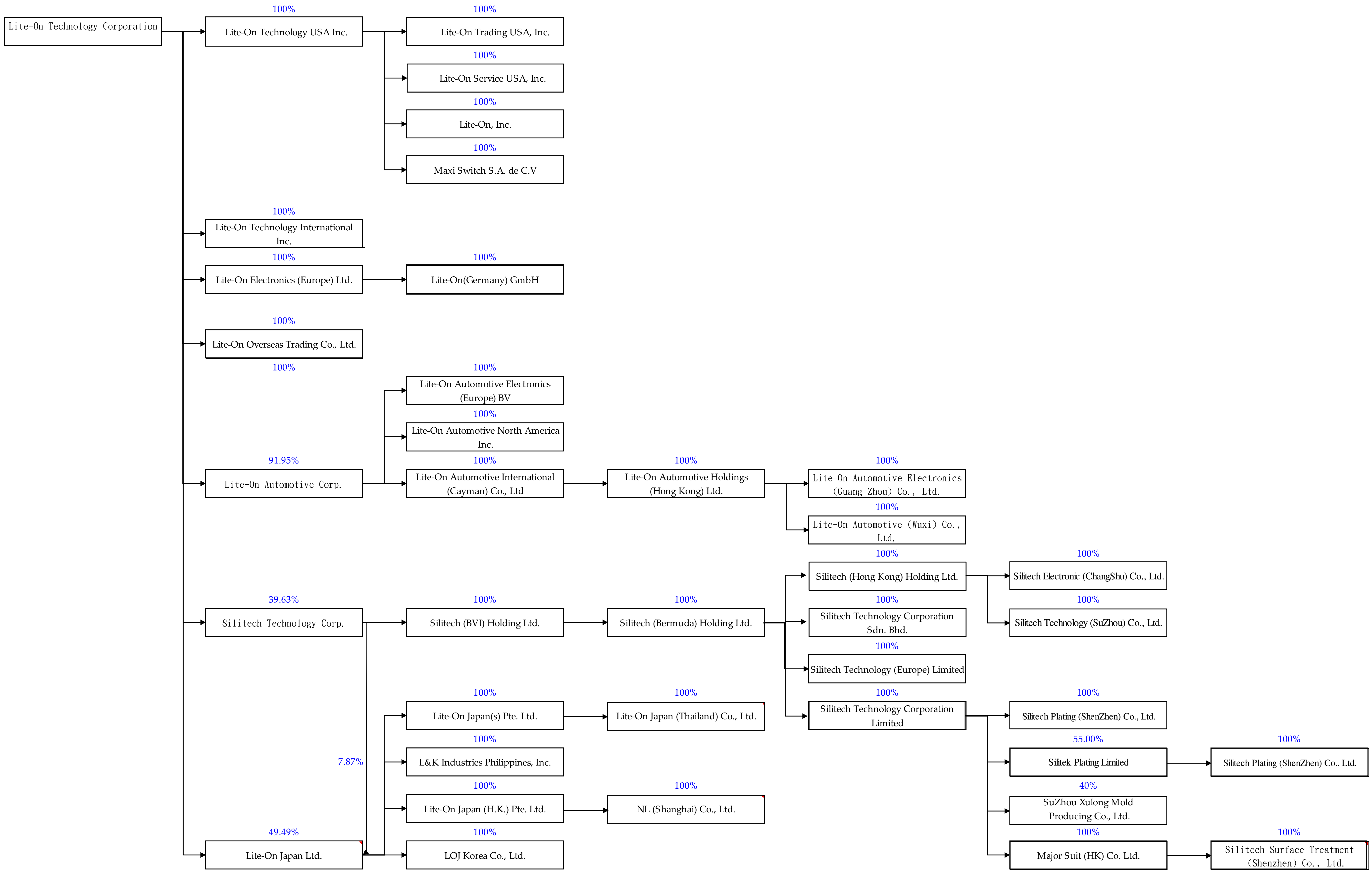
Lite-On Technology Corporation
100%
Lite-On Technology USA Inc.
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Lite-On Trading USA, Inc.
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Lite-On Service USA, Inc.
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Lite-On, Inc.
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Maxi Switch S.A. de C.V
100%
Lite-On Technology International Inc.
100%
Lite-On Electronics (Europe) Ltd.
100%
Lite-On(Germany) GmbH
100%
Lite-On Overseas Trading Co., Ltd.
100%
91.95%
Lite-On Automotive Corp.
100%
Lite-On Automotive Electronics (Europe) BV
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Lite-On Automotive North America Inc.
100%
Lite-On Automotive International (Cayman) Co., Ltd
100%
Lite-On Automotive Holdings (Hong Kong) Ltd.
100%
Lite-On Automotive Electronics (Guang Zhou) Co., Ltd.
100%
Lite-On Automotive (Wuxi) Co., Ltd.
39.63%
Silitech Technology Corp.
100%
Silitech (BVI) Holding Ltd.
100%
Silitech (Bermuda) Holding Ltd.
100%
Silitech (Hong Kong) Holding Ltd.
100%
Silitech Electronic (ChangShu) Co., Ltd.
100%
Silitech Technology Corporation Sdn. Bhd.
100%
Silitech Technology (SuZhou) Co., Ltd.
100%
Silitech Technology (Europe) Limited
100%
Silitech Technology Corporation Limited
100%
Silitech Plating (ShenZhen) Co., Ltd.
55.00%
Siltek Plating Limited
100%
Silitech Plating (ShenZhen) Co., Ltd.
40%
SuZhou Xulong Mold Producing Co., Ltd.
100%
Major Suit (HK) Co. Ltd.
100%
Silitech Surface Treatment (Shenzhen) Co., Ltd.
7.87%
49.49%
Lite-On Japan Ltd.
100%
Lite-On Japan(s) Pte. Ltd.
100%
Lite-On Japan (Thailand) Co., Ltd.
100%
L&K Industries Philippines, Inc.
100%
Lite-On Japan (H.K.) Pte. Ltd.
100%
NL (Shanghai) Co., Ltd.
100%
LOJ Korea Co., Ltd.

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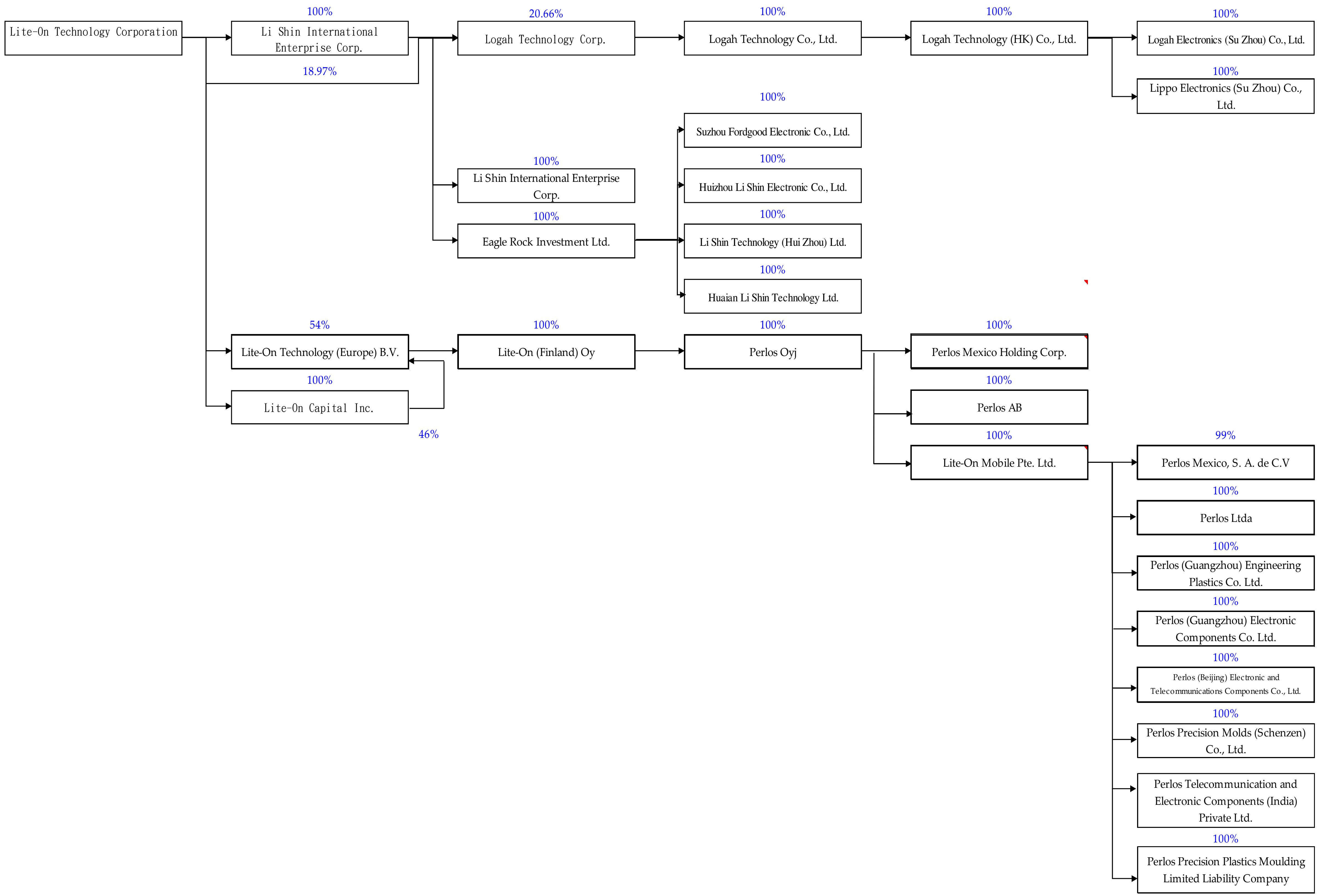
Lite-On Technology Corporation
100%
Li Shin International Enterprise Corp.
18.97%
20.66%
Logah Technology Corp.
100%
Logah Technology Co., Ltd.
100%
Logah Technology (HK) Co., Ltd.
100%
Logah Electronics (Su Zhou) Co., Ltd.
100%
Lippo Electronics (Su Zhou) Co., Ltd.
100%
Li Shin International Enterprise Corp.
100%
Eagle Rock Investment Ltd.
100%
Suzhou Fordgood Electronic Co., Ltd.
100%
Huizhou Li Shin Electronic Co., Ltd.
100%
Li Shin Technology (Hui Zhou) Ltd.
100%
Huaian Li Shin Technology Ltd.
54%
Lite-On Technology (Europe) B.V.
100%
Lite-On Capital Inc.
46%
100%
Lite-On (Finland) Oy
100%
Perlos Oyj
100%
Perlos Mexico Holding Corp.
100%
Perlos AB
100%
Lite-On Mobile Pte. Ltd.
99%
Perlos Mexico, S. A. de C.V
100%
Perlos Ltda
100%
Perlos (Guangzhou) Engineering Plastics Co. Ltd.
100%
Perlos (Guangzhou) Electronic Components Co. Ltd.
100%
Perlos (Beijing) Electronic and Telecommunications Components Co., Ltd.
100%
Perlos Precision Molds (Schenzen) Co., Ltd.
Perlos Telecommunication and Electronic Components (India) Private Ltd.
100%
Perlos Precision Plastics Moulding Limited Liability Company

(Concluded)