Lite-On Technology Corporation
2011 Annual Report

TSE # 2301
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Raymond Soong

Chairman of Lite-On Group

David Lin

Vice Chairman of Lite-On Group
(Chairman of Lite-On Mobile, Lite-On Green Technologies Inc. and Lite-On Clean Energy Technology)

Warren Chen

CEO of Lite-On Group
(CEO of Lite-On Technology)

KC Terng

Deputy CEO of Lite-On Group

Paul Lo

CTO of Lite-On Group
(CEO of Lite-On Automotive Corp.)

Alexander Huang

CSO of Lite-On Group
(President of Lite-On Technology Business Group)

Business Philosophy

VISION. MISSION. STRATEGY. LITE-ON VALUE

Vision

To Become a Company of World Class Excellence

Business Scale : US$8 billion
Leadership : Worldwide Absolute No. 1
Profitability : Top in the Industry
Corporate Governance : Transparent, Independent and Fairness
Corporate Citizenship : Globalization, Environmental Friendliness, Corporate Social Responsibility

Mission

Short-term: Prime Leader in Optoelectronic Components
Long-term: Global Leader in Sustainable Technology

Strategy

Profitable Growth
Value Creation
Maximum Positive Cash Flow

LITE-ON Value

Customer Satisfaction
Excellence in Execution
Innovation
Integrity

Dear Shareholders,

2011 was a defining year for Lite-on Technology in that it faced unprecedented global economic challenges. From Japan's Earthquake in the first quarter of the year, and Europe and USA's debt crisis in the middle of the year, to floods in Thailand at the end of the year, these challenges have tested the crisis management capacity of each of the world's economies and enterprises. Nevertheless, Lite-On Technology Corporation still delivered outstanding performance exemplified by global consolidated revenue reaching NT$230.52 billion and net profits after taxes for the third quarter hitting record high since four years ago.

Apart from delivering operational excellence under challenging circumstances, Lite-On Technology Corporation has devoted itself to setting the enterprise's social responsibilities into action for years. While the whole nation celebrated its 100th anniversary in 2011, Lite-On Technology won several awards with high onshore and offshore recognition, such that it was selected as a member of Dow Jones Sustainability Index (DJSI) and was ranked highest in Electronic Component & Equipment sector. Primarily, we are thankful for shareholders' constant support and employees' dedication.

Operating Results for Year 2011

Global consolidated revenue of Lite-On Technology for the Year of 2011 amounted to NT$230.52 billion, and net operating profit amounted to NT$12.22 billion. Earnings per share (EPS) was NT$ 3.22.

We focus intently on our core businesses. Our efforts, fueled by the increased demand for high-end servers, cloud computing, smart phones, tablet and personal computers in the global markets, as well as continuous increases in the market share of manufacturing for worldwide leading brand names, have translated into steady growth. Specifically, Power Supply and Opto-Electronics business groups contributed 60% of Company's overall consolidated revenues. Moreover, thanks to its camera module's continuous gain in the global market share of smart-phones and notebook PCs, Opto-Electronics business group achieved a remarkable annual revenue growth of 15%. The HIS (Human Input Solutions – PC keyboards and peripherals) business unit also posted a substantial growth.

In the face of global economic downturn, Lite-On Technology showed concrete results by improving operational efficiency through centralizing bases of operation and focusing on effective global supply chain management. Lite-on maintained a high annual gross margin and operating margin. Operating expenses continued to descend, a result of better operating efficiency dispite higher commodity prices and manufacturing cost pressures. R&D expenses were up 15%, further strengthening our leading position in the areas of advanced power solutions, optoelectronics and mechanical competence.

Meanwhile, Lite-On Mobile reported remarkable results as well. Its Q4 sales revenue and profits both reached record high since it was acquired in 2007, and its revenue grew approximately 30% over last year. Looking ahead, Lite-On Mobile will continue to improve profitability driven by its mechanical integration competence, improved customer portfolio, increasing shipment, and concentration of manufacturing in Asia.

Aside from operational excellence, Lite-On Technology was recognized in terms of social responsibility in 2011. It was selected as a leading member of the 2011 Dow Jones Sustainability Index (DJSI), listed in both DJSI-World and DJSI-Asia Pacific. Not only was Lite-On the only Taiwan company selected in the Electronic Component and Equipment (ELQ) sector, but it was ranked highest in the sector. Furthermore, Lite-On won "Excellence in Corporate Social Responsibilities" award for large-scale Technology enterprises by Common Wealth Magazine fifth year in a row with second place in 2011, the highest rank ever.

In addition, Lite-On Technology was given SER award by our client HP. Lite-On Technology's CSR report has been prepared in accordance with the international standard GRI G3 and certified as SGS Taiwan GRI G3 Application Level A+, meeting international CSR standards. Moreover, we won silver metal in the 2011 Taiwan Corporate Sustainability Report (CSR) Award conferred by the Taiwan Institute for Sustainable Energy (TISE), and was recognized by "Taiwan Stock Exchange Outstanding Disclosure Award for Listed Companies' Corporate Sustainability Reports." Therefore, it is evident that while we strive to deliver the best operating performance, we are also committed to carrying out corporate governance transparency and our corporate social responsibilities.

Outlook for Year 2012

Moving forward, we believe we remain well-positioned as an industry leader to capture market growth and technology transitions in the Non-PC sector, particularly in communication and cloud computing applications area, through effective supply chain management.

Lite-On Technology is committed to becoming a leading enterprise with sustainable growth and a better global citizen, since it has been a pioneer in CSR field for a long time. To achieve this goal, it has implemented a comprehensive Corporate Social and Environmental Responsibility (CSER) program. Lite-On Cultural Foundation has been established for over 18 years and has the nation's largest scope of volunteer guidance groups; it has hosted the largest industrial design contest "Lite-On Award" for 12 years. In addition, in order to strengthen domestic enterprises' consciousness of sustainable responsibility, Lite-On took the lead in forming "Taiwan Corporate International Sustainability Coalition", which provides free education training, counsels, and assists Taiwanese enterprises wishing to participate in the DJSI assessment in acquiring concrete and substantial information.

To date, CSR has become a required permit for all enterprises wishing to expand throughout the world. Upholding the belief of "Thinking of the source when one drinks water," Lite-On Technology has implemented several action plans and redefined CSR as CSER by adding an "E", because we truly believe that enterprises should value the spirits of environmental protection and sustainability. Thus, while enterprises carry out corporate social responsibility, they are building up the core of long-term corporate competence.

Raymond Soong
Chairman

Warren Chen
CEO

Corporate Overview

2.1 COMPANY PROFILE

Established : 1975/6/2
Date of Listing : 1983/1/26
Company Code : 2301
Paid-in-Capital : NT$ 23.1B (as of December 2011)

About Lite-On Technology

Driven by the strong belief that LED will change the way we live and enhance our life style, Lite-On Electronics was established in 1975 in a small apartment by the three original founders. There they created another garage legend.

Lite-On was the first company to produce LEDs. In the 30 years since its inception, it has gone through three major changes. In 1983, Lite-On had its IPO and was the first technology company to be listed on the Taiwan Exchange. In 2002, four public companies merged, including Lite-On Electronics, Lite-On Technology, Silitek and GVC, with the new entity becoming the Lite-On Technology that we know today. The merger of four public companies was considered revolutionary in the history of the Taiwan equities market. In 2006, Lite-On underwent re-organization to accommodate different strategies and goals for short term, mid-term and longer-term growth.

Over the past few years, Lite-On Technology has successfully created an enterprise image based on “Profitable Growth.” Our chief business objective is no longer solely sales growth. Our company now endeavors to implement strategic improvement of products, and to focus on the development of core Opto-Electronic components, including Power Supply, Optoelectronics, Mechanical Competency, and Connected Devices & System Solution Business Groups. Lite-On products are widely used in the 4C industries, namely computers, communications, consumer electronics and car electronics. Our products are leaders in the global market including number one rankings for notebook adaptors, power supplies for desktop, mobile phone keypad, desktop keyboards and optical couplers, while products such as disc drives, desktop casing and color image sensors are in the top three worldwide.

Our business mergers have won favor from international investment firms. The company has transformed from a Taiwan optoelectronics leader into an international enterprise, with foreign investors holding around half of the shares. For five consecutive years 2003-2007, the company was listed in Business Week's Info Tech 100; while for three consecutive years 2005-2007, it was selected by Forbes as one the Asian Fab 50 companies. Not only does it possess business competency reaching to international standards, its creativity has been proved by the prestigious international awards it has won. From 2005-2012, it has received 40 international design prizes, comprising the German iF Award, the German red dot award and the U.S. IDEA Award. More than just an honoring of Lite-On Technology, these awards represent the glory of Chinese all over the world.

From 2005, Lite-On Technology has repeatedly earned the Corporate Social Responsibility Award from Global Views Monthly, and the Corporate Social Responsibility Award from CommonWealth Magazine. The company's contributions to society are highly recognized. The Lite-On Award aims at training talents and boosting competitiveness of Chinese on the world stage. It has successfully created many design elite and received much positive feedback from industrial design professionals. Established in 1993, the Lite-On Cultural Foundation has been involved in community services, such as helping minority entities and providing counseling services to teenagers. "Joy, growth, health and balance" are the keywords for our staff. We hope to bring them job satisfaction, ongoing growth, mental and physical health and a balanced lifestyle.

2.2 Lite-On Corporate Values

Customer Satisfaction, Excellence in Execution, Innovation, and Integrity are the guiding principles, commitments, and beliefs of Lite-On Technology. These values are applied throughout the company's daily business operations and management.

1. Customer Satisfaction

   Identifying our customers needs and understanding their markets to create maximum value for them.

2. Excellence in Execution

   First movers in the market always capture the value of future trends. Formulate strategies accordingly and execute effectively in advance of competitors.

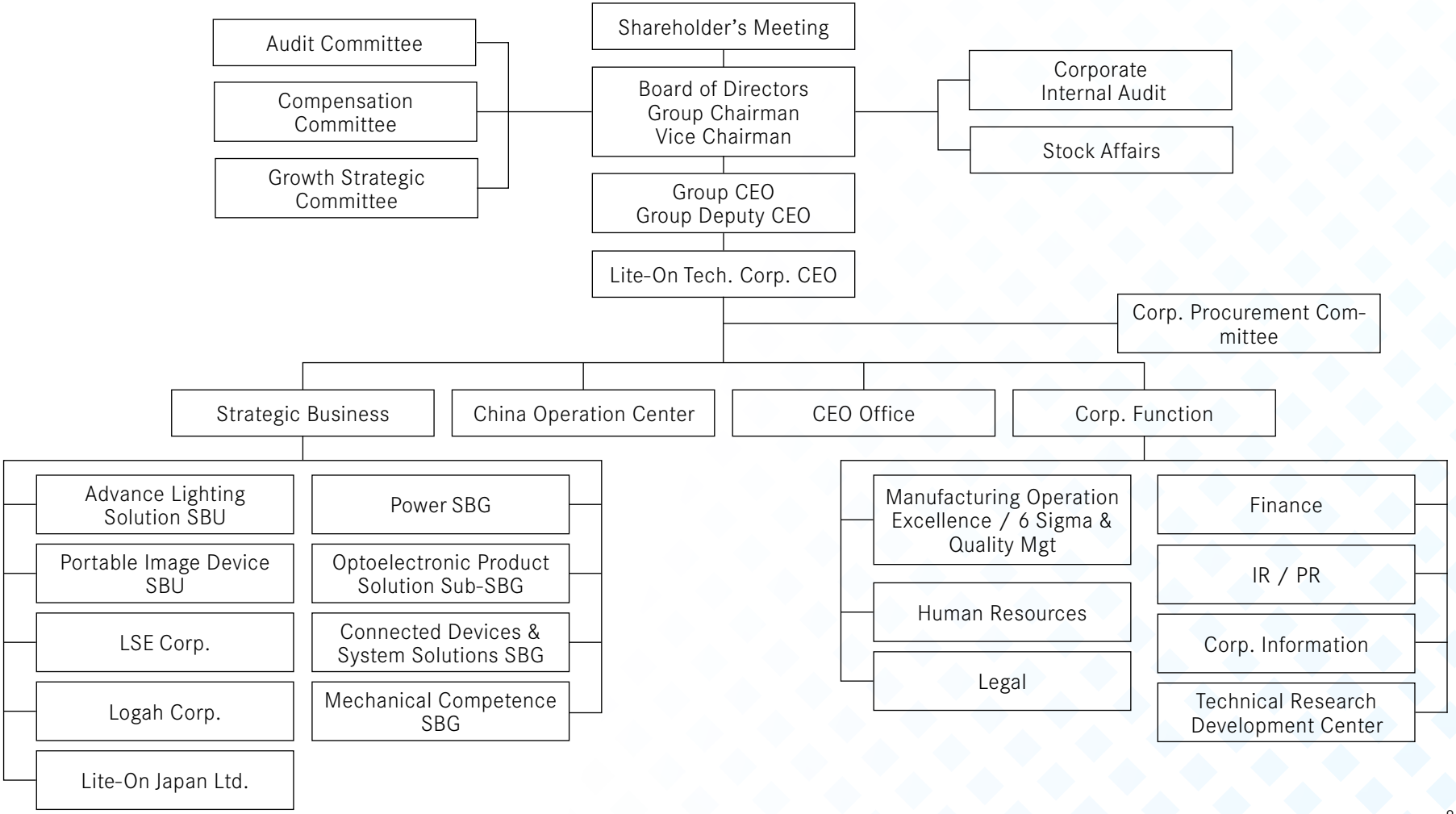
3. Innovation

   Innovation is fueled by daily renewal, and often ends because of complacency.

4. Integrity

   Trust from shareholders, customers, employees and suppliers

2.3 Organization

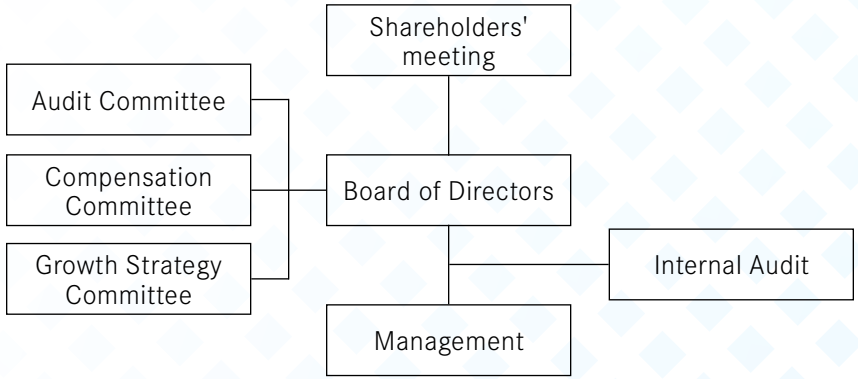


Corporate Governance

Lite-On values the transparency of operation and corporate governance. We have defined the corporate governance framework and practices in accordance with the ROC Company Act, Securities and Exchange Act, and other relevant laws and regulations, in order to continue improving our management performance and protecting the interests and rights of investors and other stakeholders.

3.1 Management framework

The specific corporate governance actions taken by Lite-On included establishment of independent directors and such functional committees as “Audit Committee”, “Compensation Committee” and “Growth Strategy Committee”. We emphasize that information disclosure shall comply with the principles of completeness, timeliness, fairness and transparency. In addition to disclosing the relevant financial information, financial statements, annual statements and important messages on the Taiwan Stock Exchange’s Market Observation Post System, we also make the relevant information available to domestic and foreign investors for reference on our corporate website (www.liteon.com). We will continue to pursue good corporate governance and transparency, timeliness and fairness of financial information disclosure. In 2011, we have been ranked a grade of A in the Institute of Securities & Futures Markets Development’s Information Disclosure Assessment.



The various functional committees operate in accordance with the "Parliamentary Regulations for Board Meetings", "Organizational Chart for Audit Committee", "Organization Chart for Compensation Committee", and "Organizational Chart for Growth Strategy Committee". The committees' functions and operations are specified as follows:

3.1.1 Board of Directors Responsibilities

The Board of Directors consists of 11 directors. All of the directors are selected by shareholders' voting. Six of the directors represent institutional investors, namely, Lite-On Capital, Dorcas Investment Co., Ltd., Da-Song Investment and Yuan Bao Development. The Board's responsibilities include supervising, appointing and directing the corporate management, and the Board is also responsible for the Company's overall operations and dedicated to maximizing the stockholders' equity.

Board of Directors	
Chairman	Raymond Soong
Vice Chairman	David Lin
Director	Warren Chen, Representative of Lite-On Capital Inc.
Director	Joseph Lin, Representative of Dorcas Investment Co., Ltd.
Director	Keh-Shew Lu, Representative of Da-Song Investment Co., Ltd.
Director	Rick Wu, Representative of Da-Song Investment Co., Ltd.
Director	CH Chen, Representative of Yuan Bao Investment Co., Ltd.
Director	David Lee, Representative of Yuan Bao Investment Co., Ltd.
Independent Director	Kuo-Feng Wu
Independent Director	Harvey Chang
Independent Director	Edward Yang

3.1.2 Audit Committee Responsibilities

Audit Committee consists of all independent directors, namely three members. It is responsible for helping the Board of Directors review the Company's financial statements, internal control system, audit and accounting policies and procedures, important assets transactions, employment of CPA, and appointment and dismissal of executive officers dedicated to finance, accounting and internal audit, to ensure that the Company's operation complies with the relevant governmental laws and regulations.

3.1.3 Compensation Committee Responsibilities

In order to continue strengthening the corporate governance and adopt international standards, Lite-On Technology established the Compensation Committee in 2009. The Compensation Committee is authorized by the Board of Directors to supervise and review the Company's overall compensation policy and plan, and to make resolutions. We are the first one to establish the compensation committee amount domestic listed companies and possess the only one highly-authorized compensation committee system and, therefore, become a benchmark company with respect to corporate governance among domestic enterprises.

The Compensation Committee's supervision extends to the compensation of Chairman, all high-rank management and managerial staff, and employee incentive and bonus policies. The Compensation Committee consists of 4 members, including 3 independent directors, and 1 director to maintain the independence, professionalism and fairness of Compensation Committee and to avoid potential conflict of interest between the committee members and Company.

According to the "Organizational Chart for Compensation Committee" defined by the Company, the Compensation Committee shall call a meeting at least once every six months. In 2011, the Committee has called a total of 5 meetings building up the verification mechanism for the Company's compensation policy and plan. Compensation Committee's responsibilities:

1. In order to recruit, encourage and retain the professional human resources needed by the Company, the Committee shall review the Company's compensation policy and plan annually.

2. Under authorization from the Board of Directors, the Committee shall review and resolve the compensation of Chairman, presidents, vice presidents and CEO annually.

3. Under authorization from the Board of Directors, the Committee shall review and resolve the compensation of managerial staff submitted by CEO annually, including salary, bonus, employee bonus, employee stock option, and other incentives.

The Board members' background information, academic degree, concurrent posts assumed in any other companies and meeting attendance rate have been disclosed in the Company's annual report. The Company's annual report may also be accessed on the Taiwan Stock Exchange's Market Observation Post System (MOPS) and the Company's corporate website. In 2011, the Board of Directors called a total of 9 meetings, the Audit Committee called a total of 9 meetings and the Compensation Committee called a total of 5 meetings.

3.1.4 Growth Strategy Committee Responsibilities

In order to enhance and accelerate the growth policies of Lite-On Technology and Lite-On Group, the Growth Strategy Committee was established in 2010. The Committee is authorized by Board of Directors to direct and review the Company's and the Group's overall growth strategies, and to preview the Company's and the Group's important investment projects.

The Committee's direction and assistance extend to Lite-On Technology and its subsidiaries and business units designated by Lite-On Technology. The Committee consists of at least 5 directors from Lite-On. The convener and members shall be nominated by the Board of Directors. The Company may, if necessary, retain external advisors to provide the committee members with the comments needed by the members, but the external advisors may not participate in making resolutions.

The Committee shall call the committee meeting at least once every six months, and the meeting shall be attended by more than two-thirds of the committee members, and may make resolution upon agreement of a majority of the present members. The Committee will report any resolutions made at the meeting to the Board of Directors.

3.2 Anti-Corruption

Lite-On Technology undertakes that it will comply with the legal and ethical standards of the countries in which it carries out business to maintain its goodwill and engage in business activities. We will not permit any violations of the ethical or legal standards in the process of pursuing sales, profit or performance. Meanwhile, we will also declare the operating procedures of our routine business activities that involve potential anti-corruption risk in a timely manner, in the hopes of preventing anti-corruption events from arising.

Based on the said considerations, in addition to the "Integrity", one of Lite-On's four major values, we also drafted "Ethical Code of Conduct for Employees" to help the employees deal with any special circumstances and problems that may occur in the course of their routine activities. Meanwhile, the Code is also included into the orientation training programs ensuring more effective promotion of the legal and ethical standards and maintenance of our goodwill and legal and ethical standards. The "Ethical Code of Conduct for Employees" contains the following ethical requirements:

1. Gifts and Hospitality:

   1.1 The Company's employees shall not give or accept any gifts intended to improperly influence normal business or decisions. The Company's employees must immediately notify their supervisors, or return, any tangible gifts upon receipt of the same. Notwithstanding, this shall not apply, if the gift refers to a small gift usually exchanged in business conduct.

   1.2 Customers and the Company's employees may engage in reasonable social activities within the course of the business contact insofar as such activities are clearly for business purposes and are held respectable. Notwithstanding, any excessively generous treatment shall be subject to supervisor's prior approval and reported to supervisor afterwards. While dining is a necessary accompaniment of meetings between the employees and suppliers or customers, treatment should be appropriate and emphasize reciprocity.

   1.3 The Company's employees should avoid any improper conduct, and in no event should give or accept any kickbacks in any form. While engaged in private shopping, the Company's employees and their family members may not accept discounts from suppliers given due to their relationship with his company, unless such discounts are given to all employees of the Company.

2. Principles governing on-the-job payments:

Any employees who discover an abnormality affecting the Company's assets or monies that may disrupt payments must immediately notify their supervisors. If the abnormalities involve a supplier, they shall notify the purchasing manager. No bribes of any kind may be given to any person. There are no exceptions to this requirement. The so-called bribes refer to payments given to certain persons to induce them to violate their employers' regulations or national laws.

2.1 Payments to suppliers: Payments may only be made for goods provided by the supplier confirmed by the Company's competent purchasing unit to comply with standards.

2.2 Payments to civil service personnel: Payments prohibited by laws of the country in question may not be paid to any government officials or personnel of the country. Legitimate payments given to government officials must comply with all procedures specifically required by the Company.

2.3 Payments to consultants, distributors or agents: All payments made to consultants, distributors, or agents must be commensurate with the value of the services they provide.

2.4 Payments to customers: Payments may not be directly or indirectly given to the employees of the Company's customers or future customers with the intent of inducing them to take improper actions.

2.5 Payments to other persons: Payments may be made to persons who are not civil servants or customers in accordance with the procedures prescribed by the Company if the payments are not for ordinary commercial purposes as defined by the laws of the country where the payments take place.

2.6 Payments made in a country where the payee does not reside: When it is requested that an expense or salary payment be made to an account in a country where the payee does not reside or do business (this may be referred to as "distributed expenses"), doing so is acceptable as long as this does not violate relevant laws, and the entire transaction does not violate the Company's ethical standards.

2.7 Forged record-keeping: When part of a payment is intentionally or knowingly used for some purpose not stated on the transaction certificate, the payment may not be approved, processed or accepted. When there is no disbursement explanation in the Company's account books, all "kickback funds" or similar funds or account transfers are strictly forbidden.

3.3 Corporate Risk Management

Lite-On continuously strives to create economic, social and environmental sustainability values for the customers, shareholders, employees and the community. In the process of achieving this goal, Lite-On Technology has implemented the well established risk management framework, promoting it actively at each level. Therefore we continue trying our best to effectively minimize the risks through the management of risk transfer, risk avoidance and risk reduction. Therefore, this is one of the main reasons that Lite-On is able to continue growing stably and achieving outstanding business performance.

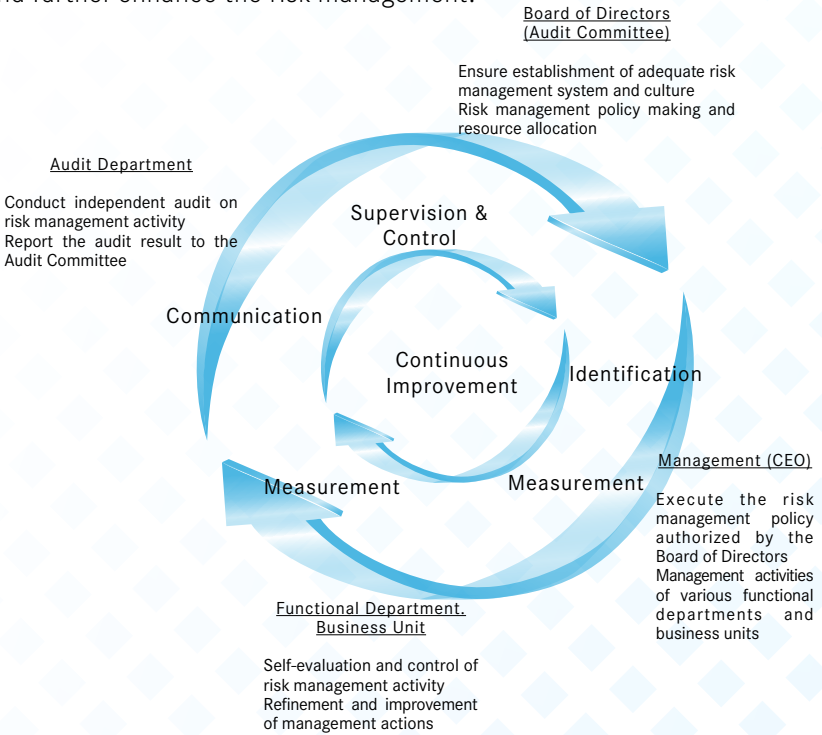
Risk Management Organizational Framework

Lite-On follows the existing organizational management system and internal control cycle and uses the most cost-effective methods to actively control and deal with the considerable risks in the process of operations.

Risk Management Cycle

Lite-On developed a clear and comprehensive framework for categories of risk to ensure that the risk identification process may cover different categories of risk. There're three major categories, namely, "external risk", "operational risk" and "information disclosure risk". "External risk" means that the risk resulting from external factors, such as low sales of products, competitiveness of enterprises, shrinking market demand, change of consumers' preference, revolution of technology, new superior product, international incidents, economic recession, illegal merger and acquisition, changes in foreign exchange laws and regulations, party alternation in power, blackmail, noise, pollution and natural calamity, et al.. "Operational risk" means that the risks are related to operations of functional organizations, such as failure to deliver goods timely, defects in products, insolvable technical issues, overestimated procurement costs, excess inventories, defective production and design, failure in factory premises, employees' discipline, labor accidents, fire, labor-management dispute, damage or loss of data, incorrect electronic information and error in financial information, et al.. "Information disclosure risk" means the risk resulting from the disclosure required by the corporate operation, such as improper pricing, media exposure of confidential information, inaccurate financial forecast, multiple adjustments on financial forecast, failure to provide quarterly/annual report as scheduled, failure to disclose information, and correction of errors etc…

We evaluate the risk levels by category so appropriate actions are taken as transfer, acceptance, reduction and avoidance. Moreover, we adopted the risk management mechanism to prepare to cope with the operation risk caused by global climate change; we analyze the potential impacts of carbon tax, higher electricity and water cost on our operational efficiency, and further enhance the risk management.



3.4 Information Regarding Board Members and Management

3.4.1 Profiles of the directors and the independent directors

2012/04/21

Title (note 1)	Name	Date of appointment (office)	Tenure (year)	Date of initial appointment (note 2)	Proportion of shareholding at the time of appointment		Proportion of shareholding at present		Proportion of shareholding by spouse and underage children		Proportion of shareholding under the title of a third party		Important experience (education) (note 3)	Manager, director, or supervisor who is the spouse or kin within the 2nd tier of the Civil Code		
					Quantity	%	Quantity	%	Quantity	%	Quantity	%		Title	Name	relation
Chairman	Raymond Soong	2010.6.15	3	1992.05.20	76,583,640	3.38%	77,351,355	3.39%	14,597,832	0.64%	0	0%	Honorary PhD in Management, National Chiao Tung University Chief Engineer, Texas Instruments. Taiwan Ltd.	-	-	-
Vice chairman	David Lin	2010.6.15	3	1998.05.19	7,650,217	0.34%	8,748,751	0.38%	509,084	0.02%	3,300,000	0.14%	EMBA,Tulane University GM of Texas Instruments Taiwan Ltd.	-	-	-
Director	Lite-On Capital Inc. Representative: Warren Chen	2010.6.15	3	2001.04.19 1998.05.19	14,597,619 0	0.65% 0%	14,743,953 7,466,527	0.65% 0.33%	0 648,831	0% 0.03%	0 0	0% 0%	Bachelor of Chemical Engineering, Chinese Culture University President of Lite-On Electronics Inc.	-	-	-
Director	Dorcas Investment Co., Ltd. Representative: Joseph Lin	2010.6.15	3	2001.04.19 2007.06.21	5,842,215 0	0.26% 0%	5,900,780 289,343	0.26% 0.01%	0 0	0% 0%	0 0	0% 0%	MBA, University of South California Bachelor of Dept of Mechanical Engineering, UCLA	-	-	-
Director	Da-Song Investment Co., Ltd. Representative: Keh-Shew Lu	2010.6.15	3	1998.05.19 2002.09.01	45,473,955 0	2.01% 0%	45,929,810 0	2.01% 0%	0 0	0% 0%	0 0	0% 0%	Bachelor, EE, National Cheng Kung University Master, EE, Texas Institute of Technology PhD, EE, Texas Institute of Technology Asian Regional President, Senior VP, Texas Instruments	-	-	-
Director	Da-Song Investment Co., Ltd. Representative : Rick Wu	2010.6.15	3	1998.05.19 2001.04.19	45,473,955 0	2.01% 0%	45,929,810 973,470	2.01% 0.04%	0 50,000	0% 0%	0 0	0% 0%	Dept of Commerce, Tamkang University; VP, Group CEO Office, Lite-On Technology Corporation Supervisor, Leotek Corp. Supervisor, Co-Tech Copper Corp.	-	-	-
Director	Yuan Bao Development Investment Co. Ltd. Representative : CH Chen	2010.6.15	3	2004.06.15 2004.06.15	35,985,057 0	1.59% 0%	36,345,790 0	1.59% 0%	0 0	0% 0%	0 0	0% 0%	Dept of Mechanical Engineering, National Taiwan University	-	-	-

Title (note 1)	Name	Date of appointment (office)	Tenure (year)	Date of initial appointment (note 2)	Proportion of shareholding at the time of appointment		Proportion of shareholding at present		Proportion of shareholding by spouse and underage children		Proportion of shareholding under the title of a third party		Important experience (education) (note 3)	Manager, director, or supervisor who is the spouse or kin within the 2nd tier of the Civil Code		
					Quantity	%	Quantity	%	Quantity	%	Quantity	%		Title	Name	relation
Director	Yuan Bao Development Investment Co. Ltd. Representative : David Lee	2010.6.15	3	2004.06.15 2003.06.17	35,985,057 0	1.59% 0%	36,345,790 31,130	1.59% 0.00%	0 0	0% 0%	0 0	0% 0%	Graduate Institute of Accounting, National Cheng Chi University; Director, Dynacard Co.,Ltd.	-	-	-
Independent Director	Kuo-Feng Wu	2010.6.15	3	2007.6.21	0	0%	0	0%	0	0%	0	0%	Bachelor, Dept of Economics, National Chung Hsing University, Chairman, KPMG; Senior CPA, KPMG Director, Taipei CPA Association Executive Director, ROCCPA Independent Supervisor, Wistron Corporation, Supervisor, Darfon Corporatoin Deputy Managing Director,Financial Accounting Standards Committee, Accounting Research and Development Foundation, Convener, Accounting Practice Committee, Taiwan Accounting Association.	-	-	-
Independent Director	Harvey Chang	2010.6.15	3	2007.6.21	0	0%	0	0%	0	0%	0	0%	MBA, The Wharton School, Pennsylvania State University; Bachelor, Dept of Geology, National Taiwan University; Senior VP and CFO, TSMC; Chairman, China Securities Investment Trust Corp. President, China Development Trust Co. Ltd. ; President, Grand Cathay Securities; Manager, Trust Dept, International Dept, Chiao Tung Bank; Manger, Banking Dept, Morgan Bank Taipei Branch; Associate Manger, Multinational Corporation Dept, Citibank Taipei.	-	-	-

Title (note 1)	Name	Date of appointment (office)	Tenure (year)	Date of initial appointment (note 2)	Proportion of shareholding at the time of appointment		Proportion of shareholding at present		Proportion of shareholding by spouse and underage children		Proportion of shareholding under the title of a third party		Important experience (education) (note 3)	Manager, director, or supervisor who is the spouse or kin within the 2nd tier of the Civil Code		
					Quantity	%	Quantity	%	Quantity	%	Quantity	%		Title	Name	relation
Independent Director	Edward Yang	2010.6.15	3	2007.6.21	0	0%	0	0%	0	0%	0	0%	Stanford Executive Program (SEP), Stanford University, USA; Master of EE, Oregon State University, USA; Bachelor of EE, National Cheng Kung University; VP and CTO, Personal System Product Division, HP Corporation; VP and CTO, Corporate System Product Division, HP Corporation; President, Singapore Network and Telecommunications Business Unit, HP Corporation; Managing Director, Monte Jade Science and Technology Association: Managing Director, China Institute of Engineering; Information Service Managing Director, Industry Association of the Independent Director, Silicon Storage Technology	-	-	-

Note 1: Institutional shareholders shall specify the title and the names of the representatives (the representatives of institutional shareholders shall specify the title of the institutional shareholder) and fill in the form below.

Note 2: Provide the information on the initial date of director or supervisor position, and give the reasons for any interruption of the term of the office.

Note 3: Experience pertinent to current position in the specified duration, like a position in the CPA firm or an affiliated enterprise, give the information on the job title and the duties.

2. Independent Status of the Directors

2012/04/21

Qualification / Name (Note 1)	With at least 5 years of working experience and the following professional designations			Eligibility of independent status (Note 2)										Also a director to other companies (number of firms)
	A lecturer of private or public institutions of higher education specialized in business, legal affairs, finance, accounting, or the expertise required by the business of the Company	A judge, district attorney, lawyer, certified public accountant, or professional or technician who has passed relevant national examination and properly licensed.	Work experience in business, legal affairs, finance, accounting, or in an area required by the business of the Company	1	2	3	4	5	6	7	8	9	10	
Raymond Soong	No	No	Yes	-	-	-	-	V	-	V	V	V	V	0
David Lin	No	No	Yes	-	-	-	V	V	-	V	V	V	V	0
Representative of Lite-On Capital Inc.: Warren Chen	No	No	Yes	-	-	-	V	V	-	V	V	V	-	0
Representative of Dorcas Investment Co., Ltd.: Joseph Lin	No	No	Yes	V	V	V	V	V	V	V	V	V	-	0
Representative of Da-Song Investment Co., Ltd.: Keh-Shew Lu	No	No	Yes	V	-	V	V	V	-	V	V	V	-	0
Representative of Da-Song Investment Co., Ltd.: Rick Wu	No	No	Yes	V	-	V	V	V	-	V	V	V	-	0
Representative of Yuan Bao Development Investment Co., Ltd.: CH Chen	No	No	Yes	-	-	V	V	V	-	V	V	V	-	0
Representative of Yuan Bao Development Investment Co., Ltd.: David Lee	No	No	Yes	-	-	V	V	V	-	V	V	V	-	0
Kuo-Feng Wu	No	Yes	Yes	V	V	V	V	V	V	V	V	V	V	1
Harvey Chang	No	No	Yes	V	V	V	V	V	V	V	V	V	V	0
Edward Yang	No	No	Yes	V	V	V	V	V	V	V	V	V	V	0

Note 1: Space may be adjusted as needed.

Note 2: The directors and the supervisors meeting the following conditions in the period of two years before the appointment and during the term of office. Select the appropriate box by putting a " √ ".

(1) Not an employee of the Company or the affiliates of the Company.

(2) Not a director or supervisor of the Company or the affiliates of the Company (except of the Company or the parent of the Company, or an independent director of the companies where the Company directly or indirectly holding more than 50% of the shares bearing voting rights).

(3) The person, the spouse, and underage children, who hold more than 1% of the shares or hold more than 1% of the shares under the title of a third party, or who is among the top-10 natural person shareholders.

(4) Not a spouse, a kindred within the 2nd tier under the Civil Code, or a next of kin to a kindred within the 5th tier under the Civil Code of the aforementioned people stated in (1) through (3).

(5) Not a director, supervisor, or employee of an institutional shareholder that directly hold more than 5% of the outstanding shares of the Company, or a director, supervisor, or employee of the top-5 institutional shareholders of the Company.

(6) Not a director (trustee), supervisor(monitor), or manager of specific company or institution that has financial or business transactions with the Company, or a shareholder holding more than 5% of the shares of such company or institution.

(7) Not a professional, sole proprietor, partner, company or the owner, partner, director (trustee), supervisor(monitor), manager of the group enterprise that provide business, legal, financial , or accounting services or consultation to the Company, or a spouse to the aforementioned people.

(8) Not a spouse to or kindred within the 2nd tier under the Civil Code to another director.

(9) None of the provisions in Article 30 of the Company Law is applicable.

(10) Not being elected as the government, institution of their representative as stated in Article 27 of the Company Law.

3.4.2 . Profiles of the management team

Title (Note 1)	Name	Date of appointment (office)	Proportion of shareholding		Proportion of shareholding by spouse and underage children		Proportion of shareholding under the title of a third party		Important experience (education) (note 2)
			shares	%	shares	%	shares	%	
Group CEO/ Lite-On Technology CEO/ Core Business Investment CEO	Warren Chen	2002.11.04	7,466,527	0.33%	648,831	0.03%	0	0%	Dept of Chemical Engineering/University of Chinese Culture; Manager of Manufacturing Dept, Texas Instruments.
Deputy Group CEO	KC Teng	2002.11.04	3,947,940	0.17%	543,631	0.02%	0	0%	Dept of Economics/Catholic Fujen University; Planning Manager, Leading Enterprise
Group Chief Technology Officer	Paul Lo	2002.11.04	1,975,663	0.09%	15,014	0.00%	0	0%	School of Electrical Engineering/University of Waterloo; Manager, Texas Instruments.
Group Chief Strategy Officer and Business Group General President	Alexander Huang	2010.06.01	0	0%	220,025	0.01%	0	0%	Dept of Information Engineering (previously Computer Dept); Microsoft Greater China Regional President, President of Microsoft Taiwan.
Business Group President	Shilung Chiang	2002.11.04	806,832	0.04%	0	0%	0	0%	MBA, University of Pittsburgh; President, Computer Business Division, Digital Corporation.
Business Group President	Peter Chiu	2002.11.04	897,075	0.04%	0	0%	0	0%	Master of Finance, National Taiwan University; Master of Production System Engineering and Management Study, Taipei Technology University; Vice President, First International Computers.
Director of CEO Office and CIO	DI Wang	2002.11.04	1,182,023	0.05%	81,717	0.00%	0	0%	PhD, Northeastern University/Mathematics; VP in Sales Engineering, Potrans Electrical Corp.
VP	Weber Su	2002.11.04	346,558	0.02%	0	0%	0	0%	MBA, National Taiwan University; Philips Taiwan-Monitor Group Industrial Manager
Senior VP	Albert Chang	2002.11.04	393,054	0.02%	245,956	0.01%	0	0%	Master of Industrial Management, National Cheng Kung University; U.S. Branch President ,ABIT
Business Group President	Rex Chuang	2002.11.04	1,293,535	0.06%	405,624	0.02%	0	0%	Electronic Engineering, Hsin Pu Industrial Vocational School; General Manager of Opto Business Unit, Lite-On Technology
Business Unit General Manager	Sonny Chao	2002.11.04	1,100,363	0.05%	2,525	0.00%	0	0%	School of Industrial Engineering, Polytechnic Institute of N.Y.; Sr. Program Manager, Philips Taiwan Global Marketing & Sales
Business Unit General Manager	TC Huang	2002.11.04	1,138,070	0.05%	2,863	0.00%	0	0%	University of Leicester/Business Administration;Manager, E-Long Corporation
Business Group President	Johnson Sun	2002.11.04	1,889,258	0.08%	40,753	0.00%	0	0%	Dept of Electrical Engineering, Feng Chia University; Safety Engineer, Sony Corporation.
VP	Henry Chen	2003.11.01	273,179	0.01%	0	0%	0	0%	Graduate Institute of Electrical Engineering, Tatung University; Project Manager, Mustek Systems.
VP	Wing Eng	2002.11.04	1,854,761	0.08%	0	0%	0	0%	Master of Electrical Engineering, Stanford University; Director of Design Dept, AT&T Bell Lab.
VP	Tom Tang	2002.11.04	602,158	0.03%	1,657	0.00%	0	0%	Department of Electical Engineers, Chung Yung Christian University. Vice President, Pacific Image Electronic Co., Ltd.

Title (Note 1)	Name	Date of appointment (office)	Proportion of shareholding		Proportion of shareholding by spouse and underage children		Proportion of shareholding under the title of a third party		Important experience (education) (note 2)
			shares	%	shares	%	shares	%	
VP	HY Lee	2002.11.04	819,909	0.04%	25,376	0.00%	0	0%	Master of Industrial Engineering, National Ching Hua University; Asst VP, Universal Microelectronics
Business Unit General Manager	Andrew Hou	2007.10.01	471,826	0.02%	0	0%	0	0%	Computer Science, Syracuse University. President, Clientron Corp.
VP	CH Lei	2009.02.02	215,975	0.01%	0	0%	0	0%	Dept of Physics, Christian Chung Yuan University; Asst VP, Hon Hai Precision Industrial Corp.
Business Unit General Manager	Jason Tzeng	2009.02.01	529,504	0.02%	0	0%	0	0%	Computer, Monmouth University; Procurement/OEM Manager, Philips;
VP	Rex Wu	2010.03.01	1,065,932	0.05%	0	0%	0	0%	PhD, Electronic Engineering, National Chiao Tung University; Assit VP of R&D department, SINETEC TECHNOLOGY CO., LTD
VP	Lobo Wang	2011.02.14	0	0%	0	0%	0	0%	PhD of Business Administration, Inter American University; Vice President, Eaton Electrical.
VP	Charley Wang	2012.01.02	782	0.00%	0	0%	0	0%	Graduate Institute of Technology and Innovation Management, National ChengChi University; VP of Lite-On Technology
Senior VP	Angela Huang (Note 3)	2002.11.04	2,862,227	0.13%	250,564	0.01%	0	0%	MBA, Tulane University, USA; CFO, Texas Instruments.
VP of Finance	Brownson Chu	2004.10.22	713,680	0.03%	578	0.00%	0	0%	Dept of Accounting, Feng Chia University; Asst VP, Finance Dept, Lite-On IT Corporation
Chief Audit Officer	James Ho	2002.11.04	1,274,876	0.06%	0	0%	0	0%	MBA, Santa Clara University; Asia Source In(USA)

Note 1: Management information shall include CEO, Vice CEO, General Manager and Supervisor of each department. For those managers with equivalent position to CEO, Vice CEO, or General Managers should be all disclosed.

Note 2: Experience relate to current position. If the person had worked in the company's appointed auditing firm or affiliates during the reporting period, please specify the job field and job title in above form.

Note 3: Angela Huang retired on 2011/06/30.

3.5 Statement of Internal Control System

Lite-On Technology Corporation
Statement of Internal Control System

Date: April 25, 2012

Based on the findings of a self-assessment, Lite-On Technology Corporation (LOT) states the following with regard to its internal control system during the year 2011:

1. LOT is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. LOT has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of LOT contains self-monitoring mechanisms, and LOT takes corrective actions as soon as a deficiency is identified.
3. LOT evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies " (herein referred to as "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5.monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. LOT has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, LOT believes that as at December 31, 2011, its internal control system (including its supervision and management of subsidiaries), which encompasses internal controls for the knowledge of the degree of achieving operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operated and reasonably assured the achievement of the above-stated objectives.
6. This Statement will form an integral part of LOT's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the LOT Board of Directors' Meeting on April 25, 2012, where all of the eleven attending directors did not express any dissenting opinion and affirmed the content of this Statement.

Lite-On Technology Corporation

Raymond Soong
Chairman

Warren Chen
CEO

3.6 Major Resolutions of the General Meeting and Board Meetings

The Company held a regular session of the General Meeting of 2011 on June 22nd 2011 at the International Conference Center of Lite-On Technology Building located at No. 392, Ruey Kuang Road, Neihu, Taipei. Major resolutions and the status of execution are shown below:

i. Acknowledgement of the Year 2009 audited Financial Statements.

ii. Acknowledgement of the Year 2009 distribution of earnings.

iii. Discussion of the issuance of new shares from the conversion of the Year 2009 earnings and stock dividends.

All above resolutions were agreed by all shareholders attending AGM.

Following are the important resolutions from the board during 2011/01/01-2012/04/30.

1. BOD resolution on 2011/01/12

   - Investment of mainland China company: Lite-On Technology (Dun-gun) Co., Ltd.(Tentative)
   - Approved subsidiary Perlos (Guangzhou) Electronic Components Co. Ltd to setup RF Module manufacturing facilities.

2. BOD announcement on 2011/02/11

   - Announcement of endorsements/guarantees for subsidiary loan to support subsidiary to get low interest rate for mid to long term operation capital.

3. BOD resolutions on 2011/03/25

- Lite-On Technology Corp. announced Y2010 financial reports.
- Lite-On Technology Corp. announced Y2010 consolidated financial reports.
- Announcement a Solar Power Plant disposal plan in Italy On behalf of Romeo Tetti PV1 S.R.L.
- BOD resolute the schedule and agenda of year 2011 shareholders' meeting.

4. BOD resolutions on 2011/04/28

- Lite-On Technology Corp. announced Y2011 1Q financial reports
- Issuance of new share for capital increase from year 2010 operation and distribution of employee bonus.
- Board of Directors resolution for dividend distribution.
- BOD approved subsidiary, Lite-on Mobile Oyj, to close the Mexico plant.

5. BOD resolutions on 2011/05/30

- Lite-On Technology will invest in the Lite-On Mobile Pte Ltd. via its subsidiary Perlos (GuangZhou) electronic components Co., Ltd. and Zhuhai Lite-On Mobile Technology Co. Ltd. for USD 3.5M and USD 2.5M respectively.

6. BOD resolutions on 2011/07/13

- Modify the SOP for issuance of new share for capital increase from Year 2011 operation and distribution of employee bonus.

7. BOD resolutions on 2011/08/26

- Lite-On Technology Corp. announced Y2011 first half financial reports.
- Lite-On Technology Corp. announced Y2011 first half consolidated financial reports.
- Modify the organization guidelines for compensation committee of the board.
- Propose candidates for the third-term compensation committee

8. BOD resolutions on 2011/10/31

- Lite-On Technology announced Y2011 third quarter financial reports.

9. BOD resolutions on 2011/011/22

- Convert receivables from Perlos Mexico Holding Corporation (”Perlos US”) into Lite-On Mobile Oyj (”LOM”)’s equity.
- The amount to be converted into equity as additional paid-in capital will be dated on January 10th in 2012.

10. BOD resolutions on 2012/02/13

- Announced organization adjustment of management team
- Disposal of investment in Wistron Corp.

11. BOD resolutions on 2012/03/26

- Lite-On Technology Corp. 2011 annual standalone financial reports and consolidated financial reports
- Merge one of the Subsidiaries in China.
- Announced the date of Annual Shareholders’ Meeting.

12. BOD resolutions on 2012/04/25

- Lite-On Technology Corp. announced Y2012 first quarter financial reports
- Announced the dividend distribution from year 2011
- Issuance of new share for capital increase from year 2011 operation and distribution of employee bonus.

3.7 Corporate Governance Operation

3.7.1 Meeting attendance of the Board of Directors

The Board has held 12 meetings (A) from January 1st 2011 to April 30th 2012 with the attendance of the directors and independent directors specified below:

Title	Name (note 1)	Attend (sit in) in person (B)	Attend by proxy	Attendance rate (%)【B/A】(Note 2)
Chairman	Raymond Soong	9	3	75%
Vice Chairman	David Lin	12	0	100%
Director	Dorcas Investment Co., Ltd. Representative:Joseph Lin	11	1	92%
Director	Lite-On Capital Inc. Representative:Warren Chen	11	1	92%
Director	Da-Song Investment Co., Ltd. Representative:Keh-Shew Lu	3	9	25%
Director	Da-Song Investment Co., Ltd. Representative: Rick Wu	10	2	83%
Director	Yuan Bao Development Investment Co., Ltd. Representative: CH Chen	10	2	83%
Director	Yuan Bao Development Investment Co., Ltd. Representative: David Lee	12	0	100%
Independent Director	Kuo-Feng Wu	12	0	100%
Independent Director	Harvey Chang	11	1	92%
Independent Director	Edward Yang	8	4	67%

Important Notice:

1. Minutes of Board meetings where Article 14-3 of the Securities and Exchange Act is applicable and contained information on the objection or qualified opinions of the independent directors on record or in writing: none.

2. The avoidance of the conflict of interest by the directors on relevant motions: one occasion, in the 7th session of the 27th Board of Directors, and in the General Meeting in 2010, the motion for the approval of the nomination of the candidate for the seat of independent director. Mr. Kuo-Feng Wu, Harvey Chang, and Edward Yang, the directors, avoid the discussion and vote on this motion.

3. For strengthening and accelerating the growth strategy of the Company and the whole business group, the Company has established the Growth Strategy Committee in 2010 and established the regulation for the organization of the committee.

Note 1: If the director or supervisor is an institution, disclose the title of the institutional shareholder and the names of the representatives.

Note 2: (1) If a specific director or supervisor resigned before the end of the fiscal year, specify the date of resignation in relevant field. The attendance (sit in) rate of such director or supervisor in Board meetings shall be based on the actual attendance to meetings during his term of office.

(2) If there is a newly elected director or supervisor who filled the vacancies of the relieved director or supervisor, specify the names of and differentiate the old and new directors or supervisors, the date of office of the new director or supervisor or the date of renewal. The attendance (sit in) rate of such director or supervisor in Board meetings shall be based on the actual attendance to meetings during his term of office.

3.7.2 Meeting attendance of the Audit Committee

1. Lite-On Technology has established the Audit Committee on June 21 2007 to perform the functions of the supervisors as required by law.

2. The Audit Committee has held 12 sessions (A) from January 1st 2011 to April 30th 2012 and with the attendance of the independent director as shown below:

Title	Name	Attend (sit in) in person (B)	Attend by proxy	Attendance rate (%)【B/A】(note)
Independent Director	Kuo-Feng Wu	12	0	100%
Independent Director	Harvey Chang	11	1	92%
Independent Director	Edward Yang	11	1	92%

Important Notice:

1. Issues stated in Article 14-5 of the Securities and Exchange Act of the ROC and other issues not passed by the Audit Committee but resolved by more than two-thirds of the directors: none.
2. The act of the avoidance of the conflict of interest by the independent director: none.
3. The communications between the independent director and the Chief Audit Officer and the certified public accountants:
   (1) The Chief Audit Officer reported to the Audit Committee on the establishment of and amendment to the internal control system.
   (2) The Chief Audit Officer reported to the Audit Committee on the conduct of internal audits and the findings.
   (3) The Chief Audit Officer reported to the Audit Committee on the annual audit plan and the implementation of the plan.
   (4) The Chief Audit Officer reported to the Audit Committee on the findings of each audit and the tracking of corrective actions and preventive actions.
   (5) The Chief Audit Officer provided information on the addition or amendment of laws governing securities and exchange to the Audit Committee.
   (6) The Chief Audit Officer presented to the Audit Committee the report on the conduct of special audits prescribed by the committee and the findings.
   (7) The certified public accountants reported to the Audit Committee on the planning, implementation, and result of the semi-annual and the annual external audits.
   (8) The certified public accountants reported to the Audit Committee on newly established statement of financial accounting standards and related laws on securities and exchange any time as needed.

Captial and Shares

4.1 The top-10 shareholders

Name (note 1)	Shareholding by self		Shareholding by spouse and underage children		Shareholding under the title of a third party		Specify the names and relations of the top-10 shareholders who are related-parties as stated in SFAS No. 6, or spouse or kindred within the 2nd tier under the Civil Code (note 3)		Remarks
	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Title (or name)	Relation	None
Raymond Soong	77,351,355	3.39%	14,597,832	0.64%	0	0%	Ta-Rong/Da-Song Investment Co., Ltd)	Director	None
Ta-Rong Investment Co., Ltd.	67,639,872	2.97%	0	0%	0	0%	Raymond Soong	Director	None
Ta-Rong Investment Co., Ltd. Representative: Tsai Shu-Yan	18,635	0.00%	0 0	0% 0%	0 0	0% 0%	None	None	None
Labor Insurance Bureau	58,909,119	2.58%	0	0%	0	0%	None	None	None
Shin Kong Life Insurance Co., Ltd.	53,709,404	2.36%	0	0%	0	0%	None	None	None
Shin Kong Life Insurance Co., Ltd. Representative: Wu Dong-Jin	0	0%	0 0	0% 0%	0 0	0% 0%	None None	None None	None None
Chunghwa Post Co., Ltd.	49,446,875	2.17%	0	0%	0	0%	None	None	None
Chunghwa Post Co., Ltd. Representative: You Fang-Lai	0	0%	0 0	0% 0%	0 0	0% 0%	None	None	None
Capital Asset Management investment account under the custody of Citibank Taiwan	46,223,047	2.03%	0	0%	0	0%	None	None	None
Da-Song Investment Co., Ltd.	45,929,810	2.01%	0	0%	0	0%	Raymond Soong	Director	None
Da-Song Investment Co., Ltd. Representative: Keh-Shew Lu	0	0%	0	0%	0 0	0% 0%	None None	None None	None None
Da-Song Investment Co., Ltd. Representative: Rick Wu	973,470	0.04%	50,000	0.00%	0 0	0% 0%	None None	None None	None None
Singapore Government investment account under the custody of Citibank Taiwan	40,467,394	1.78%	0	0%	0	0%	None	None	None
Vanguard Asset Management investment account under the custody of Citibank Taiwan	38,605,688	1.69%	0	0%	0	0%	None	None	None
Civil Servants Retirement and Pension Fund Management Committee	38,126,418	1.67%	0	0%	0	0%	None	None	None

4.2 Change in the proportion of shareholding among the Directors, Managers, and Major Shareholders

Title (note 1)	Name	2011		Current period to April 21	
		Change in number of shareholdings	Change in number of shares pledged under lien	Change in number of shareholdings	Change in number of shares pledged under lien
Chairman	Raymond Soong	384,832	0	0	0
Vice Chairman	David Lin	491,287	0	0	0
Director	Dorcas Investment Co., Ltd	73,353	0	0	0
	Representative: Warren Chen	964,510	0	0	0
Director	Dorcas Investment Co., Ltd	29,357	0	0	0
	Representative:Joseph Lin	1,439	0	0	0
Director	Da Song Investment Co., Ltd.	228,506	0	0	0
	Representative: Keh0Shew Lu	0	0	0	0
Director	Da Song Investment Co., Ltd.	228,506	0	0	0
	Representative: Rick Wu	(442,919)	0	0	0
Director	Yuan Bao Development & Investment Co., Ltd.:	180,824	0	0	0
	Representative: CH Chen	0	0	0	0
Director	Yuan Bao Development & Investment Co., Ltd.:	180,824	0	0	0
	Representative: David Lee	154	0	0	0
Independent Director	Kuo Feng Wu	0	0	0	0
Independent Director	Harvey Chang	0	0	0	0

Title (note 1)	Name	2011		Current period to April 21	
		Change in number of shareholdings	Change in number of shares pledged under lien	Change in number of shareholdings	Change in number of shares pledged under lien
Independent Director	Edward Yang	0	0	0	0
Group CEO/ Core Business Investment CEO	Warren Chen	964,510	0	0	0
Group Deputy CEO	KC Teng	(278,866)	0	0	0
Group Chief Technology Officer	Paul Lo	(44,171)	0	0	0
Group Chief Strategy Officer and Business Group President	Alexander Huang	(500,000)	0	0	0
Business Group president	Shilung Chiang	204,511	0	(300,000)	0
Business Group President	Peter Chiu	302,473	0	0	0
Director of CEO Office and CIO	DI Wang	61,368	0	(153,000)	0
VP	Weber Su	173,614	0	(570,000)	0
Senior VP	Albert Chang	(20,918)	0	(108,000)	0
Business Group President	Rex Chuang	40,117	0	(5,000)	0
Business Unit General Manager	Sonny Chao	53,554	0	(84,000)	0
Business Unit General Manager	TC Huang	264,368	0	0	0
Business Group President	Johnson Sun	177,633	0	0	0
VP	Henry Chen	(5,383)	0	(52,000)	0
VP	Wing Eng	188,332	0	0	0
VP	Tom Tang	(22,054)	0	0	0
VP	HY Lee	159,482	0	(36,000)	0
Business Unit General Manager	Andrew Hou	221,252	0	0	0

Title (note 1)	Name	2011		Current period to April 21	
		Change in number of shareholdings	Change in number of shares pledged under lien	Change in number of shareholdings	Change in number of shares pledged under lien
VP	CH Lei	120,477	0	0	0
Business Unit General Manager	Jason Tzeng	99,699	0	(154,000)	0
VP	Rex Wu	199,308	0	(30,000)	0
VP	Lobo Wang	0	0	0	0
VP	Charley Wang (Assume on 2012/1/2)	0	0	0	0
Senior VP	Angela Huang(Retired on 2011/6/30)	0	0	0	0
VP of Finance	Brownson Chu	8,326	0	(120,000)	0
Chief Auditing Officer	James Ho	130,884	0	(33,000)	0

Note 1: If a specific shareholder holds more than 10% of the shares of the Company, mark as dominant shareholder and list out separately.

Information on shares pledged under lien

Name (Note 1)	Reason for change of lien (note 2)	Date of change	Counter-party	Affiliation of the counterparty to the Company, directors, Supervisors, and shareholders holding More than 10% of the shares of the Company	Quantity of shares	Proportion of shareholding	Proportion of shares Pledged under lien	Pledge (redemption) amount
0	0	0	0	0	0	0	0	0

Note 1: Provide the names of the directors, supervisors, managers, and shareholders holding more than 10% of the shares of the Company.

Note 2: Provide information on pledged under lien or redemption.

Standalone Financial Statements of 2011

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lite-On Technology Corporation

We have audited the accompanying balance sheets of Lite-On Technology Corporation as of December 31, 2011 and 2010, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, as disclosed in Note 9 to the financial statements, we did not audit the financial statements of some equity-method investees as of and for the years ended December 31, 2011 and 2010. The carrying values of these investments included in the accompanying balance sheets were 2.07% (NT$2,344,663 thousand) and 2.25% (NT$2,616,755 thousand) of the Corporation's total assets as of December 31, 2011 and 2010, respectively. Also, the equity amounting to NT$57,475 thousand and NT$210,381 thousand in the investees' net earnings were 0.76% and 2.27%, respectively, of the Corporation's income before income tax in 2011 and 2010, respectively. The financial statements of the foregoing investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts pertaining to these investments, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Lite-On Technology Corporation as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Lite-On Technology Corporation and subsidiaries as of and for the years ended December 31, 2011 and 2010 and have issued a modified unqualified opinion thereon in our report dated March 26, 2012.

Deloitte & Touche

March 26, 2012

Notice to Readers

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

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

LITE-ON TECHNOLOGY CORPORATION

BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2011 Amount	2011 %	2010 Amount	2010 %
CURRENT ASSETS				
Cash (Note 4)	$ 9,749,614	9	$ 6,323,605	5
Accounts receivable, net (Notes 2 and 5)	13,894,932	12	15,564,885	13
Accounts receivable from related parties (Notes 2 and 22)	4,679,131	4	7,665,349	7
Other receivables from related parties (Notes 2 and 22)	1,295,664	1	1,821,811	2
Other financial assets - current	180,982	-	212,123	-
Inventories, net (Notes 2 and 6)	4,474,796	4	6,684,182	6
Prepayments	202,556	-	771,071	1
Deferred income tax assets - current (Notes 2 and 19)	306,618	1	568,302	-
Total current assets	34,784,293	31	39,611,328	34
INVESTMENTS (Notes 2, 7, 8, 9 and 27)				
Available-for-sale financial assets - noncurrent	1,720,240	2	2,858,304	2
Financial assets carried at cost	535,630	-	814,518	1
Investments accounted for by the equity method	70,169,806	62	65,717,832	57
Prepayments for investments	-	-	616,800	-
Total investments	72,425,676	64	70,007,454	60
PROPERTIES (Notes 2 and 10)				
Cost				
Land	2,280,117	2	2,280,117	2
Buildings	3,674,272	3	3,699,532	3
Machinery and equipment	1,481,551	1	1,645,009	2
Molding equipment	388,170	-	371,487	-
Transportation equipment	1,137	-	2,137	-
Office equipment	480,810	1	423,178	1
Leased assets	5,515	-	5,515	-
Miscellaneous equipment	1,532,392	2	1,555,432	1
Total cost	9,843,964	9	9,982,407	9
Less: Accumulated depreciation	4,455,576	4	4,350,820	4
Accumulated impairment	15,029	-	15,029	-
	5,373,359	5	5,616,558	5
Add: Prepayments for equipment	9,105	-	9,300	-
Net properties	5,382,464	5	5,625,858	5
INTANGIBLE ASSETS (Notes 2 and 11)				
Patents	14,698	-	19,220	-
Goodwill	544,918	-	544,918	1
Other intangible assets	51,193	-	92,149	-
Total intangible assets	610,809	-	656,287	1
OTHER ASSETS				
Idle assets, net (Notes 2 and 12)	-	-	144	-
Refundable deposits	86,371	-	87,823	-
Deferred charges, net (Note 2)	175,175	-	134,082	-
Restricted assets - noncurrent (Note 23)	735	-	-	-
Others (Notes 2 and 16)	19,834	-	4,789	-
Total other assets	282,115	-	226,838	-
TOTAL	$ 113,485,357	100	$ 116,127,765	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2011 Amount	2011 %	2010 Amount	2010 %
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 1,050,000	1	$ 63,851	-
Notes payable	1,962	-	-	-
Accounts payable	6,656,629	6	7,262,773	6
Accounts payable to related parties (Note 22)	14,560,064	13	18,082,679	16
Income tax payable (Notes 2 and 19)	441,682	-	593,698	-
Accrued expenses	2,789,675	2	2,804,673	2
Other payable to related parties (Note 22)	663,986	1	744,297	1
Advance receipts	560,101	1	629,652	-
Current portion of long-term bank loans (Note 14)	-	-	3,066,667	3
Obligations under capital leases - current (Note 15)	504	-	1,494	-
Product warranty reserve (Note 2)	181,346	-	251,337	-
Other current liabilities	946,473	1	1,831,503	2
Total current liabilities	27,852,422	25	35,332,624	30
LONG-TERM LIABILITIES				
Long-term bank loans, net of current portion (Note 14)	15,700,000	14	11,266,667	10
Derivative financial liability for hedging - noncurrent (Notes 2 and 27)	165,225	-	159,166	-
Obligations under capital leases - noncurrent, net of current portion (Note 15)	322	-	520	-
Total long-term liabilities	15,865,547	14	11,426,353	10
RESERVE FOR LAND VALUE INCREMENT TAX (Note 2)	230,216	-	230,216	-
OTHER LIABILITIES				
Guarantee deposits received	18,101	-	14,259	-
Deferred income tax liabilities - noncurrent (Notes 2 and 19)	358,451	-	543,363	1
Deferred credits - gain on intercompany transactions (Note 2)	233,398	-	234,387	-
Total other liabilities	609,950	-	792,009	1
Total liabilities	44,558,135	39	47,781,202	41
SHAREHOLDERS' EQUITY				
Authorized 3,500,000 thousand shares; issued and outstanding 2,309,980 thousand shares in 2011 and 2,284,794 thousand shares in 2010	23,099,801	20	22,847,940	20
Capital surplus				
Additional paid-in capital from insurance in excess of par value	8,533,185	8	8,200,480	7
Bond conversion	7,641,499	7	7,641,499	6
Treasury stock transactions	416,974	-	346,691	-
Long-term investments	907,070	1	959,438	1
Merger	10,255,921	9	10,255,921	9
Employee stock options	4,602	-	2,857	-
Total capital surplus	27,759,251	25	27,406,886	23
Retained earnings				
Legal reserve	7,125,313	6	6,226,667	6
Unappropriated earnings	11,729,938	11	11,985,007	10
Total retained earnings	18,855,251	17	18,211,674	16
Other items of shareholders' equity				
Cumulative translation adjustments	1,625,560	1	489,217	1
Net loss not recognized as pension cost	(17,182)	-	(22,338)	-
Unrealized valuation gain (loss) on financial instruments	(372,591)	-	1,429,993	1
Unrealized loss on cash flow hedging	(165,225)	-	(159,166)	-
Treasury stock - 58,405 thousand shares in 2011 and 58,266 thousand shares in 2010	(1,857,643)	(2)	(1,857,643)	(2)
Total other items of shareholders' equity	(787,081)	(1)	(119,937)	-
Total shareholders' equity	68,927,222	61	68,346,563	59
TOTAL	$ 113,485,357	100	$ 116,127,765	100

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

(With Deloitte & Touche audit report dated March 26, 2012)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	%	Amount	%
SALES	$ 95,781,443	101	$ 104,238,563	101
LESS: SALES RETURNS	562,429	-	503,686	1
SALES ALLOWANCES	617,095	1	496,574	-
NET SALES (Notes 2 and 22)	94,601,919	100	103,238,303	100
COST OF SALES (Notes 6, 20 and 22)	87,712,980	93	96,197,738	93
GROSS PROFIT	6,888,939	7	7,040,565	7
UNREALIZED INTERCOMPANY GAINS (Note 2)	(288)	-	(38,611)	-
REALIZED GROSS PROFIT	6,888,651	7	7,001,954	7
OPERATING EXPENSES (Notes 20 and 22)				
Selling and marketing	1,731,425	2	2,278,323	2
General and administrative	2,278,928	2	2,638,812	3
Research and development	1,422,138	2	1,292,289	1
Total operating expenses	5,432,491	6	6,209,424	6
OPERATING INCOME	1,456,160	1	792,530	1
NONOPERATING INCOME AND GAINS				
Interest income	52,069	-	20,192	-
Investment income recognized under the equity method, net (Notes 2 and 9)	5,508,630	6	8,165,750	8
Dividend income	135,113	-	100,111	-
Gain on disposal of properties	4,443	-	2,815	-
Gain on disposal of investments, net	309,135	1	279,010	-
Other income (Note 22)	990,812	1	785,239	1
Total nonoperating income and gains	7,000,202	8	9,353,117	9
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2 and 27)	291,441	-	279,608	-
Loss on disposal of properties	219	-	786	-
Foreign exchange loss, net (Note 2)	50,191	-	66,895	-

(Continued)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	%	Amount	%
Impairment loss on financial assets carried at cost (Notes 2 and 8)	$ 278,888	-	$ 133,110	-
Other expenses (Note 20)	300,450	1	387,830	1
Total nonoperating expenses and losses	921,189	1	868,229	1
INCOME BEFORE INCOME TAX	7,535,173	8	9,277,418	9
INCOME TAX (Notes 2 and 19)	309,248	-	290,961	-
NET INCOME	$ 7,225,925	8	$ 8,986,457	9

	2011		2010	
	Pretax	After-tax	Pretax	After-tax
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 21)				
Basic	$ 3.36	$ 3.22	$ 4.16	$ 4.03
Diluted	$ 3.30	$ 3.16	$ 4.09	$ 3.96

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:

	2011		2010	
	Pretax	After-tax	Pretax	After-tax
NET INCOME	$ 7,605,456	$ 7,296,208	$ 9,332,251	$ 9,041,290
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	$ 3.35	$ 3.21	$ 4.13	$ 4.00
Diluted	$ 3.29	$ 3.16	$ 4.06	$ 3.93

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

(With Deloitte & Touche audit report dated March 26, 2012) (Concluded)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars; Except Cash Dividends Per Share)

	Issued and Outstanding Capital Stock (Note 17)		Share Subscriptions Received in Advance	Capital Surplus (Notes 2 and 17)							Retained Earnings (Notes 2 and 17)			Cumulative Translation Adjustments (Note 2)	Net Loss not Recognized as Pension Cost (Note 2)	Unrealized Valuation Gain (Loss) on Financial Instrument (Notes 2 and 17)	Unrealized Loss on Cash Flows Hedging (Note 2)	Treasury Stock (Notes 2 and 18)	Total Shareholders' Equity
	Shares (Thousands)	Amount		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						
BALANCE, JANUARY 1, 2010	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)	$ 64,243,062
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)	-	-	-	-	-	-
Bonus to employees-stock	11,073	110,725	-	258,877	-	-	-	-	-	258,877	-	-	-	-	-	-	-	-	369,602
Issuance of stock on the exercise of employee stock options	201	2,015	-	6,871	-	-	-	-	-	6,871	-	-	-	-	-	-	-	-	8,886
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 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
Net income in 2010	-	-	-	-	-	-	-	-	-	-	-	8,986,457	8,986,457	-	-	-	-	-	8,986,457
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	486	-	-	-	486
Unrealized valuation loss on available-for sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(105,407)	-	-	(105,407)
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	(718,990)	-	-	-	-	(718,990)
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)	68,346,563
Appropriation of prior year's earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	-	898,646	(898,646)	-	-	-	-	-	-	-
Cash dividends - 28.7%	-	-	-	-	-	-	-	-	-	-	-	(6,469,637)	(6,469,637)	-	-	-	-	-	(6,469,637)
Stock dividends - 0.5%	11,271	112,711	-	-	-	-	-	-	-	-	-	(112,711)	(112,711)	-	-	-	-	-	-
Bonus to employees -stock	13,915	139,150	-	332,705	-	-	-	-	-	332,705	-	-	-	-	-	-	-	-	471,855
Cash dividends received by subsidiaries	-	-	-	-	-	70,283	-	-	-	70,283	-	-	-	-	-	-	-	-	70,283
Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees	-	-	-	-	-	-	(2,152)	-	-	(2,152)	-	-	-	-	-	-	-	-	(2,152)
Adjustment arising from changes in unrealized loss on subsidiaries' financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(666,937)	-	-	(666,937)
Adjustment arising from changes in capital surplus from long-term equity investments	-	-	-	-	-	-	(50,216)	-	1,745	(48,471)	-	-	-	-	-	-	-	-	(48,471)
Unrealized loss on cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,059)	-	(6,059)
Net income in 2011	-	-	-	-	-	-	-	-	-	-	-	7,225,925	7,225,925	-	-	-	-	-	7,225,925
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,135,647)	-	-	(1,135,647)
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	1,136,343	-	-	-	-	1,136,343
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,156	-	-	-	5,156
BALANCE, DECEMBER 31, 2011	2,309,980	$ 23,099,801	$ -	$ 8,533,185	$ 7,641,499	$ 416,974	$ 907,070	$ 10,255,921	$ 4,602	$ 27,759,251	$ 7,125,313	$ 11,729,938	$ 18,855,251	$ 1,625,560	$ (17,182)	$ (372,591)	$ (165,225)	$ (1,857,643)	$ 68,927,222

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

(With Deloitte & Touche audit report dated March 26, 2012)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 7,225,925	$ 8,986,457
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	452,173	594,392
Amortization	132,003	123,238
Allowance (reversal of allowance) for doubtful accounts	30,642	(43,260)
Gain on sale of investments, net	(309,135)	(279,010)
Impairment loss on financial assets carried at cost	278,888	133,110
Gain on disposal of properties, net	(4,224)	(2,029)
Investment income recognized under the equity method, net	(5,508,630)	(8,165,750)
Cash dividends received from equity-method investees	3,036,523	6,308,896
Product warranty reserve	(69,991)	12,464
Prepaid pension cost	(15,045)	(21,477)
Deferred income taxes	76,772	(209,226)
Deferred credits - gain on intercompany transactions	288	38,611
Net changes in operating assets and liabilities		
Notes receivable	-	103
Accounts receivable	1,639,311	(734,964)
Accounts receivable from related parties	2,986,218	1,266,294
Other receivable from related parties	696,485	(887,101)
Inventories	2,209,386	(64,201)
Other financial assets - current	31,141	(38,947)
Prepayments	568,515	(262,688)
Notes payable	1,962	(20)
Accounts payable	(606,144)	(1,724,994)
Accounts payable to related parties	(3,522,615)	808,815
Other payable to related parties	(80,311)	(101,378)
Income tax payable	(152,016)	(74,180)
Accrued expenses	456,857	648,444
Advance receipts	(69,551)	(177,764)
Other current liabilities	(813,962)	328,158
Net cash provided by operating activities	8,671,465	6,461,993
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments under the equity method	(1,139,824)	(1,358,070)
Acquisition of properties	(291,031)	(42,515)
Proceeds of disposal of investments under the equity method	216,594	390,085
Increase in deferred charges	(123,187)	(53,020)
Proceeds of disposal of financial assets carried at cost	98,703	8,973
Proceeds of the sale of available-for-sale financial assets - noncurrent	96,896	104,146
Proceeds of disposal of properties	9,844	29,634
Decrease in refundable deposits	1,452	1,884
Increase in restricted assets - noncurrent	(735)	-

(Continued)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
Increase in prepayments for investments	$ -	$ (616,800)
Proceeds of capital reduction on equity-method investments	-	368,481
Net cash used in investing activities	(1,131,288)	(1,167,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(6,469,637)	(5,021,541)
Increase (decrease) in long-term bank loans	1,366,666	(166,666)
Increase in short-term loans	986,149	11,681
Increase in guarantee deposits received	3,842	1,416
Decrease in obligations under capital leases	(1,188)	(3,788)
Proceeds of the exercise of employee stock options	-	8,886
Net cash used in financing activities	(4,114,168)	(5,170,012)
NET INCREASE IN CASH	3,426,009	124,779
CASH, BEGINNING OF YEAR	6,323,605	6,198,826
CASH, END OF YEAR	$ 9,749,614	$ 6,323,605
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid (excluding capitalized interests)	$ 312,741	$ 275,835
Income tax paid	$ 384,492	$ 574,367
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term debts	$ 504	$ 3,068,161
CASH PAID FOR THE ACQUISITION OF PROPERTIES		
Increase in properties	$ 219,963	$ 245,944
Decrease (increase) in payable for properties	71,068	(203,429)
	$ 291,031	$ 42,515

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

(With Deloitte & Touche audit report dated March 26, 2012) (Concluded)

LITE-ON TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Lite-On Technology Corporation (the "Corporation") was established in March 1989 and its shares are traded on the Taiwan Stock Exchange. The Corporation 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 Corporation merged with Lite-On Electronics, Inc., Silitek Corp., and GVC Corp., with the Corporation as the survivor entity. The merger took effect on November 4, 2002, and the Corporation thus assumed all rights and obligations of the three merged companies on that date. The Corporation merged with its subsidiary, Lite-On Enclosure Inc. (LOEI), with the Corporation as the survivor entity. The merger took effect on April 1, 2004, and the Corporation thus assumed all of LOEI's rights and obligations on that date.

As of December 31, 2011 and 2010, the Corporation had 1,898 and 1,875 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China. Under these guidelines and principles, the Corporation is required to make certain estimates and assumptions. Actual results could differ from these estimates.

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

The Corporation's significant accounting policies are summarized as follows.

Current and Noncurrent Assets and Liabilities

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

Revenue Recognition/Accounts Receivable/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. On unprocessed materials delivered to subcontractors for further processing, the Corporation does not recognize sales because this delivery does not involve a transfer of the risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Corporation and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

Royalties are recognized when:

a. It is probable that the economic benefits of a transaction will flow to the Corporation; 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.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Corporation adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Corporation should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

a. Significant financial difficulty of the debtor;
b. Accounts receivable becoming overdue; or
c. It becoming probable that the debtor will enter into bankruptcy or undergo financial reorganization.

Accounts receivable that are assessed not to be impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Corporation's past experience of collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Inventories

Inventories consist of materials and supplies, work in process, finished goods and merchandise. 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.

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 derecognized from the balance sheet. A regular purchase or sale of financial assets is recognized and derecognized using trade 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 between the results of using the straight-line method and those of the effective interest method is not material, the straight-line method can be used for amortization, with the amortized interest recognized in profit 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. An impairment loss on an equity instrument classified as available for sale can be reversed to the extent of the original carrying value and recognized as an adjustment adjustments to shareholders' equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss 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.

The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends arising from available-for-sale financial assets.

Long-term Equity Investments

The difference between the cost of the investment and the Corporation'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 Corporation 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 is used to reduce the fair value of each of the noncurrent assets acquired (exclude non-equity-method financial assets, assets for disposal, deferred tax assets and prepaid pension costs or other pension payments), with any remaining excess recognized as extraordinary gain.

If an investee issues additional shares and the Corporation acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Corporation's equity in its investee's net assets is credited to capital surplus. Any decrease in the Corporation'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 Corporation (reciprocal holdings) is computed using the treasury stock method. Upon the disposal of equity-method investments, the Corporation's shares in the capital surplus recognized by the investee, 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. The Corporation accounts for its stock held by subsidiaries as treasury stock. Dividends that the Corporation distributes to its subsidiaries are debited to investment income and are credited to capital surplus - treasury stock transactions.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee; however, if the Corporation has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee. The deferred 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 on the basis of total shares after stock dividends are received.

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

Properties

Properties are stated at cost less accumulated depreciation and accumulated impairment. Major renewals and betterments are capitalized; maintenance and repairs are charged to current expense.

Assets held under capital leases are initially recognized as assets of the Corporation 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; leased assets, 3 to 5 years; and miscellaneous equipment, 2 to 10 years. Properties still being used by the Corporation beyond their service lives are depreciated over their newly estimated service lives.

Upon revaluation of properties, 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 between revaluation increment and the land value increment tax credited to capital surplus.

Upon sale or other disposal of properties, 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 and client relationship (classified under other intangible assets) are amortized over six years and four years, respectively.

Goodwill arising from a merger 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.

Idle Assets

From January 1, 2006, idle assets reclassified into other assets are stated at the lower of carrying value or net realizable value and depreciated using the straight line method.

Deferred Charges

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

Asset Impairment

An impairment loss should be recognized if the carrying amount of properties, patents, goodwill, other intangible assets, idle assets, deferred charges and investments accounted for by the equity method exceeds, as of the balance sheet date, their recoverable amount, and this impairment loss should be charged to current income even if the asset is carried at a revalued amount. An impairment loss recognized in prior years could 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 prohibited.

For long-term equity investments on which the Corporation has significant influence but over which it has no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Product Warranty Reserve

The estimate of the related cost is based on historical experience about product service life and warranty period.

Pension Costs

Under the defined benefit pension plan, net pension costs are recognized on the basis of actuarial calculations, and, under the defined contribution pension plan, the Corporation makes monthly contributions to employees' individual pension accounts throughout the employees' service periods.

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.

Treasury Stock

The Corporation accounts for the cost of purchasing 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 of the same type. 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 a reduction in capital surplus - treasury stock of the same type, or a reduction in retained earnings for any deficiency where capital surplus - treasury stock of the same type is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of both 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 Corporation adopted the Statement of Financial Accounting Standards No. 30 - "Accounting for Treasury Stocks," which requires that the shares of the Corporation held by subsidiaries should be reclassified from investments by those subsidiaries to treasury stocks. The reclassification amounts were based on the carrying value of the subsidiaries' investments in the Corporation as of January 1, 2002.

Stock-based Compensation

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

Income Tax

The Corporation applies the inter-period allocation method to income tax. Deferred tax assets are recognized for the tax effects of deductible temporary differences and 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 in accordance with 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 realization date of the temporary difference.

Tax credits for certain purchases of equipment or technique, research and development, and personnel training, 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

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the spot rates of exchange in effect when the transactions occur. Gain or losses (measured from the transaction date or most recent intervening balance sheet date, whichever is later) realized upon the settlement of foreign-currency transaction at the prevailing exchange rates are credited or charged to income statement in the year in which the transaction is settled. For monetary transactions, on the balance sheet date, assets and liabilities are translated at the prevailing rate, and gain or loss is credited or charged to current income.

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 is 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 Corporation. These 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 type of 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 as follows:

a. Fair value hedge: The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss.

b. Cash flow hedge: The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in shareholders' equity. The amount recognized in shareholders' equity is recognized in profit or loss in the same year or years during which the hedged forecast transaction or an asset or liability arising from the hedged forecast transaction affects profit or loss. However, if all or a portion of a loss recognized in shareholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into profit or loss.

c. Hedge of a net investment in a foreign operation: The portion of the gain or loss on hedging instruments that is determined to be an effective hedge is recognized in shareholders' equity but is recognized as gain or loss on foreign operation disposal.

The Corporation uses hedging to stabilize net interest income or expense and control risks due to market value changes. Cash flow hedge is used to reduce interest rate risk, while fair value hedge is used to reduce the net present value risk of the hedged item.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2011.

3. ACCOUNTING CHANGES

Financial Instruments

On January 1, 2011, the Corporation adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Corporation are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change had no significant effect on the Corporation.

Operating Segments

On January 1, 2011, the Corporation adopted the newly issued SFAS No. 41 - "Operating Segments." The statement requires that segment information be disclosed on the basis of the information about the components of the Corporation that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Corporation's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." For this accounting change, the Corporation restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011, and this segment information is disclosed in the notes to the 2011 consolidated financial statements.

4. CASH

	December 31	
	2011	2010
Cash on hand	$ 850	$ 786
Demand deposits	2,740,724	3,020,494
Time deposits	7,008,040	3,302,325
	$ 9,749,614	$ 6,323,605

As of December 31, 2011 and 2010, the bank deposits overseas were as follows:

	December 31	
	2011	2010
Czech Republic - Prague (CZK54,254 thousand in 2011 and CZK180,028 thousand in 2010)	$ 82,564	$ 291,393
Poland - Warsaw (PLN1,017 thousand in 2011 and PLN1,003 thousand in 2010)	9,062	10,275
Germany - Nuremburg (EUR77 thousand)	3,028	-
	$ 94,654	$ 301,668

5. ACCOUNTS RECEIVABLE, NET

	December 31	
	2011	2010
Accounts receivable	$ 13,924,347	$ 15,608,584
Allowance for doubtful accounts	(29,415)	(43,699)
	$ 13,894,932	$ 15,564,885

Movements of the allowance for doubtful accounts were as follows:

	Years Ended December 31			
	2011		2010	
	Accounts Receivable	Overdue Receivable	Accounts Receivable	Overdue Receivable
Balance, beginning of year	$ 43,699	$ 63,061	$ 76,824	$ 73,546
Allowance (reversal of allowance) for doubtful accounts	13,214	17,428	(33,087)	(10,173)
Amounts written off	-	(58,938)	(38)	(312)
Accounts receivable reclassified to overdue receivable	(27,498)	27,498	-	-
Balance, end of year	$ 29,415	$ 49,049	$ 43,699	$ 63,061

Overdue receivables were classified under other assets (please refer to Note 12 - Other Assets).

Based on factoring agreements, losses from commercial disputes (such as sales returns and discounts) should be borne by the Corporation and losses from credit risk should be borne by the banks.

The factored accounts receivable that had not matured as of December 31, 2011 and 2010 were as follows:

Factor	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
December 31, 2011					
Taishin International Bank	US$ 1,766	US$ 1,766	$ -	Note	$ 160,000
December 31, 2010					
Taishin International Bank	US$ 6,096	US$ 6,086	$ -	Note	$ 160,000

Note: Based on interest rate agreed upon on advances received.

The above credit lines may be used on a revolving basis.

As of December 31, 2011, the factored accounts receivable outstanding in 2010 had been collected. The Corporation's factored accounts receivables amounted to US$1,766 thousand in 2011 and US$6,096 thousand in 2010.

6. INVENTORIES, NET

	December 31	
	2011	2010
Materials and supplies	$ 284,584	$ 534,549
Work in process	175,470	288,717
Finished goods	1,563,429	1,495,382
Merchandise	2,451,313	4,365,534
	$ 4,474,796	$ 6,684,182

As of December 31, 2011 and 2010, the allowances for inventory devaluation were $292,818 thousand and $314,446 thousand, respectively.

The costs of inventories recognized as costs of sales were $87,712,980 thousand in 2011 and $96,197,738 thousand in 2010. The foregoing amounts included (a) a reversal of the inventory write-down of $21,628 thousand; a loss of $101,447 thousand on inventory scraps; and a loss of $2,028 thousand on physical inventory for 2011; and (b) the allowance for loss on inventory of $130,243 thousand; a loss of $87,780 thousand on inventory scraps; and a gain of $7,531 thousand on physical inventory for 2010.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	December 31	
	2011	2010
Listed stocks (domestic)	$ 1,708,728	$ 2,782,060
Listed stocks (overseas)	11,512	76,244
	$ 1,720,240	$ 2,858,304

8. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2011	2010
Domestic and overseas unquoted common stocks	$ 479,196	$ 758,084
Emerging market stocks	56,434	56,434
	$ 535,630	$ 814,518

The above stocks and funds had no quoted price in an active market or had fair values that could not be reliably measured; thus, these investments were measured at cost.

Some of the Corporation's financial assets carried at cost - noncurrent in 2011 and 2010 were impaired. Thus, impairment losses were recognized as follows:

	2011	2010
Auria Solar, Inc.	$ 278,888	$ -
Aetas Technology, Inc.	-	133,110
	$ 278,888	$ 133,110

9. LONG-TERM STOCK INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2011		2010	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Listed				
Lite-On IT Corp.	$ 9,833,559	42.70	$ 9,382,001	43.01
Silitech Technology Corp.	2,269,003	34.90	2,134,594	36.96
Lite-On Semiconductor Corp.	1,385,354	18.37	1,286,662	18.24
Logah Technology Co., Ltd.	377,976	18.97	387,846	18.97
Lite-On Japan Ltd.	371,076	49.49	323,193	49.49
	14,236,968		13,514,296	
Unlisted				
Lite-On International Holding Co., Ltd.	15,035,730	100.00	12,964,208	100.00
Lite-On Electronics (HK) Ltd.	11,371,558	100.00	9,415,550	100.00
Lite-On Capital Inc.	9,548,254	100.00	9,730,911	100.00
Lite-On Technology (Europe) B.V.	6,643,131	54.00	6,563,283	54.00
Li Shin International Enterprise Corp.	4,282,845	100.00	4,304,010	100.00
Lite-On Singapore Pte. Ltd.	3,355,561	100.00	1,929,568	100.00
Lite-On Technology USA, Inc.	1,877,497	100.00	2,406,025	100.00
Lite-On Automotive Co., Ltd.	1,228,795	84.89	1,409,439	87.31
Dragonjet Corporation	965,810	29.74	1,047,676	29.83
Lite-On Electronics (Thailand) Co., Ltd.	954,613	100.00	998,206	100.00
LTC Group Ltd. (BVI)	374,337	100.00	999,445	100.00
Lite-On Overseas Trading Co., Ltd.	191,515	100.00	177,286	100.00
Lite-On Electronics (Europe) Ltd.	59,856	100.00	213,965	100.00
Lite-On Integrated Services Inc.	43,336	100.00	43,964	100.00
	55,932,838		52,203,536	
Long-term stock investments accounted for by the equity method	$ 70,169,806		$ 65,717,832	

The fair values of the domestic and overseas listed equity-method investments calculated at their closing prices as of December 31, 2011 and 2010 were as follows:

	December 31	
	2011	2010
Lite-On IT Corp.	$ 9,618,737	$ 12,818,851
Silitech Technology Corp.	4,331,825	5,915,377
Lite-On Semiconductor Corp.	983,612	1,669,283
Logah Technology Co., Ltd.	220,284	557,125
Lite-On Japan Ltd.	295,804	522,277

The combined equities of the Corporation and its subsidiaries were more than 20% of the outstanding common stock of Lite-On Semiconductor Corp. and Logah Technology Co., Ltd. as of December 31, 2011 and 2010. Thus, these investees were accounted for by the equity method.

The Corporation's independent auditors did not audit the financial statements as of and for the years end December 31, 2011 and 2010 of Lite-On Electronic (Thailand) Co., Ltd.; Lite-On Electronics (Europe) L G&W Technology (BVI) Ltd.; G&W Technology Limited; Fordgood Electronic Ltd.; Philips & Lite- Digital Solutions Netherlands B.V.; Philips & Lite-On Digital Solutions USA Inc.; Philips & Lite- Digital Solutions Germany GmbH; Lite-On Information Technology B.V.; Lite-On Information Technolo GmbH; Silitech Technology (Europe) Ltd.; Diodes, Inc.; Dynacard Co., Ltd.; Lite-On Automoti Electronics (Europe) B.V.; Lite-On Automotive North America Inc. The financial statements of forei investees accounted for by the equity method were audited by other auditors.

The Corporation included all of its direct and indirect subsidiaries in the consolidated financial statemer as of and for the years ended December 31, 2011 and 2010.

10. PROPERTIES

Accumulated depreciation consisted of the following:

	December 31	
	2011	2010
Buildings	$ 972,770	$ 912,563
Machinery and equipment	1,408,955	1,469,681
Molding equipment	369,369	292,402
Transportation equipment	804	1,666
Office equipment	352,395	357,919
Leased assets	3,670	2,097
Miscellaneous equipment	1,347,613	1,314,492
	$ 4,455,576	$ 4,350,820

Depreciation expenses for properties were $452,029 thousand in 2011 and $593,596 thousand in 2010.

11. INTANGIBLE ASSETS

The Corporation completed the purchase of some assets of the IrDA Department of Avago Technolog Limited. Based on Statement of Financial Accounting Standards (SFAS) No. 25 - "Busin Combinations" and SFAS No. 37 - "Intangible Assets," goodwill is recognized as the sum of the acquisiti cost plus other direct transaction costs minus the fair value of the identifiable net assets acquired. T 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 relationship (recognized as other intangible assets)	163,819	296,931
Goodwill		$ 411,932

As of the end of 2011 and 2010, the amounts amortized for patents, which have an estimated service life of six years, were $12,436 thousand and $7,914 thousand, respectively, and those for client relationships, which have an estimated service life of four years, $112,626 thousand and $71,670 thousand, respectively.

The amortization period for goodwill resulting from the Corporation'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, 2011 and 2010, the carrying values of goodwill were $132,986 thousand each.

12. OTHER ASSETS

a. Idle assets, net

	December 31	
	2011	2010
Cost		
Molding equipment	$ 6,170	$ 119,196
Office equipment	47	109
Miscellaneous equipment	113,064	38
	119,281	119,343
Accumulated depreciation	(87,564)	(87,482)
Accumulated impairment	(31,717)	(31,717)
	$ -	$ 144

b. Overdue receivables

	December 31	
	2011	2010
Overdue receivables	$ 49,049	$ 63,061
Allowance for doubtful accounts	(49,049)	(63,061)
	$ -	$ -

13. SHORT-TERM BANK LOANS

	December 31	
	2011	2010
Unsecured bank loans - interest: 1.54%-1.71% in 2011 and 0.40%-0.52% in 2010	$ 1,050,000	$ 63,851

14. LONG-TERM BANK LOANS

	December 31	
	2011	2010
Taiwan Cooperative Bank:		
The credit line is $1.7 billion. As of December 31, 2011, the Corporation had completely used the credit line; repayment period from April 29, 2011 to April 29, 2015; principal repayable quarterly from July 29, 2013 in eight equal installments; floating annual interest - 1.61% in 2011.	$ 1,700,000	$ -
The credit line is $2 billion. As of December 31, 2010, the Corporation had completely used the credit line; repayment period from July 31, 2008 to July 31, 2013; principal repayable quarterly from October 31, 2010 in 12 equal installments; floating annual interest - 1.39% in 2010.	-	1,833,334
Chang Hwa Bank:		
The credit line is $2 billion. As of December 31, 2011, the Corporation had used $0.5 billion of the credit line; contract valid from October 19, 2011 to October 19, 2016; lump sum repayment of principal in October 2016; floating annual interest, payable monthly - 1.661% in 2011.	500,000	-
Taipei Fubon Commercial Bank:		
The credit line is $1 billion. As of December 31, 2011, the Corporation had completely used the credit line; repayable semiannually in three installments from October 19, 2011 to September 5, 2014, with first two installments at $300 million each and the last installment at $400 million; floating annual interest – 1.4852% in 2011.	1,000,000	-
Syndicated loan with Citi Bank:		
The credit line is $15 billion, consisting of: (a) $12 billion, which is a refinancing of existing credit lines to improve financial structure and which should be used as a medium-term loan but may not be used on a revolving basis; and (b) $3 billion, which is for supporting operations and may be used on a revolving basis. As of December 31, 2011 and 2010, the Corporation had used the credit line (a) $12 billion in 2011 and 2010 and (b) $0.5 billion in 2011 and 2010. The principal of this syndication loan should be repaid in five semiannual installments from September 23, 2013.	12,500,000	12,500,000
Current portion	-	(3,066,667)
	$ 15,700,000	$ 11,266,667

On September 23, 2008, the Corporation signed the contract for a five-year syndicated loan with Citibank, and 14 other financial institutions, and on May 16, 2011, the loan agreement validity for a total of seven years. After this amendment, the syndicated loan contract validity is from September 23, 2008 to September 22, 2015. The credit line is $15 billion, consisting of:

a. $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

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

The principal of this syndicated loan should be repaid in five semiannual installments from September 23, 2013, and the quarterly interest rate is set by adding 55 points to the 90-day Taiwan subprime commercial paper interest rate.

Under the syndicated loan agreement, the Corporation should show in its most recent semiannual or annual consolidated financial statements that it is maintaining certain financial ratios. As of December 31, 2011, the Corporation was in compliance with all the financial ratio requirements.

15. OBLIGATIONS UNDER CAPITAL LEASES

	Due Within One Year	Due After One Year	Total
December 31, 2011			
Obligations under capital leases	$ 504	$ 322	$ 826
December 31, 2010			
Obligations under capital leases	$ 1,494	$ 520	$ 2,014

The Corporation is under three- to five-year capital lease agreements on machinery and equipment from September 1, 2009 to June 1, 2013, with 15.6% interest rate and monthly payments of $42 thousand to $120 thousand. The ownership of the leased assets will be transferred to the Corporation at the end of the lease term.

As of December 31, 2011, future lease payables were as follows:

	Amount
2012	$ 504
2013	504
	1,008
Amount representing interest	(182)
	$ 826

16. PENSION PLAN

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of the Corporation's monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages. Related pension costs were $88,480 thousand for 2011 and $79,573 thousand for 2010.

The Corporation has another pension plan for all regular employees, which provides benefits based on length of service and average basic pay for the six months before retirement. The Corporation contributes monthly an amount equal to 2% of salaries and wages to a pension fund, which is administered by the Corporation's employees' pension fund committee and deposited in the committee's name in a trust corporation. The account balances were $845,567 thousand and $828,959 thousand as of December 31, 2011 and 2010, respectively.

Other information on the defined benefit plan is summarized as follows:

a. Components of net periodic pension costs:

	2011	2010
Service cost	$ 5,862	$ 6,929
Interest cost	13,653	14,984
Expected return on plan assets	(16,736)	(20,358)
Amortization	(2,451)	(7,240)
	$ 328	$ (5,685)

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

	December 31	
	2011	2010
Benefit obligation		
Vested benefit obligation	$ (156,684)	$ (90,694)
Non-vested benefit obligation	(390,490)	(386,952)
Accumulated benefit obligation	(547,174)	(477,646)
Additional benefits based on future salaries	(219,159)	(204,990)
Projected benefit obligation	(766,333)	(682,636)
Fair value of plan assets	845,567	828,959
Funded status	79,234	146,323
Unrecognized net transition obligation	1,300	2,597
Unrecognized net gain	(60,700)	(144,131)
Prepaid pension cost	$ 19,834	$ 4,789
Vested benefit	$ 185,757	$ 109,662

	December 31	
	2011	2010
c. Actuarial assumptions		
Discount rate used in determining present values	1.6%	2.0%
Future salary increase rate	3.0%	3.0%
Expected rate of return on plan assets	1.6%	2.0%
d. Contributions to the fund	$ 15,373	$ 15,792
e. Payments from the fund	$ 8,520	$ 6,221

17. SHAREHOLDERS' EQUITY

On September 25, 1996, the Corporation 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 Corporation.

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 Corporation as a result of a merger, with the Corporation as survivor entity. 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 Corporation's 1,478 thousand marketable equity securities, which represented the Corporation's 14,781 thousand common shares.

As of December 31, 2011, the Corporation had 5,196 thousand units of outstanding GDRs, representing 51,957 thousand common shares. The rights and obligations of GDR holders are the same as those of common shareholders, except for voting rights. As of December 31, 2011, the Corporation had 1,141 thousand units of unredeemed GDRs.

Stock-based Compensation Plans

In December 2007, there was a grant of 30,000 options to qualified employees of the Corporation and its subsidiaries. Each option entitles the holder to subscribe for one thousand common shares of the Corporation when the options become exercisable. The options granted are valid for six years and exercisable at certain percentages after the second, third and fourth years from the grant date. The options were granted at an exercise price equal to the closing price of the Corporation's common shares listed on the Taiwan Stock Exchange on the grant date. For distributing cash dividends, stock dividends, and capital reduction (except the reduction for treasury stock retirement), the exercise price and the number of options are adjusted accordingly.

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

	Year Ended December 31			
	2011		2010	
	Number of Options	Weighted-average Exercise Price (NT$)	Number of Options	Weighted-average Exercise Price (NT$)
Balance, beginning of year	20,655	$41.40	22,644	$44.10
Options forfeited	(836)	41.40	(1,788)	44.10
Options exercised	-	41.40	(201)	44.10
Balance, end of year	19,819	38.01	20,655	41.40
Weighted-average fair value of options granted (in thousands)	$ 16.964		$ 16.964	

The weighted-average remaining lives of the outstanding and exercisable options as of December 31, 2011 and 2010 were two years and three years, respectively.

Compensation cost recognized under the intrinsic value method was $0 for 2011 and 2010. Had the Corporation recognized compensation cost based on the fair value method using the binomial option pricing model, the assumptions and pro forma results of the Corporation for 2011 and 2010 would have been as follows:

	Years Ended December 31	
	2011	2010
Assumptions:		
Risk-free interest rate	2.5101%	2.5101%
Expected life	2 years	3 years
		(Continued)
Expected volatility	40.07%	40.07%
Expected dividend yield	7.07%	7.07%
Net income		
As reported	$7,225,925 thousand	$8,986,457 thousand
Pro forma	$7,194,117 thousand	$8,912,240 thousand
Basic after income tax earnings per share (NT$)		
As reported	$3.22	$4.03
Pro forma	$3.21	$4.00
Diluted after income tax earnings per share (NT$)		
As reported	$3.16	$3.96
Pro forma	$3.15	$3.93
		(Concluded)

Capital Surplus

The Corporation cannot use for any purpose its capital surplus on its equity-method investments. Under relevant regulations, all other components of capital surplus can be used to offset a deficit. Capital surplus from paid-in capital in excess of par value, bond conversion, merger, and treasury stock transactions may be capitalized by issuing new shares to shareholders in proportion to their holdings within a certain limit every year. Under the revised Company Law issued on January 4, 2012, the capital surplus may also be distributed in cash.

Appropriation of Earnings and Dividend Policy

To ensure the meeting of cash needs for the Corporation's present and future expansion plans and to meet shareholders' cash flow requirements, the Corporation prefers to distribute more stock dividends. In principle, cash dividends are limited to 10% of total dividends distributed.

The Corporation's Articles of Incorporation provide that, of 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, plus the unappropriated earnings of prior years, a portion may be retained on the basis of operating requirements. The remainder should be distributed as follows:

a. Bonus to employees: At least 1%.
b. Bonus to directors: 1.5% or less
c. Others, as dividends.

If the bonus to employees is in the form of shares, it may be distributed to the employees' subsidiaries. The requirements and the method of distribution of these share bonuses are based on resolutions passed by the board of directors.

The bonus to employees and the remuneration to directors recognized for 2011 and 2010 were estimated on the basis of net income at 13.8% and 0.9%, respectively, and past appropriation experience at 15% and 1%, respectively. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted in the year of the proposal. 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 to in the financial statements of that year.

On June 22, 2011 and June 15, 2010, the shareholders resolved the appropriation of the earnings of 2010 and 2009, respectively, and dividend per share as follows:

	Appropriation of Earnings		Dividend Per Share (Dollars)	
	2010	2009	2010	2009
Legal reserve	$ 898,646	$ 705,184	$ -	$ -
Stock dividends	112,711	111,590	0.05	0.05
Cash dividends	6,469,637	5,021,541	2.87	2.25

The sharing with employees of profits of $769,869 thousand in cash and $471,855 thousand in stock as well as the remuneration to directors of $79,031 thousand for 2010 was approved in the shareholders' meeting on June 22, 2011. The amount of the stock bonus to employees of 13,915 thousand shares was determined at the closing price of the Corporation's common shares (after considering the effect of dividends) of the day immediately preceding the shareholders' meeting.

The appropriation of the earnings for 2010 was approved by the Financial Supervisory Commission, Executive Yuan, ROC. The board of directors approved August 14, 2011 as the date of distributing stock dividends and cash dividends.

As of March 26, 2012, the auditors' report date, the Corporation's board of directors had not decided the appropriation of the 2011 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 Corporation's 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.

Under the regulations of the Securities and Futures Bureau and the Financial Supervisory Commission under the Executive Yuan of the ROC, the companies listed on the Taiwan Stock Exchange Corporation (TSEC) and the GreTai Securities Market (GTSM) should have a special reserve in which an amount equal to the book value in excess of the market value of treasury shares held by subsidiaries should be transferred from unappropriated earnings at the percentage of subsidiary ownership by the Corporation. If the value of the treasury stock rises, TSEC/GTSM companies can reverse the special reserve to as much as the reversal of valuation on the basis of the Corporation's proportionate share (please refer to Note 18).

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 Corporation on earnings generated since January 1, 1998. An imputation credit account (ICA) is maintained by the Corporation 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 Corporation's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Unrealized Gain or Loss on Financial Instruments

In 2011 and 2010, 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, 2011			
Balance, beginning of year	$ 1,097,107	$ 332,886	$ 1,429,993
Decrease in 2011	(1,041,168)	(666,937)	(1,708,105)
Transferred to profit or loss	(94,479)	-	(94,479)
Balance, end of year	$ (38,540)	$ (334,051)	$ (372,591)
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

18. TREASURY STOCK (COMMON STOCK)

Unit: In Thousand Shares

Reason for Repurchase	Beginning of Year	Changes in Fiscal Year Increase	Changes in Fiscal Year Decrease	End of Year
2011				
Corporation's shares held by direct and indirect subsidiaries reclassified from long-term stock investments to treasury stock	27,701	139	-	27,840
For transfer to employees	30,565	-	-	30,565
	58,266	139	-	58,405
2010				
Corporation'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

At the end of 2011 and 2010, the Corporation transferred $1,104,073 thousand in available-for-sale financial assets of direct and indirect subsidiaries to treasury stock proportionate to its ownership. The carrying value and market value of this treasury stock were $1,013,359 thousand each in 2011 and $1,123,527 thousand each in 2010.

Under the Securities and Exchange Law, the maximum number of treasury stock purchased should not exceed 10% of the Corporation'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 Corporation should register with the authorities the change in the number of shares.

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

19. INCOME TAX

a. Reconciliation between income tax expense - current and income tax expense on income before income tax at the 17% statutory rate was as follows:

	2011	2010
Income tax expense on income before income tax using the statutory rate	$ 1,280,979	$ 1,577,161
Deduct tax effects of:		
Permanent differences	(670,931)	(601,545)
Temporary differences	(106,169)	(77,951)
Income tax (10%) on unappropriated earnings	150,546	121,353
Investment tax credits used	(359,972)	(349,155)
Income tax expense - current	$ 294,453	$ 669,863

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

	2011	2010
Income tax expense - current	$ 294,453	$ 669,863
Deferred income tax	76,772	(209,226)
Prior year's adjustment	(61,977)	(169,676)
Income tax expense	$ 309,248	$ 290,961

c. Deferred income tax assets and liabilities consisted of:

	December 31	
	2011	2010
Current		
Deferred income tax assets		
Investment tax credits	$ 139,326	$ 406,739
Unrealized loss and expense	71,627	29,385
Allowance for loss on inventories	49,779	53,456
Unrealized sales profit	39,678	39,846
Accrued warranty expense	30,829	42,727
		(Continued)

	December 31	
	2011	2010
Excess allowance for doubtful accounts	$ 3,623	$ -
Reimbursement payable	-	3,297
	334,862	575,450
Deferred income tax liabilities		
Exchange gains, net	(28,244)	(7,148)
Deferred income tax assets, net	$ 306,618	$ 568,302
Noncurrent		
Deferred income tax assets		
Accumulated equity in the net loss of financial asset foreign investees	$ 377,871	$ 291,027
Asset impairment loss	219,802	172,391
Investment tax credit	205,669	563,955
Excess provisions for pension costs	28,715	31,406
	832,057	1,058,779
Valuation allowance	(377,871)	(588,694)
	454,186	470,085
Deferred income tax liabilities		
Accumulated equity in the net gain of foreign investees	(776,900)	(977,711)
Unrealized amortization of goodwill	(35,737)	(35,737)
Deferred income tax liabilities, net	$ (358,451)	$ (543,363)
		(Concluded)

Income tax payables as of December 31, 2011 and 2010 were net of prepayments of $142,729 thousand and $145,850 thousand, respectively.

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 Corporation recalculated its deferred tax assets and liabilities in accordance with this amendment and recorded the resulting difference as a deferred income tax benefit or expense.

The tax authorities have examined the income tax returns of the Corporation through 2009. The Corporation disagreed with the tax authorities' assessment of its 2007 to 2009 tax returns and applied for a reexamination. The Corporation has made a provision for the income tax assessed.

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	$ 264,049	$ 139,326	2012
	Research and development cost and professional training expenses	205,669	205,669	2013
		$ 469,718	$ 344,995	

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 is effective from January 1, 2010 to December 31, 2019.

e. Integrated income tax information is as follows:

	December 31	
	2011	2010
Balance of the imputation credit account	$ 642,262	$ 558,086

The estimated and actual creditable tax ratios for the distribution of the earnings of 2011 and 2010, respectively, were 6.02% and 6.32%, respectively.

The unappropriated earnings as of December 31, 2011 and 2010 did not include earnings generated up to the end of 1997.

20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSE

	2011		
	Included in Cost of Sales	Included in Operating Expenses	Total
Employment			
Salary	$ 120,564	$ 2,740,263	$ 2,860,827
Insurance	8,248	128,550	136,798
Pension	5,475	83,333	88,808
Others	2,935	48,676	51,611
	137,222	3,000,822	3,138,044
Depreciation	165,803	286,226	452,029
Amortization	20,980	111,023	132,003
	$ 324,005	$ 3,398,071	$ 3,722,076

	2010		
	Included in Cost of Sales	Included in Operating Expenses	Total
Employment			
Salary	$ 118,145	$ 2,827,029	$ 2,945,174
Insurance	7,755	111,974	119,729
Pension	5,377	74,196	79,573
Others	3,435	51,817	55,252
	134,712	3,065,016	3,199,728
Depreciation	302,789	290,807	593,596
Amortization	16,194	107,044	123,238
	$ 453,695	$ 3,462,867	$ 3,916,562

Expenses of $144 thousand in 2011 and $796 thousand in 2010 for the depreciation of idle assets (included in nonoperating expenses and losses - other expenses) were not included in the above depreciation expenses.

21. 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
2011					
Basic EPS					
Net income	$ 7,535,173	$ 7,225,925	2,243,017	$ 3.36	$ 3.22
Effect of dilutive potential common stock					
Bonus to employees	-	-	40,838		
Common stock-based compensation	-	-	-		
Diluted EPS					
The net income of common shareholders plus the effect of potential dilutive common stock	$ 7,535,173	$ 7,225,925	2,283,855	$ 3.30	$ 3.16
Pro forma information on the assumption that the Corporation shares held by its direct and indirect subsidiaries were not treated as treasury stocks					
Basic EPS					
Net income	$ 7,605,456	$ 7,296,208	2,270,857	$ 3.35	$ 3.21
Effect of dilutive potential common stock					
Bonus to employees	-	-	40,838		
Common stock-based compensation	-	-	-		
Diluted EPS					
The net income of common shareholders plus the effect of potential dilutive common stock	$ 7,605,456	$ 7,296,208	2,311,695	$ 3.29	$ 3.16
2010					
Basic EPS					
Net income	$ 9,277,418	$ 8,986,457	2,230,113	$ 4.16	$ 4.03
Effect of dilutive potential common stock					
Bonus to employees	-	-	40,085		
Common stock-based compensation	-	-	-		
Diluted EPS					
The net income of common shareholders plus the effect of potential dilutive common stock	$ 9,277,418	$ 8,986,457	2,270,198	$ 4.09	$ 3.96
Pro forma information on the assumption that the Corporation shares held by its direct and indirect subsidiaries were not treated as treasury stocks					
Basic EPS					
Net income	$ 9,332,251	$ 9,041,290	2,257,953	$ 4.13	$ 4.00
Effect of dilutive potential common stock					
Bonus to employees	-	-	40,085		
Common stock-based compensation	-	-	-		
Diluted EPS					
The net income of common shareholders plus the effect of potential dilutive common stock	$ 9,332,251	$ 9,041,290	2,298,038	$ 4.06	$ 3.93

If the Corporation presumes that the employees' bonus will be partly settled in shares, these potential 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. The dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the number of employee bonus shares is are resolved in the shareholders' meeting in the following year.

At the end of 2011 and 2010, 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$4.18 to NT$4.16 and from NT$4.11 to NT$4.09, respectively, and basic and diluted EPS after tax decreased from NT$4.05 to NT$4.03 and from NT$3.98 to NT $3.96, respectively.

22. RELATED-PARTY TRANSACTIONS

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

a. The prices of the Corporation's sales to Lite-On Electronics (Europe) Ltd., Lite-On Trading USA, Inc., Lite-On Japan Ltd., Lite-On Japan (H.K.) Limited, and WuXi China Bridge Express Co., Ltd. in 2011 and 2010, and sales to Lite-On Japan (S) Pte. Ltd., and Lite-On, Inc. in 2010 were all calculated at cost plus an agreed-upon percentage of gross profit. Except for these sales, the sales terms between the Corporation and its related parties were normal.

b. The costs of the Corporation's purchases from Lite-On Overseas Trading Co., Ltd., Lite-On Singapore Pte. Ltd., Yet Foundate Ltd., Lite-On Electronics (Thailand) Co., Ltd., Lite-On Semiconductor Corp., and Li Shin International Enterprise Corp. in 2011 and 2010 and purchases from LTC International (L) Bhd and Li Shin International Enterprise Corp. (BVI) in 2010 were all based on cost plus an agreed-upon percentage of gross profit. Except for these purchases, the purchase terms between the Corporation and its related parties were normal.

c. The Corporation signed a renewable annual processing agreement with Lite-On Electronics Co., Ltd. (LOEC). The Corporation will pay (LOEC) processing fees to based on the agreement. The Corporation paid fees of $1,709,419 thousand and $1,914,295 thousand as for 2011 and 2010.

d. The Corporation signed patent authorization and administrative service agreements with Lite-On Singapore Pte. Ltd. On these agreements, the Corporation earned fees of $1,568,593 thousand in 2011 and $905,672 thousand in 2010. The Corporation also signed administrative service agreements with I-Solutions Ltd. The revenue that the Corporation earned from these agreements in 2011 was $210,201 thousand. The Corporation also signed patent authorization and administrative service agreements with LTC International (L) Bhd. The revenue that the Corporation earned from these agreements in 2010 were $47,396 thousand (included in Sales revenue).

e. Operating lease contracts with related parties were based on market prices and made under normal terms.

f. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2011	2010
Bonus	$ 322,999	$ 459,547
Special compensation	66,496	85,517
Salaries	52,064	56,284
Incentives	32,686	37,536
	$ 474,245	$ 638,884

23. MORTGAGED OR PLEDGED ASSETS - NONCURRENT

	December 31	
	2011	2010
Time deposits	$ 735	$ -

Under a purchase agreement, the Corporation provided a time deposit of $735 thousand to a supplier.

24. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

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 Corporation with breach of contract. INPRO alleged that the Corporation 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 Corporation dismissed INPRO's claims and filed a lawsuit against INPRO, alleging that the Corporation had no patent obligations. As of March 26, 2012, the date of the accompanying auditors' report, this case was still under court review. Thus, the Corporation could not determine the possible results and impact of this case.

25. OTHERS

The significant financial assets and liabilities denominated in foreign currencies were as follows:

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

	December 31			
	2011		2010	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
USD	$ 764,240	30.2680	$ 910,274	29.1300
CZK	54,254	1.5218	180,095	1.5597
JPY	43,929	0.3903	223,922	0.3582
HKD	43,104	3.8956	43,295	3.7480
PLN	1,017	8.9097	1,003	10.2400
EUR	370	39.1668	426	38.9200

(Continued)

	December 31			
	2011		2010	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Nonmonetary items				
EUR	$ 294	39.1668	$ 1,959	38.9200
Investments accounted for by the equity method				
USD	710,981	30.2680	574,686	29.1300
JPY	950,745	0.3903	865,541	0.3582
HKD	2,802,429	3.8956	2,300,596	3.7480
EUR	150,487	39.1668	146,411	38.9200
Financial liabilities				
Monetary items				
USD	772,733	30.2680	918,407	29.1300
CZK	51,313	1.5218	166,926	1.5597
JPY	23,380	0.3903	816,021	0.3582
HKD	50,715	3.8956	72,873	3.7480
EUR	265	39.1668	700	38.9200
Nonmonetary items				
USD	5,459	30.2680	5,464	29.1300

26. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for the Corporation 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: Note 2 to the financial statements

6) Disposition of individual real estates at least $100 million or 20% of the capital stock: Note 2 to the financial statements

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 Corporation exercises significant influence: Note 2 to the financial statements

10) Derivative financial transactions: Note 27 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

27. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31					
	2011			2010		
		Fair Value			Fair Value	
	Carrying Amount	Quoted Market	Valuation Techniques	Carrying Amount	Quoted Market	Valuation Techniques
Nonderivative financial instruments						
Assets						
Available-for-sale financial assets - noncurrent	$ 1,720,240	$ 1,720,240	$ -	$ 2,858,304	$ 2,858,304	$ -
Financial assets carried at cost - noncurrent	535,630	-	-	814,518	-	-
Liabilities						
Current portion of long-term debts	504	-	-	3,068,161	-	-
Long-term debts, net of current portion	15,700,322	-	-	11,267,187	-	-
Derivative financial instruments						
Lite-On Technology Corp.						
Derivative financial liability for hedging - noncurrent						
Interest rate swap	165,225	-	165,225	159,166	-	159,166
Lite-On Green Technology Corp.						
Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	1,342	-	1,342
Lite-On IT Corp.						
1) Financial assets at fair value through profit or loss - current						
Forward exchange contracts	6,531	-	6,531	-	-	-
Cross-currency swap	-	-	-	259,655	-	259,655

(Continued)

	December 31					
	2011			2010		
		Fair Value			Fair Value	
	Carrying Amount	Quoted Market	Valuation Techniques	Carrying Amount	Quoted Market	Valuation Techniques
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	$ -	$ -	$ -	$ 5,961	$ -	$ 5,961
Cross-currency swap	10,380	-	10,380	-	-	-
Philips & Lite-On Digital Solutions Corp.						
1) Financial assets at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	57,880	-	57,880
2) Financial liabilities at fair value through profit or loss - current						
Cross currency swap	5,320	-	5,320	-	-	-
Silitech Technology Corp.						
1) Financial assets at fair value through profit or loss - current						
Cross currency swap	-	-	-	5,640	-	5,640
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	84	-	84	506	-	506
Cross-currency swap	2,793	-	2,793	-	-	-
Leotek Electronics Corp.						
1) Financial assets at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	14,940	-	14,940
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	255	-	255	-	-	-
Logah Technology Corp.						
Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	292	-	292	-	-	-

(Continued)

	December 31					
	2011			2010		
		Fair Value			Fair Value	
	Carrying Amount	Quoted Market	Valuation Techniques	Carrying Amount	Quoted Market	Valuation Techniques
Lite-On Electronics (Thailand) Ltd.						
Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	$ -	$ -	$ -	$ 633	$ -	$ 633
Lite-On Mobile Oyj (formerly Perlos Oyj)						
1) Financial assets at fair value through profit or loss - current						
Cross currency swap	56,859	-	56,859	35,045	-	35,045
Forward exchange contracts	29,874	-	29,874	51,052	-	51,052
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	7,809	-	7,809	20,613	-	20,613
Cross-currency swap	5,429	-	5,429	14,612	-	14,612
Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (original: Perlos (Guangzhou) Electronic Components Co., Ltd.)						
Financial assets at fair value through profit or loss - current						
Forward exchange contracts	268	-	268	12,993	-	12,993
Beijing Lite-On Mobile Electronic and Telecommunication Components Co., Ltd. (original: Perlos (Beijing) Electronic and Telecommunications Components)						
Financial assets at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	3,455	-	3,455
Lite-On Japan Ltd.						
1) Financial assets at fair value through profit or loss - current						
Option-call	-	-	-	6	-	6
Cross-currency swap	9,430	-	9,430	41,953	-	41,953

(Continued)

	December 31					
	2011			2010		
		Fair Value			Fair Value	
	Carrying Amount	Quoted Market	Valuation Techniques	Carrying Amount	Quoted Market	Valuation Techniques
2) Financial liabilities at fair value through profit or loss - current						
Interest rate swap	$ 362	$ -	$ 362	$ 894	$ -	$ 894
Option-put	9,417	-	9,417	41,939	-	41,939
Lite-On Automotive International (Cayman) Corp.						
Financial assets at fair value through profit or loss - current						
Forward exchange contracts	173	-	173	-	-	-
Lite-On Automotive Electronics (Guangzhou) Corp.						
1) Financial assets at fair value through profit or loss - current						
Forward exchange contracts	1,597	-	1,597	1,018	-	1,018
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	133	-	133	225	-	225
Lite-On Singapore Pte. Ltd.						
1) Financial assets at fair value through profit or loss - current						
Forward exchange contracts	6,852	-	6,852	-	-	-
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	6,723	-	6,723

(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 receivables from related parties, other financial assets - current, restricted assets - noncurrent, short-term loans, notes and accounts payable, accrued expenses, accounts payable to related parties, and other payable to related parties.

2) The carrying amounts of the refundable deposits and guarantee deposits received approximate their fair values because the amount to be received in the future approximates 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 similar to 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 other long-term debts (including long-term debts within one-year maturity) was based on the present value of expected cash flows. The interest rates for long-term debts of the Corporation are all floating, and their fair values approximate their carrying amounts.

c. As of December 31, 2011 and 2010, (a) on instruments exposed to fair value risk from interest rate fluctuation, financial assets amounted to $7,008,775 thousand and $3,302,325 thousand, respectively, and financial liabilities amounted to $826 thousand and $2,014 thousand, respectively; and (b) on instruments exposed to cash flow risk from interest rate fluctuation, financial assets amounted to $2,740,724 thousand and $3,020,494 thousand, respectively, and financial liabilities amounted to $16,750,000 thousand and $14,397,185 thousand, respectively.

d. The Corporation recognized the decreases of $1,041,168 thousand and $105,407 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets as of December 31, 2011 and 2010, respectively.

e. 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 foreign currency-denominated assets and liabilities. Thus, the gain or loss on derivatives will negatively correlate with gain or loss on the exchange rate fluctuations of hedged assets and liabilities. On available-for-sale financial assets consisting of listed stocks held by the Corporation, 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 Corporation and subsidiaries if counter-parties or other parties breach the 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 Corporation keeps cash 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 Corporation'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 Corporation to cash flow risk. To hedge against this risk, the Corporation entered into an interest rate swap contract with a bank to change the rate on its liabilities from floating to fixed. Thus, the cash flow hedge is deemed sufficient. As December 31, 2011 and 2010, the unrealized losses recognized in shareholders' equity were $165,225 thousand and $159,116 thousand, respectively. 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, 2011	$ 6,000,000	Note	1.895%	Quarterly	2015.9.23
	December 31, 2010	6,000,000	Note	2.2125-2.375%	Quarterly	2015.9.23

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

	Designated Hedging Instruments				
	Financial Instruments	Fair Value December 31		Expected Period of Cash	Expected Period of Realizing Gains or
Hedged Items	Designated	2011	2010	Flows	Losses
Long-term bank loans	Interest rate swap	$ (165,225)	$ (159,166)	2008-2015	2008-2015

28. SEGMENT INFORMATION

The Corporation's operating segment disclosure, which is required under Statement of Financial Accounting Standards No. 41 - "Operating Segments" is presented in the consolidated financial statements as of and for the years ended December 31, 2011 and 2010.

TABLE 1

LITE-ON TECHNOLOGY CORPORATION

RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (Note 1)	Receivable from Related Parties: Accounts Receivable Amount	% (Note 2)	Other Receivable Amount	% (Note 2)	Total	Payable to Related Parties: Accounts Payable Amount	% (Note 2)	Other Payable Amount	% (Note 2)	Total
2011											
Lite-On Overseas Trading Co., Ltd.	a	$ 2,057,966	34	$ 73,675	1	$ 2,131,641	$ 8,074,219	53	$ 20,221	-	$ 8,094,440
Lite-On Trading USA, Inc.	b	1,742,029	29	18,142	-	1,760,171	-	-	44	-	44
Lite-On Singapore Pte. Ltd.	a	172,724	3	825,961	14	998,685	5,789,882	38	20,171	-	5,810,053
Lite-On Japan (H.K.) Limited	b	427,157	7	547	-	427,704	-	-	960	-	960
GVC Subic Corporation	b	-	-	67,929	1	67,929	-	-	-	-	-
Lite-On Electronics Co., Ltd.	b	-	-	-	-	-	-	-	173,489	1	173,489
Titanic Capital Services Ltd.	b	-	-	-	-	-	-	-	403,810	3	403,810
Lite-On Automotive Corp.	a	-	-	170,338	3	170,338	-	-	-	-	-
Other related parties (Note 3)		279,255	5	139,072	3	418,327	695,963	5	45,291	-	741,254
Total		$ 4,679,131	78	$ 1,295,664	22	$ 5,974,795	$ 14,560,064	96	$ 663,986	4	$ 15,224,050
2010											
Lite-On Trading USA, Inc.	b	$ 3,929,208	41	$ 70,205	1	$ 3,999,413	$ -	-	$ -	-	$ -
Lite-On Overseas Trading Co., Ltd.	a	2,499,571	26	93,081	1	2,592,652	11,488,325	61	4,721	-	11,493,046
Wu xi China Bridge Express Co., Ltd.	b	438,412	5	-	-	438,412	-	-	-	-	-
Lite-On Technology (Chang Zhou) Co., Ltd.	b	147,802	2	6,983	-	154,785	2,784,811	15	445	-	2,785,256
Lite-On Singapore Pte. Ltd.	a	250	-	844,390	9	844,640	2,932,570	16	46,359	1	2,978,929
Lite-On Technology Opto (Chang Zhou) Co., Ltd.	b	48	-	205,881	2	205,929	-	-	-	-	-
Lite-On Electronics Co., Ltd.	b	-	-	-	-	-	-	-	228,501	1	228,501
Lite-On Electronic (Tianjin) Co., Ltd	b	-	-	410,153	4	410,153	-	-	-	-	-
Titanic Capital Services Ltd.	b	-	-	13	-	13	-	-	405,010	2	405,010
Other related parties (Note 4)		650,058	7	191,105	2	841,163	876,973	4	59,261	-	936,234
Total		$ 7,665,349	81	$ 1,821,811	19	$ 9,487,160	$ 18,082,679	96	$ 744,297	4	$ 18,826,976

Note 1: a. Equity-method investee.
b. An equity-method investee of a subsidiary.

Note 2: Percentage to account balance.

Note 3: Other related parties are:

a. Equity-method investee: Lite-On Electronics (Europe) Ltd., Lite-On Electronics H.K. Ltd., Lite-On Electronics (Thailand) Co., Ltd., Lite-On Integrated Service Inc., Lite-On Semiconductor Corp., Lite-On Capital Inc.、Lite-On IT Corp., Silitech Technology Corporation, Li Shin International Enterprise Corp., Logah Technology Corp., and Lite-On Japan Ltd.

b. An equity-method investee of a subsidiary: I-Solutions Ltd., Lite-On Inc., Lite-On Service USA, Inc., Silitech (Hong Kong)Holding Ltd., Philips & Lite-On Digital Solutions Corporation, Lite-On Computer Tech (DG), Li Shin International Enterprise Corp. (BVI), Lite-On Japan (s) Pte. Ltd., Huizhou Fu Tai Electronic Co., Ltd., Leotek Electronics Corporation、Lite-On Digital Electronics (DG) Co., Ltd., Lite-On Mobile Oyj (formerly Perlos Oyj), Lite-On Green Technologies, Inc., Lite-On Clean Energy Technology Corp., Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (formerly Perlos (Guangzhou) Electronic Components Co., Ltd.), Jhen Vei (Shenzhen) Electronic Co., Ltd., Lite-On Technology (ChangZhou) Co., Ltd., LET (HK) LIMITED, Wu Xi China Bridge Express Co., Ltd., Lite-On Technology Opto (ChangZhou) Co., Ltd., Yet Foundate Ltd., and Lite-On Mobile Pte. Ltd.

c. Its chairman is a relative of the Corporation's chairman: Silport Travel Service Co., Ltd.

(Continued)

Note 4: Other related parties are:

a. Equity-method investee: Lite-On Electronics (Europe) Ltd., Lite-On Electronics H.K. Ltd., Lite-On Electronics (Thailand) Co., Ltd., Lite-On Japan Ltd., LTC Group Ltd., Silitech Technology Corporation, Lite-On Integrated Service Inc., Lite-On IT Corp., Lite-On Semiconductor Corp., Lite-On Capital Inc., Li Shin International Enterprise Corp., and Logah Technology Corp.

b. An equity-method investee of a subsidiary: I-Solutions Ltd., Lite-On Inc., Lite-On Service USA Inc., LTC International Ltd., Silitech (Hong Kong) Holding Ltd., Yet Foundate Ltd., Philips & Lite-On Digital Solutions Corporation, Lite-On Computer Tech (DG), Li Shin International Enterprise Corp. (BVI), Jhen Vei Electronic (Wujian) Co., Ltd., Lite-On Japan (S) Pte. Ltd., Lite-On Japan H.K. Ltd., Huizhou Fu Tai Electronic Co., Ltd., LET (HK) Limited, Leotek Electronics Corporation, Lite-On Digital Electronics (DG) Co., Ltd., Lite-On Mobile Oyj (original: Perlos Oyj), Lite-On Green Technologies, Inc., GVC Subic Corporation, Lite-On Clean Energy Technology Corp., Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (formerly Perlos (Guangzhou) Electronic Components Co., Ltd.), Jhen Vei Electronic Co., Ltd., Silitek Electronics (GuangZhou) Co., Ltd., and Lite-On Young Fast Pte. Ltd.

c. The chairman of Lite-On Technology Corporation is a relative of the chairman of Silport Travel Service Co., Ltd.

(Concluded)

TABLE 2

LITE-ON TECHNOLOGY CORPORATION

RELATED-PARTY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (Note 1)	Sales (Note 2)		Purchases (Note 2)		Rental Revenue (Note 6)	Other Revenue (Note 5)	Rental Expense	Other Expense (Note 4)	Property Transaction			
		Amount	% (Note 3)	Amount	% (Note 3)					Book Value	Proceeds	Disposal Gain (Loss)	Cost
2011													
Lite-On Trading USA Inc.	b	$ 7,846,319	8	$ -	-	$ -	$ 11,862	$ -	$ -	$ -	$ -	$ -	$ -
Lite-On Singapore Pte. Ltd.	a	2,450,155	3	15,511,557	18	-	275	-	-	-	-	-	-
Lite-On Japan (H.K) Limited	b	1,585,739	2	217	-	-	-	-	-	-		-	-
Wu Xi China Bridge Express Co., Ltd.	b	852,363	1	1,138	-	-	-	-	-	-	-	-	-
Lite-On Japan Ltd.	a	644,995	-	165	-	-	594	-	33,953	-	-	-	-
Lite-On Technology (Chang Zhou) Co., Ltd.	a	32,269	-	4,854,762	6	-	-	-	83	-	-	-	3,829
Philips & Lite-On Digital Solutions Corporation	b	5,194	-	84	-	18,542	5,007	-	-	-	-	-	-
Lite-On IT Corp.	a	3,870	-	-	-	12,054	47,550	-	-	-	-	-	-
Lite-On Clean Energy Technology Corp.	b	1,172	-	297		3,118	2,498	-	-	272	272	-	-
Lite-On Automotive Corp.	a	785	-	-	-	3,250	4,411	-	-	-	-	-	-
Lite-On Mobile Oyj (formerly Perlos Oyj)	a	-	-	-	-	-	7,526	-	-	-	-	-	-
Silitech Technology Corporation	a	32	-		-	-	18,718	-	-	-	-	-	-
Lite-On Electronics Co., Ltd.	b	-	-	-	-	-	-	-	1,709,419	-	-	-	-
Lite-On Electronics (Thailand) Co., Ltd.	a	-	-	5,881	-	-	-	-	-	-	-	-	2,145
Silitek Electronics (GuangZhou) Co., Ltd.	b	-	-	-	-	-	-	-	-	1,529	1,529	-	-
Li Shin International Enterprise Corp.	a	-	-	1,162,681	1	-	998	3,984	3,886	-	-	-	-
Lite-On Overseas Trading Co., Ltd.	a	-	-	49,697,753	57	-	18	-	47	4,255	4,255	-	-
Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (formerly Perlos (Guangzhou) Electronic Components Co., Ltd.)	b	-	-	-	-	-	20,264	-	-	-	-	-	-
Lite-On Mobile Pte. Ltd.	b	280	-	-	-	1,099	26,057	-	-	-	-	-	-
Other related parties (Note 7)		251,442	-	1,051,427	1	2,922	15,935	-	234,975	-	-	-	-
		$ 13,674,615	14	$ 72,285,962	83	$ 40,985	$ 161,713	$ 3,984	$ 1,982,363	$ 6,056	$ 6,056	$ -	$ 5,974
2010													
Lite-On Trading USA Inc.	b	$ 14,144,639	13	$ -	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lite-On Japan Ltd.	a	1,549,987	2	-	-	-	52	-	31,344	-	-	-	-
Lite-On Japan (H.K.)Limited	b	1,015,453	1	-	-	-	-	-	4,633	-	-	-	-
Wu Xi China Bridge Express Co., Ltd.	b	959,908	1	-	-	-	-	-	-	-	-	-	-
Lite-On Singapore Pte. Ltd.	a	907,047	-	5,292,706	6	-	-	-	-	-	-	-	315
Philips & Lite-On Digital Solutions Corporation	b	5,066	-	-	-	18,542	5,639	-	-	-	-	-	-
Lite-On IT Corp.	a	3,041	-	-	-	11,221	39,344	-	52	-	-	-	-
Li Shin International Enterprise Corp.	a	2,619	-	1,315,196	1	-	244	3,096	11,712	-	-	-	-
Lite-On Automotive Corp.	a	572	-	-	-	1,903	3,572	-	-	-	-	-	-
Lite-On Mobile Oyj (formerly: Perlos Oyj)	b	521	-	-	-	1,419	14,974	-	-	-	-	-	-
Silitech Technology Corporation	a	37	-		-	-	25,920	-	-	-	-	-	-

(Continued)

Related Party	Nature of Relationship (Note 1)	Sales (Note 2)		Purchases (Note 2)		Rental Revenue (Note 6)	Other Revenue (Note 5)	Rental Expense	Other Expense (Note 4)	Property Transaction			
		Amount	% (Note 3)	Amount	% (Note 3)					Book Value	Proceeds	Disposal Gain (Loss)	Cost
Lite-On Capital Inc.	a	33	-	-	-	202	6,867	-	-	-	-	-	-
Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (formerly: Perlos (Guangzhou) Electronic Components Co., Ltd.)	b	16	-	-	-	-	14,949	-	-	-	-	-	-
Lite-On Electronics Co., Ltd.	b	-	-	-	-	-	-	-	1,914,295	-	-	-	-
Silitek Electronics (GuangZhou) Co., Ltd.	b	-	-	-	-	-	-	-	-	40	56	16	-
Lite-On Overseas Trading Co., Ltd.	a	-	-	64,564,223	67	-	259	-	49,379	-	-	-	532
Lite-On Technology (Chang Zhou) Co., Ltd.	a	-	-	8,371,098	9	-	-	-	24	28,221	28,221	-	-
Other Related Parties (Note 8)		157,255		1,250,306	1	2,036	11,792	-	251,495	-	-	-	-
		$ 18,746,194	17	$ 80,793,529	84	$ 35,323	$ 123,612	$ 3,096	$ 2,262,934	$ 28,261	$ 28,277	$ 16	$ 847

Note 1: a. Equity-method investee.
b. An investee of a subsidiary.

Note 2: Except for certain transactions described in Note 22, these sales and purchases were conducted under normal terms.

Note 3: Percentage to account balance.

Note 4: Mainly included reprocessing, promotional, commission and warranty fees and repair expenses.

Note 5: Mainly included directors' rewards, consultation fees and guarantee service income.

Note 6: It is under sales revenue.

Note 7: Other related parties are:

a. Equity-method investee: Lite-On Electronics (Europe) Ltd., Lite-On Electronics H.K. Ltd., Lite-On Integrated Service Inc., Lite-On Capital Inc., Logah Technology Corp., and Lite-On Semiconductor Corp.

b. An equity-method investee of a subsidiary: Lite-On Inc., Lite-On Service USA, Inc., Lite-On Green Technologies, Inc., Jhen Vei Electronic (Wujian) Co., Ltd., Jhen Vei Electronic Co., Ltd., Yet Foundate Ltd., Jhen Vei Electronic (Shenzhen) Co., Ltd., Huizhou Fu Tai Electronic Co., Ltd., Leotek Electronics Corporation, Lite-On Technology Opto (Chang Zhou) Co., Ltd., Lite-On Young Fast Pte. Ltd., and I-Solutions Ltd.

c. The chairman of Lite-On Technology Corporation is a relative of the chairman of Silport Travel Service Co., Ltd.

d. Lite-On Technology Corporation is the majority shareholder of Lite-On Cultural Foundation.

e. A director of Lite-On Automotive Co., Ltd. is the chairman of Actron Technology Corp.

Note 8: Other related parties are:

a. Equity-method investee: Lite-On Electronics (Europe) Ltd., Lite-On Electronics H.K. Ltd., Lite-On Electronics (Thailand) Co., Ltd., Lite-On Technology International Inc. (USA), Lite-On Integrated Service Inc., Lite-On Semiconductor Corp., Dragonjet Corporation, Logah Technology Corp., and Lite-On Technology Opto (Chang Zhou) Co., Ltd.

b. An equity-method investee of a subsidiary: Lite-On Inc., Lite-On Service USA, Inc., Lite-On Green Technologies, Inc., Yet Foundate Ltd., Silitech (Hong Kong) Holding Ltd., Silitech (Hong Kong) Holding Ltd., LTC International (L) Bhd., Li Shin International Enterprise Corp. (BVI), Jhen Vei Electronic (Wujian) Co., Ltd., Jhen Vei Electronic Co., Ltd., Lite-On Japan (S) Pte. Ltd., Lite-On Clean Energy Technology Corp., Leotek Electronics Corporation, Silitech Technology (Su Zhou) Co., Ltd., and Lite-On Young Fast Pte. Ltd.

c. The chairman of Lite-On Technology Corporation is a relative of the chairman of Silport Travel Service Co., Ltd.

d. Lite-On Technology Corporation is the majority shareholder of Lite-On Cultural Foundation.

e. A director of Lite-On Automotive Co., Ltd. is the chairman of Actron Technology Corp.

(Concluded)

Consolidated Financial Statements of 2011

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, 2011 and 2010, 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, 2011 and 2010 of some consolidated subsidiaries. The assets of these subsidiaries were 3.67% (NT$7,488,587 thousand) and 4.13% (NT$7,959,149 thousand) of the consolidated total assets as of December 31, 2011 and 2010, respectively. The sales of these subsidiaries were 5.96% (NT$13,750,342 thousand) and 6.40% (NT$14,730,907 thousand) of the consolidated total sales in 2011 and 2010, respectively. These subsidiaries' financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, as well as the subsidiaries' information disclosed in Note 2 to the financial statements, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lite-On Technology Corporation and subsidiaries as of December 31, 2011 and 2010, 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.

Deloitte & Touche

March 26, 2012

Notice to Readers

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, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2011 Amount	2011 %	2010 Amount	2010 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 56,515,383	28	$ 50,441,322	26
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 31)	111,584	-	483,637	-
Available-for-sale financial assets - current (Notes 2, 6 and 31)	9	-	9	-
Notes receivable (Note 2)	82,039	-	58,533	-
Accounts receivable, net (Notes 2 and 7)	45,469,494	22	40,643,474	21
Accounts receivable from related parties (Notes 2 and 26)	1,099	-	141,404	-
Other receivables from related parties (Note 26)	955	-	3,125	-
Other financial assets - current	1,575,370	1	1,839,216	1
Inventories, net (Notes 2 and 8)	27,659,384	14	26,354,960	14
Construction in progress in excess of progressive billings (Notes 2 and 9)	38,294	-	11,976	-
Prepayments	4,024,067	2	3,295,392	2
Deferred income tax assets - current (Notes 2 and 23)	951,668	-	1,094,405	1
Other current assets	355,282	-	289,045	-
Total current assets	136,784,628	67	124,656,498	65
INVESTMENTS (Notes 2, 10, 11,12 and 31)				
Available-for-sale financial assets - noncurrent	2,783,354	1	4,987,062	3
Financial assets carried at cost - noncurrent	1,487,972	1	1,752,302	1
Investments accounted for by the equity method	3,590,108	2	2,646,233	1
Prepayments for investments	74,843	-	-	-
Total investments	7,936,277	4	9,385,597	5
PROPERTIES (Notes 2 and 13)				
Cost				
Land	2,746,331	1	2,701,662	1
Buildings	19,560,099	9	18,376,917	9
Machinery and equipment	40,574,926	20	34,145,789	18
Transportation equipment	107,323	-	114,932	-
Office equipment	2,724,727	1	2,660,889	1
Leased assets	1,399,977	1	1,845,868	1
Miscellaneous equipment	3,256,612	2	4,990,341	3
Total cost	70,369,995	34	64,836,398	33
Less: Accumulated depreciation	32,273,396	16	29,020,366	15
Accumulated impairment	790,279	-	524,875	-
	37,306,320	18	35,291,157	18
Add: Construction in progress and prepayments for equipment	2,679,675	2	2,557,535	1
Net properties	39,985,995	20	37,848,692	19
INTANGIBLE ASSETS (Notes 2 and 14)				
Patents, net	14,698	-	19,220	-
Goodwill, net	14,261,731	7	14,722,638	8
Land use rights	620,210	-	564,172	-
Other intangible assets	1,511,460	1	1,777,073	1
Total intangible assets	16,408,099	8	17,083,103	9
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 15)	113,843	-	118,282	-
Idle assets, net (Notes 2 and 15)	135,538	-	683,007	1
Refundable deposits	314,903	-	404,685	-
Deferred charges, net (Note 2)	2,273,596	1	2,198,146	1
Restricted assets - noncurrent (Note 27)	108,107	-	113,984	-
Total other assets	2,945,987	1	3,518,104	2
TOTAL	$ 204,060,986	100	$ 192,491,994	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2011 Amount	2011 %	2010 Amount	2010 %
CURRENT LIABILITIES				
Short-term loans (Note 16)	$ 4,737,488	2	$ 3,433,183	2
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 31)	42,274	-	93,448	-
Notes payable	498,568	-	400,660	-
Accounts payable	60,971,764	30	55,898,217	29
Accounts payable to related parties (Note 26)	317,508	-	323,159	-
Income tax payable (Notes 2 and 23)	2,165,581	1	2,433,629	1
Accrued expenses	11,139,255	5	11,318,673	6
Other payable to related parties (Note 26)	43,058	-	30,314	-
Advance receipts	1,154,214	1	1,121,660	1
Progressive billings in excess of construction in progress (Notes 2 and 17)	-	-	44,599	-
Current portion of long-term bank loans (Notes 18 and 31)	1,173,473	1	3,507,889	2
Obligations under capital leases - current (Notes 19 and 31)	84,360	-	90,090	-
Product warranty reserve (Note 2)	1,028,614	1	1,031,198	-
Other current liabilities	6,549,962	3	7,080,298	4
Total current liabilities	89,906,119	44	86,807,017	45
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Long-term bank loans (Notes 18 and 31)	23,294,964	12	16,062,704	9
Hedging derivative liabilities - noncurrent (Notes 2 and 31)	165,225	-	159,166	-
Obligations under capital leases - noncurrent (Note 19 and 31)	316,466	-	388,157	-
Total long-term liabilities	23,776,655	12	16,610,027	9
RESERVE FOR LAND VALUE INCREMENT TAX (Note 2)	239,693	-	239,693	-
OTHER LIABILITIES				
Accrued pension costs (Notes 2 and 20)	143,168	-	153,870	-
Guarantee deposits received	85,224	-	100,866	-
Deferred income tax liabilities - noncurrent (Notes 2 and 23)	747,622	-	1,275,678	1
Deferred credits - gain on intercompany transactions (Note 2)	84,143	-	84,265	-
Total other liabilities	1,060,157	-	1,614,679	1
Total liabilities	114,982,624	56	105,271,416	55
SHAREHOLDERS' EQUITY OF PARENT COMPANY				
Authorized 3,500,000 thousand shares; issued and outstanding 2,309,980 thousand shares in 2011; 2,284,794 thousand shares in 2010	23,099,801	11	22,847,940	12
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	8,533,185	4	8,200,480	4
Bond conversion	7,641,499	4	7,641,499	4
Treasury stock transactions	416,974	-	346,691	-
Long-term stock investments	907,070	1	959,438	1
Merger	10,255,921	5	10,255,921	5
Employee stock options	4,602	-	2,857	-
Total capital surplus	27,759,251	14	27,406,886	14
Retained earnings				
Legal reserve	7,125,313	3	6,226,667	3
Unappropriated earnings	11,729,938	6	11,985,007	6
Total retained earnings	18,855,251	9	18,211,674	9
Other equity				
Cumulative translation adjustments	1,625,560	1	489,217	-
Net loss not recognized as pension cost	(17,182)	-	(22,338)	-
Unrealized loss on financial instruments	(372,591)	-	1,429,993	1
Unrealized loss on cash flow hedging	(165,225)	-	(159,166)	-
Treasury stock - 2011: 58,405 thousand shares; 2010: 58,266 thousand shares	(1,857,643)	(1)	(1,857,643)	(1)
Total other equity	(787,081)	-	(119,937)	-
Total shareholders' equity of parent company	68,927,222	34	68,346,563	35
MINORITY INTEREST	20,151,140	10	18,874,015	10
Total shareholders' equity	89,078,362	44	87,220,578	45
TOTAL	$ 204,060,986	100	$ 192,491,994	100

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

(With Deloitte & Touche audit report dated March 26, 2012)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	%	Amount	%
SALES (Notes 2 and 26)	$ 233,539,401	101	$ 232,595,670	101
LESS: SALES RETURNS	1,158,034	-	1,257,214	-
SALES ALLOWANCES	2,258,602	1	1,689,860	1
NET SALES	230,122,765	100	229,648,596	100
OTHER OPERATING REVENUE	397,328	-	396,889	-
Total operating revenue	230,520,093	100	230,045,485	100
OPERATING COSTS				
Cost of goods sold (Notes 8, 24 and 26)	196,187,219	85	193,493,418	84
Other operating cost	285,319	-	282,267	-
Total operating costs	196,472,538	85	193,775,685	84
GROSS PROFIT	34,047,555	15	36,269,800	16
UNREALIZED INTERCOMPANY GAINS (Note 2)	-	-	(17,194)	-
REALIZED INTERCOMPANY GAINS (Note 2)	122	-	-	-
REALIZED GROSS PROFIT	34,047,677	15	36,252,606	16
OPERATING EXPENSES (Notes 24 and 26)				
Selling and marketing	9,402,749	5	10,110,840	5
General and administrative	7,425,255	3	7,608,393	3
Research and development	4,999,437	2	4,558,461	2
Total operating expenses	21,827,441	10	22,277,694	10
OPERATING INCOME	12,220,236	5	13,974,912	6
NONOPERATING INCOME AND GAINS				
Interest income	578,494	-	399,948	-
Investment income recognized under the equity method (Notes 2 and 12)	-	-	93,860	-
Dividend income	151,166	-	134,358	-
Gain on disposal of properties	-	-	27,913	-
Exchange gain, net(Note 2)	80,378	-	-	-
Gain on disposal of investments, net	314,471	-	488,226	-

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	%	Amount	%
Valuation gain on financial assets (Notes 2 and 5)	$ 396,593	-	$ 633,619	-
Other income (Note 26)	2,314,565	1	2,100,518	1
Total nonoperating income and gains	3,835,667	1	3,878,442	1
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2 and 31)	589,603	-	489,818	-
Investment loss recognized under the equity method, net (Notes 2 and 12)	150,230	-	-	-
Loss on disposal of properties	73,770	-	136,083	-
Exchange loss, net (Note 2)	-	-	684,326	-
Impairment loss (Notes 2, 11, 13, 14 and 15)	1,138,364	-	260,206	-
Valuation loss on financial liabilities (Notes 2 and 5)	425,778	-	256,114	-
Other expenses (Note 24)	1,204,706	1	1,178,279	1
Total nonoperating expenses and losses	3,582,451	1	3,004,826	1
INCOME BEFORE INCOME TAX	12,473,452	5	14,848,528	6
INCOME TAX EXPENSE (Notes 2 and 23)	2,751,677	1	2,964,246	1
CONSOLIDATED NET INCOME	$ 9,721,775	4	$ 11,884,282	5
ATTRIBUTED TO:				
Shareholders of parent company	$ 7,225,925	3	$ 8,986,457	4
Minority interest	2,495,850	1	2,897,825	1
	$ 9,721,775	4	$ 11,884,282	5

	2011		2010	
	Pretax	After-tax	Pretax	After-tax
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 25)				
Basic	$ 3.36	$ 3.22	$ 4.16	$ 4.03
Diluted	$ 3.30	$ 3.16	$ 4.09	$ 3.96

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(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:

	2011		2010	
	Pretax	After-tax	Pretax	After-tax
CONSOLIDATED NET INCOME	$ 7,605,456	$ 7,296,208	$ 9,332,251	$ 9,041,290
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	$3.35	$3.21	$4.13	$4.00
Diluted	$3.29	$3.16	$4.06	$3.93

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

(With Deloitte & Touche audit report dated March 26, 2012) (Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars; Except Cash Dividends Per Share)

	Issued and Outstanding Capital Stock (Note 21)			Capital Surplus (Notes 2 and 21)							Retained Earnings (Notes 2 and 21)									
	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 21)	Unrealized Loss on Cash Flow Hedging (Note 2)	Treasury Stock (Notes 2 and 22)	Minority Interest (Note 2)	Total Shareholders' Equity
BALANCE, JANUARY 1, 2010	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
Conversion of advance receipts for common stock	243	2,430	(2,430)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of prior year's earnings																				
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 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 2010	-	-	-	-	-	-	-	-	-	-	-	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)
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
Appropriation of prior year's earnings																				
Legal reserve	-	-	-	-	-	-	-	-	-	-	898,646	(898,646)	-	-	-	-	-	-	-	-
Cash dividends - 28.7%	11,271	112,711	-	-	-	-	-	-	-	-	-	(6,469,637)	(6,469,637)	-	-	-	-	-	-	(6,356,926)
Stock dividends - 0.5%	-	-	-	-	-	-	-	-	-	-	-	(112,711)	(112,711)	-	-	-	-	-	-	(112,711)
Issuance of stock on the exercise of employee stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus to employees - stock	13,915	139,150	-	332,705	-	-	-	-	-	332,705	-	-	-	-	-	-	-	-	-	471,855
Cash dividends received by subsidiaries	-	-	-	-	-	70,283	-	-	-	70,283	-	-	-	-	-	-	-	-	-	70,283
Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees	-	-	-	-	-	-	(2,152)	-	-	(2,152)	-	-	-	-	-	-	-	-	-	(2,152)
Adjustment arising from changes in unrealized loss on subsidiaries' financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(666,937)	-	-	-	(666,937)
Adjustment arising from changes in capital surplus from long-term equity investments	-	-	-	-	-	-	(50,216)	-	1,745	(48,471)	-	-	-	-	-	-	-	-	-	(48,471)
Unrealized loss on cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,059)	-	-	(6,059)
Consolidated net income in 2011	-	-	-	-	-	-	-	-	-	-	-	7,225,925	7,225,925	-	-	-	-	-	2,495,850	9,721,775
Unrealized valuation loss on available-for sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,135,647)	-	-	-	(1,135,647)
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	1,136,343	-	-	-	-	-	1,136,343
Effect of change in parent's equity in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,218,725)	(1,218,725)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,156	-	-	-	-	5,156
BALANCE, DECEMBER 31, 2011	2,309,980	$ 23,099,801	$ -	$ 8,533,185	$ 7,641,499	$ 416,974	$ 907,070	$ 10,255,921	$ 4,602	$ 27,759,251	$ 7,125,313	$ 11,729,938	$ 18,855,251	$ 1,625,560	$ (17,182)	$ (372,591)	$ (165,225)	$ (1,857,643)	$ 20,151,140	$ 89,078,362

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

(With Deloitte & Touche audit report dated March 26, 2012)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 9,721,775	$ 11,884,282
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation	5,693,294	6,625,508
Amortization	1,294,722	1,516,757
Allowance (reversal of allowance) for doubtful accounts	47,043	(8,974)
Valuation loss (gain) on financial instruments, net	29,185	(377,505)
Gain on disposal of investments, net	(314,471)	(488,226)
Loss on disposal of properties, net	73,770	108,170
Impairment loss on assets	1,138,364	260,206
Investment loss (income) recognized under the equity method, net	150,230	(93,860)
Cash dividends received from equity-method investees	64,048	10,691
Product warranty reserve	(13,947)	(37,066)
Accrued pension costs	(10,702)	(3,436)
Deferred income taxes	(385,319)	160,382
Deferred credits - (gain) loss on intercompany transactions	(122)	17,194
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	291,694	47,613
Notes receivable	(23,506)	13,995
Accounts receivable	(4,463,979)	(2,030,472)
Accounts receivable from related parties	140,305	(55,339)
Other receivable from related parties	2,170	14,159
Inventories	(1,065,792)	(7,216,202)
Construction in progress in excess of progressive billings	(26,318)	(199)
Prepayments	(683,221)	(1,015,869)
Other financial assets - current	275,209	594,550
Other current assets	(66,237)	330,772
Notes payable	97,908	118,730
Accounts payable	5,166,360	1,521,804
Accounts payable to related parties	(5,651)	229
Other payable to related parties	12,744	(46,776)
Income taxes payable	(290,775)	226,840
Accrued expenses	178,803	1,626,043
Advance receipts	21,191	(106,959)
Progressive billings in excess of construction in progress	(44,599)	44,599
Other current liabilities	(367,232)	672,330
Other liabilities	-	(105,416)
Net cash provided by operating activities	16,636,944	14,208,555

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties	$ (8,930,917)	$ (7,093,839)
Acquisition of investments under the equity method	(926,819)	-
Increase in deferred charges	(908,668)	(758,347)
Proceeds of disposal of properties	452,473	288,511
Proceeds of disposal of financial assets carried at cost	307,875	332,682
Acquisition of financial assets carried at cost	(147,142)	(25,810)
Proceeds of disposal of available-for sale financial assets	113,514	236,796
Decrease in refundable deposits	89,782	972,694
Increase in prepayments for investments	(74,843)	-
Increase in land use rights	(69,701)	(210,865)
Proceeds of capital reduction on equity method investments	31,680	-
Acquisition of available-for-sale financial assets	(6,783)	(166,489)
Decrease in restricted assets	5,877	77,504
Net cash used in investing activities	(10,063,672)	(6,347,163)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(6,469,637)	(5,021,541)
Increase (decrease) in long-term bank loans	4,659,212	(1,188,367)
Increase in short-term loans	1,258,851	1,565,577
Decrease in minority interest	(643,351)	(1,094,345)
Decrease in obligations under capital lease	(77,421)	(115,191)
Increase (decrease) in guarantee deposits	(15,642)	36,904
Decrease in bonds payable	-	(2,081,113)
Proceeds of the exercise of employee stock options	-	8,886
Net cash used in financing activities	(1,287,988)	(7,889,190)
EFFECTS OF EXCHANGE RATE CHANGES	788,777	(588,409)
NET INCREASE (DECREASE) IN CASH	6,074,061	(616,207)
CASH, BEGINNING OF YEAR	50,441,322	51,057,529
CASH, END OF YEAR	$ 56,515,383	$ 50,441,322
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 1,962,002	$ 1,221,422
Income tax paid	$ 2,770,890	$ 2,591,404
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term bank loans	$ 1,173,473	$ 3,507,889
Current portion of capital lease obligations	$ 84,360	$ 90,090

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH PAID FOR THE ACQUISITION OF PROPERTIES		
Increase in properties	$ 8,699,632	$ 7,672,206
Decrease (increase) in payable for properties	231,285	(578,367)
	$ 8,930,917	$ 7,093,839

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

(With Deloitte & Touche audit report dated March 26, 2012) (Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(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 merged with its subsidiary, Lite-On Enclosure Inc. (LOEI), with the Parent Company as the survivor entity. The merger took effect on April 1, 2004, and the Parent Company thus assumed all of LOEI's rights and obligations of on that date.

As of December 31, 2011 and 2010, the Parent Company and subsidiaries (also collectively referred to as the "Group") had 90,201 and 95,576 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The 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 (ROC). The preparation of financial statements in conformity with the foregoing guidelines and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. Actual results may differ from those 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, 2011 and 2010 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 these subsidiaries were audited by other auditors.

Minority interests, which were presented separately in the consolidated financial statements, were at these percentages: (a) as of December 31, 2011 - 56.97% in Lite-On IT Corporation; 64.48% in Silitech Technology Corp. Ltd.; 15.11% in Lite-On Automotive Co., Ltd.; 34.77% in Lite-On Japan Ltd.; 60.37% in Logah Technology Co., Ltd.; and 26.60% in Leotek Electronics Corporation; and (b) as of December 31, 2010 - 56.66% in Lite-On IT Corporation; 62.41% in Silitech Technology Corp. Ltd.; 12.69% in Lite-On Automotive Co., Ltd.; 34.77% in Lite-On Japan Ltd.; 60.37% in Logah Technology Co., Ltd.; and 26.60% in Leotek Electronics Corporation.

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.

Current and Noncurrent Assets and Liabilities

Current assets include cash, financial assets held for trading and other assets to be converted to cash or to be consumed or used up within 12 months. Current liabilities include financial liabilities resulting from trading or to be 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 derecognized using trade date accounting.

Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities held for trading. If the fair value of a derivative is a positive amount, the derivative is recognized as a financial asset; otherwise, 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. On unprocessed materials delivered to subcontractors for further processing, the Corporation does not recognize sales because this delivery does not involve a transfer of the risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Corporation and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

Royalties are recognized when:

a. It is probable that the economic benefits of a transaction will flow to the Group; 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.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Group adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Group should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

a. Significant financial difficulty of the debtor;
b. Accounts receivable becoming overdue; or
c. It becoming probable that the debtor will enter into bankruptcy or undergo financial reorganization.

Accounts receivable that are assessed not to be impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Group's past experience of collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

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 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 materials and supplies, work-in-process, finished goods, 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.

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 derecognized from the balance sheet. A regular purchase or sale of financial assets is recognized and derecognized using trade 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 between the results of using the straight-line method and those of the effective interest method 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. An impairment loss for an equity instrument classified as available-for-sale can be reversed to the extent of the original carrying value and recognized as an adjustment 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. The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends arising from available-for-sale financial assets.

Long-term Equity Investments

The difference between the cost of the investment and the Corporation'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 Corporation 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 is used to reduce the fair value of each of the noncurrent assets acquired (exclude non-equity-method financial assets, assets for disposal, deferred tax assets and prepaid pension costs or other pension payments), with any remaining excess recognized as extraordinary gain.

If an investee issues additional shares and the Corporation acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Corporation's equity in its investee's net assets is credited to capital surplus. Any decrease in the Corporation'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 Corporation (reciprocal holdings) is computed using the treasury stock method. Upon the disposal of equity-method investments, the Corporation's shares in the capital surplus recognized by the investee, 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. The Corporation accounts for its stock held by subsidiaries as treasury stock. Dividends that the Corporation distributes to its subsidiaries are debited to investment income and are credited to capital surplus - treasury stock transactions.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee; however, if the Corporation has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee. The deferred 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 on the basis of total shares after stock dividends are received.

For all stock investments, costs of investments sold are determined using the weighted 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, 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 between revaluation increment and the land value increment tax 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 6 years, 4 years and 12 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 instead assessed for impairment at least annually.

Land Use Rights

Land use rights are amortized over 50 years.

Idle Assets

The idle fixed assets reclassified to other assets are stated at the lower of carrying value or net realizable value and depreciated using the 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 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 even if the asset is carried at a revalued amount. 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. In addition, reversal of impairment loss on goodwill is not allowed.

Product Warranty Reserve

The estimate of the related cost is based on historical experience about product service life and warranty period.

Pension Costs

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

Defined benefit 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.

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 stock. 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. Because the Corporation didn't grant new options after 2008, so we retain the old narrative is accounted for under the interpretations issued by the Accounting Research and Development Foundation. The Group uses 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 in accordance with 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. These 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 as follows:

a. Fair value hedge: The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss.

b. Cash flow hedge: The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in shareholders' equity. The amount recognized in shareholders' equity is recognized in profit or loss in the same year or years during which the hedged forecast transaction or an asset or liability arising from the hedged forecast transaction affects profit or loss. However, if all or a portion of a loss recognized in shareholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into profit or loss.

c. Hedge of a net investment in a foreign operation: The portion of the gain or loss on hedging instruments that is determined to be an effective hedge is recognized in shareholders' equity but is recognized as gain or loss on foreign operation disposal.

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 of the hedged item.

3. ACCOUNTING CHANGE

Financial Instruments

On January 1, 2011, the Parent Company and its subsidiaries adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Parent Company and its subsidiaries are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change had no significant effect on the Parent Company and its subsidiaries.

Operating Segments

On January 1, 2011, the Parent Company and its subsidiaries adopted the newly issued SFAS No. 41 - "Operating Segments." The statement requires that segment information be disclosed on the basis of information about the components of the Corporation that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Parent Company and its subsidiaries' chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." For this accounting change, the Parent Company and its subsidiaries restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2011	2010
Cash on hand	$ 10,415	$ 9,443
Checking deposits	2,768,789	3,385,425
Demand deposits	22,226,441	22,034,396
Time deposits	31,509,738	25,003,220
Bank acceptances	-	8,838
	$ 56,515,383	$ 50,441,322

As of December 31, 2011 and 2010, the bank deposits overseas of the Parent Company were as follows:

	December 31	
	2011	2010
Czech - Prague (CZK54,254 thousand in 2011 and CZK180,028 thousand in 2010)	$ 82,564	$ 291,393
Poland - Warsaw (PLN1,017 thousand in 2011 and PLN1,003 thousand in 2010)	9,062	10,275
Germany - Nuremburg (EUR77 thousand)	3,028	-
	$ 94,654	$ 301,668

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

	December 31	
	2011	2010
Financial assets held for trading		
Currency swap contracts	$ 66,289	$ 342,293
Forward exchange contracts	45,295	141,338
Options - call	-	6
	$ 111,584	$ 483,637

(Continued)

	December 31	
	2011	2010
Financial liabilities held for trading		
Currency swap contracts	$ 23,922	$ 14,612
Options - put	9,417	41,939
Forward exchange contracts	8,573	36,003
Interest rate swap contracts	362	894
	$ 42,274	$ 93,448

(Concluded)

The subsidiaries' significant outstanding forward contracts, currency swap contracts, interest rate swap contracts, and options as of December 31, 2011 and 2010 were as follows:

	Currency	Maturity	Amount (Thousands)
December 31, 2011			
Lite-On IT Corp.			
Currency swap contracts	USD/NTD	January 5, 2012 - January 13, 2012	USD79,000/NTD2,382,530
Forward exchange contracts	EUR/USD	January 11, 2012 - February 8, 2012	EUR15,200/USD19,844
Leotek Electronic Corp.			
Forward exchange contracts	USD/NTD	January 30, 2012	USD2,000/NTD60,320
Lite-On Automotive International (Cayman) Co., Ltd.			
Forward exchange contracts	USD/NTD	January 17, 2012	USD900/NTD27,441
Lite-On Automotive Electronics (Guang Zhou) Co., Ltd.			
Forward exchange contracts	USD/CNY	January 9, 2012	USD400/CNY2,542
Forward exchange contracts	EUR/CNY	January 9, 2012	EUR696/CNY5,932
Lite-On Mobile Oyj (formerly Perlos Oyj)			
Currency swap contracts	EUR/USD	January 11, 2012	EUR2,000/USD2,678
Currency swap contracts	JPY/EUR	January 11, 2012	JPY140,000/EUR1,374
Currency swap contracts	USD/EUR	January 11, 2012	USD12,650/EUR9,449
Currency swap contracts	JPY/USD	January 6, 2012	JPY495,660/USD6,378
Currency swap contracts	SEK/EUR	January 18, 2012	SEK5,000/EUR540
Currency swap contracts	HUF/EUR	January 18, 2012	HUF250,000/EUR809
Forward exchange contracts	USD/BRL	January 23, 2012	USD1,500/BRL2,710
Forward exchange contracts	USD/INR	January 17, 2012	USD17,000/INR898,855

(Continued)

	Currency	Maturity	Amount (Thousands)
Forward exchange contracts	EUR/CNY	February 21, 2012	EUR3,000/CNY25,696
Forward exchange contracts	USD/CNY	February 7, 2012	USD20,000/CNY127,104
Forward exchange contracts	JPY/USD	January 6, 2012	JPY200,000/USD2,566
Forward exchange contracts	USD/EUR	January 9, 2012	USD700/EUR511
Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (formerly Perols (Guangzhou) Electronic Components Co., Ltd.)			
Forward exchange contracts	USD/CNY	January 17, 2012	USD2,000/CNY12,688
Lite-On Japan Ltd.			
Call option	JPY/USD	March 5, 2012	JPY33,900/USD300
Put option	JPY/USD	March 5, 2012	JPY94,050/USD900
Currency swap contracts	JPY/USD	March 5, 2012	JPY33,990/USD300
Lite-On Singapore Pte. Ltd.			
Forward exchange contracts	EUR/USD	January 5, 2012	EUR2,400/USD3,221
Forward exchange contracts	HUF/USD	January 5, 2012	HUF384,000/USD1,691
Forward exchange contracts	JPY/USD	January 5, 2012	JPY55,000/USD707
Silitech Technology Corp.			
Forward exchange contracts	USD/MYR	January 9, 2012 - February 24, 2012	USD700/USD2,220
Currency swap contracts	USD/NTD	January 9, 2012	USD28,000/NTD844,960
Logah Technology Co., Ltd.			
Forward exchange contracts	USD/NTD	February 6, 2012 - February 24, 2012	USD4,200/NTD126,834

(Concluded)

	Amount (Thousands)	Maturity	Interest Rate Paid	Interest Rates Received	Settlement Term
Lite-On Japan Ltd.					
Interest rate swap contracts	JPY125,000	February 4, 2008 - January 31, 2013	1.48%	Note	Quarterly

	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	USD/NTD	March 24, 2011	USD44,000/NTD1,339,600
Forward exchange contracts	EUR/USD	January 3, 2011 - January 20, 2011	EUR14,000/USD18,493
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 Electronics (Guangzhou) Co., Ltd.			
Forward exchange contracts	USD/CNY	January 17, 2011 - January 28, 2011	USD2,100/CNY13,969
Forward exchange contracts	EUR/CNY	January 17, 2011 - February 28, 2011	EUR1,000/CNY8,683
Lite-On Electronic (Thailand) Co., Ltd.			
Forward exchange contracts	USD/THB	January 11, 2011 - March 29, 2011	USD2,000/THB59,800
Lite-On Mobile Oyj (formerly 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	January 10, 2011 - March 28, 2011	USD9,000/INR414,810
Forward exchange contracts	USD/SEK	January 18, 2011	USD500/SEK3,484
Forward exchange contracts	EUR/CNY	January 20, 2011 - March 24, 2011	EUR3,000/CNY19,988
Forward exchange contracts	USD/CAD	January 6, 2011	USD5,000/CAD33,273
Forward exchange contracts	JPY/USD	January 18, 2011	JPY250,000/USD2,980

(Continued)

	Currency	Maturity	Amount (Thousands)
Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (formerly 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 5, 2011 - February 11, 2011	USD2,000/JPY167,380
Lite-On Japan Ltd.			
Call option	JPY/USD	March 5, 2011 - March 22, 2011	JPY169,500/USD1,500
Put option	JPY/USD	March 5, 2011 - March 22, 2011	JPY470,250/USD4,500
Currency swap contracts	JPY/USD	March 5, 2011 - March 20, 2011	JPY169,950/USD1,500
Lite-On Singapore Pte. Ltd.			
Forward exchange contracts	EUR/USD	January 5, 2011	EUR4,500/USD5,902
Forward exchange contracts	SGD/USD	January 5, 2011	SGD900/USD688
Forward exchange contracts	HUF/USD	January 5, 2011	HUF384,800/USD1,816
Forward exchange contracts	JPY/USD	January 5, 2011 - February 18, 2011	JPY118,000/USD1,405
Forward exchange contracts	USD/CNY	January 10, 2011 - February 22, 2011	USD3,000/CNY19,861
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 4, 2011	USD12,000/NTD355,200

(Concluded)

	Amount (Thousands)	Maturity	Interest Rates Paid	Interest Rates Received	Settlement Term
Lite-On Japan Ltd.					
Interest rate swap contracts	JPY225,000	February 4, 2008 - January 31, 2013	1.48%	Note	Quarterly

Note: Based on the Taipei interbank offered rate (Tibor) for three month plus a margin of 0.35%.

The subsidiaries entered into derivative contracts in 2011 and 2010 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 losses and gains on derivative financial instruments as of December 31, 2011 and 2010 were $29,185 thousand and $377,505 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2011	2010
Listed stocks (domestic)	$ 9	$ 9

7. ACCOUNTS RECEIVABLE, NET

	December 31	
	2011	2010
Accounts receivable	$ 46,111,377	$ 41,381,434
Allowance for doubtful accounts	(270,049)	(416,384)
Allowance for sales returns and discounts	(371,834)	(321,576)
	$ 45,469,494	$ 40,643,474

Movements of allowances for doubtful accounts were as follows:

	Years Ended December 31			
	2011		2010	
	Accounts Receivable	Overdue Receivable	Accounts Receivable	Overdue Receivable
Balance, beginning of year	$ 416,384	$ 64,204	$ 481,500	$ 73,546
Allowance (reversal of allowance) for doubtful accounts	29,615	17,428	1,199	(10,173)
Accounts receivable reclassified to overdue receivables	(164,797)	164,797	(1,143)	1,143
Amounts written off	(8,577)	(58,938)	(66,970)	(312)
Effect of exchange rate changes	(2,576)	-	1,798	-
	$ 270,049	$ 187,491	$ 416,384	$ 64,204

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, 2011 and 2010 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, 2011					
Taishin International Bank	US$ 1,766	US$ 1,766	$ -	Note	$ 160,000
December 31, 2010					
Taishin International Bank	US$ 6,096	US$ 6,086	$ -	Note	$ 160,000

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, 2011					
Taishin International Bank	US$ 17,539	US$ 17,097	$ -	Note	US$ 8,500
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

Silitech Technology Corp.

Factor	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates for Advances Received (%)	Credit Line
December 31, 2011					
City Bank	EUR 22,770	EUR 26,297	EUR 3,798	1.63-2.08	US$ 30,000
	USD 31,179	USD 36,219	USD 4,202	0.90-1.87	
	CNY -	CNY 3,967	CNY -	Note	US$ 9,000
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

Note: According to advance received at the agreed-upon interest rate.

The above credit lines may be used on a revolving basis. As of December 31, 2011, the amount of factored accounts receivable of the Parent Company and its subsidiaries remaining in 2010 had been collected.

Factored accounts receivable of the Parent Company and its subsidiaries amounted to US$50,484 thousand and EUR22,770 thousand in 2011; and US$47,815 thousand, EUR16,272 thousand and CNY37,559 thousand in 2010.

The Parent Company and its subsidiaries (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	
	2011	2010
Materials and supplies	$ 6,295,461	$ 6,336,016
Work in process	3,174,499	2,773,581
Finished goods	11,253,071	7,331,660
Merchandise	3,623,498	7,218,347
Goods in transit	1,651,845	1,325,576
Power generation facility held for sale	1,661,010	1,369,780
	$ 27,659,384	$ 26,354,960

As of December 31, 2011 and 2010, the allowances for inventory devaluation were $1,961,678 thousand and $1,476,690 thousand, respectively. The costs of inventories recognized as cost of sales were $196,187,219 thousand in 2011 and $193,493,418 thousand in 2010, 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, 2011								
Solar Power project	$609,049	$479,217	$ 80,835	$525,796	$487,502	80-100	2012	$ 46,579
December 31, 2010								
Solar Power project	$ 41,200	$ 31,707	$ 1,984	$ 38,972	$ 26,996	90-100	2011	$ 7,265

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	December 31	
	2011	2010
Domestic quoted stocks	$ 1,898,092	$ 3,086,482
Mutual funds	739,971	743,055
Overseas quoted stocks	145,291	1,157,525
	$ 2,783,354	$ 4,987,062

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2011	2010
Domestic and overseas unquoted common stocks	$ 1,050,019	$ 1,309,891
Emerging market stocks	437,953	442,411
	$ 1,487,972	$ 1,752,302

The above stocks and funds had no quoted price in an active market or reliable fair values; thus, these investments were measured at cost.

Some of the Group's financial assets carried at cost - noncurrent in 2011 and 2010 were impaired. Thus, impairment losses were recognized as follows:

	December 31	
	2011	2010
Auria Solar, Inc.	$ 278,888	$ -
Aetas Technology, Inc.	-	133,110
Northern Lights Semiconductor Corporation	-	56,095
	$ 278,888	$ 189,205

12. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2011		2010	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Long-term stock investments				
Equity method				
Listed				
Lite-On Semiconductor Corp.	$ 1,571,097	20.45	$ 1,461,213	20.31
Jhen Vei Electronics Co., Ltd.	117,285	17.12	134,078	17.12
	1,688,382		1,595,291	
Unlisted				
Dragonjet Corporation	965,811	29.74	1,047,676	29.83
LiteStar JV Holding (BVI) Co., Ltd.	765,534	30.00	-	-
Epricrystal (Changzhou) Co., Ltd.	125,756	5.00	-	-
Lite-Space Technology Company Limited	26,208	27.00	-	-
Kompaktsolar GmbH	14,274	51.00	-	-
Canfield Ltd.	4,143	33.33	3,266	33.33
	1,901,726		1,050,942	
	$ 3,590,108		$ 2,646,233	

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 Shin used the equity method to account for its investment in Jhen Vei.

Lite-On Electronic (Tianjin) Co., Ltd., a subsidiary of the Parent company, held less than 20% of the equity interest in Epricrystal (Changzhou) Co., Ltd. ("Epricrystal"), but a equity-method investee of the Parent company, LiteStar JV Holding (BVI) Co., Ltd. owned more than 20% interest of Epricrystal, enabling the Group to exercise significant influence. Thus, the Group accounted for this investment by the equity method.

In January 2011, Lite-On Green Technologies B.V. (LOGTBV), a subsidiary of the Parent company, signed a joint venture contract with Kompakt Betriebs and Verwaltungs GmbH, and formed the company named Kompaktsolar GmbH ("Kompak"). Under the contract, LOGTBV had no controlling interest over the financial, operating and personnel hiring policy decisions but owned 51%. Thus, the Group accounted for this investment by the equity method. LOGTBV was not included in the accompanying consolidated financial statements but the proportional consolidation method was applied to this investee.

The independent auditors did not audit the financial statements as of and for the years ended December 31, 2011 and 2010 of Canfield Ltd. ("Canfield"), an equity-method investee of Li Shin, and Lite-Space Technology Company Limited of Lite-On IT Corp. as of and for the years ended December 31, 2011. Management believed that, had these investees' financial statements been audited, no significant adjustments would have been required for the consolidated financial statements.

The Parent Company's auditors did not audit the financial statements of Diodes, Inc. and Dynacard Co., Ltd. as of and for the years ended December 31, 2011 and 2010 and of LiteStar JV Holding (BVI) Co., Ltd., Epricrystal (Changzhou) Co., Ltd. and Kompaktsolar GmbH as of and for the year ended December 31, 2011. The financial statements of these investees accounted for by the equity method had been audited by other auditors.

The book values of the long-term equity-method investees whose financial statements had been audited by other auditors were $1,660,650 thousand and $635,336 thousand as of December 31, 2011 and 2010, respectively; the net investment results recognized were a loss of $14,520 thousand in 2011 and an income of $91,390 thousand in 2010.

13. PROPERTIES

Accumulated depreciation consisted of the following:

	December 31	
	2011	2010
Buildings	$ 5,497,911	$ 4,662,364
Machinery and equipment	19,943,057	16,558,855
Transportation equipment	75,512	82,713
Office equipment	1,957,342	1,952,601
Leased equipment	1,249,636	1,260,291
Miscellaneous equipment	3,549,938	4,503,542
	$ 32,273,396	$ 29,020,366

Depreciation expenses were $5,688,711 thousand in 2011 and $6,621,736 thousand in 2010.

Some of the Group's properties in 2011 and 2010 were impaired. Thus, impairment losses (reversal of impairment losses) were recognized as follows:

	December 31	
	2011	2010
Perlos Mexico Holding Corp.	$ 172,161	$ -
Perlos Mexico, S.A. de C.V	85,928	-
Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (formerly Perlos (Guangzhou) Electronic Components Co., Ltd.)	55,812	-
Lite-On Electronic (Tianjin) Co., Ltd.	32,430	2,501
Beijing Lite-On Mobile Electronic and Telecommunication Components Co., Ltd. (formerly Perlos (Beijing) Electronic and Telecommunication Components Co., Ltd.)	16,757	-
Lite-On Mobile India Private Limited. (formerly Perlos Telecommunication and Electronic Components (India))	16,310	-
Shenzhen Lite-On Mobile Precision Molds Co., Ltd. (formerly Perlos Precision Molds (Shenzhen) Co., Ltd.)	1,460	-
Perlos Precision Plastics Molding Limited Liability Company	-	22,302
Lite-On Electronics (Changzhou) Co., Ltd. (formerly Wuxi Lite-On Technology. Co., Ltd.)	-	397
Lite-On Automotive Corp.	(2,417)	-
	$ 378,441	$ 25,200

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 was 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 2011 and 2010, the amounts of accumulated amortization of patents, which have an estimated service life of six years, were $12,436 and $7,914 thousand, respectively, and those for client relationships, which have an estimated service life of four years, were $112,626 and $71,670 thousand, respectively.

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, 2011 and 2010, the accumulated amortization for patent rights amounted to $1,235,611 thousand and $1,010,954 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, 2011 and 2010, 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 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., resulted in differences between the acquisition costs of the Parent Company's investments in the subsidiaries and the acquisition costs of the subsidiaries' investments in other companies; the Company's proportionate share in the investees' equity are listed as follows:

	December 31	
	2011	2010
Lite-On Mobile Ojy (formerly Perlos Oyj) and its subsidiaries	$ 8,612,047	$ 8,631,570
Li Shin International Enterprise Corp.	1,708,258	1,708,258
Lite-On Automotive Corp.	303,073	303,073
Leotek Electronics Corp.	219,424	219,424
Philips & Lite-On Digital Solutions Germany GmbH.	-	448,723
Others	67,503	60,164
	$ 10,910,305	$ 11,371,212

From January 1, 2006, based on the revised of the Statement of Financial Accounting Standards No. 5 - "Long-term Investments under the Equity Method," 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 projected 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 operations, 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.

As of December 31, 2011, Lite-On IT Corp. had recognized an impairment loss of $453,533 thousand (including a translation adjustment of $4,810 thousand) on its subsidiary, Philips & Lite-On Digital Solutions Germany GmbH, because the recoverable amount of goodwill was estimated to be less than its carrying amount. No other investment impairment loss was recognized by the Group as of December 31, 2011.

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	
	2011	2010
Cost		
Land	$ 37,767	$ 37,767
Buildings	92,853	94,821
	130,620	132,588
Accumulated depreciation	(16,777)	(14,306)
	$ 113,843	$ 118,282

b. Idle assets, net

	December 31	
	2011	2010
Cost		
Land	$ -	$ 4,117
Buildings	142,682	503,079
Machinery and equipment	312,531	1,233,190
Transportation equipment	-	3,899
Office equipment	12,695	48,468
Miscellaneous equipment	134,702	118,104
	602,610	1,910,857
Accumulated impairment losses	(160,967)	(203,227)
Accumulated depreciation	(306,105)	(1,024,623)
	$ 135,538	$ 683,007

The change in accumulated impairment losses was as follows:

	2011	2010
Balance, beginning of year	$ 203,227	$ 213,132
Impairment losses	27,502	45,801
Disposals	(69,762)	(55,706)
Balance, end of year	$ 160,967	$ 203,227

c. Overdue receivables

	December 31	
	2011	2010
Overdue receivables	$ 187,491	$ 64,204
Allowance for doubtful accounts	(187,491)	(64,204)
	$ -	$ -

16. SHORT-TERM LOANS

	December 31	
	2011	2010
Unsecured bank loans - interest: 0.86%-8.24% in 2011 and 0.40%-9.00% in 2010	$ 4,737,488	$ 3,433,183

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, 2011: (None)								
December 31, 2010								
Solar Power Project	$ 544,102	$ 206,146	$ 266,587	$ 239,236	$ 283,835	44.7-100	100	$ 33,090

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

	December 31	
	2011	2010
Parent Company	$ 15,700,000	$ 14,333,334
Lite-On Mobile Pte. Ltd.	6,053,601	-
Silitech Technology Corp.	1,809,000	1,200,000
Lite-On Japan Ltd.	602,923	453,398
Silitech Technology (Su Zhou) Co., Ltd.	302,913	345,029
Lite-On Mobile Oyj (Original: Perlos Oyj)	-	3,238,832
	24,468,437	19,570,593
Current portion of long-term bank loans	(1,173,473)	(3,507,889)
	$ 23,294,964	$ 16,062,704

a. As of December 31, 2011, the Parent Company had four long-term bank loans with contract terms between September 23, 2008 and October 19, 2016 and an interest rate of 1.48% to 1.661%, payable monthly or quarterly. These loans should be repaid in three, five, or eight installments or at lump sum on loan maturity.

As of December 31, 2010, the Parent Company had two long-term loans with contract terms between July 31, 2008 and September 23, 2013 and an 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.

On September 23, 2008, the Parent Company signed the contract for a five-year syndicated loan with Citibank and 15 other financial institutions, and on May 16, 2011 changed the contract period to seven years from 2008. The repayment period is between September 23, 2008 and September 22, 2015. The credit line is NT$15 billion, consisting of:

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

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

The principal of this syndication loan should be repaid in five semiannual installments from September 23, 2013, and the interest rate is the 90-day Taiwan subprime commercial paper interest rate plus 55 points.

Under the syndicated loan agreement, the Parent Company should maintain certain financial ratios based on the most recent semiannual or annual consolidated financial statements. As of December 31, 2011, the Parent Company was in compliance with all of the loan covenants.

b. Lite-On Mobile Pte. Ltd. had a syndicated loan with Citibank, with a contract term from April 29, 2011 to April 29, 2016, interest calculated at USD LIBOR plus a margin of 0.6% or 0.75%, and principal repayable from April 29, 2014 in five semiannual installments.

This contract is a five-year syndicated loan of US$200 million and was signed with Citibank and 14 other financial institutions (the endorsements and guarantees were provided by the Parent Company). As of December 31, 2011, Lite-On Mobile Pte. Ltd. had used all of the credit line of the syndicated loan.

c. Silitech Technology Co., Ltd. entered into a NT$3 billion syndicated loan with Taiwan Landbank, with a contract term from March 16, 2009 to March 16, 2014. This loan was obtained for the purpose of supporting operations and consummating the acquisition. As of December 31, 2011 and 2010, Silitech Technology Corporation had used NT$2.01 billion and NT$1.2 billion, respectively, of the credit line of the syndicated loan, with interest rates of 1.6712% and 1.4218% to 1.4228%, respectively, and principal repayable from December 16, 2011 in 10 quarterly installments.

d. As of December 31, 2011, Lite-On Japan Ltd. had 18 long-term bank loans, with contract terms from November 10, 2006 to February 29, 2016, with interest rate of 1.16% to 1.75% and principal repayable on specified due dates.

e. Silitech Technology (Su Zhou) Co., Ltd. entered into a US$10 million long-term bank loan with Taipei Fubon Bank, with contract term from August 27, 2010 to August 27, 2013. The floating interest rates were 1.26806% and 1.04188% as of December 31, 2011 and 2010, respectively; principal is amortized semiannually and repaid at US$3,000 thousand for each of the first two installments and at US$4,000 thousand on the third repayment. As of December 31, 2011, Silitech Technology (Su Zhou) Co., Ltd. had used all of the credit line of the loan.

f. On December 31, 2010, Lite-On Mobile Oyj (formerly Perlos Oyj) signed a long-term bank loan contract with Citibank. The term loan contract matures on September 23, 2013 and has interest at Euro LIBOR plus 0.675%, with principal repayable from December 31, 2012 in five semiannual installments. In June 2011, Lite-On Mobile Oyj fully repaid this loan.

19. OBLIGATIONS UNDER CAPITAL LEASES

	December 31	
	2011	2010
Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (Formerly Perlos (Guangzhou) Electronic Components Co., Ltd.)	$ 355,986	$ 389,372
Beijing Lite-On Mobile Electronic and Telecommunication Components Co., Ltd. (Formerly Perlos (Beijing) Electronic and Telecommunication Components)	40,064	75,262
Lite-On Mobile Oyj (Formerly Perlos Oyj)	2,048	3,349
Lite-On Mobile Sweden AB (Formerly Perlos AB.)	1,612	3,968
Parent Company	826	2,014
Lite-On Mobile India Private Limited. (Formerly Perlos Telecommunication and Electronic Components (India) Private Ltd.)	290	1,585
Shenzhen Lite-On Mobile Precision Molds Co., Ltd. (Formerly Perlos Precision Molds (Shenzhen) Co., Ltd.)	-	1,660
Lite-On (Guangzhou) Infortech Co., Ltd.	-	1,037
	400,826	478,247
Current portion of long-term capital lease liabilities	(84,360)	(90,090)
	$ 316,466	$ 388,157

a. Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (formerly Perlos (Guangzhou) Electronic Components Co., Ltd.) leased buildings, machinery and equipment under capital leases valid from January 1, 2007 to December 31, 2016. The terms of these leases were between 3 and 10 years, with 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. Beijing Lite-On Mobile Electronic and Telecommunication Components Co., Ltd. (formerly Perlos (Beijing) Electronic and Telecommunication Components) leased buildings under capital leases valid from January 1, 2003 to December 31, 2012. Thesane leases were for 10 years, with 4.24% interest rate. The buildings can be bought at a bargain purchase price at the end of the lease term.

c. Lite-On Mobile Oyj (formerly Perlos Oyj) leased machinery and equipment under capital leases valid from February 1, 2009 to September 30, 2015. The terms of these leases were between three and four years, with 5.00% interest rate.

d. Lite-On Mobile Sweden AB (formerly Perlos AB) leased machinery and equipment under capital leases valid from July 15, 2008 to January 15, 2013. The terms of these leases were between two and four years, with 3.63% to 12.83% interest rate.

e. The Parent Company leased machinery and equipment under capital leases valid from September 1, 2009 to June 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. Lite-On Mobile India Private Limited. (formerly Perlos Telecommunication and Electronic Components (India) Private Ltd.) leased machinery and equipment under capital leases valid from September 15, 2009 to April 18, 2013. The terms of these leases were between three and five years, with 10.24% interest rate. The machinery and equipment can be bought at a bargain purchase price at the end of the lease term.

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

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

20. PENSION PLAN

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. 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%, 2%, 4%, 2% and 3%, respectively, of salaries and wages to a pension fund, which is administered by the employees' pension fund committees 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	
	2011	2010
Service cost	$ 17,819	$ 22,083
Interest cost	23,019	23,562
Expected return on plan assets	(21,700)	(25,359)
Amortization	(8,325)	(5,493)
Curtailment gain	-	(57)
Net pension costs	$ 10,813	$ 14,736

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

	December 31	
	2011	2010
Benefit obligation		
Vested benefit obligation	$ (220,277)	$ (163,776)
Non-vested benefit obligation	(593,708)	(593,648)
Accumulated benefit obligation	(813,985)	(757,424)
Additional benefits based on future salaries	(354,444)	(335,538)
Projected benefit obligation	(1,168,429)	(1,092,962)
Fair value of plan assets	1,087,028	1,080,266
Funded status	(81,401)	(12,696)
Unrecognized net transition obligation (asset)	(613)	13,375
Unrecognized net loss	(28,120)	(148,038)
Contribution of accrued pension cost	(24,335)	(1,602)
Additional liability	(8,699)	(4,909)
Accrued pension cost	$ (143,168)	$ (153,870)

	December 31	
	2011	2010
c. Actuarial assumptions:		
Discount rate used in determining present values	1.60%-2.00%	2.00%-2.50%
Future salary increase rate	2.00%-3.50%	2.50%-3.50%
Expected rate of return on plan assets	1.60%-2.25%	2.00%
d. Contributions to the fund	$ 22,298	$ 22,968
e. Payments from the fund	$ 22,699	$ 7,709

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 pension costs of $166,422 thousand in 2011 and $148,387 thousand in 2010.

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 were $361,783 thousand for 2011 and $439,835 thousand for 2010.

21. 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 Corporation as a result of a merger, with the Parent Company as the survivor entity. 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 represented the Parent Company's 14,781 thousand common shares.

As of December 31, 2011, the outstanding marketable equity securities were 5,196 thousand units, representing 51,957 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, 2011, the unredeemed GDRs amounted to 1,141 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 Taiwan Stock Exchange on the grant date. For distributing cash dividends and stock dividends and for capital reduction (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			
	2011		2010	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance, beginning of year	20,655	$ 41.40	22,644	$ 44.1
Options expired	(836)	41.40	(1,788)	44.1
Options exercised	-	41.40	(201)	44.1
Balance, end of year	19,819	38.01	20,655	41.4
Weighted-average fair value of options granted in thousand	$ 16.964		$ 16.964	

The weighted-average remaining lives of the outstanding and exercisable options as of December 31, 2011 and 2010 were two and three years, respectively.

Compensation cost recognized under the intrinsic value method was $0 thousand for the year ended December 31, 2011 and 2010 respectively. Had the Parent Company recognized compensation cost based on the fair value method using the binomial option pricing model, the assumptions and pro forma result of the Parent Company for 2011 and 2010 would have been as follows:

	Years Ended December 31	
	2011	2010
Assumptions		
Risk-free interest rate	2.5101%	2.5101%
Expected life	2 year	3 year
Expected volatility	40.07%	40.07%
Expected dividend yield	7.07%	7.07%
Net income		
As reported	$ 7,225,925 thousand	$ 8,986,457 thousand
Pro forma	$ 7,194,117 thousand	$ 8,912,240 thousand
Basic after income tax earnings per share (New Taiwan dollars)		
As reported	$3.22	$4.03
Pro forma	$3.21	$4.00
Diluted after income tax earnings per share (New Taiwan dollars)		
As reported	$3.16	$3.96
Pro forma	$3.15	$3.93

Capital Surplus

Under the Company Law, capital surplus from long-term investments under the equity method may not be used for any purpose. However, capital surplus may be used to offset a deficit. In addition, the capital surplus from shares 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

To ensure the availability of cash for the Parent Company's present and future expansion plans and to meet shareholders' cash flow requirements, the Parent Company prefers to distribute more stock dividends. In principle, cash dividends are limited to 10% of total dividends distributed.

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: At least 1%.
b. Bonus to directors: 1.5% or less
c. Others, as dividends.

If the bonus to employees is in the form of shares, it may be distributed to the employees' subsidiaries. The requirements and the method of distribution of these share bonuses are based on resolutions passed by the board of directors.

The bonus to employees and the remuneration to directors recognized for 2011 and 2010 were estimated on the basis of net income at 13.8% and 0.9%, respectively, and past appropriation experience at 15% and 1%, respectively. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted in the year of the proposal. 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 22, 2011 and June 15, 2010, the shareholders resolved the appropriation of earnings and dividend per share in 2010 and 2009 as follows:

	Appropriation of Earnings		Dividend Per Share (Dollars)	
	2010	2009	2010	2009
Legal reserve	$ 898,646	$ 705,184	$ -	$ -
Stock dividends	112,711	111,590	0.05	0.05
Cash dividends	6,469,637	5,021,541	2.87	2.25

The sharing with employees of profits of $769,869 thousand in cash and $471,855 thousand in stock as well as the remuneration to directors of $79,031 thousand for 2010 was approved in the shareholders' meeting on June 22, 2011. The amount of the stock bonus to employees of 13,915 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 2010 was approved by the Financial Supervisory Commission, Executive Yuan, ROC. The board of directors approved August 14, 2011 as the date of distributing stock dividends and cash dividends.

As of March 26, 2012, the auditors' report date, the Parent Company's board of directors had not decided the appropriation of the 2011 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.

Under the regulations of the Securities and Futures Bureau and the Financial Supervisory Commission under the Executive Yuan of the ROC, the companies listed on the Taiwan Stock Exchange Corporation (TSEC) and the GreTai Securities Market (GTSM) should have a special reserve in which an amount equal to the book value in excess of the market value of treasury shares held by subsidiaries should be transferred from unappropriated earnings at the proportion owned by the Parent Company. This special reserve may be reversed to the extent of the decrease in the net debit balance. 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 Note 18).

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. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Parent Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

For 2011 and 2010, 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, 2011			
Balance, beginning of year	$ 1,097,107	$ 332,886	$ 1,429,993
Decrease in 2011	(1,041,168)	(666,937)	(1,708,105)
Transferred to profit or loss	(94,479)	-	(94,479)
Balance, end of year	$ (38,540)	$ (334,051)	$ (372,591)
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

22. TREASURY STOCK (COMMON STOCK)

Unit: In Thousand Shares

Reason for Repurchase	Changes in Fiscal Year			
	Beginning of Year	Increase	Decrease	End of Year
2011				
Parent Company's shares held by direct and indirect subsidiaries reclassified from long-term stock investments to treasury stock	27,701	139	-	27,840
For transfer to employees	30,565	-	-	30,565
	58,266	139	-	58,405

(Continued)

Reason for Repurchase	Changes in Fiscal Year			
	Beginning of 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

(Concluded)

At the end of 2011 and 2010, the Parent Company transferred $1,104,073 thousand from available-for-sale financial assets of direct and indirect subsidiaries to treasury stock proportionate to its ownership. Both the carrying value and market value of this treasury stock were $1,013,359 thousand in 2011 and $1,123,527 thousand in 2010.

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 Parent Company 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.

23. INCOME TAX

a. The reconciliation of income tax expense - current to income tax expense for income before income tax at the 17% statutory rate was as follows:

	2011	2010
Income tax expense on income before income tax using the statutory rate	$ 4,228,772	$ 4,345,672
Deduct tax effects of:		
Permanent differences	(803,087)	(452,249)
Temporary differences	10,301	(422,946)
Unappropriated earnings tax rate (10%)	190,647	188,620
Less: Investment tax credits	(384,806)	(359,321)
Loss carryforwards used	(4,486)	(65,263)
Income tax expense - current	$ 3,237,341	$ 3,234,513

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

	2011	2010
Income tax expense - current	$ 3,237,341	$ 3,234,513
Deferred income tax	(385,519)	160,382
Prior year's adjustment	(100,145)	(430,649)
Income tax expense	$ 2,751,677	$ 2,964,246

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

	December 31	
	2011	2010
Current		
Deferred income tax assets		
Allowance for loss on inventories	$ 210,972	$ 166,938
Investment tax credits	180,021	442,317
Accrued warranty expense	159,255	140,140
Unrealized loss and expense	120,423	41,199
Unrealized sales return and allowance	76,462	74,324
Unrealized sales profit	58,556	53,848
Foreign exchange loss, net	55,422	117,601
Loss carryforwards	29,796	58,698
Excess allowance for doubtful accounts	12,800	14,482
Others	83,522	98,658
	987,229	1,208,205
Valuation allowance	(35,561)	(57,419)
	951,668	1,150,786
Deferred income tax liabilities		
Unrealized gain on financial instruments	-	(56,381)
Deferred income tax assets, net	$ 951,668	$ 1,094,405
Noncurrent		
Deferred income tax assets		
Accumulated equity in the net loss of foreign investees	$ 543,620	$ 304,905
Loss carryforwards	472,889	356,944
Impairment loss on assets	446,181	329,775
Investment tax credit	288,362	997,325
Unrealized loss on financial instruments	82,294	-
Excess provisions for pension costs	57,151	89,494
Excess allowance for doubtful accounts	53,200	53,308
Others	120,882	4,886
	2,064,579	2,136,637
Valuation allowance	(1,152,680)	(1,395,769)
	911,899	740,868
Deferred income tax liabilities		
Accumulated equity in the net gain of foreign investees	(1,315,078)	(1,427,924)
Unrealized amortization of goodwill	(254,411)	(254,411)
Others	(90,032)	(334,211)
	(1,659,521)	(2,016,546)
Deferred income tax liabilities, net	$ (747,622)	$ (1,275,678)

The income tax rate used by the Parent Company and its subsidiaries in recognizing deferred income tax was 17% in 2011 and 2010. 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 2009 have been examined by the tax authorities. The Parent Company disagreed with the tax authorities' assessment of its 2007 to 2009 tax returns and had applied for a reexamination. Nevertheless, the Parent Company made a provision for the income tax assessed.

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	$ 264,049	$ 139,326	2012
	Research and development cost and professional training expenses	205,669	205,669	2013
		$ 469,718	$ 344,995	

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 is effective from January 1, 2010 to December 31, 2019.

The integrated income tax information is as follows:

	December 31	
	2011	2010
Balance of ICA		
The Parent Company	$ 642,262	$ 558,086

The estimated and actual creditable tax ratios of the Parent Company for the distribution of earnings of 2011 and 2010 were 6.02% and 6.32%, respectively.

The unappropriated earnings as of December 31, 2011 and 2010 did not include earnings generated up to December 31, 1997.

24. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSE

	2011			2010		
	Included in Cost of Sales	Included in Operating Expenses	Total	Included in Cost of Sales	Included in Operating Expenses	Total
Employment						
Salary	$ 10,354,612	$ 9,546,449	$ 19,901,061	$ 16,085,597	$ 8,287,623	$ 24,373,220
Insurance	788,835	660,775	1,449,610	762,726	515,636	1,278,362
Pension	239,968	299,050	539,018	300,349	302,609	602,958
Others	1,111,337	615,041	1,726,378	364,791	242,008	606,799
	12,494,752	11,121,315	23,616,067	17,513,463	9,347,876	26,861,339
Depreciation	4,828,167	860,544	5,688,711	5,729,895	891,841	6,621,736
Amortization	490,755	803,967	1,294,722	610,336	906,421	1,516,757
	$ 17,813,674	$ 12,785,826	$ 30,599,500	$ 23,853,694	$ 11,146,138	$ 34,999,832

Depreciation expenses for idle assets of $4,439 thousand and $2,680 thousand, respectively, and for assets leased to others of $144 thousand and $1,092 thousand, respectively, (included in nonoperating expenses - other expenses), were not included in the above depreciation expenses as of December 31, 2011 and 2010.

25. 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
2011					
Basic consolidated EPS					
Consolidated net income	$ 7,535,173	$ 7,225,925	2,243,017	$ 3.36	$ 3.22
The effect of potential common stock with dilutive effect					
Bonus to employees	-	-	40,838		
Common stock-based compensation	-	-	-		
Diluted consolidated EPS					
Net income of common shareholders plus the effect of potential common stock	$ 7,535,173	$ 7,225,925	2,283,855	$ 3.30	$ 3.16
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	$ 7,605,456	$ 7,296,208	2,270,857	$ 3.35	$ 3.21
Effect of potential common stock with dilutive effect					
Bonus to employees	-	-	40,838		
Common stock-based compensation	-	-	-		
Diluted consolidated EPS					
Net income of common shareholders plus the effect of potential common stock	$ 7,605,456	$ 7,296,208	2,311,695	$ 3.29	$ 3.16

(Continued)

	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	2,230,113	$ 4.16	$ 4.03
Effect of potential common stock with dilutive effect					
Bonus to employees	-	-	40,085		
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	2,270,198	$ 4.09	$ 3.96
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	2,257,953	$ 4.13	$ 4.00
Effect of potential common stock with dilutive effect					
Bonus to employees	-	-	40,085		
Common stock-based compensation	-	-	-		
Diluted consolidated EPS					
Net income of common shareholders plus the effect of potential common stock	$ 9,332,251	$ 9,041,290	2,298,038	$ 4.06	$ 3.93

(Concluded)

If the Parent Company presumes that the partial amount of the bonus to employees will be settled in shares, these potential 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. The dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares for employee bonuses are resolved in the shareholders' meeting in the following year.

At the end of 2011 and 2010, 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 2010, basic and diluted EPS before tax decreased from NT$4.18 to NT$4.16, and from NT$4.11 to NT$4.09, respectively, and basic and diluted EPS after tax decreased from NT$4.05 to NT$4.03 and from NT$3.98 to NT$3.96, respectively.

26. RELATED-PARTY TRANSACTIONS

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

a. The price of the Parent Company's and subsidiaries' sales to Lite-On Semiconductor Corp. in 2011 and 2010 was calculated at 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 2011 and 2010 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. Operating lease contracts with related parties were based on market prices and made under normal terms.

d. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2011	2010
Bonus	$ 454,138	$ 608,607
Salaries	200,610	257,864
Special compensation	70,259	89,135
Incentives	68,715	51,168
	$ 793,722	$ 1,006,774

27. MORTGAGED OR PLEDGED ASSETS - NONCURRENT

	December 31	
	2011	2010
Mortgaged or pledged assets - noncurrent		
Time deposits	$ 94,607	$ 103,000
Demand deposits	13,500	10,984
	$ 108,107	$ 113,984

Mortgaged or pledged assets - noncurrent included the guarantee deposits of the Parent Company, Lite-On IT Corporation, Logah Electronics (Su Zhou) Co., Ltd., Lippo Electronics (Su Zhou) Co., Ltd. and Leotek Electronics Corporation's provided to a supplier and the export customs agency for shipment clearance in advance of customs duty payments.

28. 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 26, 2012, the date the board of directors approved the financial statements and authorized the issue of these statements, this case was still under litigation. 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. As of December 31, 2011, this case was still in the preliminary stage, and Lite-On IT could not estimate the outcome of the case or range of possible loss.

c. In October 2009, CMP Consulting Service, Inc. and KI, Inc. 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 - with a court in California. Also in October 2009, Aaron Deshaw also filed an antitrust lawsuit against Lite-On IT and the foregoing subsidiaries with a court in Oregon. 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. Lite-On IT assigned lawyers to deal with these lawsuits. As of December 31, 2011, these cases were still in the preliminary stage, and Lite-On IT could not estimate the possible outcomes.

d. In April 2010, petitioner-Carlos Fogelman filed a motion for authorization to institute class action antitrust proceedings against Lite-On IT and the foregoing subsidiaries before the Superior Court of Quebec in the district of Montreal. In June 2010, the Fanshawe College of Applied Arts and Technology filed a statement of claim in Ontario. In September 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 Digital Solutions USA, Inc. and other companies with related businesses. Lite-On IT assigned lawyers as its representative in these lawsuits. As of December 31, 2011, these cases were still in the preliminary, stage, and Lite-On IT could not estimate the outcome of the case or amount of possible loss.

e. In April 2011, Orinda Intellectual Properties USA Holding Group, Inc. instituted class action proceedings against Lite-On IT Corp., Lite-On Americans, Inc. and other companies with related businesses, with the United States District Court for the Northern District of California, alleging infringement of a single patent on Blue-ray discs. Lite-On IT assigned lawyers as its representative in these lawsuits. As of December 31, 2011, this case was still in the preliminary stage, and Lite-On IT could not estimate the outcome of the case or amount of possible loss.

29. OTHERS

a. The significant financial assets and liabilities denominated in foreign currencies were as follows:

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

	December 31			
	2011		2010	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
CNY	$ 6,197,811	4.8044	$ 3,493,710	4.4405
JPY	3,201,028	0.3903	4,118,641	0.3582
USD	2,406,629	30.2680	1,808,127	29.1300
CZK	1,088,718	1.5218	180,095	1.5597
HKD	214,211	3.8956	271,026	3.7480
EUR	129,898	39.1668	189,919	38.9200
Nonmonetary items				
CNY	5,661	4.8044	48,875	4.4405
JPY	55,944	0.3903	142,219	0.3582
USD	141,784	30.2680	305,549	29.1300
HKD	54,050	3.8956	54,033	3.7480
EUR	17,490	39.1668	4,194	38.9200

(Continued)

	December 31			
	2011		2010	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial liabilities				
Monetary items				
CNY	$ 3,861,125	4.8044	$ 3,159,184	4.4405
JPY	1,948,319	0.3903	3,602,480	0.3582
USD	8,689,211	30.2680	1,942,096	29.1300
CZK	309,639	1.5218	166,926	1.5597
HKD	130,549	3.8956	132,715	3.7480
EUR	174,281	39.1668	344,391	38.9200
Nonmonetary items				
JPY	51,531	0.3903	82,825	0.3582
USD	12,907	30.2680	5,464	29.1300
EUR	131	39.1668	50,804	38.9200

(Concluded)

b. Plan for the Adoption of International Financial Reporting Standards:

According to the Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Corporation is required to disclose a plan for the adoption of the International Financial Reporting Standards (IFRSs) in the consolidated financial statements, as follows:

1) On May 14, 2009, the FSC announced the road map of IFRSs adoption for ROC companies. Starting from 2013, companies with shares listed on the Taiwan Stock Exchange (TSE) or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare for the consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, International Accounting Standards (IASs), interpretations and related guidance translated by Accounting Research and Development Foundation (ARDF) and issued by the FSC. Following this road map, the Parent Company and its subsidiaries established a task force to monitor and execute the IFRSs adoption plan. The important plan items, responsible divisions and plan progress are listed as follows:

Contents of Plan	Responsible Department	Status of Execution
a) Establish the IFRSs task force.	Finance, system integration, human resource, operation, sales and internal audit	Completed
b) Set up a work plan for IFRSs adoption.	Finance	Completed
c) Complete the identification of GAAP differences and impact.	Finance	Completed
d) Complete the identification of consolidated entities under the IFRSs.	Finance	Completed

(Continued)

Contents of Plan	Responsible Department	Status of Execution
e) Complete the assessment of the applicability of the IFRS 1 - "First-time Adoption of International Financial Reporting Standards" (IFRS 1).	Finance	Completed
f) Complete the evaluation, configuration and testing of the IT systems.	Finance, system integration, human resource, operation, sales and internal audit	Completed
g) Complete the modification of the relevant internal controls.	Finance, system integration, human resource, operation, sales and internal audit	Completed
h) Determine the IFRSs accounting policies to be applied.	Finance	Completed
i) Determine how to apply IFRS 1.	Finance	Completed
j) Complete the preparation of the opening date balance sheet under IFRSs.	Finance	In progress
k) Prepare comparative financial information under IFRSs for 2012.	Finance	In progress
l) Complete the modification of the relevant internal controls (including the financial reporting procedure and related information technology).	Finance, system integration, human resource, operation, sales and internal audit	In progress

(Concluded)

2) As of December 31, 2011, from the Parent Company and its subsidiaries' assessment, there are significant differences between the Parent Company and its subsidiaries' current accounting policies under ROC GAAP and the ones under IFRSs are stated as follows:

IAS 1 - Deferred income tax asset/liability

Under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of the related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability.

IAS 1 - Land use rights and deferred charges

Under ROC GAAP, a land use right or deferred charge is classified as intangible asset and other asset, respectively. Under IFRSs, based on their nature, a land use right or deferred charge is classified as prepayment, property, or intangible asset.

IAS 7 - Cash and cash equivalent

Under ROC GAAP, the term "cash" used in the financial statements includes cash on hand, demand deposits, check deposits, time deposits that are cancelable but having no loss of principal, and negotiable certificates of deposit that are readily salable but without any loss of principal. However, under IFRSs, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition.

IAS 12 - Deferred income tax asset/liability and valuation allowance

Under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits against which loss or carryforwards can be used. Thus, a and the valuation allowance account is no longer used.

Sufficient future taxable profits against which the loss or credit carryforwards can be used; thus, a valuation allowance account is not used.

IAS 16 - Property, plant, and equipment: Inspection costs

Under IFRSs, For each major inspection, its cost is recognized in the carrying amount of the property as a replacement if the recognition criteria are satisfied, then it derecognises the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired or constructed.

IAS 17 - Operating or finance lease

Under ROC GAAP, when the related criteria are satisfied, the lease will be classified as a finance lease. However, under IFRSs, classification will depend on the transaction. The transaction will be determined as a finance lease if a leases transfers substantially all the risks and rewards associated with ownership of an asset.

IAS 17 - Lease payments

Under ROC GAAP, lease payments are recorded as rent expense in the period the lease is incurred by the lessee. However, IAS 17 requires the capitalization of finance leases. The costs identified as directly attributable to activities performed by the lessee are added to the amount recognized as an asset.

IAS 18 - Allowance for sales returns and others

Under ROC GAAP, provisions for estimated sales returns and others are recognized as a reduction of revenue in the period the related revenue is recognized, as shown by historical experience. Allowance for sales returns and others are recorded as a deduction from accounts receivable. Under IFRSs, the allowance for sales returns and others is a present obligation with uncertain timing and an amount that arises from past events; thus, the allowance is reclassified as provisions (classified under current liabilities).

IAS 19 - Employee benefits: Actuarial gains and losses

Under ROC GAAP, the recognition of actuarial gains and losses from defined benefit plans directly to equity is disallowed; instead, actuarial gains and losses should be accounted for under the corridor approach, which results in the deferral of gains and losses. With the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees.

Under IAS No. 19 - "Employee Benefits," the Group will fully recognize actuarial gains and losses as other comprehensive income immediately in the period in which they occur. The subsequent reclassification to earnings is not permitted.

IAS 19 - Employee benefits: Accumulated compensated absences

Under ROC GAAP, there are no specific requirements for recognizing accumulated compensated absences at the end of reporting periods. Companies usually recognize the related costs when the employees actually go on leave. Under IFRSs, the expected cost of short-term cumulative compensated absences should be recognized as the employees render services that increase their entitlement to these compensated absences.

IAS 28 - Investments in associate and IAS 31 - Interests in joint ventures: Modification of investments accounted for by the equity method

The Group's associates and joint ventures accounted for by the equity method have assessed the significant differences between their respective present accounting policies and IFRSs. The significant difference refers mainly to the adjustment to employee benefits.

3) The Parent Company and its subsidiaries' aforementioned assessment is based on the 2010 version of IFRSs translated by ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by FSC on December 22, 2011. However, the assessment result may be impacted by the addition or the amendment of IFRSs issued or proposed by International Accounting Standards Board and any future rules issued by ROC authorities governing the adoption of IFRSs by companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market.

30. 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: Note 2 to the financial statements

6) Disposition of individual real estates at least $100 million or 20% of the capital stock: Note 2 to the financial statements

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 31 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

31. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31					
	2011			2010		
		Fair Value			Fair Value	
	Carrying Amount	Quoted Market	Valuation Techniques	Carrying Amount	Quoted Market	Valuation Techniques
Nonderivative financial instruments						
Assets						
Available-for-sale financial assets - current	$ 9	$ 9	$ -	$ 9	$ 9	$ -
Available-for-sale financial assets - noncurrent	2,783,354	2,783,354	-	4,987,062	4,987,062	-
Financial assets carried at cost - noncurrent	1,487,972	-	-	1,752,302	-	-
Liabilities						
Current portion of long-term bank loans	1,173,473	-	1,173,473	3,507,889	-	3,507,889
Current portion of obligations under capital leases	84,360	-	84,360	90,090	-	90,090
Long-term bank loans, net of current portion	23,294,964	-	23,294,964	16,062,704	-	16,062,704
Obligations under capital leases, net of current portion	316,466	-	316,466	388,157	-	388,157
Derivative financial instruments						
Lite-On Technology Corp.						
Derivative financial liability for hedging - noncurrent						
Interest rate swap	165,225	-	165,225	159,166	-	159,166

(Continued)

	December 31					
	2011			2010		
		Fair Value			Fair Value	
	Carrying Amount	Quoted Market	Valuation Techniques	Carrying Amount	Quoted Market	Valuation Techniques
Lite-On IT Corp.						
1) Financial assets at fair value through profit or loss - current						
Forward exchange contracts	$ 6,531	$ -	$ 6,531	$ -	$ -	$ -
Cross currency swap	-	-	-	259,655	-	259,655
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	5,961	-	5,961
Cross currency swap	10,380	-	10,380	-	-	-
Philips & Lite-On Digital Solutions Corp.						
1) Financial assets at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	57,880	-	57,880
2) Financial liabilities at fair value through profit or loss - current						
Cross currency swap	5,320	-	5,320	-	-	-
Lite-On Green Technology Corp.						
Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	1,342	-	1,342
Leotek Electronics Corp.						
1) Financial assets at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	14,940	-	14,940
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	255	-	255	-	-	-
Lite-On Electronics (Thailand) Ltd.						
Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	633	-	633

(Continued)

	December 31					
	2011			2010		
		Fair Value			Fair Value	
	Carrying Amount	Quoted Market	Valuation Techniques	Carrying Amount	Quoted Market	Valuation Techniques
Lite-On Mobile Oyj (original: Perlos Oyj)						
1) Financial assets at fair value through profit or loss - current						
Cross currency swap	$ 56,859	$ -	$ 56,859	$ 35,045	$ -	$ 35,045
Forward exchange contracts	29,874	-	29,874	51,052	-	51,052
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	7,809	-	7,809	20,613	-	20,613
Cross currency swap	5,429	-	5,429	14,612	-	14,612
Beijing Lite-On Mobile Electronic and Telecommunication Components Co., Ltd. (original: Perlos (Beijing) Electronic and Telecommunications Components)						
Financial assets at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	3,455	-	3,455
Guangzhou Lite-On Mobile Electronic Components Co., Ltd. (original: Perlos (Guangzhou) Electronic Components Co., Ltd.)						
Financial assets at fair value through profit or loss - current						
Forward exchange contracts	268	-	268	12,993	-	12,993
Lite-On Automotive International (Cayman) Corp.						
Financial assets at fair value through profit or loss - current						
Forward exchange contracts	173	-	173	-	-	-
Lite-On Automotive Electronics (Guangzhou) Corp.						
1) Financial assets at fair value through profit or loss - current						
Forward exchange contracts	1,597	-	1,597	1,018	-	1,018

(Continued)

	December 31					
	2011			2010		
		Fair Value			Fair Value	
	Carrying Amount	Quoted Market	Valuation Techniques	Carrying Amount	Quoted Market	Valuation Techniques
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	$ 133	$ -	$ 133	$ 225	$ -	$ 225
Lite-On Japan Ltd.						
1) Financial assets at fair value through profit or loss - current						
Option-call	-	-	-	6	-	6
Cross currency swap	9,430	-	9,430	41,953	-	41,953
2) Financial liabilities at fair value through profit or loss - current						
Interest rate swap	362	-	362	894	-	894
Option-put	9,417	-	9,417	41,939	-	41,939
Silitech Technology Corp.						
1) Financial assets at fair value through profit or loss - current						
Cross currency swap	-	-	-	5,640	-	5,640
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	84	-	84	506	-	506
Cross currency swap	2,793	-	2,793	-	-	-
Lite-On Singapore Pte. Ltd.						
1) Financial assets at fair value through profit or loss - current						
Forward exchange contracts	6,852	-	6,852	-	-	-
2) Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	-	-	-	6,723	-	6,723
Logah Technology Corp.						
Financial liabilities at fair value through profit or loss - current						
Forward exchange contracts	292	-	292	-	-	-

(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 and cash equivalents, 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.

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 (included current portion of long-term debts) 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.

6) The fair value of finance lease receivables is estimated using the present value of future cash flows discounted by prevailing interest rates after taking into account risk premiums.

c. As of December 31, 2011 and 2010, financial assets exposed to fair value risk from interest rate fluctuation amounted to $31,604,345 thousand and $25,106,220 thousand, respectively, and financial liabilities amounted to $400,826 thousand and $478,247 thousand, respectively; financial assets exposed to cash flow risk from interest rate fluctuation amounted to $22,239,941 thousand and $22,045,380 thousand, respectively, and financial liabilities exposed to cash flow risk from interest rate fluctuation amounted to $29,205,925 thousand and $23,003,476 thousand, respectively.

d. The Parent Company recognized the decrease of $1,041,168 thousand and $105,407 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets on December 31, 2011 and 2010, respectively.

e. 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. The cash flow hedge operating are deemed sufficient. As December 31, 2011 and 2010, the unrealized losses recognized in shareholders' equity were amounted to $165,225 thousand and $159,116 thousand, respectively. 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, 2011	$ 6,000,000	Note	1.895%	Quarterly	2015.9.23
Interest rate swap	December 31, 2010	6,000,000	Note	2.2125%-2.375	Quarterly	2015.9.23

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

Hedged Items	Designated Hedging Instruments: Financial Instruments Designated	Fair Value December 31 2011	Fair Value December 31 2010	Expected Period of Cash Flows	Expected Period of Realizing Gains or Losses
Medium and long-term loans	Interest rate swap	$ (165,225)	$ (159,166)	2008-2013	2008-2013

32. SEGMENT INFORMATION

Segment information is provided to the Group's chief operating decision maker for allocating resources to the segments and assessing their performance. The information focuses on every type of products sold or services provided. The Corporation's segment information disclosed in accordance with Statement of Financial Accounting Standards No. 41 - "Operating Segments" is as follows:

1) Optoelectronics and Network: Designed and mass manufacturer of phone camera modules;

2) System Integration: Provided well-recognized integrated system solutions for the consumer electronics markets;

3) Optical Storage: Manufacturing and selling CD-ROM, CD-RW, and DVD-ROM as well as more advanced products.

The Corporation also had other operating segments that did not exceed the quantitative threshold. These segments mainly engage in the LED Transit Modules, Automotive Electronics, and renewable energy and efficiency related technologies and products.

The Corporation uses net profit as the measurement for segment profit and the basis of performance assessment. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 2.

The Parent Company's operating segment information is as follows:

a. Industry financial information

	Foundry	IT Products	Photoelectric	Others	Elimination	Total
Year ended December 31, 2011						
Sales from external customers	$ 69,715,614	$ 91,055,305	$ 61,258,454	$ 8,490,720	$ -	$ 230,520,093
Sales among segments	819,331	3,351	21,786	332,880	(1,177,348)	-
Operating profit (loss)	4,103,787	5,422,044	2,827,458	(2,631,514)	-	9,721,775
Segment assets	57,712,800	44,481,352	45,015,821	59,249,279	(2,398,266)	204,060,986
Year ended December 31, 2010						
Sales from external customers	60,267,894	98,405,274	58,701,972	12,670,345	-	230,045,485
Sales among segments	1,154,996	61,911	56,267	489,383	(1,762,557)	-
Operating profit (loss)	5,141,404	6,097,537	3,129,751	(2,484,410)	-	11,884,282
Segment assets	48,396,631	49,646,575	41,892,470	55,522,815	(2,966,497)	192,491,994

b. Geographic information

	Sales to Other Than Consolidated Entities		Non-current Assets	
	2011	2010	2011	2010
Asia	$ 154,682,681	$ 144,032,782	$ 57,368,325	$ 55,522,970
United States	27,978,551	35,657,099	154,466	401,447
Europe	27,226,661	28,741,990	1,106,351	1,580,161
Others	20,632,200	21,613,614	710,939	945,321
	$ 230,520,093	$ 230,045,485	$ 59,340,081	$ 58,449,899

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

c. Production information

The Corporation mainly engage in manufacturing optoelectronics and network, system integration, optical storage, LED transit modules, automotive electronics, renewable energy and efficiency-related technologies and products, etc.

d. Major customers representing at least 10% of gross sales

	Years Ended December 31			
	2011		2010	
	Amount	%	Amount	%
Customer A	$ 29,256,995	13	$ 29,014,244	13

TABLE 1

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

		Receivable from Related Parties					Payable to Related Parties				
		Accounts Receivable		Other Receivable			Accounts Payable		Other Payable		
Related Party	Nature of Relationship (Note 1)	Amount	% (Note 2)	Amount	% (Note 2)	Total	Amount	% (Note 2)	Amount	% (Note 2)	Total
2011											
Co Tech Copper Foil Corp.	e	$ 746	36	$ -	-	$ 746	$ -	-	$ -	-	$ -
Lite-On Semiconductor Corp.	a	353	17	955	47	1,308	266,987	74	-	-	266,987
Chi Mei Mold Co., Ltd.	c	-	-	-	-	-	44,348	12	37,654	10	82,002
Silpert Travel Service Co., Ltd.	d	-	-	-	-	-	-	-	5,404	2	5,404
Other related parties (Note 3)		-	-	-	-	-	6,173	2	-	-	6,173
		$ 1,099	53	$ 955	47	$ 2,054	$ 317,508	88	$ 43,058	12	$ 360,566
2010											
Lite-On Semiconductor Corp.	a	$ 140,657	97	$ 2,831	2	$ 143,488	$ 274,575	78	$ 48	-	$ 274,623
Co Tech Copper Foil Corp.	e	747	1	-	-	747	-	-	-	-	-
S/G Industries Inc.	b	-	-	293	-	293	-	-	-	-	-
Chi Mei Mold Co., Ltd.	c	-	-	-	-	-	39,697	11	20,983	6	60,680
Silpert Travel Service Co., Ltd.	d	-	-	-	-	-	-	-	9,283	3	9,283
Other related parties (Note 4)		-	-	1	-	1	8,887	2	-	-	8,887
		$ 141,404	98	$ 3,125	2	$ 144,529	$ 323,159	91	$ 30,314	9	$ 353,473

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

Note 2: Percentage of specific account balance.

Note 3: Other Related Parties including:

An investee of an equity-method subsidiary: Jhen Vei Electronic (Shenzhen) Co., Ltd.

Note 4: Other Related Parties including:

An investee of an equity-method subsidiary: Jhen Vei Electronic Co., Ltd. and Jhen Vei Electronic (Wujian) Co., Ltd.

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

TABLE 2

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (Note 1)	Sales		Purchases		Rental Revenue (Note 6)	Other Revenue (Note 5)	Rental Expense	Other Expense (Note 4)	Property Transaction			
		Amount	% (Note 2)	Amount	% (Note 2)					Book Value	Proceeds	Disposal Gain (Loss)	Cost
2011													
Lite-On Semiconductor Corp.	a	$ 65,356	-	$ 2,776,066	1	$ -	$ 3,508	$ -	$ -	$ -	$ -	$ -	$ -
Lite-On Cultural Foundation	d	115	-	-	-	344	47	-	7,466	-	-	-	-
Chi Mei Machinery Corp.	b	-	-	75,060	-	-	914	-	28,568	-	-	-	-
Silpert Travel Service Co., Ltd.	c	-	-	-	-	57	-	-	106,642	-	-	-	-
Actron Technology Corp.	e	-	-	-	-	-	563	-	-	-	-	-	-
Other related parties (Note 4)		3,025	-	45,425	-	-	-	-	-	-	-	-	-
		$ 68,496	-	$ 2,896,551	1	$ 401	$ 5,032	$ -	$ 142,676	$ -	$ -	$ -	$ -
2010													
Lite-On Semiconductor Corp.	a	$ 411,681	-	$ 1,012,141	1	$ -	$ 3,279	$ -	$ -	$ -	$ -	$ -	$ -
Lite-On Cultural Foundation	d	118	-	-	-	344	46	-	-	-	-	-	-
Silpert Travel Service Co., Ltd.	c	-	-	-	-	57	-	-	103,023	-	-	-	-
Chi Mei Machinery Corp.	b	-	-	103,022	-	-	914	-	13,425	-	-	-	-
Dragonjet Corporation	a	-	-	-	-	-	247	-	-	-	-	-	-
Actron Technology Corp.	e	-	-	-	-	-	504	-	1,542	-	-	-	-
Other related parties (Note 5)		3,024	-	14,936	-	-	-	2,974	-	-	-	-	-
		$ 414,823	-	$ 1,130,099	1	$ 401	$ 4,990	$ 2,974	$ 117,990	$ -	$ -	$ -	$ -

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

Note 2: Percentage of specific account balance.

Note 3: Mainly included travel fees and repair expenses.

Note 4: Other related parties including:

a. An investee of an equity-method subsidiary: Jhen Vei Electronic Co., Ltd., Jhen Vei Electronic (Wujian) Co., Ltd. and Jhen Vei Electronic (Shenzhen) Co., Ltd.
b. The Parent Company's chairman is its director: Co Tech Copper Foil Corp.

Note 5: Other related parties including:

a. An investee of an equity-method subsidiary: Jhen Vei Electronic Co., Ltd. and Jhen Vei Electronic (Wujian) Co., Ltd.
b. The Parent Company's chairman is its director: Co Tech Copper Foil Corp.
c. Its vice chairman is relative of an investee of an equity-method subsidiary: Ellen C. Wu.

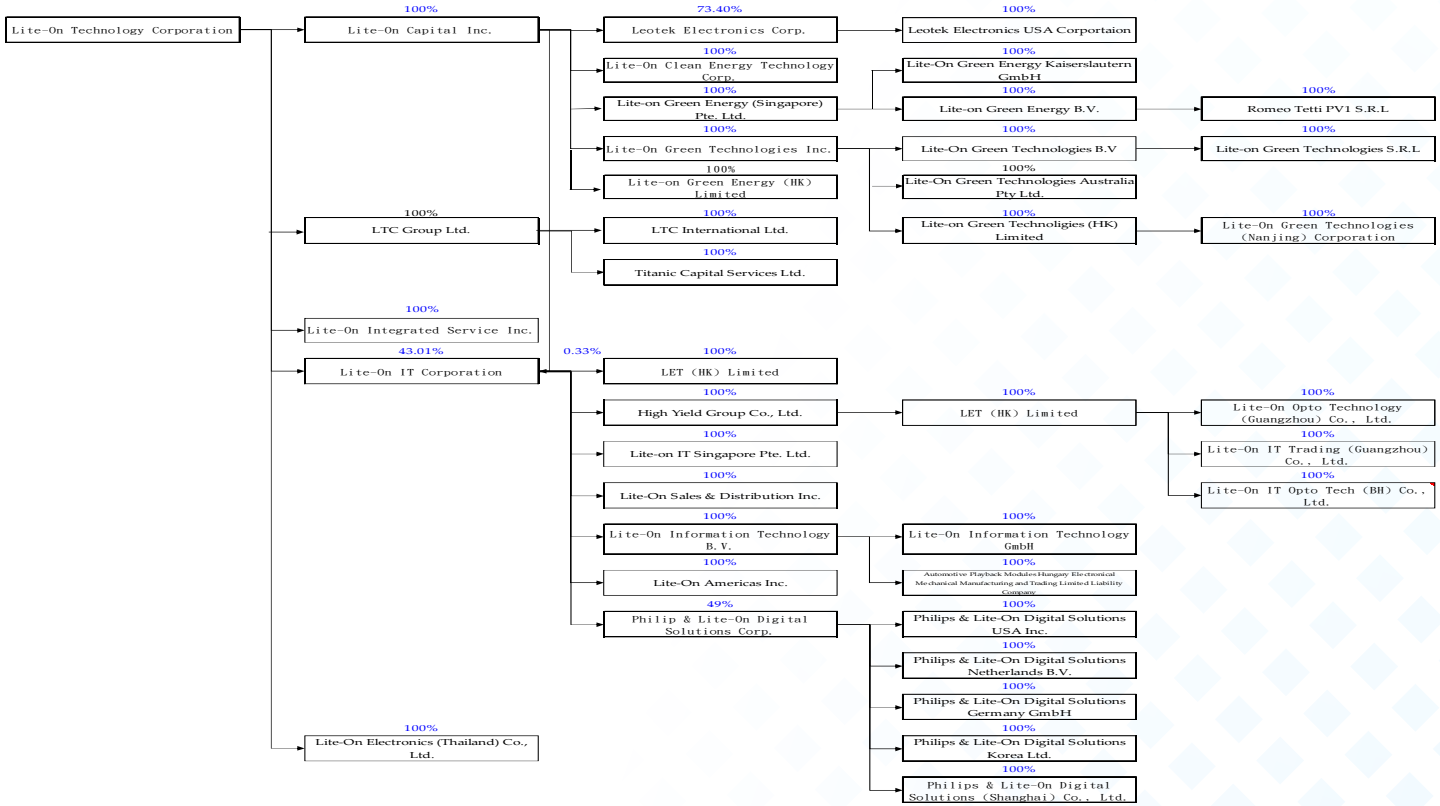
Note 6: Significant transactions between the entities of consolidation have already eliminated.

TABLE 3

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND PERCENTAGES OF OWNERSHIP
YEARS ENDED DECEMBER 31, 2011 AND 2010

December 31, 2011



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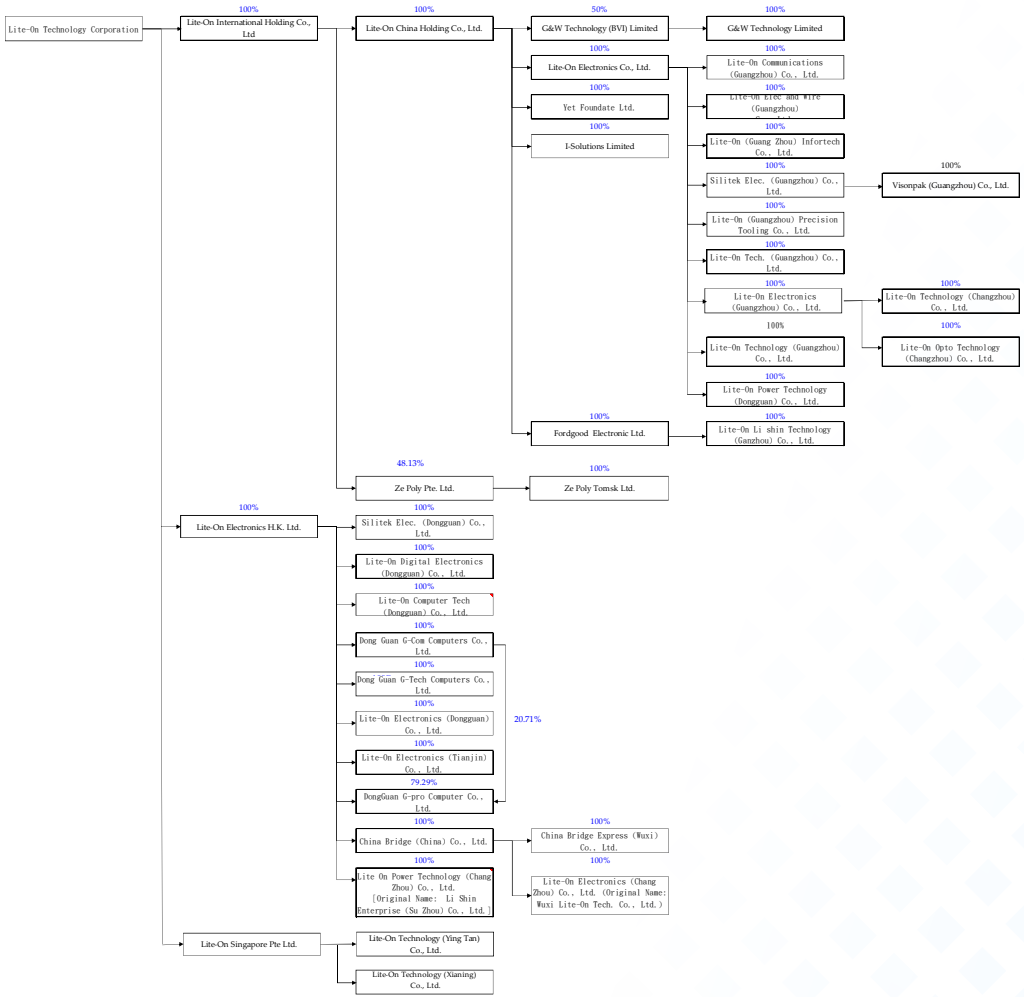
Lite-On Technology Corporation
100%
Lite-On International Holding Co., Ltd
100%
Lite-On China Holding Co., Ltd.
50%
G&W Technology (BVI) Limited
100%
G&W Technology Limited
100%
Lite-On Electronics Co., Ltd.
100%
Lite-On Communications (Guangzhou) Co., Ltd.
100%
Yet Foundate Ltd.
100%
Lite-On Elec and Wire (Guangzhou)
100%
I-Solutions Limited
100%
Lite-On (Guang Zhou) Infortech Co., Ltd.
100%
Silitek Elec. (Guangzhou) Co., Ltd.
100%
Visonpak (Guangzhou) Co., Ltd.
100%
Lite-On (Guangzhou) Precision Tooling Co., Ltd.
100%
Lite-On Tech. (Guangzhou) Co., Ltd.
100%
Lite-On Electronics (Guangzhou) Co., Ltd.
100%
Lite-On Technology (Changzhou) Co., Ltd.
100%
Lite-On Opto Technology (Changzhou) Co., Ltd.
100%
Lite-On Technology (Guangzhou) Co., Ltd.
100%
Lite-On Power Technology (Dongguan) Co., Ltd.
100%
Fordgood Electronic Ltd.
100%
Lite-On Li shin Technology (Gangzhou) Co., Ltd.
48.13%
Ze Poly Pte. Ltd.
100%
Ze Poly Tomsk Ltd.
100%
Lite-On Electronics H.K. Ltd.
100%
Silitek Elec. (Dongguan) Co., Ltd.
100%
Lite-On Digital Electronics (Dongguan) Co., Ltd.
100%
Lite-On Computer Tech (Dongguan) Co., Ltd.
100%
Dong Guan G-Com Computers Co., Ltd.
100%
Dong Guan G-Tech Computers Co., Ltd.
100%
Lite-On Electronics (Dongguan) Co., Ltd.
20.71%
100%
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%
Lite-On Electronics (Chang Zhou) Co., Ltd. (Original Name: Wuxi Lite-On Tech. Co., Ltd.)
Lite-On Singapore Pte Ltd.
Lite-On Technology (Ying Tan) Co., Ltd.
Lite-On Technology (Xianing) Co., Ltd.

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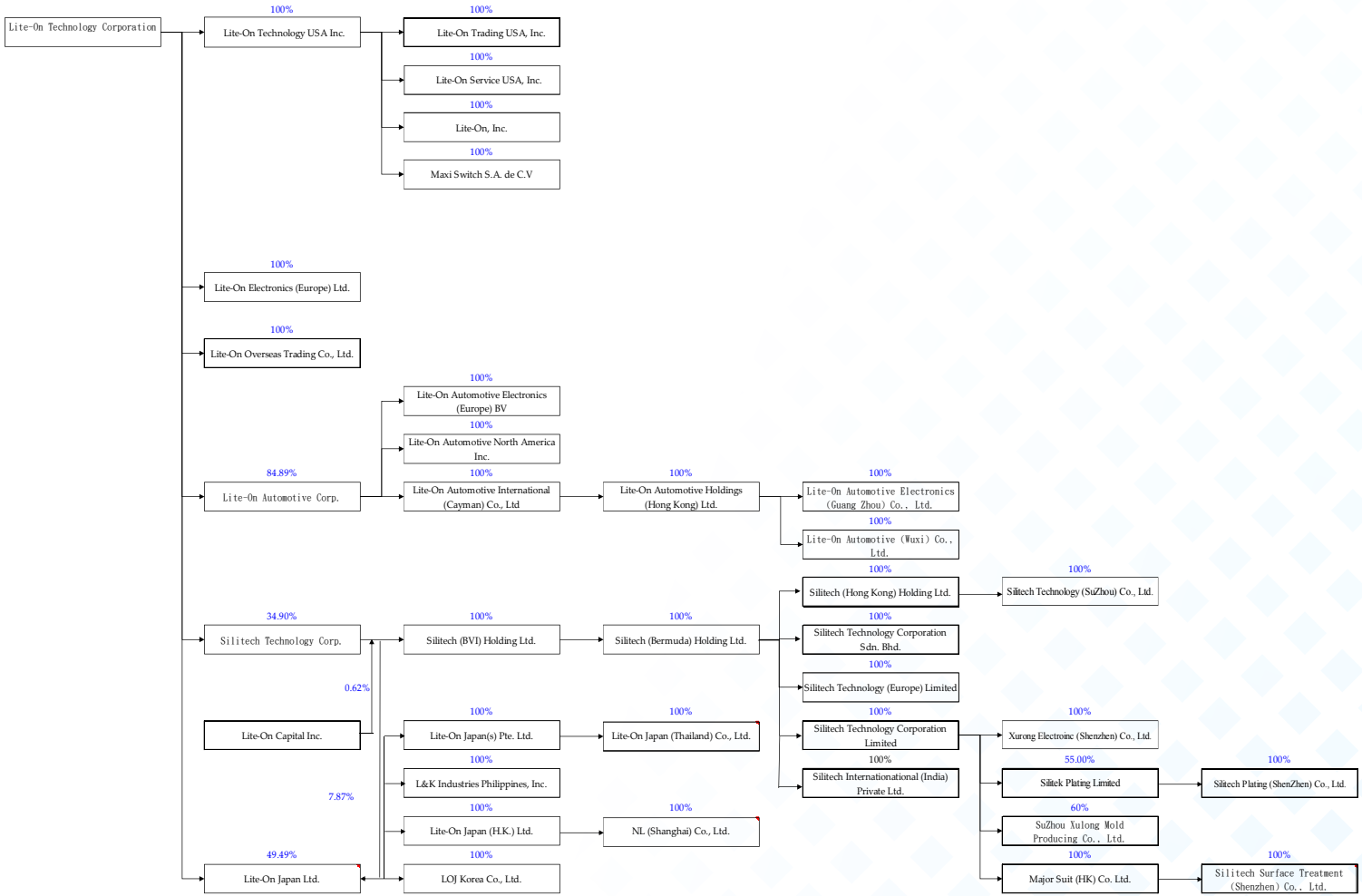
Lite-On Technology Corporation
100%
Lite-On Technology USA Inc.
100%
Lite-On Trading USA, Inc.
100%
Lite-On Service USA, Inc.
100%
Lite-On, Inc.
100%
Maxi Switch S.A. de C.V
100%
Lite-On Electronics (Europe) Ltd.
100%
Lite-On Overseas Trading Co., Ltd.
100%
Lite-On Automotive Electronics (Europe) BV
100%
Lite-On Automotive North America Inc.
84.89%
Lite-On Automotive Corp.
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.
100%
Silitech (Hong Kong) Holding Ltd.
100%
Silitech Technology (SuZhou) Co., Ltd.
34.90%
Silitech Technology Corp.
100%
Silitech (BVI) Holding Ltd.
100%
Silitech (Bermuda) Holding Ltd.
100%
Silitech Technology Corporation Sdn. Bhd.
100%
Silitech Technology (Europe) Limited
0.62%
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 Electroine (Shenzhen) Co., Ltd.
100%
L&K Industries Philippines, Inc.
100%
Silitech Internationational (India) Private Ltd.
55.00%
Silitek Plating Limited
100%
Silitech Plating (ShenZhen) Co., Ltd.
7.87%
100%
Lite-On Japan (H.K.) Ltd.
100%
NL (Shanghai) Co., Ltd.
60%
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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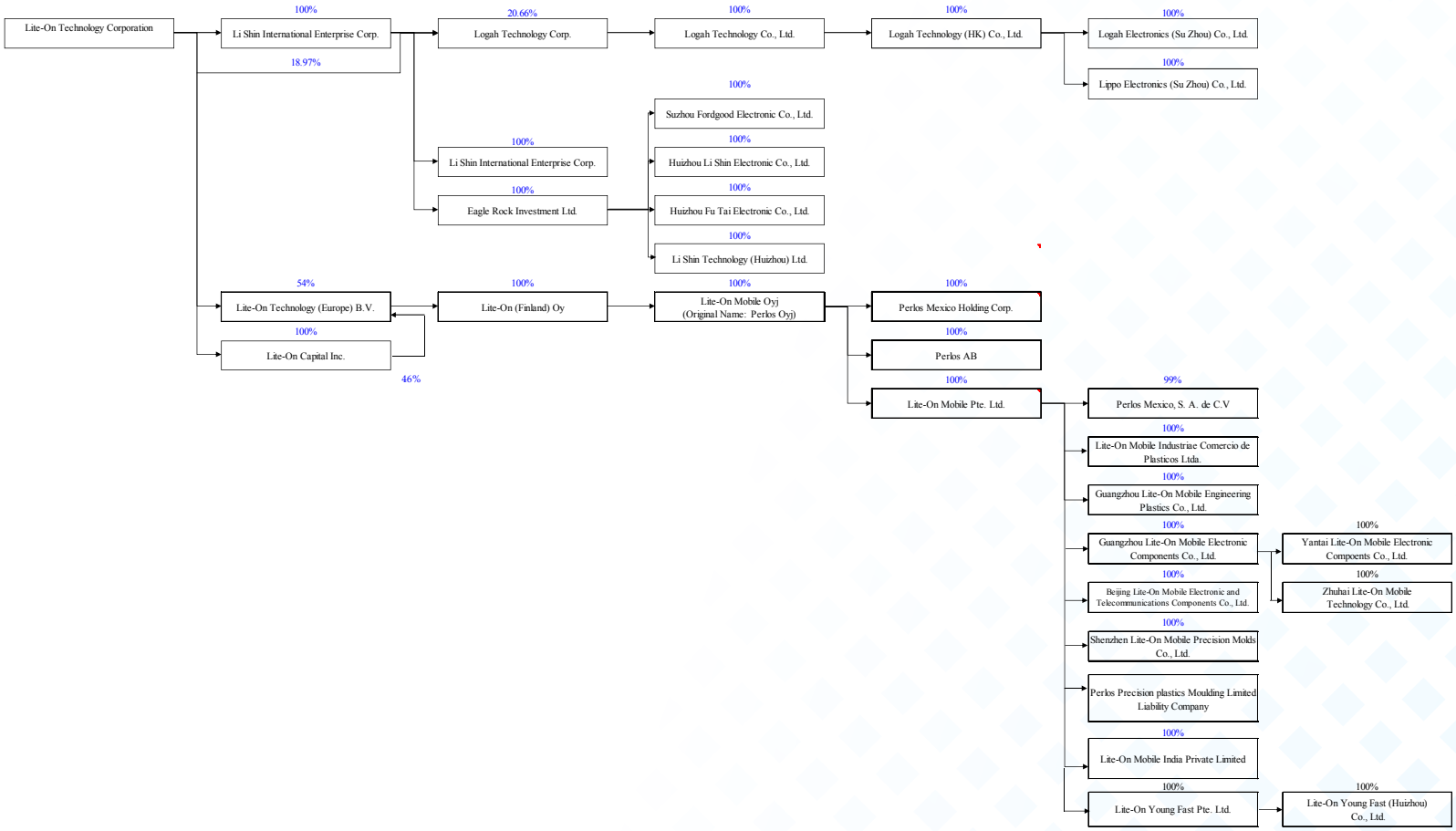
Lite-On Technology Corporation
100%
Li Shin International Enterprise Corp.
18.97%
20.66%
Logah Technology Corp.
100%
Logah Technology Co., Ltd.
100%
Logah Technology (HK) Co., Ltd.
100%
Logah Electronics (Su Zhou) Co., Ltd.
100%
Lippo Electronics (Su Zhou) Co., Ltd.
100%
Suzhou Fordgood Electronic Co., Ltd.
100%
Li Shin International Enterprise Corp.
100%
Huizhou Li Shin Electronic Co., Ltd.
100%
Eagle Rock Investment Ltd.
100%
Huizhou Fu Tai Electronic Co., Ltd.
100%
Li Shin Technology (Huizhou) Ltd.
54%
Lite-On Technology (Europe) B.V.
100%
Lite-On (Finland) Oy
100%
Lite-On Mobile Oyj
(Original Name: Perlos Oyj)
100%
Perlos Mexico Holding Corp.
100%
Lite-On Capital Inc.
46%
100%
Perlos AB
100%
Lite-On Mobile Pte. Ltd.
99%
Perlos Mexico, S. A. de C.V
100%
Lite-On Mobile Industriae Comercio de Plasticos Ltda.
100%
Guangzhou Lite-On Mobile Engineering Plastics Co., Ltd.
100%
Guangzhou Lite-On Mobile Electronic Components Co., Ltd.
100%
Yantai Lite-On Mobile Electronic Compoents Co., Ltd.
100%
Beijing Lite-On Mobile Electronic and Telecommunications Components Co., Ltd.
100%
Zhuhai Lite-On Mobile Technology Co., Ltd.
100%
Shenzhen Lite-On Mobile Precision Molds Co., Ltd.
Perlos Precision plastics Moulding Limited Liability Company
100%
Lite-On Mobile India Private Limited
100%
Lite-On Young Fast Pte. Ltd.
100%
Lite-On Young Fast (Huizhou) Co., Ltd.

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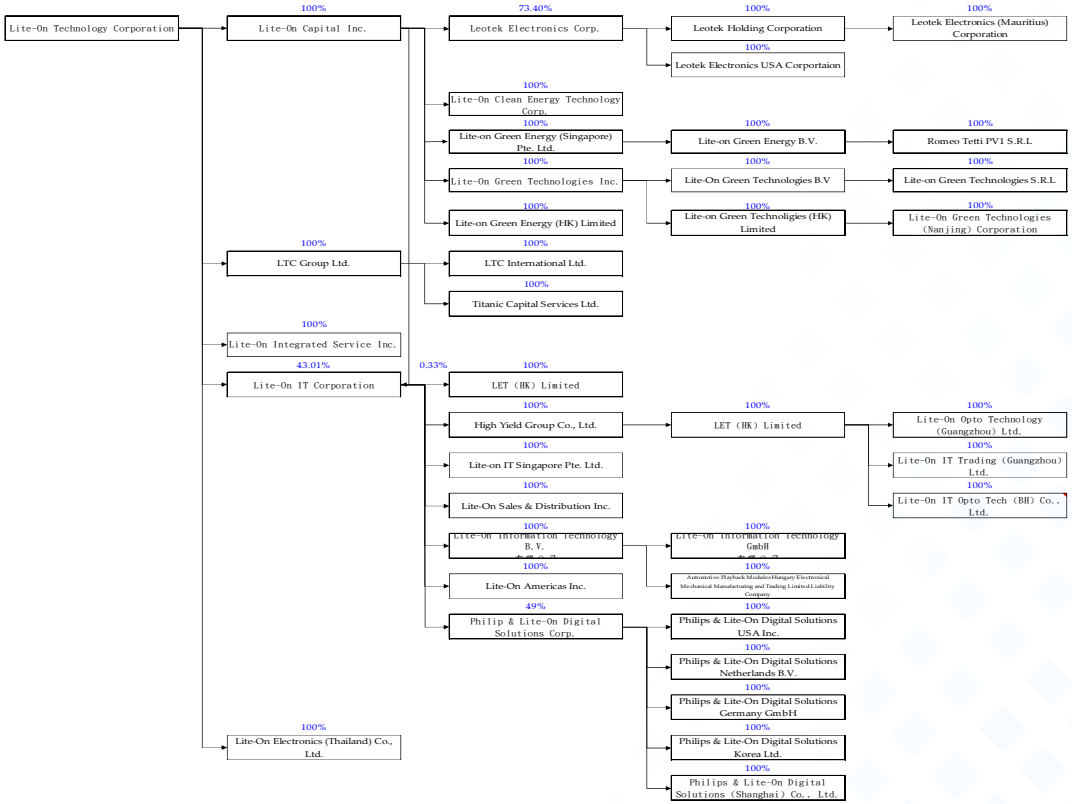
December 31, 2010



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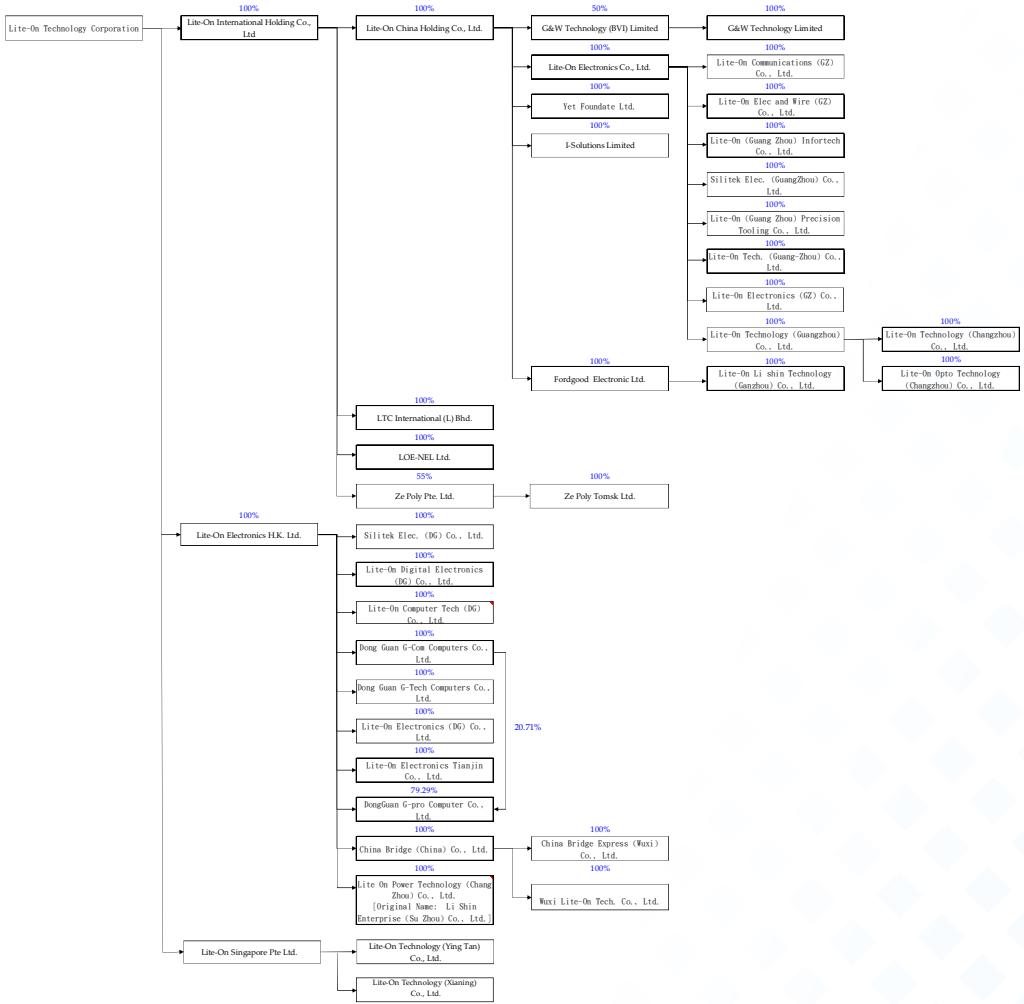
Lite-On Technology Corporation
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Lite-On International Holding Co., Ltd
100%
Lite-On China Holding Co., Ltd.
50%
G&W Technology (BVI) Limited
100%
G&W Technology Limited
100%
Lite-On Electronics Co., Ltd.
100%
Lite-On Communications (GZ) Co., Ltd.
100%
Yet Foundate Ltd.
100%
Lite-On Elec and Wire (GZ) Co., Ltd.
100%
I-Solutions Limited
100%
Lite-On (Guang Zhou) Infortech Co., Ltd.
100%
Silitek Elec. (GuangZhou) Co., Ltd.
100%
Lite-On (Guang Zhou) Precision Tooling Co., Ltd.
100%
Lite-On Tech. (Guang-Zhou) Co., Ltd.
100%
Lite-On Electronics (GZ) Co., Ltd.
100%
Lite-On Technology (Guangzhou) Co., Ltd.
100%
Lite-On Technology (Changzhou) Co., Ltd.
100%
Lite-On Opto Technology (Changzhou) Co., Ltd.
100%
Fordgood Electronic Ltd.
100%
Lite-On Li shin Technology (Ganzhou) Co., Ltd.
100%
LTC International (L) Bhd.
100%
LOE-NEL Ltd.
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) Co., Ltd.
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.
100%
China Bridge (China) Co., Ltd.
100%
China Bridge Express (Wuxi) Co., Ltd.
100%
Wuxi Lite-On Tech. Co., Ltd.
100%
Lite On Power Technology (Chang Zhou) Co., Ltd.
(Original Name: Li Shin Enterprise (Su Zhou) Co., Ltd.)
Lite-On Singapore Pte Ltd.
Lite-On Technology (Ying Tan) Co., Ltd.
Lite-On Technology (Xianing) Co., Ltd.

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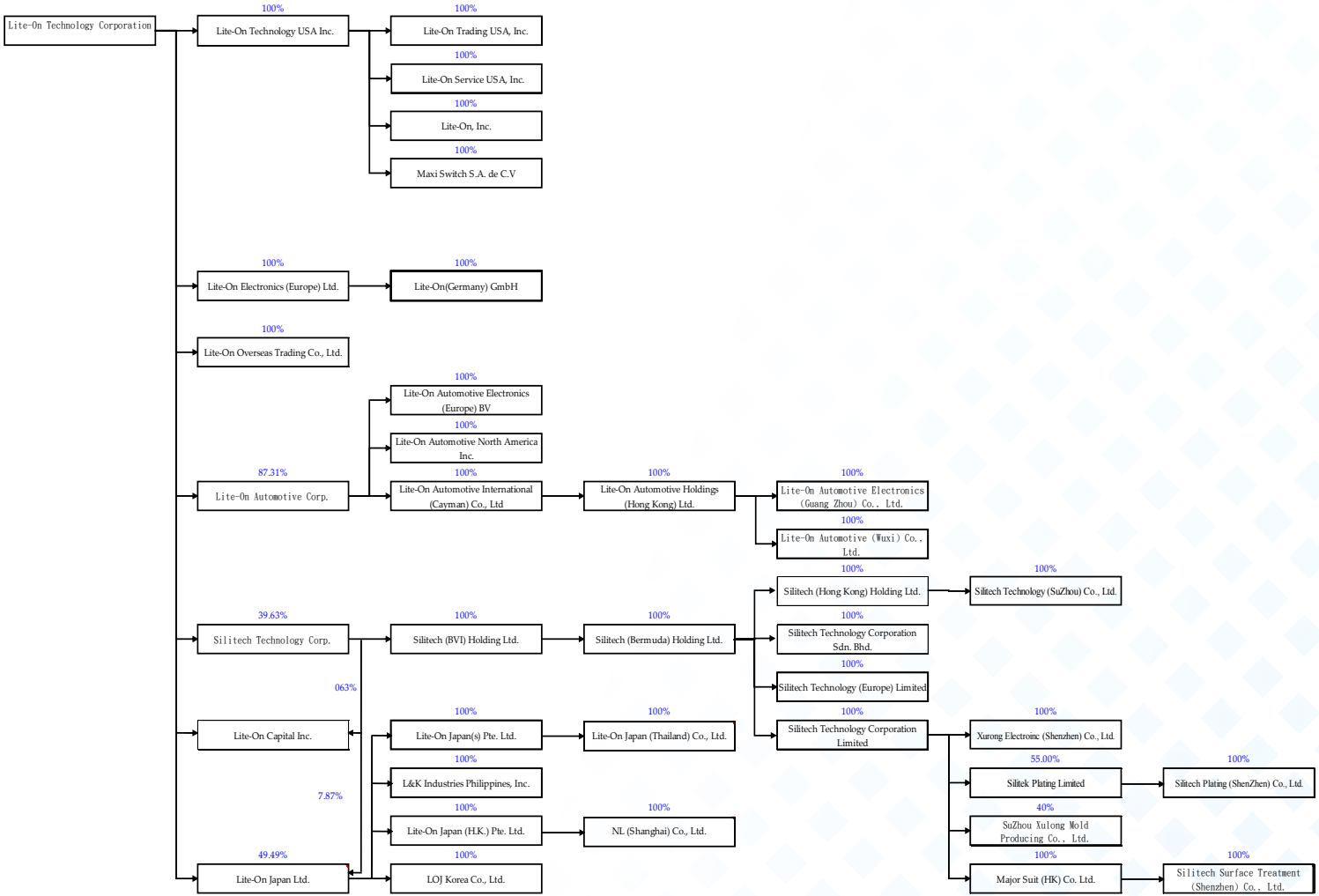
Lite-On Technology Corporation
100%
Lite-On Technology USA Inc.
100%
Lite-On Trading USA, Inc.
100%
Lite-On Service USA, Inc.
100%
Lite-On, Inc.
100%
Maxi Switch S.A. de C.V
100%
Lite-On Electronics (Europe) Ltd.
100%
Lite-On(Germany) GmbH
100%
Lite-On Overseas Trading Co., Ltd.
100%
Lite-On Automotive Electronics (Europe) BV
100%
Lite-On Automotive North America Inc.
87.31%
Lite-On Automotive Corp.
100%
Lite-On Automotive International (Cayman) Co., Ltd
100%
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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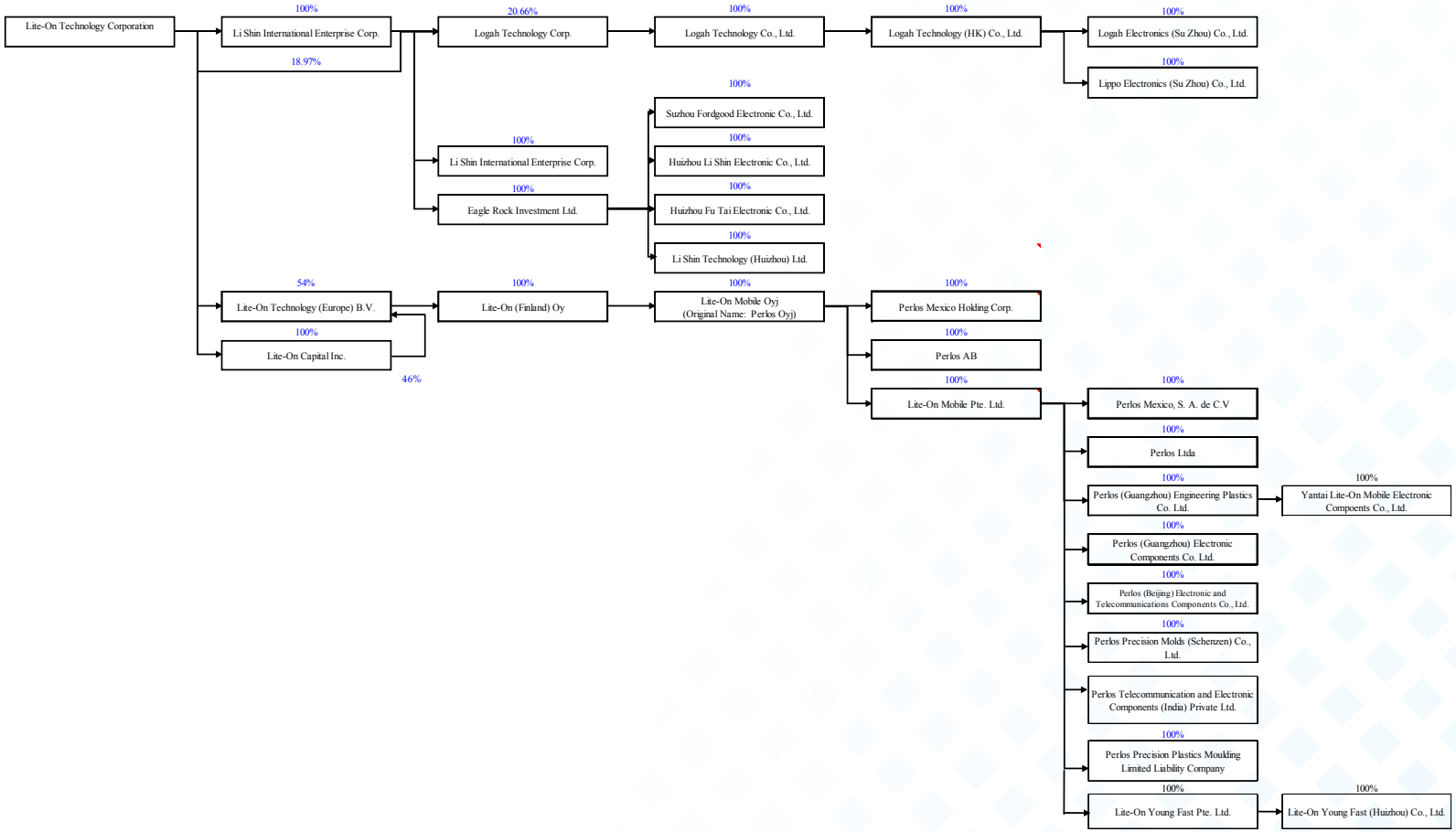
Lite-On Technology Corporation
100%
Li Shin International Enterprise Corp.
18.97%
20.66%
Logah Technology Corp.
100%
Logah Technology Co., Ltd.
100%
Logah Technology (HK) Co., Ltd.
100%
Logah Electronics (Su Zhou) Co., Ltd.
100%
Lippo Electronics (Su Zhou) Co., Ltd.
100%
Li Shin International Enterprise 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 Compoents 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
100%
Lite-On Young Fast Pte. Ltd.
100%
Lite-On Young Fast (Huizhou) Co., Ltd.

(Concluded)