

**Lite-On Technology Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2014 and 2013 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Lite-On Technology Corporation

We have reviewed the accompanying consolidated balance sheets of Lite-On Technology Corporation ("Parent Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2014, December 31, 2013 and June 30, 2013 and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2014 and 2013 and changes in equity and cash flows for the six months ended June 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Parent Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 4 to the consolidated financial statements, we did not review the financial statements as of and for the six months June 30, 2014 and 2013 of some consolidated subsidiaries. The assets of these subsidiaries were 23.68% (NT\$48,470,548 thousand) and 28.92% (NT\$58,629,899 thousand) of the consolidated total assets as of June 30, 2014 and 2013, respectively. The liabilities of these subsidiaries were 16.85% (NT\$21,970,088 thousand) and 19.85% (NT\$25,314,004 thousand) of the consolidated total liabilities as of June 30, 2014 and 2013, respectively. The comprehensive incomes of these subsidiaries were 37.65% (NT\$366,859 thousand), 30.53% (NT\$892,825 thousand), 23.89% (NT\$633,140 thousand) and 37.69% (NT\$2,465,023 thousand) of the total comprehensive income in the three months ended June 30, 2014 and 2013 and the six months ended June 30, 2014 and 2013, respectively. Also, as disclosed in Note 14 to the financial statements, the Group had other investments accounted for by the equity method. The carrying values of these investments of NT\$1,896,883 thousand and NT\$1,990,491 thousand as of June 30, 2014 and 2013, respectively, and share of the profit (loss) of associates and joint ventures of NT\$40,395 thousand, NT\$(16,936) thousand, NT\$(20,102) thousand and NT\$(44,193) thousand in the three months ended June 30, 2014 and 2013 and in the six months ended June 30, 2014 and 2013, respectively, and related investment amounts as well as additional disclosures in Note 37 were based on these investees' financial statements for the same reporting periods as those of the Group, many of which had been unreviewed.

Based on our reviews, except for the adjustments that might have been determined to be necessary had the subsidiaries' and other equity-method investees' financial statements mentioned in the preceding paragraph and the information disclosed in Note 37 been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements of Lite-On Technology Corporation and its subsidiaries referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

August 12, 2014

Notice to Readers

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

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

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2014 (Reviewed)		December 31, 2013 (Audited)		January 1, 2013 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 55,490,670	27	\$ 65,931,169	31	\$ 57,893,072	28
Financial assets at fair value through profit or loss - current (Note 7)	53,825	-	14,867	-	45,574	-
Available-for-sale financial assets - current (Note 8)	15	-	13	-	12	-
Debt investments with no active market - current (Note 10)	136,449	-	147,441	-	7,495,491	4
Notes receivable	365,515	-	175,756	-	154,158	-
Trade receivables, net (Note 11)	49,392,745	24	49,500,169	23	42,614,738	21
Trade receivables from related parties (Note 33)	103,543	-	81,554	-	94,542	-
Other receivables	825,351	1	2,319,810	1	1,565,351	1
Other receivables from related parties (Note 33)	39,029	-	18,951	-	28,545	-
Inventories, net (Note 12)	30,588,499	15	27,203,533	13	22,601,951	11
Construction in progress in excess of progressive billings (Note 13)	-	-	-	-	75,790	-
Other current assets (Note 17)	5,575,268	3	5,037,428	3	5,517,784	3
Total current assets	142,570,909	70	150,430,691	71	138,087,008	68
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Note 8)	2,230,619	1	2,143,990	1	2,383,203	1
Debt investments with no active market - noncurrent (Note 10)	1,112	-	14,100	-	104,575	-
Investments accounted for using the equity method (Note 14)	4,173,429	2	3,531,425	2	3,519,398	2
Property, plant and equipment, net (Note 15)	35,326,273	17	37,001,382	17	38,913,397	19
Intangible assets, net (Note 16)	16,441,071	8	15,716,262	7	15,900,115	8
Deferred tax assets	2,618,416	1	2,207,204	1	2,503,812	1
Refundable deposits	416,812	-	390,443	-	397,684	-
Other noncurrent assets (Note 17)	882,796	1	925,989	1	916,985	1
Total noncurrent assets	62,090,528	30	61,930,795	29	64,639,169	32
TOTAL	\$ 204,661,437	100	\$ 212,361,486	100	\$ 202,726,177	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 17,988,845	9	\$ 15,576,780	7	\$ 9,255,290	5
Financial liabilities at fair value through profit or loss - current (Note 7)	21,409	-	27,836	-	13,786	-
Notes payable	257,019	-	191,488	-	357,807	-
Trade payables	54,564,811	27	60,307,826	29	48,314,018	24
Trade payables to related parties (Note 33)	480,333	-	568,624	-	128,750	-
Other payables	25,364,139	12	20,723,468	10	23,752,668	12
Other payables to related parties (Note 33)	8,091	-	11,699	-	13,463	-
Current tax liabilities	2,017,031	1	2,102,971	1	1,990,780	1
Provisions - current (Note 20)	1,855,279	1	1,503,948	1	1,604,143	1
Advance receipts	1,931,419	1	1,401,939	1	1,142,085	-
Current portion of long-term borrowings (Note 18)	9,018,661	5	8,867,669	4	11,771,492	6
Finance lease payables - current (Note 19)	76,417	-	72,735	-	68,462	-
Total current liabilities	113,583,454	56	111,356,983	53	98,412,744	49
NONCURRENT LIABILITIES						
Derivative financial liabilities for hedging - noncurrent (Note 9)	26,558	-	46,969	-	71,177	-
Long-term borrowings, net of current portion (Note 18)	13,566,760	7	18,508,496	9	25,632,891	13
Deferred tax liabilities	2,755,917	1	2,721,656	1	2,781,203	1
Finance lease payables, net of current portion (Note 19)	136,921	-	172,948	-	208,324	-
Accrued pension liabilities	242,107	-	235,671	-	314,980	-
Guarantee deposits	74,196	-	81,608	-	87,747	-
Credit balance on the carrying value of investments accounted for using the equity method (Note 14)	19,139	-	-	-	-	-
Total noncurrent liabilities	16,821,598	8	21,767,348	10	29,096,322	14
Total liabilities	130,405,052	64	133,124,331	63	127,509,066	63
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY						
Share capital						
Common shares	23,259,507	11	23,246,552	11	23,029,886	12
Advance receipts for common stock	-	-	29,705	-	25,403	-
Reserve for paid-in capital	157,230	-	-	-	151,589	-
Total share capital	23,416,737	11	23,276,257	11	23,206,878	12
Capital surplus						
Additional paid-in capital from share issuance in excess of par value	9,238,932	5	9,096,489	4	8,929,053	4
Bond conversion	7,534,962	4	7,540,388	4	7,540,388	4
Treasury stock transactions	445,664	-	430,851	-	430,242	-
Difference between consideration received and carrying amounts adjusted arising from changes in percentage of ownership of subsidiaries	20,628	-	-	-	-	-
Arising from share of changes in capital surplus of associates or joint venture	194,560	-	15,487	-	19,424	-
Merger	10,112,934	5	10,120,217	5	10,120,217	5
Employee stock options	-	-	8,587	-	6,112	-
Total capital surplus	27,547,680	14	27,212,019	13	27,045,436	13
Retain earnings						
Legal reserve	9,476,876	5	8,601,391	4	8,601,391	4
Special reserve	49,669	-	689,913	-	689,913	-
Unappropriated earnings	8,428,171	4	12,172,082	6	7,413,196	4
Total retained earnings	17,954,716	9	21,463,386	10	16,704,500	8
Other equity						
Exchange differences on translating foreign operations	1,489,022	1	2,383,040	1	2,138,421	1
Unrealized gain on available-for-sale financial assets	367,066	-	83,231	-	100,555	-
Unrealized loss on cash flow hedging	(26,559)	-	(46,969)	-	(71,177)	-
Total other equity	1,829,529	1	2,419,302	1	2,167,799	1
Treasury shares	(1,248,722)	(1)	(1,334,660)	(1)	(1,334,660)	(1)
Total equity attributable to owners of the Parent Company	69,499,940	34	73,036,304	34	67,789,953	33
NONCONTROLLING INTERESTS	4,756,445	2	6,200,851	3	7,427,158	4
Total equity	74,256,385	36	79,237,155	37	75,217,111	37
TOTAL	\$ 204,661,437	100	\$ 212,361,486	100	\$ 202,726,177	100

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

(With Deloitte & Touche review report dated August 12, 2014)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Notes 23 and 33)	\$ 59,469,143	102	\$ 50,733,886	102	\$ 112,356,010	102	\$ 98,247,310	102
Less: Sales allowance	771,040	1	471,696	1	1,484,692	1	1,067,794	1
Sales returns	550,928	1	349,625	1	1,043,671	1	561,267	1
Other operating revenue	87,192	-	96,620	-	148,634	-	159,430	-
Total operating revenue	<u>58,234,367</u>	<u>100</u>	<u>50,009,185</u>	<u>100</u>	<u>109,976,281</u>	<u>100</u>	<u>96,777,679</u>	<u>100</u>
OPERATING COSTS								
Cost of goods sold (Notes 12, 27 and 33)	50,333,846	87	42,548,518	85	95,627,772	87	82,407,379	85
Other operating cost	32,622	-	50,052	-	59,119	-	76,630	-
Total operating costs	<u>50,366,468</u>	<u>87</u>	<u>42,598,570</u>	<u>85</u>	<u>95,686,891</u>	<u>87</u>	<u>82,484,009</u>	<u>85</u>
GROSS PROFIT	<u>7,867,899</u>	<u>13</u>	<u>7,410,615</u>	<u>15</u>	<u>14,289,390</u>	<u>13</u>	<u>14,293,670</u>	<u>15</u>
OPERATING EXPENSES (Notes 27 and 33)								
Selling and marketing	2,271,257	4	2,062,455	4	4,278,175	4	4,114,051	5
General and administrative	1,593,334	2	1,432,726	3	3,058,796	3	2,869,154	3
Research and development	1,637,357	3	1,503,246	3	3,187,274	3	2,930,572	3
Total operating expenses	<u>5,501,948</u>	<u>9</u>	<u>4,998,427</u>	<u>10</u>	<u>10,524,245</u>	<u>10</u>	<u>9,913,777</u>	<u>11</u>
OPERATING INCOME	<u>2,365,951</u>	<u>4</u>	<u>2,412,188</u>	<u>5</u>	<u>3,765,145</u>	<u>3</u>	<u>4,379,893</u>	<u>4</u>
NONOPERATING INCOME AND EXPENSES								
Share of profit (loss) of associates and joint ventures (Note 14)	32,822	-	(1,413)	-	(13,727)	-	(32,768)	-
Interest income	336,447	1	300,456	-	708,792	1	581,377	1
Dividend income	21,906	-	17,603	-	22,170	-	19,449	-
Other income (Note 33)	304,005	1	840,246	2	669,156	-	1,170,249	1
Gain (loss) on disposal of investments	42,494	-	(23,164)	-	42,554	-	10,941	-
Net gain (loss) on foreign currency exchange	(36,743)	-	3,221	-	1,273	-	150,201	-
Valuation gain (loss) on financial assets (Note 7)	52,285	-	54,874	-	51,715	-	(59,753)	-
Interest expense	(169,141)	-	(184,051)	-	(330,593)	-	(319,123)	-
Other expenses	(296,873)	(1)	(126,079)	-	(418,898)	-	(298,703)	-
Gain (loss) on disposal of property, plant and equipment	1,543	-	10,120	-	(22,871)	-	4,865	-
Impairment loss (Notes 8, 14 and 15)	(75,755)	-	(411,526)	(1)	(75,546)	-	(412,533)	(1)
Total nonoperating income and expenses	<u>212,990</u>	<u>1</u>	<u>480,287</u>	<u>1</u>	<u>634,025</u>	<u>1</u>	<u>814,202</u>	<u>1</u>
OPERATING PROFIT BEFORE INCOME TAX	2,578,941	5	2,892,475	6	4,399,170	4	5,194,095	5
INCOME TAX EXPENSE (Note 24)	560,575	1	566,105	1	952,212	1	1,076,818	1
NET PROFIT FOR THE PERIOD	<u>2,018,366</u>	<u>4</u>	<u>2,326,370</u>	<u>5</u>	<u>3,446,958</u>	<u>3</u>	<u>4,117,277</u>	<u>4</u>

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LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 and 24)								
Exchange differences on translating foreign operations	\$ (1,309,122)	(2)	\$ 193,341	-	\$ (1,280,320)	(1)	\$ 2,124,038	2
Unrealized gain on available-for-sale financial assets	95,745	-	415,757	1	268,299	-	531,011	1
Cash flow hedges	8,375	-	15,613	-	20,410	-	30,386	-
Share of other comprehensive income (loss) of associates and joint ventures	(41,280)	-	87,325	-	(2,713)	-	113,054	-
Income tax relating to the components of other comprehensive income	<u>202,217</u>	<u>-</u>	<u>(114,348)</u>	<u>-</u>	<u>197,321</u>	<u>-</u>	<u>(376,035)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(1,044,065)</u>	<u>(2)</u>	<u>597,688</u>	<u>1</u>	<u>(797,003)</u>	<u>(1)</u>	<u>2,422,454</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 974,301</u>	<u>2</u>	<u>\$ 2,924,058</u>	<u>6</u>	<u>\$ 2,649,955</u>	<u>2</u>	<u>\$ 6,539,731</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Parent Company	\$ 2,031,278	3	\$ 2,239,666	5	\$ 3,459,059	3	\$ 3,816,327	4
Non-controlling interests	<u>(12,912)</u>	<u>-</u>	<u>86,704</u>	<u>-</u>	<u>(12,101)</u>	<u>-</u>	<u>300,950</u>	<u>-</u>
	<u>\$ 2,018,366</u>	<u>3</u>	<u>\$ 2,326,370</u>	<u>5</u>	<u>\$ 3,446,958</u>	<u>3</u>	<u>\$ 4,117,277</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Parent Company	\$ 1,204,388	2	\$ 3,301,043	7	\$ 2,884,075	2	\$ 6,403,962	7
Non-controlling interests	<u>(230,087)</u>	<u>-</u>	<u>(376,985)</u>	<u>(1)</u>	<u>(234,120)</u>	<u>-</u>	<u>135,769</u>	<u>-</u>
	<u>\$ 974,301</u>	<u>2</u>	<u>\$ 2,924,058</u>	<u>6</u>	<u>\$ 2,649,955</u>	<u>2</u>	<u>\$ 6,539,731</u>	<u>7</u>
EARNINGS PER SHARE (Note 25)								
Basic	<u>\$0.88</u>		<u>\$0.98</u>		<u>\$1.50</u>		<u>\$1.66</u>	
Diluted	<u>\$0.88</u>		<u>\$0.97</u>		<u>\$1.49</u>		<u>\$1.65</u>	

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

(With Deloitte & Touche review report dated August 12, 2014)

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Tainian Dollars)
(Reviewed, Not Audited)

	Capital Surplus (Note 22)										Equity Attributable to Owners of the Company																
	Base of Share Capital (Note 22)				Additional Capital from Share Issuance in Excess of Par Value	Bond Conversion	Treasury Stock Transactions	Arising from the Consideration Received in Excess of the Carrying Amount of the Subsidiaries' Net Assets During Actual Disposal or Acquisition	Arising from Changes in Percentage of Ownership Interest in Subsidiaries	Arising from Share Changes in Capital Surplus of Associates or Joint Venture	Merger	Employee Stock Options	Total	Retained Earnings (Note 22)			Other Equity (Note 22)				Non-controlling Interests (Notes 22, 28, 29 and 30)	Total Equity					
	Share (In Thousands)	Amount	Receipts for Common Stock	Reserve for Paid-in Capital										Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Transferring Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			Cash Flow Hedges	Total	Treasury Stock (Note 22)		
BALANCE AT JANUARY 1, 2013	2,295,315	\$ 22,951,154	\$ 6,840	\$ -	\$ 22,959,994	\$ 8,551,730	\$ 7,540,388	\$ 370,705	\$ 146,193	\$ -	\$ 16,645	\$ 10,120,217	\$ 6,112	\$ 26,751,988	\$ 7,847,905	\$ -	\$ 13,654,612	\$ 21,502,517	\$ 128,872	\$ (446,548)	\$ (101,565)	\$ (419,539)	\$ (1,334,660)	\$ 19,961,011	\$ 89,421,311		
Appropriation of the 2012 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	753,486	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	889,913	-	-	-	-	-	-	-	-	
Cash dividends - 23.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,400,265)	-	-	-	-	-	-	-	(5,400,265)	
Stock dividends - 0.5%	-	-	-	114,899	114,899	-	-	-	-	-	-	-	-	-	-	-	-	(114,899)	-	-	-	-	-	-	-	-	
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Additional acquisition of partially owned subsidiaries	-	-	-	-	-	-	-	-	(146,193)	-	-	-	-	(146,193)	-	-	(3,099,180)	(3,099,180)	-	-	-	-	-	-	(12,669,622)	(15,914,995)	
Change in capital surplus from investments in associates and joint ventures, accounted for by the equity method	-	-	-	-	-	-	-	(609)	-	-	2,779	-	-	2,170	-	-	-	-	(297)	-	-	(297)	-	-	-	1,873	
Stock dividends of employee transferred to capital	-	-	-	36,690	36,690	134,320	-	-	-	-	-	-	-	134,320	-	-	-	-	-	-	-	-	-	-	-	171,010	
Issue of common shares under employee share options	7,674	76,732	18,563	-	95,295	243,033	-	-	-	-	-	-	-	243,003	-	-	-	-	-	-	-	-	-	-	-	338,298	
Change in capital from cash dividends of the Parent Company paid to subsidiaries	-	-	-	-	-	-	-	60,148	-	-	-	-	-	60,148	-	-	-	-	-	-	-	-	-	-	-	60,148	
Net profit for the six months ended June 30, 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,816,327	3,816,327	-	-	-	-	-	-	-	300,950	4,117,277
Other comprehensive income for the six months ended June 30, 2013, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,009,846	547,403	30,386	2,587,635	-	-	(165,181)	2,422,454	
Total comprehensive income for the six months ended June 30, 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,816,327	3,816,327	2,009,846	547,403	30,386	2,587,635	-	-	(165,181)	6,539,731	
BALANCE AT JUNE 30, 2013	2,303,989	\$ 23,070,864	\$ 23,403	\$ 151,589	\$ 23,266,876	\$ 8,959,053	\$ 7,540,388	\$ 430,242	\$ -	\$ -	\$ 19,424	\$ 10,120,217	\$ 6,112	\$ 27,045,436	\$ 8,601,391	\$ 889,913	\$ 7,413,106	\$ 16,704,500	\$ 2,138,421	\$ 100,555	\$ (711,177)	\$ 2,167,709	\$ (1,334,660)	\$ 2,422,108	\$ 75,219,111		
BALANCE AT JANUARY 1, 2014	2,324,655	\$ 23,246,552	\$ 29,705	\$ -	\$ 23,276,257	\$ 9,096,499	\$ 7,540,388	\$ 430,851	\$ -	\$ -	\$ 15,487	\$ 10,120,217	\$ 8,587	\$ 27,212,019	\$ 8,601,391	\$ 889,913	\$ 12,172,082	\$ 21,463,386	\$ 2,383,040	\$ 83,231	\$ (46,909)	\$ 2,419,302	\$ (1,334,660)	\$ 6,200,851	\$ 79,217,155		
Appropriation of the 2013 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	875,485	-	(975,485)	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(40,244)	-	-	-	-	-	-	-	
Cash dividends - 27.1%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,307,866)	-	-	-	-	-	-	-	(6,307,866)	
Stock dividends - 0.5%	-	-	-	116,381	116,381	-	-	-	-	-	-	-	-	-	-	-	-	(116,381)	-	-	-	-	-	-	-	-	
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Additional acquisition of partially owned subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(543,482)	(543,482)	-	-	-	-	-	-	(469,686)	(1,013,168)	
Change in capital surplus from investments in associates and joint ventures, accounted for by the equity method	-	-	-	-	-	-	-	(206)	-	20,628	-	-	(694)	19,728	-	-	-	-	-	-	-	-	-	-	-	19,728	
Stock dividends of employee transferred to capital	-	-	-	40,849	40,849	149,097	-	-	-	-	-	179,073	-	149,097	-	-	-	-	-	-	-	-	-	-	-	170,624	
Issue of common shares under employee share options	2,971	29,705	(29,705)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	189,946	
Change in capital from cash dividends of the Parent Company paid to subsidiaries	-	-	-	-	-	-	-	65,400	-	-	-	-	-	65,400	-	-	-	-	-	-	-	-	-	-	-	65,400	
Disposal of investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,240)	-	-	(1,240)	-	-	(1,240)	
Effect of acquisition and deconsolidation of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,549)	-	-	(13,549)	-	-	(750,600)	
Net profit for the six months ended June 30, 2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,459,059	3,459,059	-	-	-	-	-	-	(12,101)	3,446,958	
Other comprehensive loss for the six months ended June 30, 2014, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(879,320)	783,835	70,410	(574,984)	-	-	(222,010)	(797,081)	
Total comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,459,059	3,459,059	(879,320)	783,835	70,410	(574,984)	-	-	(214,121)	2,629,955	
Cancellation of treasury shares	(1,675)	(16,750)	-	-	(16,750)	(6,654)	-	(49,822)	-	-	-	-	-	(69,188)	-	-	-	-	-	-	-	-	-	-	-	85,018	
BALANCE AT JUNE 30, 2014	2,324,981	\$ 23,249,907	\$ -	\$ 157,230	\$ 23,416,937	\$ 9,218,912	\$ 7,541,002	\$ 445,664	\$ -	\$ 20,628	\$ 19,440	\$ 10,112,014	\$ -	\$ 27,447,600	\$ 9,476,876	\$ 89,660	\$ 8,428,471	\$ 17,954,716	\$ 1,489,072	\$ 367,066	\$ (76,559)	\$ 1,829,520	\$ (1,218,722)	\$ 4,756,445	\$ 78,256,383		

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

(With Debate & Touché review report dated August 12, 2014)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Note Audited)

	Six Months Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,399,170	\$ 5,194,095
Adjustments for:		
Depreciation expenses	3,430,595	3,179,389
Amortization expenses	278,671	253,616
Allowance (reversal of allowance) for impairment loss on trade receivables	6,004	(9,701)
Net loss (gain) on fair value change of financial assets held for trading	(51,715)	59,753
Finance costs	330,593	319,123
Interest income	(708,792)	(581,377)
Dividend income	(22,170)	(19,449)
Share of loss of associates and joint ventures	13,727	32,768
(Gain) loss on disposal of property, plant and equipment	22,871	(4,865)
Gain on deconsolidation of subsidiaries	(8,348)	-
Net (gain) loss on disposal of available-for-sale financial assets	(42,554)	25,009
Gain on disposal of associates	-	(35,950)
Impairment loss recognized on financial assets	31,561	283,682
Impairment loss recognized on non-financial assets	348,467	299,359
Unrealized net gain on foreign currency exchange	(215,233)	(320,270)
Recognition of provisions	375,910	494,710
Changes in operating assets and liabilities		
Financial assets held for trading	6,330	(113,757)
Notes receivable	(189,759)	(34,217)
Trade receivables	134,602	2,525,258
Trade receivables from related parties	(21,989)	(11,121)
Other receivables	1,089,541	33
Other receivables from related parties	(20,078)	(26,314)
Inventories	(3,549,587)	(2,027,950)
Construction in progress in excess of progressive billings	-	(3,263)
Other current assets	(592,911)	(412,872)
Notes payable	65,531	117,798
Trade payables	(5,613,006)	(4,297,590)
Trade payables from related parties	(88,291)	(9,173)
Other payable	(1,130,645)	2,022,329
Other payable from related parties	(3,608)	(6,710)
Provisions	(29,686)	(583,261)
Advance receipts	504,973	309,033
Accrued pension liabilities	6,436	2,212
Cash generated from (used in) operations	(1,243,390)	6,620,327
Interest received	700,439	588,438
Dividend received	22,170	19,449

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Note Audited)

	Six Months Ended June 30	
	2014	2013
Interest paid	\$ (327,972)	\$ (316,283)
Income tax paid	<u>(983,996)</u>	<u>(812,134)</u>
Net cash generated from (used in) operating activities	<u>(1,832,749)</u>	<u>6,099,797</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(8,951)
Proceeds of sales of available-for-sale financial assets	133,229	35,616
Purchase of debt investments with no active market	23,980	1,929,180
Acquisition of associates	-	(13,099)
Net cash inflow on disposal of associates	-	111,476
Net cash outflow on acquisition of subsidiaries	(788,588)	-
Net cash outflow on deconsolidation of a subsidiary	(902,385)	-
Payments for property, plant and equipment	(3,585,144)	(2,540,443)
Proceeds of the disposal of property, plant and equipment	390,759	956,570
Increase in refundable deposits	(24,349)	(86,407)
Payments for intangible assets	(281,134)	(69,170)
Decrease in other noncurrent assets	<u>44,670</u>	<u>131,919</u>
Net cash generated from (used in) investing activities	<u>(4,988,962)</u>	<u>446,691</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term borrowings	2,401,519	2,198,646
Proceeds (repayments) of long-term borrowings	(4,830,475)	12,844,975
Refund of guarantee deposits received	(7,412)	(1,321)
Decrease in finance lease payables	(32,487)	(18,311)
Proceeds of the exercise of employee stock options	-	338,298
Partial acquisition of interests in subsidiaries	<u>(1,013,168)</u>	<u>(15,914,995)</u>
Net cash used in financing activities	<u>(3,482,023)</u>	<u>(552,708)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(136,765)</u>	<u>674,422</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,440,499)	6,668,202
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>65,931,169</u>	<u>51,224,870</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 55,490,670</u>	<u>\$ 57,893,072</u>

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

(With Deloitte & Touche review report dated August 12, 2014)

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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, (2) monitors, multifunction and all-in-one printers, cameras and Internet systems and image-processing equipment, (3) information storage and process equipment, electronic components and office equipment, (4) electronic coils, transformers, power suppliers and electronic hardware parts, (5) light-emitting diode (LED) products, and (6) electronic car products.

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., with the Parent Company as the survivor entity. The merger took effect on April 1, 2004, and the Parent Company thus assumed all rights and obligations of its former subsidiary on that date.

The Parent Company separately merged with Li Shin International Enterprise Corp., Lite-On Clean Energy Technology Corp., Lite-On Automotive Corp., Leotek Electronics Corp., and Lite-On IT Corporation, with the Parent Company as the survivor entity. The merger separately took effect on March 22, 2014, April 15, 2014, June 1, 2014, June 29, 2014 and June 30, 2014, and the Parent Company thus assumed all rights and obligations of the five merged companies on those date.

The consolidated financial statements are presented in the Parent Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on August 12, 2014.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. The 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet effective

Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Parent Company and entities controlled by the Parent Company (the “Group”) should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate

(Continued)

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, the initial application of the above 2013 IFRSs version has not had any material impact on the Group’s accounting policies:

1) IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities”. The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 11 “Joint Arrangements”

IFRS 11 replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities - Non-monetary Contributions by Ventures”. Joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Joint ventures are accounted for using the equity method. Under IAS 31, Joint arrangements are classified as jointly controlled entities, jointly controlled assets, and jointly controlled operations, and the Group accounts for its jointly controlled entities using the proportionate consolidation method.

3) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

4) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

Under revised IAS 28, when an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest. Under current IAS 28, on the loss of joint control, the Group measures at fair value any investment the Group retains in the former jointly controlled entity. The Group recognizes in profit or loss any difference between the aggregate amounts of fair value of retained investment and proceeds from disposing of the part interest in the jointly controlled entity, and the carrying amount of the investment at the date when joint control is lost.

5) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

6) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group will apply the above amendments in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans and share of the actuarial gains (loss) arising from defined benefit plans of associates and joint ventures accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the actuarial gains (loss) arising from defined benefit plans) of associates and joint ventures accounted for using the equity method.

7) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The anticipated impact on retrospective application is set out below:

	Carrying Amount	IAS 19 Adjustments	Adjusted Carrying Amount
<u>Impact on assets, liabilities and equity</u>			
<u>June 30, 2014</u>			
Accrued pension liabilities	\$ 242,107	\$ 1,721	\$ 243,828
Deferred tax assets	\$ 2,618,416	\$ 373	\$ 2,618,789
Retained earnings	\$ 17,954,716	\$ (1,348)	\$ 17,953,368
Other equity	1,829,529	5	1,829,534
Total effect on equity	\$ 19,784,245	\$ (1,343)	\$ 19,782,902
<u>January, 1, 2014</u>			
Accrued pension liabilities	\$ 235,671	\$ 1,773	\$ 237,444
Deferred tax assets	\$ 2,207,204	\$ 405	\$ 2,207,609
Retained earnings	\$ 21,463,386	\$ (1,368)	\$ 21,462,018
<u>Impact on total comprehensive income for the three months ended June 30, 2014</u>			
Operating cost	\$ 50,366,468	\$ (2)	\$ 50,366,466
Operating expense	5,501,948	(24)	5,501,924
Income tax expense	560,575	6	560,581
Total effect on net profit for the period	2,018,366	20	2,018,386

(Continued)

	Carrying Amount	IAS 19 Adjustments	Adjusted Carrying Amount
Exchange differences on translating foreign operations	\$ (1,309,122)	\$ -	\$ (1,309,122)
Total effect on total comprehensive income for the period	974,301	20	974,321
<u>Impact on total comprehensive income for the six months ended June 30, 2014</u>			
Operating cost	95,686,891	(4)	95,686,887
Operating expense	10,524,245	(48)	10,524,197
Income tax expense	952,212	11	952,223
Total effect on net profit for the period	3,446,958	41	3,446,999
Exchange differences on translating foreign operations	(1,280,320)	5	(1,280,315)
Total effect on total comprehensive income for the period	2,649,955	46	2,650,001 (Concluded)

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group was continuingly to assess other possible impacts that the application of the 2013 IFRSs version will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

The initial application of the above New IFRSs has not had any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

The impairment of financial assets

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

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

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

4) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

5) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 3, IFRS 13 and IAS 40 “Investment Property” were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

6) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

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

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies of these consolidated financial statements have been followed as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2013, except for those described below.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

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

b. Basis of consolidation

1) Subsidiary included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership			Remark
			June 30, 2014	December 31, 2013	June 30, 2013	
The Parent Company	Lite-On IT Corporation	Manufacture and sale of optical disc drives	-	99.13	94.91	a)
	Silitech Technology Corp.	Manufacture and sale of modules and plastic products	32.08	32.14	32.37	-
	Lite-On Integrated Service Inc.	Information outsourcing and system integrate	100.00	100.00	100.00	-
	Li Shin International Enterprise Corp.	Manufacture and sale of electronic components	-	100.00	100.00	b)
	Logah Technology Corp.	Development, manufacture and sale of LCD TV inverters	28.10	18.97	18.97	c)
	Lite-On Automotive Corp.	Manufacture and sale of automotive electronic components	-	82.26	84.89	d)
	Lite-On Capital Corp.	Investment activities	100.00	100.00	100.00	-
	Lite-On Electronics H.K. Ltd.	Sale of LED optical products	100.00	100.00	100.00	-
	Lite-On Electronics (Thailand) Co., Ltd.	Manufacture and sale of LED optical products	100.00	100.00	100.00	-
	Lite-On Japan Ltd.	Sale of LED optical products and power supplies	49.49	49.49	49.49	-
	Lite-On International Holding Co., Ltd.	Investment activities	100.00	100.00	100.00	-
	LTC Group Ltd. (BVI)	Investment activities	100.00	100.00	100.00	-
	Lite-On Technology USA, Inc.	Investment activities	100.00	100.00	100.00	-
	Lite-On Electronics (Europe) Ltd.	Manufacture and sale of power supplies	100.00	100.00	100.00	-
	Lite-On Technology (Europe) B.V.	Market research and after-sales service	54.00	54.00	54.00	-
	Lite-On Overseas Trading Co., Ltd.	Merchandising business	100.00	100.00	100.00	-
	Lite-On Singapore Pte. Ltd.	Manufacture and supply computer peripheral products	100.00	100.00	100.00	-
	Lite-On Vietnam Co., Ltd.	Electronic contract manufacturing	100.00	-	-	e)
	Li Shin International Enterprise Corp.	Manufacture and sale of computer and appliance components	100.00	100.00	100.00	f)
	Eagle Rock Investment Ltd.	Import and export business and investment activities	100.00	100.00	100.00	f)
	LarView Technologies Corp.	Manufacture of optical instruments, general instruments, optical instruments, computer and peripherals	83.33	-	-	g)
	Lite-On Mobile Pte. Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	h)
	High Yield Group Co., Ltd.	Holding company	100.00	100.00	100.00	i)
	Lite-On IT Singapore Pte. Ltd.	Sale of optical disc drives	100.00	100.00	100.00	i)
	Lite-On Information Technology B.V.	Market research and customer service	100.00	100.00	100.00	i)
	Philip & Lite-On Digital Solutions Corp.	Sale of optical disc drives	100.00	100.00	100.00	i)
	Lite-On Sales & Distribution Inc.	Sale of optical disc drives	100.00	100.00	100.00	i)
	LET (HK) Ltd.	Sale of optical disc drives	100.00	100.00	100.00	i)
	Leotek Electronics Holding Limited	Holding company	100.00	100.00	100.00	j)
	Lite-On Clean Energy Technology Corp.	Manufacture and wholesale of electric car batteries	-	100.00	-	k)

(Continued)

Investor	Investee	Main Business	% of Ownership			Remark
			June 30, 2014	December 31, 2013	June 30, 2013	
	Lite-On Automotive Electronics (Europe) BV	Sale of auto electronic components	100.00	100.00	100.00	l)
	Lite-On Automotive (North America) Inc.	Sale of automotive parts and other electronic products	100.00	100.00	100.00	l)
	Lite-On Automotive Service USA Inc.	Sale of automotive parts and other electronic products	100.00	100.00	100.00	l)
	Lite-On Automotive International (Cayman) Co., Ltd.	Investment activities	100.00	100.00	100.00	l)
Lite-On Automotive International (Cayman) Co., Ltd.	Lite-On Automotive Holdings (Hong Kong) Co., Ltd.	Investment activities	100.00	100.00	100.00	-
Lite-On Capital Corp.	Silitch Technology Corp.	Manufacture and sale of modules and plastic products	0.61	0.61	0.61	-
	Leotek Electronics Corp.	Sale of optical products	-	100.00	100.00	m)
	Logah Technology Corp.	Development, manufacture and sale of LCD TV inverters	11.53	-	-	c)
	Lite-On Green Technologies Inc.	Manufacture and wholesale of electronic components and energy technology services	100.00	100.00	100.00	-
	Lite-On Clean Energy Technology Corp.	Manufacture and wholesale of electric car batteries	-	-	100.00	-
	Lite-On Green Energy (HK) Limited	Investment activities	100.00	100.00	100.00	-
	Lite-On Technology (Europe) B.V.	Market research and after-sales services	46.00	46.00	46.00	-
	Lite-On Green Energy (Singapore) Pte. Ltd.	Investment activities	100.00	100.00	100.00	-
	LarView Technologies Corp.	Manufacture of optical instruments, general Instruments, optical instruments, computers and peripherals	16.67	-	-	g)
Lite-On Green Technologies Inc.	Lite-On Green Technologies B.V.	Solar energy engineering	100.00	100.00	100.00	-
	Lite-On Green Technologies (HK) Limited	Solar energy engineering	100.00	100.00	100.00	-
LarView Technologies Corp.	Lar View Technologies Corporation (Samoa)	Investment activities	100.00	-	-	g)
Lar View Technologies Corporation (Samoa)	LarView Technologies Corp. (Shenzhen)	Manufacture of optical instruments, general Instruments, optical instruments, computers and peripherals	100.00	-	-	g)
Lite-On Green Energy (Singapore) Pte. Ltd.	Lite-On Green Energy B.V.	Investment activities	100.00	100.00	100.00	-
Lite-On Green Energy (Singapore) Pte. Ltd.	Lite-On Green Energy Kaiserslautern GmbH	Solar energy engineering	100.00	100.00	100.00	-
Lite-On Green Technologies (HK) Limited	Lite-on Green Technologies (Nanjing) Corporation	Solar energy engineering	100.00	100.00	100.00	-
Lite-On Green Technologies B.V.	Lite-On Green Technologies S.R.L.	Solar energy engineering	-	-	100.00	-
Lite-On Green Energy B.V.	Romeo Tetti PV1 S.R.L	Solar energy engineering	100.00	100.00	100.00	-
Lite-On Electronics H.K. Ltd.	Lite-On Green Energy S.R.L	Solar energy engineering	100.00	100.00	100.00	-
	Lite-On Electronics (Tianjinn) Co., Ltd.	ODM services	100.00	100.00	100.00	-
	Lite-On Network Communication (Dongguan) Limited (formerly: Dong Guan G-Com Computer Ltd.)	Manufacture and sale of IT products	100.00	100.00	100.00	-
	Lite-On Power Technology (Chang Zhou) Co., Ltd. (formerly: Li Shin Enterprise (Su Zhou) Co., Ltd.)	Manufacture and sale of new-type electronic components and peripheral materials	100.00	100.00	100.00	-
	China Bridge (China) Co., Ltd.	Investment, sales agent	100.00	100.00	100.00	-
	Lite-On Digital Electronics (Dongguan) Co., Ltd.	Manufacture of electronic components	100.00	100.00	100.00	-
	Silitch Elec. (Dongguan) Co., Ltd.	Manufacture and sale of keyboards	100.00	100.00	100.00	-
	Lite-On Computer Tech (Dongguan) Co., Ltd.	Manufacture and sale of display device	100.00	100.00	100.00	-
	Dong Guan G-Tech Computers Co., Ltd.	Manufacture and sale of computer case	100.00	100.00	100.00	-
	DongGuan G-Pro Computer Co., Ltd.	Manufacture and sale of system products	79.29	79.29	79.29	-
	Lite-On Digital Electronics (Dongguan) Co., Ltd.	Manufacture and sale of computer peripheral products	100.00	100.00	100.00	-
Lite-On Network Communication (Dongguan) Limited (formerly: Dong Guan G-Com Computer Ltd.)	DongGuan G-Pro Computer Co., Ltd.	Manufacture and sale of system products	20.71	20.71	20.71	-
China Bridge (China) Co., Ltd.	Lite-On Opto Technology (Changzhou) Co., Ltd.	Development, manufacture of new-type electronic components and provide technology consulting services, maintenance equipment and after-sales services	12.59	12.59	12.59	-
	China Bridge Express (Wuxi) Co., Ltd.	Express and sale of power supplies, printers, display devices and scanners	100.00	100.00	100.00	-
Lite-On Electronics Co., Ltd.	Lite-On Communications (Guangzhou) Co., Ltd.	Manufacture and sale of mobile terminal equipment	100.00	100.00	100.00	-
	Lite-On Electronics (Guangzhou) Co., Ltd. (formerly: Silitch Elec. (Guangzhou) Co., Ltd.)	Manufacture and sale of printers and scanners	100.00	100.00	100.00	-
	Lite-On (Guangzhou) Precision Tooling Co., Ltd.	Manufacture and sale of modules	67.03	67.03	67.03	-
	Lite-On Tech (Guangzhou) Co., Ltd.	Manufacture and sale of computer cases	100.00	100.00	100.00	-
	Lite-On (Guangzhou) Infortech Co., Ltd.	Information outsourcing	100.00	100.00	100.00	-

(Continued)

Investor	Investee	Main Business	% of Ownership			Remark
			June 30, 2014	December 31, 2013	June 30, 2013	
Lite-On Electronics Co., Ltd.	Lite-On Elec and Wire (Guanzhou) Co., Ltd.	Manufacture and sale of mobile terminal equipment	100.00	100.00	100.00	-
	Lite-On Electronics (Jiangsu) Co., Ltd.	Development, manufacture, sale and installation of power supplies and transformers and provision of technology consulting services, maintenance equipment and precision instruments	100.00	100.00	100.00	-
	Lite-On Technology (Guanzhou) Investment Co., Ltd.	Investment activities	100.00	100.00	100.00	-
	Lite-On Power Technology (Dongguan) Co., Ltd.	Development, manufacture and sale of electronic components, power supplies and provision technology consulting services	100.00	100.00	100.00	-
Lite-On Technology (Guanzhou) Investment Co., Ltd.	Lite-On (Guanzhou) Precision Tooling Co., Ltd.	Manufacture and sale of modules	32.97	32.97	32.97	-
Lite-On Electronics (Guangzhou) Co., Ltd. (formerly: Silitex Elec. (Guangzhou) Co., Ltd.)	Visonpak (Guangzhou) Co., Ltd.	Development, manufacture and sale of new-type electronic components (chip components, sensing elements, and hybrid integrated circuits) and wholesale, import and export of similar products	-	-	100.00	-
Lite-On Electronics (Jiangsu) Co., Ltd.	Lite-On Technology (Changzhou) Co., Ltd.	Development, manufacture, sale and installation of power supplies and transformers and provision technology consulting services, maintenance equipment and after-sales services	100.00	100.00	100.00	-
	Lite-On Opto Technology (Changzhou) Co., Ltd.	Development, manufacture and sale of new-type electronic components and LED and provision technology consulting services, maintenance equipment and after-sales services	87.41	87.41	87.41	-
Yet Foundate Ltd.	Dongguan Lite-On Computer Co., Ltd.	Manufacture and sale of computer hosts and components	100.00	100.00	100.00	-
Fordgood Electronic Ltd.	Lite-On Li Shin Technology (Ganzhou) Co., Ltd.	Manufacture and sale of electronic components	100.00	100.00	100.00	-
Lite-On Technology USA, Inc.	Lite-On, Inc.	Sales data processing business of optoelectronic products and power supplies	100.00	100.00	100.00	-
	Lite-On Trading USA, Inc.	Sale of optical products	100.00	100.00	100.00	-
	Lite-On Service USA, Inc.	Sale of optical products	100.00	100.00	100.00	-
	Maxi Switch S.A. De C.V.	Assembly and processing of electronic components	-	-	100.00	-
	Leotek Electronics USA LLC.	Sale of LED products	100.00	100.00	100.00	n)
Lite-On International Holding Co., Ltd.	Power Innovations International, Inc.	Development, design and manufacture of power control and energy management	95.25	-	-	o)
	Ze Poly Pte. Ltd.	Manufacture and sale of thin-film solar cell	48.13	48.13	48.13	-
Ze Poly Pte. Ltd.	Lite-On China Holding Co., Ltd.	Manufacture and sale of computer cases	100.00	100.00	100.00	-
	Ze Poly Tomsk Ltd.	Solar energy industry	100.00	100.00	100.00	-
Lite-On Singapore Pte. Ltd.	Lite-On Technology (Ying Tan) Co., Ltd.	Manufacture and sale of electronic components	100.00	100.00	100.00	-
	Lite-On Technology (Xianging) Co., Ltd.	Manufacture and sale of electronic components	100.00	100.00	100.00	-
LTC Group Ltd. (BVI)	Titanic Capital Services Ltd.	Investment activities	100.00	100.00	100.00	-
	LTC International Ltd.	Manufacture and sale of system products	100.00	100.00	100.00	-
Lite-On Technology (Europe) B.V.	Lite-On (Finland) Oy	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	-
Lite-On (Finland) Oy	Lite-On Mobile Oyj (formerly: Perlos Oyj)	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	-
	Lite-On Electronics Co., Ltd.	Investment activities	100.00	100.00	100.00	-
Lite-On China Holding Co., Ltd.	Yet Foundate Ltd.	Manufacture of plastic and computer peripheral products	100.00	100.00	100.00	-
	I-Solutions Limited	Original equipment manufacturer of electronic products	100.00	100.00	100.00	-
	Fordgood Electronic Ltd.	Import and export and real estate business	100.00	100.00	100.00	-
	G&W Technology (BVI) Ltd.	G&W Technology (BVI) Ltd.	Real estate management	50.00	50.00	50.00
Eagle Rock Investment Ltd.	G&W Technology Limited	Leasing business	100.00	100.00	100.00	-
	Huizhou Li Shin Electronic Co., Ltd.	Manufacture of computer peripheral products	100.00	100.00	100.00	-
	Huizhou Fu Tai Electronic Co., Ltd.	Manufacture of computer peripheral products	100.00	100.00	100.00	-
High Yield Group Co., Ltd.	Li Shin Technology (Huizhou) Ltd.	Manufacture and sale of new-type electronic components and peripheral materials	100.00	100.00	100.00	-
	LET (HK) Ltd.	Sale of optical disc drives	100.00	100.00	100.00	-
LET (HK) Ltd.	Lite-On Opto Technology (Guangzhou) Co., Ltd.	Manufacture and sale of optical disc drives	100.00	100.00	100.00	-
	Lite-On Auto Electric Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	100.00	100.00	100.00	-
	Lite-On IT Opto Tech (BH) Co., Ltd.	Manufacture and sale of optical disc drives	100.00	100.00	100.00	-

(Continued)

Investor	Investee	Main Business	% of Ownership			Remark
			June 30, 2014	December 31, 2013	June 30, 2013	
Lite-On Information Technology B.V.	Lite-On Information Technology GmbH	Sale of optical disc drives	100.00	100.00	100.00	-
Philip & Lite-On Digital Solutions Corp.	Philips & Lite-On Digital Solutions Germany GmbH	Development and sale of modules of automotive recorders	100.00	100.00	100.00	-
	Philips & Lite-On Digital Solutions USA Inc.	Sale of optical disc drives	100.00	100.00	100.00	-
	Philips & Lite-On Digital Solutions Korea Ltd.	Sale of optical disc drives	100.00	100.00	100.00	-
	Philips & Lite-On Digital Solutions Netherlands B.V.	Sale and design of optical disc drives	100.00	100.00	100.00	-
	Philip & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Sale of optical disc drives	100.00	100.00	100.00	-
Silitech Technology Corp.	Silitech (BVI) Holding Ltd.	Investment activities	100.00	100.00	100.00	-
	Lite-On Japan Ltd.	Sale of optical and power supply products	7.87	7.87	7.87	-
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Investment activities	100.00	100.00	100.00	-
Silitech (Bermuda) Holding Ltd.	Silitech Technology Corp. Ltd.	Manufacture of plastic and computer peripheral products	100.00	100.00	100.00	-
	Silitech Technology Corp. Sdn. Bhd.	Manufacture of computer peripheral products	100.00	100.00	100.00	-
Silitech (Hong Kong) Holding Ltd.	Silitech Technology (Europe) Ltd.	Sale of modules and keyboards	100.00	100.00	100.00	-
	Silitech (Hong Kong) Holding Ltd.	Investment activities	100.00	100.00	100.00	-
	Silitech International (India) Private Limited	Development, manufacture and sale of automotive parts	100.00	100.00	100.00	-
	Silitech Technology (SuZhou) Co., Ltd.	Manufacture and sale of automotive parts	100.00	100.00	100.00	-
Silitech Technology Corp. Ltd.	Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture of automotive parts, touch panels and plastic & rubber assembly	100.00	100.00	100.00	-
	SuZhou Xulong Mold Producing Co., Ltd.	Development, manufacture and sale of precision modules and new-type electronic components (chip components, testing elements, hybrid integrated circuits)	60.00	60.00	60.00	-
Logah Technology Corp.	Logah Technology Co., Ltd.	Holding company	100.00	100.00	100.00	c)
	Logah Technology (HK) Co., Ltd.	Holding company	100.00	100.00	100.00	c)
Logah Technology (HK) Co., Ltd.	Logah Electronics (Su Zhou) Co., Ltd.	Manufacture and sale of new-type electronic components	100.00	100.00	100.00	c)
	Lippo Electronics (Su Zhou) Co., Ltd.	Manufacture and sale of new-type electronic components	100.00	100.00	100.00	c)
Leotek Electronics Holding Limited	Changzhou Leotek New Energy Trade Limited	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	100.00	100.00	100.00	-
Lite-On Automotive International (Cayman) Co., Ltd.	Lite-On Automotive Holdings (Hong Kong) Co., Ltd.	Investment activities	100.00	100.00	100.00	-
Lite-On Automotive Holdings (Hong Kong) Co., Ltd.	Lite-On Automotive (Wuxi) Co., Ltd.	Manufacture, sale and processing of electronic products	100.00	100.00	100.00	-
	Lite-On Automotive Electronics (Guanzhou) Co., Ltd.	Manufacture, sale and processing of electronic products	100.00	100.00	100.00	-
Lite-On Japan Ltd.	Lite-On Japan (S) Pte. Ltd.	Import and export business of electronic components	100.00	100.00	100.00	-
	L&K Industries Philippines, Inc.	Import and export business of electronic components	100.00	100.00	100.00	-
	Lite-On Japan (H.K.) Limited	Import and export business of electronic components	100.00	100.00	100.00	-
	Lite-On Japan (Korea) Co., Ltd.	Import and export business of electronic components	100.00	100.00	100.00	-
	Lite-on Japan (Thailand) Co., Ltd.	Import and export business of electronic components	100.00	100.00	100.00	-
Lite-On Japan (H.K.) Limited	NL (Shanghai) Co., Ltd.	Import and export business of electronic components	100.00	100.00	100.00	-
Lite-On Mobile Oyj (formerly: Perlos Oyj)	Lite-On Mobile Sweden AB	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	-
	Lite-On Mobile Indústria e Comércio de Plásticos Ltda.	Manufacture and sale of mobile phone modules and design for assembly line	3.73	4.00	4.00	-
Lite-On Mobile Pte. Ltd.	Guangzhou Lite-On Mobile Electronic Components Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	-
	Guangzhou Lite-On Mobile Engineering Plastics Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	-
	Beijing Lite-On Mobile Electronic and Telecommunication Components Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	-
	Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	-
	Lite-On Mobile Indústria e Comércio de Plásticos Ltda.	Manufacture and sale of mobile phone modules and design for assembly line	96.27	96.00	96.00	-
Lite-On Mobile Pte. Ltd.	Perlos Precision Plastics Moulding Limited Liability Company	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	-
	Lite-On Mobile India Private Limited.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	-
	Zhuhai Lite-On Mobile Technology Company Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	83.48	89.00	89.00	-
	Lite-On Young Fast Pte. Ltd.	Investment activities	65.00	65.00	65.00	-
Guangzhou Lite-On Mobile Electronic Components Co., Ltd.	Yantai Lite-On Mobile Electronic Components Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	100.00	-
	Zhuhai Lite-On Mobile Technology Company Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	16.52	11.00	11.00	-
Lite-On Young Fast Pte. Ltd.	Lite-On Young Fast (Huizhou) Co., Ltd.	Modules of touch panels	100.00	100.00	100.00	-

(Concluded)

Remark:

- a) Lite-On IT Corporation was dissolved after merging with the Parent Company on June 30, 2014.
 - b) Li Shin International Enterprise Corp. was dissolved after merging with the Parent Company on March 22, 2014.
 - c) The Group lost its power to control the financial and operating policies of Logah Technology Corp. in March 2014. As a result, Logah Technology Corp. ceased to be consolidated and but still continues to be accounted for using the equity method. Please refer to Note 29.
 - d) Lite-On Automotive Corp. was dissolved after merging with the Parent Company on June 1, 2014.
 - e) Lite-On Vietnam Co., Ltd. was established in January 2014.
 - f) Li Shin International Enterprise Corp. (“Li Shin”) was dissolved after merging with the Parent Company in March 2014. Thus, Li Shin’s subsidiaries became directly held by the Parent Company.
 - g) In April 2014, the Group acquired power to cast the majority of the equity of LarView Technologies Corp.; thus, this investee was included in the consolidated financial statement effective that month. Please refer to Note 28.
 - h) The Group reorganized its structure in June 2014, and the Parent Company acquired the entire equity of Lite-On Mobile Pte. Ltd. from its subsidiary, Lite-On Mobile Oyj (formerly: Perlos Oyj).
 - i) Lite-On IT Corporation (“Lite-On IT”) was dissolved after merging with the Parent Company in June 2014. Thus, Lite-On IT’s subsidiaries became directly held by the Parent Company.
 - j) Leotek Electronics Corp. (“Leotek”) was dissolved after merging with the Parent Company in June 2014. Thus, Leotek’s subsidiaries became directly held by the Parent Company.
 - k) Lite-On Clean Energy Technology Corp. was dissolved after merging with the Parent Company on April 15, 2014.
 - l) Lite-On Automotive Corp. (“Lite-On Auto”) was dissolved after merging with the Parent Company in June 2014. Thus, Lite-On Auto’s subsidiaries became directly held by the Parent Company.
 - m) Leotek Electronics Corp. was dissolved after merging with the Parent Company on June 29, 2014.
 - n) The Group reorganized its structure in March 2014, and Leotek Electronics USA LLC. became directly held by Lite-On Technology USA, Inc.
 - o) The Group acquired power to cast the majority of the equity of Power Innovations International Inc. in June 2014; thus, this company was included in the consolidated financial statement effective that month. Please refer to Note 28.
- 2) Subsidiaries excluded from consolidated financial statements: None.

c. Retirement benefit costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

d. Income taxes

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2013.

6. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013	June 30, 2013
Cash on hand	\$ 79,169	\$ 228,007	\$ 8,788
Checking accounts	1,295,118	1,604,688	986,672
Demand deposits	31,805,751	32,826,589	26,994,488
Cash equivalent			
Time deposits with original maturities less than 3 months	<u>22,310,632</u>	<u>31,271,885</u>	<u>29,903,124</u>
	<u>\$ 55,490,670</u>	<u>\$ 65,931,169</u>	<u>\$ 57,893,072</u>

Cash equivalents include time deposits that have a maturity of 3 months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value; these were held for the purpose of meeting short-term cash commitments.

As of June 30, 2014, December 31, 2013 and June 30, 2013, the carrying amounts of time deposits with original maturities of over 3 months were NT\$45,000 thousand, NT\$125,051 thousand and NT\$7,495,491 thousand, respectively, which were classified as bond investment for which no active market exists (Note 10).

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Financial assets held for trading</u>			
Derivative financial assets (not under hedge accounting)			
Currency swap contracts	\$ 31,737	\$ 9,660	\$ 18,943
Foreign exchange forward contracts	<u>22,088</u>	<u>5,207</u>	<u>26,631</u>
	<u>\$ 53,825</u>	<u>\$ 14,867</u>	<u>\$ 45,574</u>
Current	\$ 53,825	\$ 14,867	\$ 45,574
Non-current	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 53,825</u>	<u>\$ 14,867</u>	<u>\$ 45,574</u>
<u>Financial liabilities held for trading</u>			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	\$ 21,409	\$ 4,284	\$ 6,919
Currency swap contracts	<u>-</u>	<u>23,552</u>	<u>6,867</u>
	<u>\$ 21,409</u>	<u>\$ 27,836</u>	<u>\$ 13,786</u>
Current	\$ 21,409	\$ 27,836	\$ 13,786
Non-current	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 21,409</u>	<u>\$ 27,836</u>	<u>\$ 13,786</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>June 30, 2014</u>			
Lite-On Overseas Trading Co., Ltd.			
Forward exchange contracts	USD/CNY	2014.07.31	USD30,000/CNY187,365
Lite-On Singapore Pte. Ltd.			
Forward exchange contracts	NTD/USD	2014.08.18	NTD599,240/USD20,000
Forward exchange contracts	USD/NTD	2014.08.18	USD19,975/NTD599,240
Forward exchange contracts	EUR/USD	2014.07.30	EUR2,400/USD3,266
Forward exchange contracts	USD/CNY	2014.08.04	USD20,000/CNY124,450
Lite-On Electronics (Thailand) Co., Ltd.			
Forward exchange contracts	USD/THB	2014.10.03	USD2,000/THB65,085

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
Lite-On IT Singapore Pte. Ltd.			
Currency swap contracts	CNY/USD	2014.07.21	CNY120,000/USD19,225
Forward exchange contracts	EUR/USD	2014.07.24	EUR4,000/USD5,446
Lite-On Mobile Oyj (formerly Perlos Oyj)			
Currency swap contracts	USD/EUR	2014.09.08	USD12,000/EUR8,791
Forward exchange contracts	USD/EUR	2014.09.08	USD12,000/EUR8,843
Lite-On Mobile Pte. Ltd.			
Currency swap contracts	USD/CNY	2014.07.14	USD12,000/CNY74,810
Currency swap contracts	EUR/USD	2014.09.08	EUR7,000/USD9,744
Currency swap contracts	JPY/USD	2014.07.28	JPY660,433/USD6,495
Forward exchange contracts	EUR/USD	2014.09.08	EUR7,000/USD9,520
Forward exchange contracts	USD/EUR	2014.09.08	USD29,000/EUR21,380
Silitech Technology Corp.			
Currency swap contracts	USD/CNY	2014.07.11	USD1,500/CNY9,362
Forward exchange contracts	USD/MYR	2014.07.08-2014.09.05	USD500/MYR1,622
<u>December 31, 2013</u>			
Lite-On IT Corp.			
Currency swap contracts	USD/NTD	2014.01.07	USD40,000/NTD1,186,000
Forward exchange contracts	EUR/USD	2014.01.17	EUR3,000/USD4,125
Philips & Lite-On Digital Solutions Corp.			
Currency swap contracts	USD/NTD	2014.01.20	USD17,000/NTD503,540
Lite-On Automotive Corp.			
Forward exchange contracts	EUR/USD	2014.01.14	EUR876/USD1,151
Lite-On Automotive Electronics (Guang Zhou) Co., Ltd.			
Forward exchange contracts	USD/CNY	2014.04.16	USD7,000/CNY42,525
Leotek Electronic Corp.			
Forward exchange contracts	USD/NTD	2014.01.07	USD860/NTD25,611
Forward exchange contracts	GBP/NTD	2014.01.14	GBP195/NTD9,394
Forward exchange contracts	EUR/NTD	2014.03.25	EUR380/NTD15,569
Lite-On Mobile Oyj (formerly Perlos Oyj)			
Currency swap contracts	USD/EUR	2014.01.17	USD15,500/EUR11,268
Forward exchange contracts	USD/BRL	2014.01.17	USD1,000/BRL2,375
Guangzhou Lite-On Mobile Electronic Components Co., Ltd.			
Forward exchange contracts	USD/CNY	2014.01.23	USD3,000/CNY18,319
Forward exchange contracts	EUR/CNY	2014.01.20	EUR300/CNY2,463
Currency swap contracts	EUR/CNY	2014.02.14	EUR300/CNY2,515
Beijing Lite-On Mobile Electronic and Telecommunication Components Co., Ltd.			
Forward exchange contracts	USD/CNY	2014.01.23	USD2,000/CNY12,204
Forward exchange contracts	EUR/CNY	2014.02.14	EUR200/CNY1,678

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
Lite-On Mobile Pte. Ltd.			
Forward exchange contracts	USD/INR	2014.01.17	USD3,000/INR186,470
Currency swap contracts	EUR/USD	2014.01.17	EUR7,000/USD9,498
Currency swap contracts	CNY/USD	2014.01.17	CNY50,000/USD8,224
Lite-On Mobile India Private Limited			
Forward exchange contracts	USD/INR	2014.02.10	USD1,000/INR64,850
Lite-On Singapore Pte. Ltd.			
Forward exchange contracts	EUR/USD	2014.01.27	EUR2,400/USD3,284
Silitech Technology Corp.			
Currency swap contracts	USD/CNY	2014.01.06-2014.01.21	USD12,500/CNY75,928
Forward exchange contracts	USD/MYR	2014.01.08-2014.03.10	USD1,450/MYR4,694
Forward exchange contracts	EUR/MYR	2014.02.26	EUR50/MYR226
Lite-On Electronics (Thailand) Co., Ltd.			
Forward exchange contracts	USD/THB	2014.04.23	USD1,000/THB32,898
Silitek Elec. (Guangzhou) Co., Ltd.			
Currency swap contracts	USD/CNY	2014.01.06	USD11,000/CNY66,714
<u>June 30, 2013</u>			
Lite-On IT Corp.			
Currency swap contracts	USD/NTD	2013.07.19-2013.07.25	USD50,000/NTD1,503,530
Forward exchange contracts	EUR/USD	2013.07.22	EUR2,000/USD2,677
Lite-On Automotive Corp.			
Forward exchange contracts	USD/JPY	2013.08.19	USD517/JPY52,000
Forward exchange contracts	USD/CNY	2013.11.15	USD5,000/CNY30,978
Leotek Electronic Corp.			
Forward exchange contracts	USD/NTD	2013.07.25	USD1,000/NTD29,900
Forward exchange contracts	GBP/NTD	2013.08.26	GBP210/NTD9,761
Currency swap contracts	USD/NTD	2013.07.25	USD1,300/NTD38,682
Currency swap contracts	EUR/NTD	2013.07.25	EUR132/NTD5,254
Currency swap contracts	GBP/NTD	2013.07.25	GBP41/NTD1,917
Lite-On Automotive International (Cayman) Co., Ltd.			
Forward exchange contracts	USD/CNY	2013.07.15	USD3,000/CNY18,477
Lite-On Mobile Oyj (formerly Perlos Oyj)			
Currency swap contracts	USD/EUR	2013.09.10	USD16,000/EUR12,144
Currency swap contracts	CNY/USD	2013.08.12	CNY15,000/USD2,427
Forward exchange contracts	USD/BRL	2013.08.07	USD1,300/BRL2,761
Forward exchange contracts	USD/EUR	2013.08.12	USD3,500/EUR2,643
Guangzhou Lite-On Mobile Electronic Components Co., Ltd.			
Forward exchange contracts	USD/CNY	2013.07.19	USD5,000/CNY30,725
Forward exchange contracts	EUR/CNY	2013.08.20	EUR1,300/CNY10,478

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
Beijing Lite-On Mobile Electronic and Telecommunication Components Co., Ltd.			
Forward exchange contracts	EUR/CNY	2013.08.20	EUR1,000/CNY8,055
Lite-On Mobile Pte. Ltd.			
Forward exchange contracts	USD/INR	2013.08.14	USD5,000/INR296,020
Forward exchange contracts	USD/EUR	2013.08.19	USD9,700/EUR7,263
Currency swap contracts	USD/EUR	2013.08.12	USD3,000/EUR2,270
Lite-On Mobile India Private Limited			
Forward exchange contracts	USD/INR	2013.11.18	USD1,000/INR61,180
Lite-On Singapore Pte. Ltd.			
Forward exchange contracts	EUR/USD	2013.07.05	EUR2,400/USD3,139
Silitech Technology Corp.			
Currency swap contracts	USD/NTD	2013.07.05-2013.07.15	USD16,000/NTD478,072
Forward exchange contracts	USD/MYR	2013.07.05-2013.09.05	USD900/MYR2,776
Forward exchange contracts	EUR/MYR	2013.07.29-2013.08.28	EUR100/MYR413
Lite-On Electronics (Thailand) Co., Ltd.			
Forward exchange contracts	USD/THB	2013.09.26	USD3,000/THB93,285

(Concluded)

The subsidiaries entered into derivative contracts during the six months ended June 30, 2014 and 2013 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the subsidiaries did not meet the criteria for hedge accounting. Thus, the derivative contracts classified as financial assets or financial liabilities at fair value through profit or loss. The financial risk management objectives of the subsidiaries were to minimize risks due to changes in fair value or cash flows.

On financial instruments with fair value through profit or loss (FVTPL), the Group had (a) net gains of \$52,285 thousand and \$54,874 thousand for the three months ended June 30, 2014 and 2013, respectively, and (b) net gains of \$51,715 thousand and net losses of \$59,753 thousand for the six months ended June 30, 2014 and 2013, respectively.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Domestic investments</u>			
Quoted shares	\$ 1,378,291	\$ 1,182,391	\$ 1,198,947
Unquoted shares	189,160	289,160	481,785
Emerging market shares	178,716	178,716	178,716

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Foreign investments</u>			
Unquoted shares	\$ 342,733	\$ 324,374	\$ 324,871
Mutual funds	133,388	127,705	129,806
Quoted shares	<u>8,346</u>	<u>41,657</u>	<u>69,090</u>
	<u>\$ 2,230,634</u>	<u>\$ 2,144,003</u>	<u>\$ 2,383,215</u>
Current	\$ 15	\$ 13	\$ 12
Non-current	<u>2,230,619</u>	<u>2,143,990</u>	<u>2,383,203</u>
	<u>\$ 2,230,634</u>	<u>\$ 2,144,003</u>	<u>\$ 2,383,215</u>

(Concluded)

Refer to Note 32 for information relating to the fair values of on available-for-sale financial assets determined.

There was objective evidence that the fair values of some financial assets were below their carrying costs and will permanently decline. As a result, the Group recognized impairment losses of \$31,561 thousand and \$273,000 thousand for the three months ended June 30, 2014 and 2013, respectively, and \$31,561 thousand and \$273,000 thousand for the six months ended June 30, 2014 and 2013, respectively, in the consolidated statements of comprehensive income for the six months ended June 30, 2014 and 2013.

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Derivative financial liabilities under hedge accounting</u>			
Cash flow hedges - interest rate swaps	<u>\$ 26,558</u>	<u>\$ 46,969</u>	<u>\$ 71,177</u>
Current	\$ -	\$ -	\$ -
Non-current	<u>26,558</u>	<u>46,969</u>	<u>71,177</u>
	<u>\$ 26,558</u>	<u>\$ 46,969</u>	<u>\$ 71,177</u>

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 floating rate of its liabilities to fixed rate. The cash flow hedge transactions are deemed sufficient.

The outstanding interest rate swap contracts of the Parent Company at the end of the reporting period were as follows:

June 30, 2014

Notional Amount (In Thousands)	Maturity Dare	Range of Interest Rates Paid	Range of Interest Rates Received
NT\$ 3,600,000	2015.09.23	1.895%	0.875%

December 31, 2013

Notional Amount (In Thousands)	Maturity Dare	Range of Interest Rates Paid	Range of Interest Rates Received
NT\$ 4,800,000	2015.09.23	1.895%	0.863%

June 30, 2013

Notional Amount (In Thousands)	Maturity Dare	Range of Interest Rates Paid	Range of Interest Rates Received
NT\$ 6,000,000	2015.09.23	1.895%	0.896%

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	June 30, 2014	December 31, 2013	June 30, 2013
Time deposits with original maturity of more than 3 months	\$ 45,000	\$ 125,051	\$ 7,495,491
Pledged deposits	<u>92,561</u>	<u>36,490</u>	<u>104,575</u>
	<u>\$ 137,561</u>	<u>\$ 161,541</u>	<u>\$ 7,600,066</u>
Current	\$ 136,449	\$ 147,441	\$ 7,495,491
Noncurrent	<u>1,112</u>	<u>14,100</u>	<u>104,575</u>
	<u>\$ 137,561</u>	<u>\$ 161,541</u>	<u>\$ 7,600,066</u>

Refer to Note 34 for information on bond investments with no active market pledged as security.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2014	December 31, 2013	June 30, 2013
Trade receivables	\$ 49,590,288	\$ 49,716,019	\$ 42,925,422
Less: Allowance for impairment loss	<u>197,543</u>	<u>215,850</u>	<u>310,684</u>
	<u>\$ 49,392,745</u>	<u>\$ 49,500,169</u>	<u>\$ 42,614,738</u>

As of June 30, 2014, December 31, 2013 and June 30, 2013, the Group did not have the age of the trade receivables that were past due but not impaired.

Movements in the allowance for impairment loss recognized on notes receivable and trade receivables were as follow:

	For the Six Months Ended June 30	
	2014	2013
Balance at January 1	\$ 215,850	\$ 323,320
Allowance (reversal of allowance) for impairment loss	6,004	(9,701)
Foreign exchange translation	(2,251)	1,658
Effect of business combination	(22,060)	-
Uncollectible amounts written off during the period as uncollectible	<u>-</u>	<u>(4,593)</u>
Balance at June 30	<u>\$ 197,543</u>	<u>\$ 310,684</u>

The unexpired factored accounts receivable of the subsidiaries as of June 30, 2014 and 2013 were as follows:

Philips & Lite-On Digital Solutions Corp.

June 30, 2014: None

Counter-parties	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
<u>June 30, 2013</u>					
Taishin International Bank	US\$ 3,062	US\$ 3,219	US\$ -	0.17-0.188	US\$ 8,500

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

The subsidiaries (Philips & Lite-On Digital Solutions Corp.) signed accounts receivable factoring contracts with banks. Pursuant to the factoring agreements, losses from commercial disputes were borne by the subsidiaries, while losses from credit risk were borne by the banks.

12. INVENTORIES, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Finished goods	\$ 14,656,476	\$ 13,108,163	\$ 9,952,240
Raw materials	8,336,567	6,682,596	6,023,514
Work in progress	5,522,853	4,882,929	3,419,770
Inventory in transit	1,821,064	2,257,198	1,653,800
Merchandise	<u>251,539</u>	<u>272,647</u>	<u>1,552,627</u>
	<u>\$ 30,588,499</u>	<u>\$ 27,203,533</u>	<u>\$ 22,601,951</u>

The costs of inventories recognized as cost of goods sold for the three months ended June 30, 2014 and 2013 were \$50,333,846 thousand and \$42,548,518 thousand, respectively, and for the six months ended June 30, 2014 and 2013, \$95,627,772 thousand and \$82,407,379 thousand, respectively.

The cost of inventories recognized as cost of goods sold in the three months and six months ended June 30, 2014 included inventory write-downs of \$271,432 thousand and \$304,482 thousand, respectively, which resulted from write-downs of inventory to net realizable value. The cost of inventories recognized as cost of goods sold in the three months and six months ended June 30, 2013 included inventory write-downs of \$30,717 thousand and \$170,508 thousand, respectively, which resulted from write-downs of inventory to net realizable value.

13. 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 (Loss) to Be Recognized
<u>June 30, 2014</u>								
Solar power project	<u>\$ 496,336</u>	<u>\$ 526,151</u>	<u>\$ -</u>	<u>\$ 496,336</u>	<u>\$ 496,336</u>	100	-	<u>\$ (29,815)</u>
<u>December 31, 2013</u>								
Solar power project	<u>\$ 508,192</u>	<u>\$ 538,719</u>	<u>\$ -</u>	<u>\$ 508,192</u>	<u>\$ 508,192</u>	100	-	<u>\$ (30,527)</u>
<u>June 30, 2013</u>								
Solar power project	<u>\$ 618,413</u>	<u>\$ 535,882</u>	<u>\$ 44,030</u>	<u>\$ 570,464</u>	<u>\$ 494,674</u>	80-100	2013	<u>\$ 34,582</u>

14. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	June 30, 2014	December 31, 2013	June 30, 2013
Investments in associates	\$ 4,172,351	\$ 3,530,347	\$ 3,518,875
Investments in jointly controlled entities	<u>1,078</u>	<u>1,078</u>	<u>523</u>
	<u>\$ 4,173,429</u>	<u>\$ 3,531,425</u>	<u>\$ 3,519,398</u>

a. Investments in associates

Name of Associate	June 30, 2014	December 31, 2013	June 30, 2013
<u>Listed companies</u>			
Lite-On Semiconductor Corp.	\$ 1,823,474	\$ 1,605,278	\$ 1,528,907
Logah Technology Corp.	453,072	-	-
<u>Unlisted companies</u>			
Dragonjet Corporation	1,031,112	1,031,514	1,036,554
LiteStar JV Holding (BVI) Co., Ltd.	719,072	718,970	724,036
Epricrystal (Changzhou) Co., Ltd.	141,813	144,146	143,572
Canfield Ltd.	3,808	3,796	4,211

(Continued)

Name of Associate	June 30, 2014	December 31, 2013	June 30, 2013
Yamada-Lom Fabricacao De Artefatos De Material Plastico Ltda	\$ -	\$ 7,795	\$ 12,308
Lite-Space Technology Company Limited	<u>(19,139)</u>	<u>18,848</u>	<u>69,287</u>
	4,153,212	3,530,347	3,518,875
Credit balance on the carrying value of investments accounted for using equity method	<u>19,139</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,172,351</u>	<u>\$ 3,530,347</u>	<u>\$ 3,518,875</u> (Concluded)

Due to the credit balance on the carrying value of long-term investments of Lite-Space Technology Company Limited as of June 30, 2014, the amount has been transferred to other liabilities - credit balance of investments accounted for using equity method.

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

Name of Associate	June 30, 2014	December 31, 2013	June 30, 2013
Logah Technology Corp.	39.63%	-	-
Lite-Space Technology Company Limited	39.23%	39.23%	39.23%
Canfield Ltd.	33.33%	33.33%	33.33%
Dragonjet Corporation	29.62%	29.66%	29.66%
Yamada-Lom Fabricacao De Artefatos De Material Plastico Ltda	25.00%	25.00%	25.00%
Lite-On Semiconductor Corp.	20.27%	20.45%	20.45%
LiteStar JV Holding (BVI) Co., Ltd.	20.19%	20.19%	24.18%
Epricrystal (Changzhou) Co., Ltd.	3.71%	3.71%	4.33%

Starting from March 28, 2014, the Group has no power to govern the financial and operating policies of Logah Technology Corp. The Group used the fair value measurement for its investments after it lost control of Logah Technology Corp. (please refer to Note 29). The Group still has significant influence on Logah Technology Corp.; thus, the Group accounted for this investment by the equity method.

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 an 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.

Fair values of investments in associates for which there are published price quotation are summarized as follows, based on the closing price of those investments at the balance sheet date:

Name of Associate	June 30, 2014	December 31, 2013	June 30, 2013
Lite-On Semiconductor Corp.	<u>\$ 2,003,969</u>	<u>\$ 1,635,893</u>	<u>\$ 1,481,392</u>
Logah Technology Corp.	<u>\$ 882,497</u>	<u>\$ -</u>	<u>\$ -</u>

In January 2013, Li Shin International Enterprise Corp. (“Li Shin”) (the Parent Company had a merger with Li Shin on March 22, 2014), a subsidiary of the Parent Company, disposed of interests in Jhen Vei Electronics Co., Ltd. (“Jhen Vei”) and received proceeds of NT\$111,476 thousand; thus Li Shin ceased to have significant influence on Jhen Vei. This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

Proceeds of disposal	\$ 111,476
Carrying amount of investment on the date of loss of significant influence	<u>(75,526)</u>
Gain recognized (recorded as nonoperating income and expense: Gain on disposal of investments)	<u>\$ 35,950</u>

The equity-method investees’ financial statements, which had been used to determine the carrying amount of the Group’s investments share of profit and other comprehensive income of associates, had not been reviewed, except for the financial statements as of and for the six months ended June 30, 2014 and 2013 of Lite-On Semiconductor Corp. and the financial statements as of and for the six months ended June 30, 2014 of Logah Technology Corp.

b. Investments in jointly controlled entities

Name of Associate	June 30, 2014	December 31, 2013	June 30, 2013
Unlisted companies			
Kompaktsolar GmbH	<u>\$ 1,078</u>	<u>\$ 1,078</u>	<u>\$ 523</u>

At the end of the reporting period, the proportion of ownership and voting rights in jointly controlled entities held by the Group were as follows:

Name of Associate	June 30, 2014	December 31, 2013	June 30, 2013
Kompaktsolar GmbH	51.00%	51.00%	51.00%

On Lite-On Green Technologies B.V. (LOGTBV), a subsidiary of the Parent Company, there was objective evidence that the fair value of investment in jointly controlled Kompaktsolar GmbH was below its carrying cost and will permanently decline. As a result, the Group recognized an impairment loss of \$10,682 thousand in the consolidated statement of comprehensive income for the six months ended June 30, 2013.

Kompaktsolar GmbH’s financial statements, which had been used to determine the carrying amounts of the Group’s investments and its share of profits and other comprehensive income of associates, had not been reviewed.

15. PROPERTY, PLANT AND EQUIPMENT, NET

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Carrying amounts of each class of</u>			
Freehold land	\$ 2,338,609	\$ 2,398,990	\$ 2,428,169
Buildings	13,176,173	13,167,598	14,672,604
Machinery equipment	15,726,087	16,790,486	16,876,548
Tooling equipment	402,515	479,393	752,268
Transportation equipment	18,682	23,802	38,311
Office equipment	584,908	737,435	620,962
Equipment held under finance lease	293,907	379,971	355,574
Other equipment	<u>2,785,392</u>	<u>3,023,707</u>	<u>3,168,961</u>
	<u>\$ 35,326,273</u>	<u>\$ 37,001,382</u>	<u>\$ 38,913,397</u>

For the Six Months Ended June 30, 2014

	January 1, 2014	Additions	Disposals	Effect of Business Combination	Reclassification	Effect of Foreign Currency Exchange Differences	June 30, 2014
<u>Cost</u>							
Freehold land	\$ 2,398,990	\$ -	\$ -	\$ (56,368)	\$ -	\$ (4,013)	\$ 2,338,609
Buildings	20,283,203	54,530	5,960	(135,706)	753,354	(255,015)	20,694,406
Machinery equipment	40,610,971	2,169,577	1,083,417	(141,208)	(270,414)	(1,181,104)	40,104,405
Tooling equipment	4,114,144	69,644	215,857	-	9,936	52,351	4,030,218
Transportation equipment	89,042	97	5,287	(1,600)	(72)	(550)	81,630
Office equipment	2,757,887	81,109	32,750	803	(84,373)	(28,396)	2,694,280
Equipment held under finance lease	1,420,378	20,846	8,568	(68,222)	(21,609)	(24,675)	1,318,150
Other equipment	<u>6,784,900</u>	<u>908,560</u>	<u>74,093</u>	<u>(31,642)</u>	<u>(427,610)</u>	<u>(109,987)</u>	<u>7,050,128</u>
	<u>78,459,515</u>	<u>\$ 3,304,363</u>	<u>\$ 1,425,932</u>	<u>\$ (433,943)</u>	<u>\$ (40,788)</u>	<u>\$ (1,551,389)</u>	<u>78,311,826</u>
<u>Accumulated depreciation</u>							
Buildings	6,947,394	\$ 470,520	\$ 4,420	\$ (11,582)	\$ 50,930	\$ (122,386)	7,330,456
Machinery equipment	22,822,096	2,174,892	674,245	(185,703)	(319,336)	(322,865)	23,494,839
Tooling equipment	3,611,874	243,128	206,061	-	2,532	(44,770)	3,606,703
Transportation equipment	64,939	4,504	4,716	(1,301)	(63)	(415)	62,948
Office equipment	2,016,021	135,687	32,095	(20,156)	26,563	(18,571)	2,107,449
Equipment held under finance lease	1,026,069	30,767	8,104	(24,858)	(9,004)	9,373	1,024,243
Other equipment	<u>3,725,652</u>	<u>371,097</u>	<u>60,653</u>	<u>(22,620)</u>	<u>318,099</u>	<u>(97,213)</u>	<u>4,234,362</u>
	<u>40,214,045</u>	<u>\$ 3,430,595</u>	<u>\$ 990,294</u>	<u>\$ (266,220)</u>	<u>\$ 69,721</u>	<u>\$ (596,847)</u>	<u>41,861,000</u>
<u>Accumulated impairment</u>							
Freehold land	-	\$ -	\$ -	\$ -	\$ -	\$ -	-
Buildings	168,211	21,164	181	-	-	(1,417)	187,777
Machinery equipment	998,389	22,821	19,579	(79,978)	(7,133)	(31,041)	883,479
Tooling equipment	22,877	-	1,908	-	-	31	21,000
Transportation equipment	301	-	-	(299)	-	(2)	-
Office equipment	4,431	-	322	(2,133)	-	(53)	1,923
Equipment held under finance lease	14,338	-	-	(14,241)	-	(97)	-
Other equipment	<u>35,541</u>	<u>-</u>	<u>18</u>	<u>(3,902)</u>	<u>-</u>	<u>(1,247)</u>	<u>30,374</u>
	<u>1,244,088</u>	<u>\$ 43,985</u>	<u>\$ 22,008</u>	<u>\$ (100,553)</u>	<u>\$ (7,133)</u>	<u>\$ (33,826)</u>	<u>1,124,553</u>
	<u>\$ 37,001,382</u>						<u>\$ 35,326,273</u>

For the Six Months Ended June 30, 2013

	January 1, 2013	Additions	Disposals	Effect of Business Combination	Reclassification	Effect of Foreign Currency Exchange Differences	June 30, 2013
<u>Cost</u>							
Freehold land	\$ 2,693,720	\$ -	\$ 246,635	\$ -	\$ 36,063	\$ (54,979)	\$ 2,428,169
Buildings	21,407,250	18,726	461,687	-	(21,769)	294,376	21,236,896
Machinery equipment	39,618,614	1,760,181	1,029,342	-	(1,629,862)	1,456,315	40,175,906
Tooling equipment	2,031,914	368,234	206,516	-	1,950,862	(279,725)	3,864,769
Transportation equipment	97,205	2,015	6,534	-	801	18,987	112,474
Office equipment	2,594,743	52,734	68,335	-	(7,172)	96,130	2,668,100
Equipment held under finance lease	526,456	17,684	19,433	-	528	907,680	1,432,915
Other equipment	<u>7,067,470</u>	<u>395,844</u>	<u>177,093</u>	<u>-</u>	<u>(105,621)</u>	<u>(9,057)</u>	<u>7,171,543</u>
	<u>76,037,372</u>	<u>\$ 2,615,418</u>	<u>\$ 2,215,575</u>	<u>\$ -</u>	<u>\$ 223,830</u>	<u>\$ 2,429,727</u>	<u>79,090,772</u>
<u>Accumulated depreciation</u>							
Buildings	6,285,903	\$ 460,238	\$ 138,601	\$ -	\$ 706	\$ (57,246)	6,551,000
Machinery equipment	21,603,815	1,610,574	678,559	-	(1,162,370)	842,637	22,216,097
Tooling equipment	1,775,819	565,106	192,793	-	1,140,540	(176,171)	3,112,501
Transportation equipment	72,274	4,197	5,687	-	(857)	4,236	74,163
Office equipment	1,927,453	106,483	62,336	-	(4,672)	80,210	2,047,138
Equipment held under finance lease	399,774	20,417	16,524	-	-	673,674	1,077,341
Other equipment	<u>4,047,653</u>	<u>412,374</u>	<u>169,370</u>	<u>-</u>	<u>(175,036)</u>	<u>(113,039)</u>	<u>4,002,582</u>
	<u>36,112,691</u>	<u>\$ 3,179,389</u>	<u>\$ 1,263,870</u>	<u>\$ -</u>	<u>\$ (201,689)</u>	<u>\$ 1,254,301</u>	<u>39,080,822</u>
<u>Accumulated impairment</u>							
Freehold land	-	\$ -	\$ -	\$ -	\$ -	\$ -	-
Buildings	13,292	-	-	-	-	-	13,292
Machinery equipment	1,044,455	128,851	-	-	(36,958)	(53,087)	1,083,261
Tooling equipment	-	-	-	-	-	-	-
Transportation equipment	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-
Equipment held under finance lease	-	-	-	-	-	-	-
Other equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,057,747</u>	<u>\$ 128,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,958)</u>	<u>\$ (53,087)</u>	<u>1,096,553</u>
	<u>\$ 38,866,934</u>						<u>\$ 38,913,397</u>

For the three months and six months ended June 30, 2014 as the result of the declining sale of one of the products in the market, the estimated future cash flows expected to arise from the related equipment was decreased and recognized impairment loss \$44,194 thousand and \$43,985 thousand. The Group carried out a review of the recoverable amount of that related equipment and determined that the carrying amount exceeded the recoverable amount. For the three months and six months ended June 30, 2013 as the result of the declining sale of one of the products in the market, the estimated future cash flows expected to arise from the related equipment was decreased and recognized impairment loss \$127,844 thousand and \$128,851 thousand.

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

Buildings	5-60 years
Machinery equipment	2-10 years
Tooling equipment	2-10 years
Transportation equipment	3-10 years
Office equipment	2-10 years
Equipment held under finance lease	3-40 years
Other equipment	2-10 years

16. OTHER INTANGIBLE ASSETS, NET

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Carrying amounts of each class</u>			
Goodwill	\$ 14,902,016	\$ 14,261,666	\$ 14,277,008
Patents	4,061	11,401	8,608
Use rights	898,626	1,010,954	1,123,283
Software	258,090	61,541	58,231
Other intangible assets	<u>378,278</u>	<u>370,700</u>	<u>432,985</u>
	<u>\$ 16,441,071</u>	<u>\$ 15,716,262</u>	<u>\$ 15,900,115</u>

For the Six Months Ended June 30, 2014

	January 1, 2014	Additions	Disposals	Effect of Business Combination	Reclassification	Effect of Foreign Currency Exchange Differences	June 30, 2014
<u>Cost</u>							
Goodwill	\$ 14,792,433	\$ 646,599	\$ -	\$ (5,043)	\$ -	\$ (1,206)	\$ 15,432,783
Patents	37,328	549	2,049	130	(6,862)	(17)	29,079
Use right	2,695,878	-	-	-	-	-	2,695,878
Client relationships	163,819	-	-	-	-	-	163,819
Software	265,373	246,374	6,284	10,511	(38,113)	201	478,062
Net other intangible assets	<u>3,427,496</u>	<u>40,680</u>	<u>27,743</u>	<u>1,836</u>	<u>411,540</u>	<u>(9,298)</u>	<u>3,844,511</u>
	<u>21,382,327</u>	<u>\$ 934,202</u>	<u>\$ 36,076</u>	<u>\$ 7,434</u>	<u>\$ 366,565</u>	<u>\$ (10,320)</u>	<u>22,644,132</u>
<u>Accumulated amortization</u>							
Goodwill	77,234	\$ -	\$ -	\$ -	\$ -	\$ -	77,234
Patents	25,927	4,379	-	-	(5,300)	12	25,018
Use right	1,684,924	112,328	-	-	-	-	1,797,252
Client relationships	163,819	-	-	-	-	-	163,819
Software	203,832	46,090	4,779	3,799	(29,465)	495	219,972
Net other intangible assets	<u>3,056,796</u>	<u>115,874</u>	<u>24,828</u>	<u>879</u>	<u>325,414</u>	<u>(7,902)</u>	<u>3,466,233</u>
	<u>5,212,532</u>	<u>\$ 278,671</u>	<u>\$ 29,607</u>	<u>\$ 4,678</u>	<u>\$ 290,649</u>	<u>\$ (7,395)</u>	<u>5,749,528</u>
<u>Accumulated impairment</u>							
Goodwill	453,533	\$ -	\$ -	\$ -	\$ -	\$ -	453,533
Patents	-	-	-	-	-	-	-
Use right	-	-	-	-	-	-	-
Software	-	-	-	-	-	-	-
Net other intangible assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>453,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>453,533</u>
	<u>\$ 15,716,262</u>						<u>\$ 16,441,071</u>
<u>Cost</u>							
Goodwill	\$ 14,798,181	\$ -	\$ -	\$ -	\$ -	\$ 9,594	\$ 14,807,775
Patents	27,134	-	-	-	721	(1,157)	26,698
Use right	2,695,878	-	-	-	-	-	2,695,878
Client relationships	163,819	-	-	-	-	-	163,819
Software	251,569	5,378	7	-	-	(762)	256,178
Net other intangible assets	<u>2,833,194</u>	<u>63,792</u>	<u>1,644</u>	<u>-</u>	<u>721,934</u>	<u>(110,756)</u>	<u>3,506,520</u>
	<u>20,769,775</u>	<u>\$ 69,170</u>	<u>\$ 1,651</u>	<u>\$ -</u>	<u>\$ 722,655</u>	<u>\$ (103,081)</u>	<u>21,456,868</u>
<u>Accumulated amortization</u>							
Goodwill	77,234	\$ -	\$ -	-	\$ -	\$ -	77,234
Patents	16,959	1,131	-	-	-	-	18,090
Use right	1,460,267	112,328	-	-	-	-	1,572,595
Client relationships	153,580	10,239	-	-	-	-	163,819
Software	188,505	8,848	-	-	-	594	197,947
Net other intangible assets	<u>2,386,122</u>	<u>121,070</u>	<u>503</u>	<u>-</u>	<u>574,342</u>	<u>(7,496)</u>	<u>3,073,535</u>
	<u>4,282,667</u>	<u>\$ 253,616</u>	<u>\$ 503</u>	<u>\$ -</u>	<u>\$ 574,342</u>	<u>\$ (6,902)</u>	<u>5,103,220</u>
<u>Accumulated impairment</u>							
Goodwill	453,533	\$ -	\$ -	\$ -	\$ -	\$ -	453,533
Patents	-	-	-	-	-	-	-
Use right	-	-	-	-	-	-	-
Software	-	-	-	-	-	-	-
Net other intangible assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>453,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>453,533</u>
	<u>\$ 16,033,575</u>						<u>\$ 15,900,115</u>

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

Patents	6 years
Usage rights	12 years
Client relationships	4 years
Software	2-14 years
Other intangible assets	1-10 years

For the integration of overall resources and enhance efficiency of operations, and based on the regulation of Article 19 of Business Mergers and Acquisitions Act, the Parent Company had a short-form merger with Li Shin International Enterprise Corp., Lite-On Automotive Corp., Leotek Electronics Corp., and Lite-On IT Corp. on March 22, 2014, June 1, 2014, June 29, 2014 and June 30, 2014 approved by the board of directors. The Parent Company was the survivor entity. Thus, the cash-generating unit used in amortization of goodwill of Li Shin International Enterprise Corp., Lite-On Automotive Corp., Leotek Electronics Corp., and Lite-On IT Corp. with total carrying amount of NT\$5,012,776 thousand was transferred to the Parent Company.

The goodwill arising from the Parent Company's acquisition of Lite-On Enclosure Inc. in 2004 was NT\$210,220 thousand was amortization approximately over a period of five years. However, under the Guidelines Governing the Preparation of Financial Reports, effective January 1, 2006, goodwill need no longer be amortized. As of June 30, 2014, December 31, 2013 and June 30, 2013, the carrying value of goodwill were all NT\$132,986 thousand.

The Parent Company completed the purchase of some assets of the IrDA Department of Avago Technologies Limited. Statement of Financial Accounting Standards (SFAS) No. 3 - "Business Combinations" and SFAS No. 38 - "Intangible Assets" define recognized goodwill as the sum of the acquisition cost plus other direct transaction costs minus the fair value of the identifiable net assets acquired. Thus, the calculation of goodwill generated was NT\$411,932 thousand as of December 31, 2009.

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

	June 30, 2014	December 31, 2013	June 30, 2013
Lite-On Mobile Pte. Ltd.	\$ 8,638,905	\$ -	\$ -
The Parent Company	5,557,694	544,918	544,918
LarView Technologies Corp.	368,462	-	-
Power Innovations International Inc.	278,137	-	-
Lite-On Mobile Oyj (formerly Perlos Oyj)	-	8,640,111	8,655,453
Lite-On IT Corp.	-	2,806,508	2,806,508
Lite-On Automotive Corp.	-	277,840	277,840
Leotek Electronics Corp.	-	220,170	220,170
Li Shin International Enterprise Corp.	-	1,708,258	1,708,258
Others	<u>58,818</u>	<u>63,861</u>	<u>63,861</u>
	<u>\$ 14,902,016</u>	<u>\$ 14,261,666</u>	<u>\$ 14,277,008</u>

The Group reorganized its structure on June 2014, and the Parent Company acquired the entire equity of Lite-On Mobile Pte. Ltd. from its subsidiary, Lite-On Mobile Oyj (formerly Perlos Oyj). This acquisition resulted in changes to the smallest identifiable group of cash-generating units. Thus, the original goodwill allocated to the cash-generating units of Lite-On Mobile Oyj (formerly Perlos Oyj) were reallocated to the subsidiary Lite-On Mobile Pte. Ltd.

Note 28 describes the goodwill resulting from the acquisition of LarView Technologies Corp. and Power Innovations International Inc. in the second quarter of 2014.

Goodwill is allocated to the Group's recoverable amount of cash-generating units. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering the future five-year period. As of June 30, 2014, December 31, 2013 and June 30, 2013, the recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are gross margin, growth rate and discount rate.

Management determined gross margin based on past performance and future profits. The growth rate used is consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash-generating units.

17. OTHER ASSETS

	June 30, 2014	December 31, 2013	June 30, 2013
Prepayments	\$ 3,233,721	\$ 1,937,381	\$ 2,957,119
Offset against business tax payable	1,884,341	2,739,245	1,362,501
Prepayments for lease	787,893	782,061	585,280
Prepayment for equipment	45,145	85,771	54,210
Other financial assets	-	-	1,196,407
Others	<u>506,964</u>	<u>418,959</u>	<u>279,252</u>
	<u>\$ 6,458,064</u>	<u>\$ 5,963,417</u>	<u>\$ 6,434,769</u>
Current	\$ 5,575,268	\$ 5,037,428	\$ 5,517,784
Non-current	<u>882,796</u>	<u>925,989</u>	<u>916,985</u>
	<u>\$ 6,458,064</u>	<u>\$ 5,963,417</u>	<u>\$ 6,434,769</u>

Land use rights with carrying amounts of NT\$526,061 thousand, NT\$543,254 thousand and NT\$585,280 thousand as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively, referred to land located in Mainland China.

18. BORROWINGS

a. Short-term borrowings

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 17,988,845</u>	<u>\$ 15,576,780</u>	<u>\$ 9,255,290</u>

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

	June 30, 2014	December 31, 2013	June 30, 2013
Short-term borrowings	0.80%-3.60%	0.72%-1.96%	0.72%-1.96%

b. Long-term borrowings

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Unsecured borrowings</u>			
The Parent Company	\$ 13,750,000	\$ 18,475,000	\$ 28,700,000
Lite-On Mobile Pte. Ltd.	5,963,010	5,960,993	6,000,000
Silitech Technology Corp.	1,440,000	1,440,000	1,005,000
Guangzhou Lite-On Mobile Electronic Components Co., Ltd.	1,192,601	1,192,206	1,199,993
Lite-On Japan Ltd.	235,116	307,966	379,002
Silitech Technology (SuZhou) Co., Ltd.	-	-	120,388
	<u>22,580,727</u>	<u>27,376,165</u>	<u>37,404,383</u>
Less: Current portion	<u>9,017,618</u>	<u>8,867,669</u>	<u>11,771,492</u>
Unsecured borrowings: Non-current	<u>13,563,109</u>	<u>18,508,496</u>	<u>25,632,891</u>
<u>Secured borrowings</u>			
Power Innovations International Inc.	4,694	-	-
Less: Current portion	<u>1,043</u>	-	-
Secured borrowings: Non-current	<u>3,651</u>	-	-
Long-term borrowings: Non-current	<u>\$ 13,566,760</u>	<u>\$ 18,508,496</u>	<u>\$ 25,632,891</u>

- 1) As of June 30, 2014, December 31, 2013 and June 30, 2013, the Parent Company had 5, 6 and 5 long-term bank loans with contract terms maturing between September 23, 2008 and September 23, 2018 and interest rates ranging from 1.455% to 1.677%, 1.448% to 1.663% and 1.526% to 1.696% for June 30, 2014, December 31, 2013 and June 30, 2013 payable monthly or quarterly. These loans should be repaid in 3, 5, or 8 installments or at lump sum on loan maturity.

On September 23, 2008, the Company signed the contract for a five-year syndicated loan with Citibank and 14 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 a) NT\$12 billion and b) NT\$3 billion of the credit line of the above syndicated loan.

On September 12, 2013, the Parent Company signed a contract for a five-year syndicated loan with Citibank and 16 other financial institutions. The credit line is NT\$15 billion, consisting of:

- a) NT\$12 billion, which was for Parent Company to prepay the syndicated loan with Citibank signed on September 23, 2008. It should be used as a medium-term loan but may not be used on a revolving basis; and
- b) 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 61 points.

Under the syndicated loan agreement, the Company should maintain certain financial ratios based on the most recent semiannual or annual consolidated financial statements.

As of June 30, 2014, December 31, 2013 and June 30, 2013, the Company used a) NT\$12 billion, NT\$12 billion and NT\$12 billion, respectively and b) NT\$0, NT\$0.5 billion and NT\$0.5 billion of the credit line of the above syndicated loan.

On March 19, 2013, the Company signed a contract for a five-year syndicated loan with Citibank and 10 other financial institutions. The credit line is NT\$15 billion, consisting of (a) NT\$6 billion and (b) NT\$9 billion. This loan was obtained for the purposes of supporting operations and completing an acquisition and should be used as a medium-term loan but may not be used on a revolving basis.

As of June 30, 2014 and December 31, 2013, the Company used a) NT\$0 billion and NT\$1.23 billion, respectively and b) NT\$0 billion and NT\$2.77 billion of the credit line of the above syndicated loan. At June 30, 2013, the Company used a) NT\$4 billion and b) NT\$9 billion of the credit line of the above syndicated loan.

The minimum payment of principal should be repaid at NT\$4 billion by March 19, 2014. The remaining principal of this syndication loan should be repaid in five semiannual installments from March 19, 2013, and the interest rate is the 90-day Taiwan subprime commercial paper interest rate plus 65 points.

Under the syndicated loan agreement, the Company should maintain certain financial ratios based on the most recent semiannual or annual consolidated financial statements.

- 2) Lite-On Mobile Pte. Ltd., a subsidiary of the Parent Company, had a long-term, syndicated-bank loan. As of June 30, 2014, December 31, 2013 and June 30, 2013, the floating interest rates were 1.5% to 2.15%, 1.05% to 1.35% and 0.93% to 1.15%, respectively. The principal is repayable from April 29, 2014 in five semiannual installments.

On April 29, 2011, Lite-On Mobile Pte. Ltd. signed a loan contract with Citibank and 13 other financial institutions (the endorsements and guarantees were provided by the Parent Company). This contract is on a five-year syndicated loan of US\$200 million. As of June 30, 2014, December 31, 2013 and June 30, 2013, Lite-On Mobile Pte. Ltd. had used US\$160 million, US\$200 million and US\$200 million, respectively, of the syndicated loan.

On March 31, 2014, Lite-On Mobile Pte. Ltd. signed with Citibank and 12 other financial institutions (the endorsements and guarantees were provided by the Parent Company). This contract is on a five-year syndicated loan of US\$200 million. This syndicated loan was for Lite-On Mobile Pte. Ltd. to prepay the syndicated loan with Citibank under a contract signed on April 29, 2011. As of June 30, 2014, Lite-On Mobile Pte. Ltd. had used US\$40 million of the syndicated loan.

- 3) Silitech Technology Co., Ltd. ("Silitech"), a subsidiary of the Parent Company, entered into a NT\$2.4 billion syndicated loan contract, with the Land Bank of Taiwan as lead bank and a contract term from February 18, 2013 to February 18, 2018. This loan was obtained for the purposes of supporting working capital and capital expenditure. As of June 30, 2014, December 31, 2013 and June 30, 2013, Silitech had used NT\$1.44 billion, NT\$1.44 billion and NT\$1.005 billion of the syndicated loan, with an interest rate of 1.667%, 1.6734% and 1.6903%.

The first repayment of NT\$480 million should be made on August 18, 2017. The remaining principal of NT\$960 million is repayable by February 18, 2018.

- 4) Guangzhou Lite-On Mobile Electronic Components Co., Ltd., a subsidiary of the Parent Company, had a syndicated loan with Citibank. As of June 30, 2014, December 31, 2013 and June 30, 2013, the floating interest rates were 1.25% to 1.68%, 1.05% to 1.725% and 1.00% to 1.05%. The principal is repayable from December 28, 2014 in five semiannual installments.

This contract is a five-year syndicated loan of US\$50 million and was signed with Citibank and 10 other financial institutions (the endorsements and guarantees were provided by the Parent Company). As of June 30, 2014, December 31, 2013 and June 30, 2013, Guangzhou Lite-On Mobile Electronic Components Co., Ltd. had used US\$40 million of the credit line of the syndicated loan.

- 5) As of June 30, 2014, Lite-On Japan Ltd., a subsidiary of the Parent Company, had 12 long-term bank loans, with contract terms from March 2011 to October 2018, with interest rate of 1.00% to 1.35% and principal repayable in trimestral installments.

As of December 31, 2013, Lite-On Japan Ltd., a subsidiary of the Parent Company, had 19 long-term bank loans, with contract terms from April 2008 to October 2018, with interest rate of 1.00% to 1.75% and principal repayable in trimestral installments.

As of June 30, 2013, Lite-On Japan Ltd., a subsidiary of the Parent Company, had 23 long-term bank loans, with contract terms from January 18, 2007 to February 28, 2017, with interest rate of 1.06% to 1.75% and principal repayable on specified due dates.

- 6) Silitech Technology (SuZhou) Co., Ltd., a subsidiary of the Parent Company, 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 1.02275% as of June 30, 2013. The principal is amortized semiannually and repayable from August 27, 2012, at US\$3 million for each of the first two installments and at US\$4 million on the third repayment.
- 7) As of June 30, 2014, Power Innovations International Inc., a subsidiary of the Parent Company, had a long-term secured borrowing of machinery, with contract terms from March 28, 2013 to March 28, 2019, with interest rate of 4.4%.

19. FINANCE LEASE PAYABLES

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Minimum lease payments</u>			
Not later than one year	\$ 86,185	\$ 84,944	\$ 82,504
Later than one year and not later than five years	142,559	183,109	223,799
Later than five years	<u>-</u>	<u>-</u>	<u>-</u>
	228,744	268,053	306,303
Less: Future finance charges	<u>15,406</u>	<u>22,370</u>	<u>29,517</u>
Present value of minimum lease payments	<u>\$ 213,338</u>	<u>\$ 245,683</u>	<u>\$ 276,786</u>

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Present value of minimum lease payments</u>			
Not later than one year	\$ 76,417	\$ 72,735	\$ 68,462
Later than one year and not later than five years	136,921	172,948	208,324
Later than five years	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 213,338</u>	<u>\$ 245,683</u>	<u>\$ 276,786</u>
Current	\$ 76,417	\$ 72,735	\$ 68,462
Non-current	<u>136,921</u>	<u>172,948</u>	<u>208,324</u>
	<u>\$ 213,338</u>	<u>\$ 245,683</u>	<u>\$ 276,786</u>
Guangzhou Lite-On Mobile Electronic Components Co., Ltd.	\$ 203,645	\$ 244,053	\$ 274,361
Power Innovations International Inc.	8,568	-	-
Lite-On Mobile Sweden AB	868	987	1,248
Lite-On Mobile Oyj (formerly Perlos Oyj)	244	630	943
Lite-On Japan Ltd.	<u>13</u>	<u>13</u>	<u>234</u>
	213,338	245,683	276,786
Less: Current portion of long-term capital lease liabilities	<u>76,417</u>	<u>72,735</u>	<u>68,462</u>
	<u>\$ 136,921</u>	<u>\$ 172,948</u>	<u>\$ 208,324</u>

(Concluded)

- a. Guangzhou Lite-On Mobile 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 10 years, with 7.11% interest rate.
- b. Power Innovations International Inc. leased machinery and equipment under capital leases valid from March 28, 2013 to March 31, 2020. The terms of these leases were between five and seven years, with 3.49% to 4.75% interest rate. The machinery and equipment can be bought at bargain purchase prices at the end of the lease terms.
- c. Lite-On Mobile Sweden AB leased machinery and equipment under capital leases valid from January 9, 2013 to January 31, 2016. The terms of these leases were three years, with 2.36% interest rate.
- d. Lite-On Mobile Oyj (formerly Perlos Oyj) leased machinery and equipment under capital leases valid from October 1, 2010 to September 30, 2015. The terms of these leases were between three and four years, with 5.00% interest rate.
- e. Lite-On Japan Ltd. leased machinery and equipment under capital leases valid from August 2009 to August 2014. The terms of these leases were five years, with 2.7% interest rate.

20. PROVISIONS

	June 30, 2014	December 31, 2013	June 30, 2013
Warranties	\$ 939,495	\$ 874,502	\$ 912,089
Customer returns and rebates	<u>915,784</u>	<u>629,446</u>	<u>692,054</u>
	<u>\$ 1,855,279</u>	<u>\$ 1,503,948</u>	<u>\$ 1,604,143</u>
Current	\$ 1,855,279	\$ 1,503,948	\$ 1,604,143
Non-current	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,855,279</u>	<u>\$ 1,503,948</u>	<u>\$ 1,604,143</u>
Balance at January 1, 2014	\$ 874,502	\$ 629,446	\$ 1,503,948
Recognition of provisions	75,062	300,848	375,910
Usage	(9,432)	(13,796)	(23,228)
Effect of foreign currency exchange differences	<u>(637)</u>	<u>(714)</u>	<u>(1,351)</u>
Balance at June 30, 2014	<u>\$ 939,495</u>	<u>\$ 915,784</u>	<u>\$ 1,855,279</u>
Balance at January 1, 2013	\$ 917,217	\$ 774,156	\$ 1,691,373
Recognition of provisions	106,723	387,987	494,710
Usage	(108,657)	(474,604)	(583,261)
Effect of foreign currency exchange differences	<u>(3,194)</u>	<u>4,515</u>	<u>1,321</u>
Balance at June 30, 2013	<u>\$ 912,089</u>	<u>\$ 692,054</u>	<u>\$ 1,604,143</u>

- a. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.
- b. The provision of customer returns and rebates was based on historical experience, management's judgments and other known reasons estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

21. RETIREMENT BENEFIT PLANS

The Group's retirement benefit plans include defined contribution and defined benefit plans. For defined benefit plans, employee benefit expenses were calculated using the actuarially determined pension cost discount rate as of December 31, 2013 and 2012, and recognized in their respective periods.

Employee benefit expenses were included in the following line items by nature and function:

	For the Six Months Ended June 30	
	2014	2013
Post-employment benefits		
Defined contribution plans	\$ 257,454	\$ 277,619
Defined benefit plans	<u>67,464</u>	<u>24,168</u>
	<u>\$ 324,918</u>	<u>\$ 301,787</u>

22. EQUITY

a. Share capital

1) Common shares

	June 30, 2014	December 31, 2013	June 30, 2013
Number of shares authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
Amount of shares authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,325,951</u>	<u>2,324,655</u>	<u>2,302,989</u>
Amount of shares issued	<u>\$ 23,259,507</u>	<u>\$ 23,246,552</u>	<u>\$ 23,029,886</u>

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

Of the Parent Company's authorized shares, 120,000 thousand shares and 100,000 thousand shares had been reserved for the issuance of convertible bonds and employee share options, respectively.

2) Issued global depositary receipts

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

On April 3, 1995, GVC Corp. issued 5,000 thousand units of GDRs on the London Stock Exchange. These GDRs represented 25,000 thousand 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 June 30, 2014, December 31, 2013 and June 30, 2013, the outstanding marketable equity securities were 5,206 thousand units, 5,206 thousand units and 5,201 thousand units, representing 52,064 thousand common share, 52,064 thousand common share and 52,006 thousand common shares of the Parent Company, respectively. The rights and obligation of security holders are the same as those of common shareholders, except for voting rights. As of June 30, 2014, December 31, 2013 and June 30, 2013, the unredeemed GDRs amounted to 1,204 thousand units, 1,194 thousand units and 1,205 thousand units.

b. Capital surplus

The premium from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds, treasury share transactions, and excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) may be used to offset a deficit; in addition, when the Parent Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Parent Company's capital surplus and once a year).

The capital surplus from share of changes in equities of subsidiaries, share of changes in equities of associates and joint venture and employee share options may not be used for any purpose.

c. Retained 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:

- 1) Bonus to employees: At least 1%.
- 2) Bonus to directors: 1.5% or less.
- 3) 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 were estimated on the basis of certain percentage of net income during the period. Material differences between these estimated amounts and the amounts proposed by the board of directors on or before the date of annual consolidated financial statements had been authorized for issue are adjusted in the year the bonus and remuneration are recognized. If there is a change in the proposed amounts after the date of annual consolidated financial statements had been authorized for issue, the differences are accounted for as a change in accounting estimate in the following year. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. Fair value of the shares refers to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a Parent Company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Parent Company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the Parent Company has earnings and the original need to appropriate a special reserve is not eliminated.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Parent Company's paid-in capital. Legal reserve may be used to offset deficit. If the Parent Company has no deficit and the legal reserve has exceeded 25% of the Parent Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings and the amounts of bonus to employees and remuneration to directors for 2013 proposed by the shareholders' meeting on June 19, 2014, and the amounts for 2012 approved in the shareholders' meeting on June 19, 2013, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2013	2012	2013	2012
Legal reserve	\$ 875,485	\$ 753,486		
Legal special reserve	-	689,913		
Reversal of special reserve	640,244	-		
Share dividends	116,381	114,899	\$ 0.05	\$ 0.05
Cash dividends	6,307,866	5,400,265	2.71	2.35

	For the Years Ended December 31			
	2013		2012	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	\$ 997,212	\$ 189,945	\$ 897,799	\$ 171,010
Remuneration of directors	70,039	-	61,420	-

The 3,669 thousand shares for 2012 was determined by dividing the amount of share bonus resolved in 2013 by the closing price of NT\$46.61 (after considering the effect of cash and stock dividends) on the day immediately preceding the shareholders' meeting.

The 4,085 thousand shares for 2013 was determined by dividing the amount of share bonus resolved in 2014 by the closing price of NT\$46.50 (after considering the effect of cash and stock dividends) on the day immediately preceding the shareholders' meeting.

The appropriation of the earnings for 2013 was approved by the Financial Supervisory Commission, Executive Yuan, ROC. The Parent Company's board of directors approved August 6, 2014 as the date of distributing stock dividends and cash dividends.

There was no difference between (a) the amounts approved in the shareholders' meeting on June 19, 2014 and 2013 and (b) the amounts recognized in the consolidated financial statements for the years ended December 31, 2013 and 2012.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

Movements in other equity items were as follows:

	For the Six Months Ended June 30, 2014			
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for- sale Financial Assets	Cash Flow Hedges Reserve	Total
Balance at January 1	\$ 2,383,040	\$ 83,231	\$ (46,969)	\$ 2,419,302
Exchange differences arising on translating foreign operations	(1,012,898)	-	-	(1,012,898)
Gain arising on changes in the fair value of available-for-sale financial assets	-	268,357	-	268,357
Gain arising on changes in the fair value of hedging instruments	-	-	20,410	20,410
Share of other comprehensive income of associates	(18,191)	15,478	-	(2,713)
The proportionate share of other comprehensive income reclassified to profit or loss upon partial disposal of associates	(1,240)	-	-	(1,240)
Effect of deconsolidation of subsidiary	(13,549)	-	-	(13,549)
Income tax effect	<u>151,860</u>	<u>-</u>	<u>-</u>	<u>151,860</u>
Balance at June 30	<u>\$ 1,489,022</u>	<u>\$ 367,066</u>	<u>\$ (26,559)</u>	<u>\$ 1,829,529</u>

	For the Six Months Ended June 30, 2013			
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for- sale Financial Assets	Cash Flow Hedges Reserve	Total
Balance at January 1	\$ 128,872	\$ (446,848)	\$ (101,563)	\$ (419,539)
Exchange differences arising on translating foreign operations	2,297,649	-	-	2,297,649
Gain arising on changes in the fair value of available-for-sale financial assets	-	522,284	-	522,284
Gain arising on changes in the fair value of hedging instruments	-	-	30,386	30,386

(Continued)

For the Six Months Ended June 30, 2013

	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for- sale Financial Assets	Cash Flow Hedges Reserve	Total
Share of other comprehensive income of subsidiaries and associates	\$ 87,935	\$ 25,119	\$ -	\$ 113,054
Income tax effect	<u>(376,035)</u>	<u>-</u>	<u>-</u>	<u>(376,035)</u>
Balance at June 30	<u>\$ 2,138,421</u>	<u>\$ 100,555</u>	<u>\$ (71,177)</u>	<u>\$ 2,167,799</u> (Concluded)

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Parent Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

Unrealized gain/loss on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income, excluding the amounts recognized in profit or loss for the effective portion from changes in fair value of the hedging instruments. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss.

The cash flow hedges reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of the hedging instruments entered into as cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated in cash flow hedges reserve will be reclassified to profit or loss only when the hedge transaction affects profit or loss.

e. Non-controlling interests

	For the Six Months Ended June 30	
	2014	2013
Balance at January 1	\$ 6,200,851	\$ 19,961,011
Attributable to non-controlling interests:		
Share of profit (loss) for the year	(12,101)	300,950
Exchange difference arising on translation of foreign entities	(221,961)	(173,908)
Unrealized gains and losses on available-for-sale financial assets	(58)	8,727
Effect of acquisition of subsidiary (Note 28)	6,937	-
Effect of deconsolidation of subsidiary (Note 29)	(747,537)	-
Acquisition of non-controlling interests in subsidiaries (Note 30)	<u>(469,686)</u>	<u>(12,669,622)</u>
Balance at June 30	<u>\$ 4,756,445</u>	<u>\$ 7,427,158</u>

f. Treasury shares

Unit: In Thousands of Shares

Purpose of Buy Back	Number of Shares at January 1	Increase During the Period	Decrease During the Period	Number of Shares at June 30
<u>For the six months ended June 30, 2014</u>				
Shares held by its subsidiaries	<u>28,118</u>	<u>-</u>	<u>1,675</u>	<u>26,443</u>
<u>For the six months ended June 30, 2013</u>				
Shares held by its subsidiaries	<u>27,979</u>	<u>-</u>	<u>-</u>	<u>27,979</u>

The Parent Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>June 30, 2014</u>			
Lite-On Capital Inc.	14,892	\$ 718,857	\$ 742,339
LTC International Ltd.	6,900	297,469	313,609
Yet Foundate Ltd.	2,237	126,881	90,053
Lite-On Electronics Co., Ltd.	2,414	<u>105,515</u>	<u>97,165</u>
		<u>\$ 1,248,722</u>	<u>\$ 1,243,166</u>
<u>December 31, 2013</u>			
Lite-On Capital Inc.	14,892	\$ 718,857	\$ 711,812
LTC International Ltd.	6,900	297,469	305,906
Yet Foundate Ltd.	2,237	126,881	90,023
Lite-On Electronics Co., Ltd.	2,414	105,515	97,132
Lite-On IT Corp.	1,675	<u>85,938</u>	<u>80,066</u>
		<u>\$ 1,334,660</u>	<u>\$ 1,284,939</u>
<u>June 30, 2013</u>			
Lite-On Capital Inc.	14,818	\$ 718,857	\$ 779,410
LTC International Ltd.	6,866	297,469	327,789
Yet Foundate Ltd.	2,226	126,881	93,503
Lite-On Electronics Co., Ltd.	2,402	105,515	100,886
Lite-On IT Corp.	1,667	<u>85,938</u>	<u>87,669</u>
		<u>\$ 1,334,660</u>	<u>\$ 1,389,257</u>

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

23. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Revenue from the sale of goods	\$ 58,174,863	\$ 49,894,904	\$ 109,871,459	\$ 96,595,920
Rental income from property	28,966	29,307	58,060	57,255
Solar power	<u>30,538</u>	<u>84,974</u>	<u>46,762</u>	<u>124,504</u>
	<u>\$ 58,234,367</u>	<u>\$ 50,009,185</u>	<u>\$ 109,976,281</u>	<u>\$ 96,777,679</u>

For segment revenue information, refer to Note 38.

24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Current income tax expense				
Current period	\$ 345,664	\$ 617,180	\$ 741,564	\$ 1,174,561
Unappropriated earnings	<u>209,536</u>	<u>57,630</u>	<u>209,536</u>	<u>57,630</u>
	555,200	674,810	951,100	1,232,191
Deferred tax	<u>5,375</u>	<u>(108,705)</u>	<u>1,112</u>	<u>(155,373)</u>
Income tax expense recognized in profit or loss	<u>\$ 560,575</u>	<u>\$ 566,105</u>	<u>\$ 952,212</u>	<u>\$ 1,076,818</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
<u>Deferred tax</u>				
Income tax recognized in other comprehensive income (loss)				
Translation of foreign operations	<u>\$ (202,217)</u>	<u>\$ 114,348</u>	<u>\$ (197,321)</u>	<u>\$ 376,035</u>

c. Integrated income tax

	June 30, 2014	December 31, 2013	June 30, 2013
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ 2,215	\$ 2,215	\$ 2,215
Unappropriated earnings generated on and after January 1, 1998	<u>8,425,956</u>	<u>12,169,867</u>	<u>7,410,981</u>
	<u>\$ 8,428,171</u>	<u>\$ 12,172,082</u>	<u>\$ 7,413,196</u>
Imputation credits accounts	<u>\$ 1,651,332</u>	<u>\$ 469,347</u>	<u>\$ 525,017</u>

The estimated and actual creditable ratio for distribution of earnings of 2013 and 2012 were 11.26% and 3.36%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Parent Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Parent Company was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

d. Income tax assessments

The tax authorities have examined the income tax returns of the Parent Company through 2011. The Corporation disagreed with the tax authorities' assessment of its 2009 to 2011 tax returns and applied for a reexamination. The Parent Company has made a provision for the income tax assessed.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Basic earnings per share	<u>\$ 0.88</u>	<u>\$ 0.98</u>	<u>\$ 1.50</u>	<u>\$ 1.66</u>
Diluted earnings per share	<u>\$ 0.88</u>	<u>\$ 0.97</u>	<u>\$ 1.49</u>	<u>\$ 1.65</u>

The earnings and weighted average number of common shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Earnings used in the computation of basic earnings per share	\$ 2,031,278	\$ 2,239,666	\$ 3,459,059	\$ 3,816,327
Effect of dilutive potential common share:				
Bonus issue to employee	-	-	-	-
Employee share option	-	-	-	-
Earnings used in the computation of diluted earnings per share from continuing operations	<u>\$ 2,031,278</u>	<u>\$ 2,239,666</u>	<u>\$ 3,459,059</u>	<u>\$ 3,816,327</u>

Weighted Average Number of Common Shares Outstanding

Unit: In Thousands of Shares

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Weighted average number of common shares outstanding in computation of basic earnings per share	2,311,146	2,295,808	2,309,661	2,293,136
Effect of dilutive potential common share:				
Bonus issue to employee	2,328	4,829	13,894	13,521
Employee share option	-	106	-	229
Weighted average number of common shares outstanding in computation of dilutive earnings per share	<u>2,313,474</u>	<u>2,300,743</u>	<u>2,323,555</u>	<u>2,306,886</u>

If the Parent Company was able to settle the bonuses paid to employees by cash or shares, the Parent Company presumed that the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan

Qualified employees of the Parent Company and its subsidiaries were granted 30,000 options in December 2007. Each option entitles the holder to subscribe for one thousand common shares of the Parent Company. The options granted are valid for 6 years and exercisable at certain percentages after the second, third and fourth anniversary 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 grant date. For any subsequent changes in the Parent Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

June 30, 2014: None

Employee Share Option Plan	For the Six Months Ended June 30, 2013	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	17,724	\$35.5
Options exercised	(9,530)	35.5
Options expired	<u>(56)</u>	35.5
Balance at June 30	<u>8,138</u>	35.5
Options exercisable, end of period	<u>8,138</u>	
Weighted-average fair value of options granted (NT\$)	<u>\$ 16.964</u>	

Information about outstanding options at the end of the reporting period was as follows:

June 30, 2014: None

December 31, 2013: None

	June 30, 2013
Range of exercise price (NT\$)	\$35.5
Weighted-average remaining contractual life (years)	0.5 years

Options granted in December 2007 were priced using the (binomial option pricing model) and the inputs to the model were as follows:

	June 30, 2013
Expected volatility	40.07%
Expected life (years)	0.75 years
Expected dividend yield	7.07%
Risk-free interest rate	2.5101%

27. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
a. Depreciation of property, plant and equipment				
Recognized in cost of revenue	\$ 1,374,787	\$ 1,335,710	\$ 2,749,073	\$ 2,771,327
Recognized in operating expenses	<u>329,106</u>	<u>189,233</u>	<u>681,522</u>	<u>408,062</u>
	<u>\$ 1,709,893</u>	<u>\$ 1,524,943</u>	<u>\$ 3,430,595</u>	<u>\$ 3,179,389</u>
b. Amortization of intangible assets				
Recognized in cost of revenue	\$ 16,309	\$ 11,559	\$ 33,475	\$ 35,390
Recognized in operating expenses	<u>126,631</u>	<u>115,829</u>	<u>245,196</u>	<u>218,226</u>
	<u>\$ 142,940</u>	<u>\$ 127,388</u>	<u>\$ 278,671</u>	<u>\$ 253,616</u>
c. Employee benefit expenses				
Post-employment benefits (Note 21)				
Recognized in cost of revenue	\$ 63,859	\$ 62,001	\$ 132,860	\$ 123,402
Recognized in operating expenses	<u>87,922</u>	<u>85,365</u>	<u>192,058</u>	<u>178,385</u>
	151,781	147,366	324,918	301,787
Termination benefits	18,655	1,960	23,527	4,254
Other employee benefits	<u>5,927,740</u>	<u>6,015,970</u>	<u>11,370,932</u>	<u>11,635,499</u>
	<u>\$ 6,098,176</u>	<u>\$ 6,165,296</u>	<u>\$ 11,719,377</u>	<u>\$ 11,941,540</u>
Employee benefit expenses summarized by function				
Recognized in cost of revenue	\$ 3,632,614	\$ 3,897,890	\$ 6,904,377	\$ 7,397,835
Recognized in operating expenses	<u>2,465,562</u>	<u>2,267,406</u>	<u>4,815,000</u>	<u>4,543,705</u>
	<u>\$ 6,098,176</u>	<u>\$ 6,165,296</u>	<u>\$ 11,719,377</u>	<u>\$ 11,941,540</u>

28. ACQUISITION OF SUBSIDIARIES

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
LarView Technologies Corp.	Manufacture of optical instruments, general Instruments, computers and peripherals.	April 2014	83.33	\$ 600,000
Power Innovations International Inc.	Development, design and manufacture of power control equipment and energy management.	June 2014	95.25	424,174
				<u>\$ 1,024,174</u>

The Parent Company acquired 83.33% equity of LarView Technologies Corp. (“Larview”) not only to upgrade its capability in the automated processing of camera modules but also to expand the market for this product. Since the Parent Company’s subsidiary, Lite-On Capital Corp., already had a 16.67% equity in LarView, the Group’s equity in LarView became 100% after the acquisition.

Lite-On Technology USA, Inc., a subsidiary of the Parent Company, acquired 95.25% equity in Power Innovations International Inc. to enhance power system projects and development of uninterruptible power system.

b. Considerations transferred

	LarView Technologies Corp.	Power Innovations International Inc.
Cash	\$ 500,000	\$ 417,237
Fair value of the originally held equity of LarView Technologies Corp. at the acquisition date (recorded as available-for-sale financial assets - noncurrent)	100,000	-
Fair value of non-controlling interests	-	<u>6,937</u>
	<u>\$ 600,000</u>	<u>\$ 424,174</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	LarView Technologies Corp.	Power Innovations International Inc.
Current assets		
Cash and cash equivalents	\$ 41,259	\$ 87,390
Trade and other receivables	145,720	38,680
Inventories	152,159	49,644
Other	5,138	2,542
Non-current assets		
Property, plant and equipment	264,361	30,280
Investments accounted for by the equity method	4,439	-
Other intangible assets	47,205	1,093
Refundable deposits	1,000	1,020
Other	14,687	-
Current liabilities		
Short-term borrowings	(125,708)	(955)
Trade and other payables	(246,654)	(35,836)
Advances received	(14,068)	(13,990)
Current portion of long-term debts	-	(2,147)
Finance lease payables	-	(142)
Non-current liabilities		
Long-term loans	<u>(58,000)</u>	<u>(11,542)</u>
	<u>\$ 231,538</u>	<u>\$ 146,037</u>

e. Goodwill arising on acquisition

	LarView Technologies Corp.	Power Innovations International Inc.	Total
Consideration transferred	\$ 600,000	\$ 424,174	\$ 1,024,174
Less: Fair value of identifiable net assets acquired	<u>(231,538)</u>	<u>(146,037)</u>	<u>(377,575)</u>
Goodwill arising on acquisition	<u>\$ 368,462</u>	<u>\$ 278,137</u>	<u>\$ 646,599</u>

f. Net cash outflow on acquisition of subsidiaries

	For the Six Months Ended June 30, 2014
Consideration paid in cash	\$ 917,237
Less: Cash and cash equivalents acquired	<u>(128,649)</u>
	<u>\$ 788,588</u>

g. Impact of acquisitions on the results of the Group

The acquirees' operating results on the acquisition date, which were included in the consolidated statements of comprehensive income, were as follows:

	For the Six Months Ended June 30, 2014
Revenue	
LarView Technologies Corp.	\$ 313,196
Power Innovations International Inc.	<u>49,195</u>
	<u>\$ 362,391</u>
Profit (Loss)	
LarView Technologies Corp.	\$ (83,649)
Power Innovations International Inc.	<u>11,420</u>
	<u>\$ (72,229)</u>

Had these business combinations been in effect at the beginning of the reporting period, the Group's operating revenue would have been \$110,263,176 thousand, and its profit would have been \$4,340,852 thousand for the six months ended June 30, 2014.

29. DECONSOLIDATION OF SUBSIDIARY

Starting from March 28, 2014, the Group has no power to govern the financial and operating policies of Logah Technology Corp. due to the loss of power to cast the majority of votes at meetings of the Board of Directors; thus, the relevant assets, liabilities and non-controlling interests had been derecognized.

a. Consideration received from the derecognition

The Company did not receive any consideration in the deconsolidation of Logah Technology Corp.

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

	March 28, 2014
Current assets	
Cash and cash equivalents	\$ 902,385
Receivables	27,350
Inventories	1,575
Others	56,537
Non-current assets	
Property, plant and equipment	363,030
Others	17,546
Current liabilities	
Borrowings	(91,260)
Payables	(19,764)
Others	(6,281)
	(Continued)

March 28, 2014

Non-current liabilities	
Deferred tax liabilities	\$ (12,793)
Others	<u>(6)</u>
Net assets deconsolidated	<u>\$ 1,238,319</u> (Concluded)

c. Gain on deconsolidation of subsidiary

**For the Six
Months Ended
June 30, 2014**

Fair value of interest retained	\$ 490,624
Add: Accumulated exchange differences reclassified to profit or loss after deconsolidation of subsidiary	13,549
Less: Carrying amount of interest retained	
Net assets deconsolidated	1,238,319
Non-controlling interests	<u>(747,537)</u>
	490,782
Less: Goodwill of deconsolidated subsidiary	<u>5,043</u>
Gain on deconsolidation (recorded as nonoperating income and expense - other income)	<u>\$ 8,348</u>

d. Net cash outflow on deconsolidation of subsidiary

**For the Six
Months Ended
June 30, 2014**

The balance of cash and cash equivalents deconsolidated	<u>\$ 902,385</u>
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30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In April 2014, the Parent Company acquired an additional 17.74% equity interest in Lite-On Automotive Corp., and increased its continuing interest from 82.26 % to 100%. In January to June 2014, the Parent Company acquired an additional 0.87% equity interest in Lite-On IT Corporation, and increased its continuing interest from 99.13 % to 100%.

In January to June 2013, the Parent Company acquired an additional 52.58% equity interest in Lite-On IT Corporation, and increased its continuing interest from 42.33 % to 94.91%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	For the Six Months Ended June 30, 2014		For the Six Months Ended June 30, 2013
	Lite-On Automotive Corporation	Lite-On IT Corporation	Lite-On IT Corporation
Cash consideration paid	\$ 808,800	\$ 204,368	\$ 15,914,995
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>(297,970)</u>	<u>(171,716)</u>	<u>(12,669,622)</u>
Differences arising from equity transaction	<u>\$ 510,830</u>	<u>\$ 32,652</u>	<u>\$ 3,245,373</u>

	For the Six Months Ended June 30	
	2014	2013
	Lite-On IT Corporation	Lite-On IT Corporation
<u>Line items adjusted for equity transaction</u>		
Capital surplus - difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries - actual acquisition or disposal	\$ -	\$ (146,193)
Retained earnings	<u>(543,482)</u>	<u>(3,099,180)</u>
	<u>\$ (543,482)</u>	<u>\$ (3,245,373)</u>

31. CAPITAL MANAGEMENT

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

The Group's capital management system aims to ensure that the necessary financial resources and operating plan are enough to meet the next 12 months' requirements for working capital, capital expenditures, research and development expenses, debt repayment, dividend expenses and other need.

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

The fair value of financial instruments not carried at fair value was finance lease payables. The Group's management considers the carrying amounts of finance lease payables recognized in the financial statements approximate their fair values.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 53,825	\$ -	\$ 53,825
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 21,409	\$ -	\$ 21,409
Available-for-sale financial assets				
Securities listed in ROC - equity securities	\$ 1,378,291	\$ -	\$ -	\$ 1,378,291
Securities listed in other countries - equity securities	8,346	-	-	8,346
Unlisted securities - ROC - equity securities	-	-	189,160	189,160
Unlisted securities - other countries - equity securities	-	-	342,733	342,733
Mutual funds	-	133,388	-	133,388
Emerging market stocks	-	178,716	-	178,716
	<u>\$ 1,386,637</u>	<u>\$ 312,104</u>	<u>\$ 531,893</u>	<u>\$ 2,230,634</u>

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 14,867	\$ -	\$ 14,867
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 27,836	\$ -	\$ 27,836
Available-for-sale financial assets				
Securities listed in ROC - equity securities	\$ 1,182,391	\$ -	\$ -	\$ 1,182,391
Securities listed in other countries - equity securities	41,657	-	-	41,657
Unlisted securities - ROC - equity securities	-	-	289,160	289,160
Unlisted securities - other countries - equity securities	-	-	324,374	324,374
Mutual funds	-	127,705	-	127,705
Emerging market stocks	-	178,716	-	178,716
	<u>\$ 1,224,048</u>	<u>\$ 306,421</u>	<u>\$ 613,534</u>	<u>\$ 2,144,003</u>

June 30, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 45,574	\$ -	\$ 45,574
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 13,786	\$ -	\$ 13,786
Available-for-sale financial assets				
Securities listed in ROC - equity securities	\$ 1,198,947	\$ -	\$ -	\$ 1,198,947
Securities listed in other countries - equity securities	69,090	-	-	69,090
Unlisted securities - ROC - equity securities	-	-	481,785	481,785
Unlisted securities - other countries - equity securities	-	-	324,871	324,871
Mutual funds	-	129,806	-	129,806
Emerging market stocks	-	178,716	-	178,716
	<u>\$ 1,268,037</u>	<u>\$ 308,522</u>	<u>\$ 806,656</u>	<u>\$ 2,383,215</u>

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

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

June 30, 2014

	Investments on Equity Instruments Unlisted Quotes
Balance at January 1, 2014	\$ 613,534
Total gains or losses	
In other comprehensive income	(2,778)
Additions	21,174
Disposals	(37)
Reclassification	<u>(100,000)</u>
Balance at June 30, 2014	<u>\$ 531,893</u>

December 31, 2013

	Investments on Equity Instruments Unlisted Quotes
Balance at January 1, 2013	\$ 798,505
Total gains or losses	
In profit or loss	(108,929)
In other comprehensive income	8,539
Disposals	<u>(84,581)</u>
Balance at December 31, 2013	<u>\$ 613,534</u>

June 30, 2013

	Investments on Equity Instruments <u>Unlisted Quotes</u>
Balance at January 1, 2013	\$ 798,505
Total gains or losses	
In other comprehensive income	<u>8,151</u>
Balance at June 30, 2013	<u>\$ 806,656</u>

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
derivative instruments	\$ 53,825	\$ 14,867	\$ 45,574
Loans and receivables (i)	106,354,414	118,188,950	109,950,472
Available-for-sale financial assets	2,230,634	2,144,003	2,383,215
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
derivative instruments	21,409	27,836	13,786
Derivative instruments in designated hedge accounting relationships	26,558	46,969	71,177
Amortized cost			
Short-term borrowings	17,988,845	15,576,780	9,255,290
Long-term loans (included current portion of long-term debts)	22,585,421	27,376,165	37,404,383
Payables (ii)	80,674,393	81,803,105	72,566,706

- i: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables, trade receivables - inter, other receivables and other receivables - inter.
 - ii: The balances included financial liabilities measured at amortized cost, which comprise notes payable, trade payables, trade payables - inter, other payables and other payables - inter.
- c. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivable, trade payables, borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- A Forward foreign exchange contracts to hedge the exchange rate risk arising on the export;
- B Interest rate swaps to mitigate the risk of rising interest rates.

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

a) Foreign currency risk

Several subsidiaries of the Parent Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period (Note 36).

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

The carrying amounts of the Group's derivatives exposed to foreign currency risk at the end of the reporting period were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Assets</u>			
USD	\$ 46,234	\$ 10,753	\$ 41,934
EUR	6,668	3,619	3,640
JPY	923	-	-
CNY	-	495	-
<u>Liabilities</u>			
USD	19,626	17,516	13,569
EUR	1,783	10,090	166
CNY	-	230	51

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars strengthen 5% against the relevant currency.

For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<u>Currency USD Impact</u>	
	<u>For the Six Months Ended</u>	
	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
Profit or loss	<u>\$ 299,413</u>	<u>\$ (175,043)</u>

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

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

	June 30, 2014	December 31, 2013	June 30, 2013
Fair value interest rate risk			
Financial assets (i)	\$ 22,448,193	\$ 31,433,426	\$ 37,503,190
Financial liabilities (ii)	19,430,185	16,570,115	12,819,657
Cash flow interest rate risk			
Financial assets (iii)	31,805,751	32,826,589	26,994,488
Financial liabilities (iv)	21,357,419	26,628,513	34,116,802

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

The Parent Company aims to keep borrowings at variable rates. In order to achieve this result, the Parent Company entered into interest rate swaps to hedge its exposures to changes in fair values of the borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps were designated as effective hedging instruments and hedge accounting is used.

The Parent Company was also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and pay-fixed/receive-floating interest rate swaps. It is the Parent Company's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk. The Parent Company's cash flow interest rate risk was mainly concentrated in the fluctuation of the average rate for 90-day notes in Taiwan's secondary market arising from the Group's New Taiwan dollars denominated borrowings.

Sensitivity analysis

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

If interest rates had been 25 basis points higher and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2014 and 2013 would increase by NT\$13,060 thousand and decrease NT\$8,903 thousand.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 7% higher, the pre-tax other comprehensive income for the six months ended June 30, 2014 and 2013 would increase by NT\$97,065 thousand and NT\$88,763 thousand as a result of the changes in fair value of available-for-sale shares.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group is exposed to credit risk from trade receivables, deposits, and other financial instruments. Credit risk on business-related exposures is managed separately from that on financial-related exposures.

a) Business related credit risk

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

For individual customers, risk factors considered include the customer's financial position, credit rating agency rating, the Group's internal credit rating, and transaction history as well as current economic conditions that may affect the customer's ability to pay. The Group also has the right to use some credit protection enhancement tools, such as requiring advance payments, to reduce the credit risks involving certain customers.

b) Financial credit risk

Bank deposits and other financial instruments are credit risk sources required by the Parent Company's Department of Finance Department to be measured and monitored. However, since the Group's counter-parties are all reputable financial institutions and government agencies, there is no significant financial credit risk.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations.

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

Liquidity and interest risk rate tables

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

June 30, 2014

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 80,674,393	\$ 73,348	\$ -	\$ 848
Finance lease liabilities	2.36%-7.11%	76,417	136,921	-	-
Variable interest rate liabilities	1.02%-2%	9,113,171	10,804,249	1,440,000	-
Fixed interest rate liabilities	0.8%-3.6%	<u>17,894,335</u>	<u>1,279,490</u>	<u>43,021</u>	<u>-</u>
		<u>\$ 107,758,316</u>	<u>\$ 12,294,008</u>	<u>\$ 1,483,021</u>	<u>\$ 848</u>

December 31, 2013

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 81,803,105	\$ 80,745	\$ -	\$ 863
Finance lease liabilities	1.30%-7.11%	72,735	172,948	-	-
Variable interest rate liabilities	0.745%-2.7%	11,286,074	9,102,439	6,240,000	-
Fixed interest rate liabilities	0.86%-1.55%	<u>13,158,375</u>	<u>3,078,083</u>	<u>87,974</u>	<u>-</u>
		<u>\$ 106,320,289</u>	<u>\$ 12,434,215</u>	<u>\$ 6,327,974</u>	<u>\$ 863</u>

June 30, 2013

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 72,566,706	\$ 86,496	\$ -	\$ 1,251
Finance lease liabilities	1.3%-7.11%	68,462	208,324	-	-
Variable interest rate liabilities	1.16%-1.96%	8,651,643	17,265,159	8,200,000	-
Fixed interest rate liabilities	0.72%-1.78%	<u>12,375,139</u>	<u>167,732</u>	<u>-</u>	<u>-</u>
		<u>\$ 93,661,950</u>	<u>\$ 17,727,711</u>	<u>\$ 8,200,000</u>	<u>\$ 1,251</u>

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

June 30, 2014

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Forward exchange contracts				
Inflows	\$ 8,662,891	\$ -	\$ -	\$ -
Outflows	<u>(8,652,443)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>10,448</u>	<u>-</u>	<u>-</u>	<u>-</u>
Currency swap contracts				
Inflows	2,071,069	-	-	-
Outflows	<u>(2,042,997)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>28,072</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 38,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2013

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Forward exchange contracts				
Inflows	\$ 649,675	\$ -	\$ -	\$ -
Outflows	<u>(655,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(5,525)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Currency swap contracts				
Inflows	1,451,250	-	-	-
Outflows	<u>(1,455,348)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(4,098)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (9,623)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2013

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Forward exchange contracts				
Inflows	\$ 1,475,559	\$ -	\$ -	\$ -
Outflows	<u>(1,454,907)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>20,652</u>	<u>-</u>	<u>-</u>	<u>-</u>
Currency swap contracts				
Inflows	1,281,936	-	-	-
Outflows	<u>(1,261,304)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>20,632</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 41,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Parent Company and its subsidiaries, which were related parties of the Parent Company, had been eliminated on consolidation and are not disclosed in this note.

a. Sales of goods

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
<u>Related parties categories</u>				
Associates	\$ 68,414	\$ 80,803	\$ 114,600	\$ 124,704
Other related parties	<u>876</u>	<u>883</u>	<u>1,769</u>	<u>1,764</u>
	<u>\$ 69,290</u>	<u>\$ 81,686</u>	<u>\$ 116,369</u>	<u>\$ 126,468</u>

The price of the Group's sales to Lite-On Semiconductor Corp. For the six months ended June 30, 2014 and 2013, price was calculated at cost plus specific profit. Except for these sales, the sales terms between the Group and its related parties were normal.

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

b. Purchases of goods

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
<u>Related parties categories</u>				
Associates	\$ 1,411,102	\$ 956,229	\$ 2,059,919	\$ 1,064,236
Other related parties	<u>13,771</u>	<u>173,816</u>	<u>265,175</u>	<u>180,821</u>
	<u>\$ 1,424,873</u>	<u>\$ 1,130,045</u>	<u>\$ 2,325,094</u>	<u>\$ 1,245,057</u>

The cost of the Group's purchases from Lite-On Semiconductor Corp. For the six months ended June 30, 2014 and 2013 was based on cost plus specific profit. Except for these purchases, the purchase terms between the Group and its related parties were normal.

c. Receivables from related parties

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Related parties categories</u>			
Accounts receivable			
Associates	\$ 103,012	\$ 81,025	\$ 93,978
Other related parties	<u>531</u>	<u>529</u>	<u>564</u>
	<u>\$ 103,543</u>	<u>\$ 81,554</u>	<u>\$ 94,542</u>
Other receivable			
Associates	\$ 38,989	\$ 789	\$ 28,409
Other related parties	<u>40</u>	<u>18,162</u>	<u>136</u>
	<u>\$ 39,029</u>	<u>\$ 18,951</u>	<u>\$ 28,545</u>

d. Payables to related parties

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Related parties categories</u>			
Accounts payable			
Associates	\$ 289,437	\$ 315,595	\$ 115,251
Other related parties	<u>190,896</u>	<u>253,029</u>	<u>13,499</u>
	<u>\$ 480,333</u>	<u>\$ 568,624</u>	<u>\$ 128,750</u>
Other payable			
Associates	\$ 1,299	\$ 661	\$ 69
Other related parties	<u>6,792</u>	<u>11,038</u>	<u>13,394</u>
	<u>\$ 8,091</u>	<u>\$ 11,699</u>	<u>\$ 13,463</u>

e. Operating expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
<u>Related parties categories</u>				
Other related parties	<u>\$ 22,261</u>	<u>\$ 30,691</u>	<u>\$ 23,539</u>	<u>\$ 58,862</u>

f. Other revenues

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
<u>Related parties categories</u>				
Associates	\$ 859	\$ 1,249	\$ 1,750	\$ 1,838
Other related parties	<u>381</u>	<u>520</u>	<u>760</u>	<u>758</u>
	<u>\$ 1,240</u>	<u>\$ 1,769</u>	<u>\$ 2,510</u>	<u>\$ 2,596</u>

g. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Short-term employee benefits	\$ 53,612	\$ 65,218	\$ 177,244	\$ 189,025
Post-employment benefits	5,039	6,131	9,593	41,718
Other employee benefits	-	-	-	-
Termination benefits	13,825	243	13,891	465
Share-based payments	<u>-</u>	<u>426</u>	<u>-</u>	<u>795</u>
	<u>\$ 72,476</u>	<u>\$ 72,018</u>	<u>\$ 200,728</u>	<u>\$ 232,003</u>

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

	June 30, 2014	December 31, 2013	June 30, 2013
Pledge-time deposits	<u>\$ 92,561</u>	<u>\$ 36,490</u>	<u>\$ 104,575</u>

Mortgaged or pledged assets - noncurrent included the guarantee deposits provided to a supplier and the export customs agency for shipment clearance in advance of customs duty payments.

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In May 2010, INPRO II Licensing Sarl (INPRO) filed a lawsuit with the U.S. District Court for the Northern District of California 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. But because of the court's lack of jurisdiction, INPRO dismissed the case later. On September 3, 2010, the Parent Company filed a lawsuit with the Intellectual Property Court ("IP Court") in Taiwan against INPRO, alleging that the Parent Company had no patent obligations. On September 8, 2010, INPRO filed a lawsuit with the Superior Court of California (SCC) in the County of San Francisco. In December 2010, the SCC ruled that the U.S. proceedings in the U.S. should be stopped because the same facts had been filed with the IP Court in Taiwan. In July 2012, INPRO file a counterclaim with the IP Court in Taiwan and demanded a royalty payment of US\$5.4 million plus interest. In June 2013, on the basis of its presentence investigation, the IP Court made a final judgment in favor of INPRO and ruled that the Parent Company should pay royalties of US\$5.4 million plus interest. In July 2013, the Parent Company filed an appeal, claiming that the Parent Company had no patent obligations under the former patent licensing contract. Parent Company accrued a reasonable amount in case of a loss on this lawsuit. Parent Company will continue to recognize the losses based upon reasonable estimation of the lawsuit quarterly until the settlement of this lawsuit.
- b. The European Commission issued a Statement of Objection to some CD-ROM factories in line with antitrust investigations in the third quarter of 2012. Lite-On IT Corp. ("Lite-On IT") has assigned lawyers to deal with the lawsuit. As of June 30, 2014, the investigation was still in progress. Although the Parent Company had consolidated its subsidiary, Lite-On IT, as of June 30, 2014, it believed that this case would not have a significant impact on its business and financial operations.
- c. CMP Consulting Service, Inc., KI, Inc., Aaron Wagner, The Stereo Shop, David Carney, Jr. Tina Corse, Cynthia R. Rall, Richard R. Rall, Aaron Deshaw and Don Cheung 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, from October 2009 to September 2010. Lite-On IT assigned lawyers as its representative in these lawsuits. Although the outcome of the proceedings had not been determined, Lite-On IT accrued a reasonable amount in case of a loss on this lawsuit. Since the Parent Company had consolidated its subsidiary, Lite-On IT, as of June 30, 2014, the Parent Company will continue to recognize the losses quarterly on the basis of a reasonable estimation of the outcome lawsuit until the settlement of this lawsuit.
- d. On May 13, 2013, Dell Inc. and Dell Products L.P. filed a complaint with the United States District Court for Western District of Texas; on October 24, 2013, Hewlett Packard Company filed a complaint with the United States District Court for Southern District of Texas; on October 25, 2013, Acer Inc., Acer America Corporation, Gateway Inc. and Gateway U.S. Retail, Inc. filed a complaint with the United States District Court for the Northern District of California; on October 31, 2013, Ingram Micro Inc., and Synnex Corporation filed a complaint with the United States District Court for the Central District of California. All these complaints constituted an antitrust group lawsuit against Lite-On IT and other companies with related businesses. Lite-On IT assigned lawyers as its representative in these lawsuits. Although the outcome of the proceedings had not been determined, Lite-On IT accrued a reasonable amount in case of a loss on this lawsuit. In May 2014, Hewlett Packard Company withdrew its lawsuit filed with the United States District Court for the Southern District of Texas when it agreed to a reconciliation with the defendants. Since the Parent Company had consolidated its subsidiary, Lite-On IT, as of June 30, 2014, the Parent Company will continue to recognize losses quarterly on the basis of a reasonable estimation of the lawsuits until the settlement of these lawsuits.

- e. In April 2010, petitioner Carlos Fogelman filed a motion for authorization to institute class action antitrust proceedings with 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 court. In September 2010, Neil Godfrey filed a statement of claim with the Superior Court of British Columbia. In September 2011, Donald Woligroski filed a statement of claim in Manitoba court. In the second quarter 2014, Cindy Retallick filed a statement of claim in Saskatchewan court. All plaintiffs filed the antitrust group lawsuit against Lite-On IT Corporation 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 as its representative in these lawsuits. Although the outcome of the proceedings had not been determined, Lite-On IT accrued a reasonable amount in case of a loss on this lawsuit. Since the Parent Company had consolidated its subsidiary, Lite-On IT, as of June 30, 2014, the Parent Company will continue to recognize the losses quarterly on the basis of a reasonable estimation of the lawsuit until the settlement of this lawsuit.
- f. In April 2011, Orinda Intellectual Properties USA Holding Group, Inc. filed 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 has assigned lawyers to deal with the lawsuits. In December 2011, the United States Patent and Trademark office determined that the case has no validity. The plaintiff has filed an appeal, and the legal research for the validity remains to be completed. The legal procedure will be postponed accordingly. Since the Parent Company had consolidated its subsidiary, Lite-On IT, as of June 30, 2014, the Parent Company believes that the case will not have a significant impact on the financial operations.
- g. On July 23, 2013, Lake Cherokee Hard Drive Technologies, instituted class action proceedings against Lite-On Sales & Distribution Inc. and other companies with related businesses, with the United States District Court for Eastern District of Texas, alleging infringement of patent. However, in June 2014, this lawsuit was withdrawn because the suppliers obtained the relevant patent.

36. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	<u>June 30, 2014</u>		<u>December 31, 2013</u>		<u>June 30, 2013</u>	
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>
<u>Financial assets</u>						
Monetary items						
USD	\$ 1,575,796	29.8150	\$ 1,672,224	29.8050	\$ 2,407,486	30.0000
INR	1,280,749	0.4965	1,939,704	0.4821	1,733,186	0.5040
THB	711,979	0.9199	720,707	0.9081	630,936	0.9687
HKD	475,692	3.8469	178,998	3.8436	168,892	3.8680
EUR	454,664	40.7005	42,430	41.0623	62,566	39.1260
Non-monetary items						
HKD	5,861	3.8469	5,838	3.8436	5,900	3.8680
USD	4,452	29.8150	8,739	29.8050	67,332	30.0000
JPY	551	0.2942	6,348	0.2842	4,554	0.3050
<u>Financial liabilities</u>						
Monetary items						
USD	1,374,949	29.8150	2,112,782	29.8050	2,524,181	30.0000
INR	252,427	0.4965	972,394	0.4821	748,167	0.5040
THB	242,502	0.9199	239,047	0.9081	244,712	0.9687
EUR	23,690	40.7005	122,176	41.0623	84,504	39.1260
HKD	9,479	3.8469	22,268	3.8436	12,840	3.8680

37. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Lending funds to others: Note 4 to the financial statements
- 2) Providing endorsements or guarantees for others: Note 4 to the financial statements
- 3) Holding of securities at the end of the period: Note 4 to the financial statements
- 4) Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: Note 4 to the financial statements
- 5) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None
- 6) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None
- 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Note 4 to the financial statements
- 8) Trade receivables from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Note 4 to the financial statements
- 9) Information on investees: Note 4 to the financial statements
- 10) Trading in derivative instruments: Notes 7, 9 and 32 to the financial statements

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. Note 4 to the financial statements
- 2) Significant direct or indirect transactions with the investee, prices, payment terms and unrealized gain or loss: Note 4 to the financial statements

38. SEGMENT INFORMATION

a. General information

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

- 1) Optoelectronics: Produces LEDs, designs and mass-manufactures of phone camera modules, LED Transit Modules, and Automotive Electronics;
- 2) IT: Provides a full range products for Computing, Server and Networking; manufactures and sells multifunction and all-in-one printers.
- 3) Storage: Manufactures and sells CD-ROM, CD-RW, and DVD-ROM as well as more advanced products.

- 4) The Group also had Mobile Mechanics & Others operating segments that did not exceed the quantitative threshold. These segments mainly engage in manufacturing and selling of the designs and mass-manufactures of phone camera modules and other products.

The composition of reportable segments has been changed due to changes in the classification of some products, and the information for the six months ended June 30, 2013 has been adjusted for comparison.

b. Measurement of segment information

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

c. Segment information

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

	For the Six Months Ended June 30, 2014					
	Optoelectronics	IT	Storage	Mobile Mechanics & Others	Elimination	Total
Sales from external customers	\$ 30,629,474	\$ 47,574,084	\$ 18,914,679	\$ 12,858,044	\$ -	\$ 109,976,281
Sales among segments	656,774	1,125,556	-	391,022	(2,173,352)	-
Operating profit (loss)	1,756,103	3,114,003	1,179,976	(1,741,468)	-	4,308,614

	For the Six Months Ended June 30, 2013 (Note)					
	Optoelectronics	IT	Storage	Mobile Mechanics & Others	Elimination	Total
Sales from external customers	\$ 21,127,240	\$ 39,428,728	\$ 18,842,106	\$ 17,379,605	\$ -	\$ 96,777,679
Sales among segments	673,014	902,587	6,029	134,894	(1,716,524)	-
Operating profit (loss)	1,637,966	2,296,533	1,076,331	(260,942)	-	4,749,888

Note: The information for the six months ended June 30, 2013 has been adjusted for comparison.

d. Reconciliation information for segment profit (loss)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Reportable segments' profit	\$ 2,646,183	\$ 2,558,046	\$ 4,308,614	\$ 4,749,888
Other segments' loss	(280,232)	(145,858)	(543,469)	(369,995)
Non-operating income and expenses	<u>212,990</u>	<u>480,287</u>	<u>634,025</u>	<u>814,202</u>
Income before income tax	<u>\$ 2,578,941</u>	<u>\$ 2,892,475</u>	<u>\$ 4,399,170</u>	<u>\$ 5,194,095</u>

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