Lite-On Technology Corporation

Financial Statements for the
Years Ended December 31, 2011 and 2010 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lite-On Technology Corporation

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

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

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

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

March 26, 2012

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

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

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

LITE-ON TECHNOLOGY CORPORATION

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

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

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

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

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

LITE-ON TECHNOLOGY CORPORATION

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

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

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LITE-ON TECHNOLOGY CORPORATION

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

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

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

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

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

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

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

LITE-ON TECHNOLOGY CORPORATION

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

	Issued and Outstanding Capital Stock (Note 17)		Share Subscriptions Received in Advance	Capital Surplus (Notes 2 and 17)							Retained Earnings (Notes 2 and 17)			Cumulative Translation Adjustments (Note 2)	Net Loss not Recognized as Pension Cost (Note 2)	Unrealized Valuation Gain (Loss) on Financial Instrument (Notes 2 and 17)	Unrealized Loss on Cash Flows Hedging (Note 2)	Treasury Stock (Notes 2 and 18)	Total Shareholders' Equity
	Shares (Thousands)	Amount		From Share Issuance in Excess of Par Value	Bond Conversion	Treasury Stock Transactions	Long-term Stock Investments	Merger	Employee Stock Options	Total	Legal Reserve	Unappropriated Earnings	Total						
BALANCE, JANUARY 1, 2010	2,262,118	$ 22,621,180	$ 2,430	$ 7,934,732	$ 7,641,499	$ 289,235	$ 904,659	$ 10,255,921	$ 239	$ 27,026,285	$ 5,521,483	$ 8,836,865	$ 14,358,348	$ 1,208,207	$ (22,824)	$ 1,095,436	$ (188,357)	$ (1,857,643)	$ 64,243,062
Appropriation of prior year's earnings																			
Conversion of advance receipts for common stock	243	2,430	(2,430)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	-	-	-	-	-	705,184	(705,184)	-	-	-	-	-	-	-
Cash dividends - 22.5%	-	-	-	-	-	-	-	-	-	-	-	(5,021,541)	(5,021,541)	-	-	-	-	-	(5,021,541)
Stock dividends - 0.5%	11,159	111,590	-	-	-	-	-	-	-	-	-	(111,590)	(111,590)	-	-	-	-	-	-
Bonus to employees-stock	11,073	110,725	-	258,877	-	-	-	-	-	258,877	-	-	-	-	-	-	-	-	369,602
Issuance of stock on the exercise of employee stock options	201	2,015	-	6,871	-	-	-	-	-	6,871	-	-	-	-	-	-	-	-	8,886
Cash dividends received by subsidiaries	-	-	-	-	-	54,833	-	-	-	54,833	-	-	-	-	-	-	-	-	54,833
Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees	-	-	-	-	-	-	197,748	-	-	197,748	-	-	-	-	-	-	-	-	197,748
Adjustment arising from changes in unrealized gain on subsidiaries' financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	439,964	-	-	439,964
Adjustment arising from changes in capital surplus from long-term equity investments	-	-	-	-	-	2,623	(142,969)	-	2,618	(137,728)	-	-	-	-	-	-	-	-	(137,728)
Unrealized gain on cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,191	-	29,191
Net income in 2010	-	-	-	-	-	-	-	-	-	-	-	8,986,457	8,986,457	-	-	-	-	-	8,986,457
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	486	-	-	-	486
Unrealized valuation loss on available-for sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(105,407)	-	-	(105,407)
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	(718,990)	-	-	-	-	(718,990)
BALANCE, DECEMBER 31, 2010	2,284,794	22,847,940	-	8,200,480	7,641,499	346,691	959,438	10,255,921	2,857	27,406,886	6,226,667	11,985,007	18,211,674	489,217	(22,338)	1,429,993	(159,166)	(1,857,643)	68,346,563
Appropriation of prior year's earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	-	898,646	(898,646)	-	-	-	-	-	-	-
Cash dividends - 28.7%	-	-	-	-	-	-	-	-	-	-	-	(6,469,637)	(6,469,637)	-	-	-	-	-	(6,469,637)
Stock dividends - 0.5%	11,271	112,711	-	-	-	-	-	-	-	-	-	(112,711)	(112,711)	-	-	-	-	-	-
Bonus to employees -stock	13,915	139,150	-	332,705	-	-	-	-	-	332,705	-	-	-	-	-	-	-	-	471,855
Cash dividends received by subsidiaries	-	-	-	-	-	70,283	-	-	-	70,283	-	-	-	-	-	-	-	-	70,283
Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees	-	-	-	-	-	-	(2,152)	-	-	(2,152)	-	-	-	-	-	-	-	-	(2,152)
Adjustment arising from changes in unrealized loss on subsidiaries' financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(666,937)	-	-	(666,937)
Adjustment arising from changes in capital surplus from long-term equity investments	-	-	-	-	-	-	(50,216)	-	1,745	(48,471)	-	-	-	-	-	-	-	-	(48,471)
Unrealized loss on cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,059)	-	(6,059)
Net income in 2011	-	-	-	-	-	-	-	-	-	-	-	7,225,925	7,225,925	-	-	-	-	-	7,225,925
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,135,647)	-	-	(1,135,647)
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	1,136,343	-	-	-	-	1,136,343
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,156	-	-	-	5,156
BALANCE, DECEMBER 31, 2011	2,309,980	$ 23,099,801	$ -	$ 8,533,185	$ 7,641,499	$ 416,974	$ 907,070	$ 10,255,921	$ 4,602	$ 27,759,251	$ 7,125,313	$ 11,729,938	$ 18,855,251	$ 1,625,560	$ (17,182)	$ (372,591)	$ (165,225)	$ (1,857,643)	$ 68,927,222

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

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

LITE-ON TECHNOLOGY CORPORATION

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

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

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LITE-ON TECHNOLOGY CORPORATION

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

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

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

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

1. ORGANIZATION AND OPERATIONS

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

The Corporation merged with Lite-On Electronics, Inc., Silitek Corp., and GVC Corp., with the Corporation as the survivor entity. The merger took effect on November 4, 2002, and the Corporation thus assumed all rights and obligations of the three merged companies on that date. The Corporation merged with its subsidiary, Lite-On Enclosure Inc. (LOEI), with the Corporation as the survivor entity. The merger took effect on April 1, 2004, and the Corporation thus assumed all of LOEI's rights and obligations on that date.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Current and Noncurrent Assets and Liabilities

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

Revenue Recognition/Accounts Receivable/Allowance for Doubtful Accounts

Sales revenues are recognized when titles to products and material risks of ownerships are transferred to clients, primarily upon shipment, when the earnings process is mostly completed and the profit has been realized or is realizable. On unprocessed materials delivered to subcontractors for further processing, the Corporation does not recognize sales because this delivery does not involve a transfer of the risks and rewards of materials ownership.

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

Royalties are recognized when:

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

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

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

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

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

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

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

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

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

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

Inventories

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

Available-for-sale Financial Assets

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

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

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

An impairment loss is recognized on the balance sheet date if there are objective evidences that a financial asset is impaired, and this impairment loss is charged to the net income of the current period. An impairment loss on an equity instrument classified as available for sale can be reversed to the extent of the original carrying value and recognized as an adjustment adjustments to shareholders' equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is recognized as income.

Financial Assets Carried at Cost

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

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

Long-term Equity Investments

The difference between the cost of the investment and the Corporation's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. However, effective January 1, 2006, under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments under the Equity Method," investment premiums, representing goodwill, are no longer being amortized, but the Corporation needs to make asset impairment tests regularly or if there are indications that goodwill is probably impaired. If the net fair value of an asset exceeds its investment cost, the excess is used to reduce the fair value of each of the noncurrent assets acquired (exclude non-equity-method financial assets, assets for disposal, deferred tax assets and prepaid pension costs or other pension payments), with any remaining excess recognized as extraordinary gain.

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

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee; however, if the Corporation has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee. The deferred profits are realized through the subsequent sale of the related products to third parties.

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

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

Properties

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

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

Depreciation is computed using the straight-line method over useful lives estimated as follows: buildings, 5 to 60 years; machinery and equipment, 2 to 10 years; molding equipment, 2 to 10 years; transportation equipment, 3 to 10 years; office equipment, 2 to 10 years; leased assets, 3 to 5 years; and miscellaneous equipment, 2 to 10 years. Properties still being used by the Corporation beyond their service lives are depreciated over their newly estimated service lives.

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

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

Intangible Assets

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

Goodwill arising from a merger is amortized over five years using the straight line method. Effective January 1, 2006, based on the newly revised Statement of Financial Accounting Standards (SFAS) No. 5 - "Long-Term Investments under the Equity Method," goodwill is no longer amortized.

Idle Assets

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

Deferred Charges

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

Asset Impairment

An impairment loss should be recognized if the carrying amount of properties, patents, goodwill, other intangible assets, idle assets, deferred charges and investments accounted for by the equity method exceeds, as of the balance sheet date, their recoverable amount, and this impairment loss should be charged to current income even if the asset is carried at a revalued amount. An impairment loss recognized in prior years could be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the asset carrying amount that would have been determined had no impairment loss on the asset been recognized in prior years. However, reversal of impairment loss on goodwill is prohibited.

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

Product Warranty Reserve

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

Pension Costs

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

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

Treasury Stock

The Corporation accounts for the cost of purchasing its outstanding stock as a deduction to arrive at shareholders' equity.

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

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

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

Stock-based Compensation

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

Income Tax

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

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

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

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

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

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

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

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

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

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

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item as follows:

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

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

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

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

Reclassifications

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

3. ACCOUNTING CHANGES

Financial Instruments

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

Operating Segments

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

4. CASH

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

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

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

5. ACCOUNTS RECEIVABLE, NET

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

Movements of the allowance for doubtful accounts were as follows:

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

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

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

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

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

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

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

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

6. INVENTORIES, NET

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

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

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

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

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

8. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

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

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

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

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

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

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

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

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

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

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

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

10. PROPERTIES

Accumulated depreciation consisted of the following:

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

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

11. INTANGIBLE ASSETS

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

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

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

The amortization period for goodwill resulting from the Corporation's acquisition of Lite-On Enclosure Inc. in 2004 was approximately five years. However, under the Guidelines Governing the Preparation of Financial Reports, effective January 1, 2006, goodwill need no longer be amortized. As of December 31, 2011 and 2010, the carrying values of goodwill were $132,986 thousand each.

12. OTHER ASSETS

a. Idle assets, net

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

b. Overdue receivables

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

13. SHORT-TERM BANK LOANS

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

14. LONG-TERM BANK LOANS

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

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

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

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

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

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

15. OBLIGATIONS UNDER CAPITAL LEASES

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

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

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

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

16. PENSION PLAN

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

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

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

a. Components of net periodic pension costs:

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

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

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

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

17. SHAREHOLDERS' EQUITY

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

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

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

Stock-based Compensation Plans

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

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

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

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

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

	Years Ended December 31	
	2011	2010
Assumptions:		
Risk-free interest rate	2.5101%	2.5101%
Expected life	2 years	3 years

(Continued)

	Years Ended December 31	
	2011	2010
Expected volatility	40.07%	40.07%
Expected dividend yield	7.07%	7.07%
Net income		
As reported	$7,225,925 thousand	$8,986,457 thousand
Pro forma	$7,194,117 thousand	$8,912,240 thousand
Basic after income tax earnings per share (NT$)		
As reported	$3.22	$4.03
Pro forma	$3.21	$4.00
Diluted after income tax earnings per share (NT$)		
As reported	$3.16	$3.96
Pro forma	$3.15	$3.93

(Concluded)

Capital Surplus

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

Appropriation of Earnings and Dividend Policy

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

The Corporation's Articles of Incorporation provide that, of the annual net income, less any deficit and 10% legal reserve as well as special reserve equal to the debit balances of the shareholders' equity accounts, plus the unappropriated earnings of prior years, a portion may be retained on the basis of operating requirements. The remainder should be distributed as follows:

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

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

The bonus to employees and the remuneration to directors recognized for 2011 and 2010 were estimated on the basis of net income at 13.8% and 0.9%, respectively, and past appropriation experience at 15% and 1%, respectively. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted in the year of the proposal. If the actual amounts subsequently resolved by shareholders differ from the proposed amounts, the differences are recorded in the year of the shareholders' resolution as a change in accounting estimate. If stock bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares on the day preceding the shareholders' meeting.

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

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

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

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

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

As of March 26, 2012, the auditors' report date, the Corporation's board of directors had not decided the appropriation of the 2011 earnings. Related information may be accessed through the Market Observation Post System through the Web site of the Taiwan Stock Exchange.

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

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

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

Under the Company Law, the appropriation for legal reserve should be made until the reserve equals the Corporation's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Unrealized Gain or Loss on Financial Instruments

In 2011 and 2010, movements of unrealized gain or loss on financial instruments were as follows:

	Recognized in Shareholders' Equity	Equity-method Investments Recognized in Shareholders' Equity	Total
Year ended December 31, 2011			
Balance, beginning of year	$ 1,097,107	$ 332,886	$ 1,429,993
Decrease in 2011	(1,041,168)	(666,937)	(1,708,105)
Transferred to profit or loss	(94,479)	-	(94,479)
Balance, end of year	$ (38,540)	$ (334,051)	$ (372,591)
Year ended December 31, 2010			
Balance, beginning of year	$ 1,202,514	$ (107,078)	$ 1,095,436
Increase (decrease) in 2010	(105,407)	439,964	334,557
Balance, end of year	$ 1,097,107	$ 332,886	$ 1,429,993

18. TREASURY STOCK (COMMON STOCK)

Unit: In Thousand Shares

Reason for Repurchase	Beginning of Year	Changes in Fiscal Year Increase	Changes in Fiscal Year Decrease	End of Year
2011				
Corporation's shares held by direct and indirect subsidiaries reclassified from long-term stock investments to treasury stock	27,701	139	-	27,840
For transfer to employees	30,565	-	-	30,565
	58,266	139	-	58,405
2010				
Corporation's shares held by direct and indirect subsidiaries reclassified from long-term stock investments to treasury stock	27,563	138	-	27,701
For transfer to employees	30,565	-	-	30,565
	58,128	138	-	58,266

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

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

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

19. INCOME TAX

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

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

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

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

c. Deferred income tax assets and liabilities consisted of:

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

(Continued)

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

(Concluded)

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

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

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

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

Legislation	Deduction Item	Tax Credit Amount	Unused Tax Credits Ending Balance	Expiry Year
Statute for Upgrading Industries	Research and development cost and professional training expenses	$ 264,049	$ 139,326	2012
	Research and development cost and professional training expenses	205,669	205,669	2013
		$ 469,718	$ 344,995	

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

e. Integrated income tax information is as follows:

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

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

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

20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSE

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

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

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

21. EARNINGS PER SHARE

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

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

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

At the end of 2011 and 2010, the stock-based compensation exercise price was greater than the average price of the shares, the number of common shares outstanding decreased and earnings per share increased, and these developments had an anti-dilutive effect; thus, these shares were not included in the calculation of diluted EPS.

The average number of shares outstanding for EPS calculation was adjusted retroactively for the issuance of stock dividends. Thus, in 2009, basic and diluted EPS before tax decreased from NT$4.18 to NT$4.16 and from NT$4.11 to NT$4.09, respectively, and basic and diluted EPS after tax decreased from NT$4.05 to NT$4.03 and from NT$3.98 to NT $3.96, respectively.

22. RELATED-PARTY TRANSACTIONS

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

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

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

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

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

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

f. Compensation of directors, supervisors and management personnel:

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

23. MORTGAGED OR PLEDGED ASSETS - NONCURRENT

	December 31	
	2011	2010
Time deposits	$ 735	$ -

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

24. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

On September 8, 2010, INPRO II Licensing Sarl (INPRO) filed a lawsuit with the Superior Court of California in the County of San Francisco and charged the Corporation with breach of contract. INPRO alleged that the Corporation incurred a debt on patent rights obtained from Hitachi Limited. INPRO also claimed it had assumed Hitachi's rights to payments for patent use. The Corporation dismissed INPRO's claims and filed a lawsuit against INPRO, alleging that the Corporation had no patent obligations. As of March 26, 2012, the date of the accompanying auditors' report, this case was still under court review. Thus, the Corporation could not determine the possible results and impact of this case.

25. OTHERS

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

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

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

(Continued)

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

26. ADDITIONAL DISCLOSURES

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

1) Financing provided: Note 2 to the financial statements

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

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

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

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

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

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

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

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

10) Derivative financial transactions: Note 27 to the financial statements

b. Investment in Mainland China:

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

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

27. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

(Continued)

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

(Continued)

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

(Continued)

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

(Concluded)

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

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

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

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

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

5) Fair value of other long-term debts (including long-term debts within one-year maturity) was based on the present value of expected cash flows. The interest rates for long-term debts of the Corporation are all floating, and their fair values approximate their carrying amounts.

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

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

e. Financial risks

1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the gain or loss on derivatives will negatively correlate with gain or loss on the exchange rate fluctuations of hedged assets and liabilities. On available-for-sale financial assets consisting of listed stocks held by the Corporation, price fluctuations in the open market would result in changes in fair values of these stocks.

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

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

4) Cash flow hedge. The Corporation's liabilities with floating interest rate might be affected by changes in the market rate. Thus, future cash flows on those liabilities might fluctuate, exposing the Corporation to cash flow risk. To hedge against this risk, the Corporation entered into an interest rate swap contract with a bank to change the rate on its liabilities from floating to fixed. Thus, the cash flow hedge is deemed sufficient. As December 31, 2011 and 2010, the unrealized losses recognized in shareholders' equity were $165,225 thousand and $159,116 thousand, respectively. Other information on the cash flow hedge transactions is summarized below.

Financial Instruments	Date	Nominal Principal	Float Rate	Fixed Rate	Settlement Date	Due Date
Lite-On Technology Corp.						
Interest rate swap	December 31, 2011	$ 6,000,000	Note	1.895%	Quarterly	2015.9.23
	December 31, 2010	6,000,000	Note	2.2125-2.375%	Quarterly	2015.9.23

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

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

28. SEGMENT INFORMATION

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

LITE-ON TECHNOLOGY CORPORATION

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

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

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

Note 2: Percentage to account balance.

Note 3: Other related parties are:

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

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

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

(Continued)

Note 4: Other related parties are:

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

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

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

(Concluded)

LITE-ON TECHNOLOGY CORPORATION

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

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

(Continued)

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

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

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

Note 3: Percentage to account balance.

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

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

Note 6: It is under sales revenue.

Note 7: Other related parties are:

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

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

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

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

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

Note 8: Other related parties are:

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

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

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

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

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

(Concluded)