

**Lite-On Technology Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

LITE-ON TECHNOLOGY CORPORATION

By

RAYMOND SOONG
Chairman

February 26, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lite-On Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Lite-On Technology Corporation and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For the year ended December 31, 2018, the key audit matters for the Group's consolidated financial statements were as follows:

Allowance for Impairment Loss for Trade Receivables

The recoverable amount from the allowance for impairment loss is determined by management's evaluation of the credit risk of overdue receivables, and it is affected by management's assumption of a client's credit quality. In our audit, we focused on clients with significant trade receivables and overdue balances, and we evaluated the reasonableness of management's estimation of the allowance for impairment loss.

Refer to Note 4 to the consolidated financial statements for a summary of significant accounting policies. Refer to Note 13 to the consolidated financial statements for the carrying amount of trade receivables and impairment loss for trade receivables. Our key audit procedures in respect of the above area included the following:

We assessed both the trade receivables aging report classified by client's credit rating and the reasonableness of the percent of impairment loss allowance; this assessment included the implementation of computer audit sampling procedures to test the correctness of trade receivable aging reports. We confirmed the recoverability of outstanding trade receivables by testing the after period-end collection of receivables.

Allowance for Inventory Valuation Loss

The value of inventory is affected by the volatility of market demand and ever-changing technology which could make inventory outdated and obsolete. The allocation of inventory cost elements and estimations of the net realizable value of inventory require management's subjective judgment. In our audit, we focused on whether the value of inventory was evaluated according to IAS 2, which is based on the lower of cost or net realizable value method. We also assessed the reasonableness of management's estimation of the allowance for inventory valuation loss.

Refer to Note 4 to the consolidated financial statements for a summary of significant accounting policies. Refer to Note 14 to the consolidated financial statements for the carrying amount of inventory. Our key audit procedures in respect of the above area included the following:

1. We assessed both inventory aging reports classified by business segments and the reasonableness of the percent of allowance for inventory valuation loss; this assessment included the implementation of computer audit sampling procedures to test the correctness of inventory aging reports.
2. We obtained information of the year-end allowance for inventory valuation loss and inventory aging reports, and we compared the current and prior years' allowances and analyzed any differences. We drew samples from the year-end inventory and compared the most recent price of goods sold to the carrying amount to ensure that the inventory had been valued by the lower of cost or net realizable value method.

Impairment Loss for Property, Plant and Equipment and Intangible Assets (Including Goodwill)

Management should assess, on the financial statement date, any indication of impairment to property, plant and equipment and intangible assets. If there is any indication of impairment, management should estimate the recoverable amount of these assets. If it is impossible to do so, management should estimate the recoverable amount of the cash generating units to which these assets belong. Due to the complexity of this impairment estimation, in our audit, we focused on whether the estimation was made in accordance with IAS 36 to ensure that all assets' carrying amounts did not exceed their respective recoverable amounts.

Refer to Note 4 to the consolidated financial statements for a summary of the significant accounting policies on property, plant and equipment and intangible assets impairment. Refer to Notes 18 and 20 to the consolidated financial statements for disclosures of property, plant and equipment and intangible assets. Our key audit procedures performed in respect of the above area included the following:

1. Through internal control testing, we understood the methods of asset impairment valuation made by management and the associated control policy's design and implementation.
2. We obtained the asset impairment valuation table of each cash generating unit from management. We consulted our firm experts on the reasonableness of management's impairment assessments and assumptions, including its cash generating unit classifications, cash flow predictions, discount rates, etc.

Other Matter

We have also audited the parent company only financial statements of Lite-On Technology Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Meng-Chieh Chiu and Cheng-Tsai Tsai.

Meng-Chieh Chiu

Cheng-Tsai Tsai

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2019

Notice to Readers

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

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

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 63,285,301	32	\$ 57,783,860	30
Financial assets at fair value through profit or loss ("FVTPL") (Note 7)	132,139	-	101,677	-
Financial assets at amortized cost (Note 9)	223,738	-	-	-
Contracts assets	3,024,589	2	-	-
Debt instruments with no active market (Note 12)	-	-	911,783	1
Notes receivable, net (Note 13)	697,671	-	282,316	-
Trade receivables, net (Note 13)	45,484,821	23	52,037,732	27
Trade receivables from related parties (Note 33)	90,095	-	79,288	-
Other receivables	10,910,806	6	1,364,028	1
Other receivables from related parties (Note 33)	4,417	-	2,806	-
Inventories, net (Note 14)	31,493,066	16	28,312,572	15
Non-current assets held for sale (Note 16)	-	-	815,143	-
Other current assets (Note 21)	2,638,275	1	3,372,102	2
Total current assets	157,984,918	80	145,063,307	76
NON-CURRENT ASSETS				
Financial assets at FVTPL (Note 7)	111,220	-	-	-
Financial assets at fair value through other comprehensive income ("FVTOCI") (Note 8)	388,675	-	-	-
Available-for-sale financial assets (Note 11)	-	-	513,129	-
Financial assets at amortized cost (Note 9)	395,301	-	-	-
Debt instruments with no active market (Note 12)	-	-	573,085	-
Investments accounted for using the equity method (Note 17)	4,972,609	3	3,681,951	2
Property, plant and equipment, net (Note 18)	20,484,992	10	22,490,411	12
Investment properties, net (Note 19)	1,178,393	1	1,426,134	1
Intangible assets, net (Note 20)	5,914,084	3	9,828,658	5
Deferred tax assets (Note 28)	4,333,202	2	3,614,920	2
Refundable deposits	499,984	-	641,387	-
Prepaid investments	-	-	1,354,950	1
Other non-current assets (Note 21)	872,691	1	807,825	1
Total non-current assets	39,151,151	20	44,932,450	24
TOTAL	\$ 197,136,069	100	\$ 189,995,757	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 22)	\$ 30,087,282	15	\$ 30,155,790	16
Financial liabilities at FVTPL (Note 7)	51,877	-	147,052	-
Notes payable	18,235	-	38,797	-
Trade payables	52,309,412	27	56,152,649	30
Trade payables to related parties (Note 33)	781,623	-	803,894	-
Other payables	29,388,957	15	21,123,576	11
Other payables to related parties (Note 33)	16,684	-	19,927	-
Current tax liabilities	4,986,079	3	3,221,310	2
Provisions (Note 24)	1,011,238	-	866,119	-
Advance receipts	1,959,041	1	2,049,789	1
Current portion of long-term borrowings (Note 22)	184	-	16,204	-
Finance lease payables (Note 23)	1,469	-	1,600	-
Total current liabilities	120,612,081	61	114,596,707	60
NON-CURRENT LIABILITIES				
Long-term borrowings, net of current portion (Note 22)	-	-	178	-
Deferred tax liabilities (Note 28)	1,605,349	1	1,324,792	1
Finance lease payables, net of current portion (Note 23)	351	-	1,764	-
Net defined benefit liabilities (Note 25)	160,997	-	224,025	-
Guarantee deposits	78,890	-	80,862	-
Total non-current liabilities	1,845,587	1	1,631,621	1
Total liabilities	122,457,668	62	116,228,328	61
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
Share capital				
Ordinary shares	23,508,670	12	23,508,670	12
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	3,471,812	2	9,372,488	5
Bond conversions	7,462,138	4	7,462,138	4
Treasury share transactions	477,697	-	400,329	-
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership of subsidiaries	47,209	-	49,019	-
Changes in capital surplus from investments in associates accounted for using the equity method	271,367	-	276,782	-
Mergers	10,015,194	5	10,015,194	6
Total capital surplus	21,745,417	11	27,575,950	15
Retained earnings				
Legal reserve	12,049,900	6	11,786,967	6
Special reserve	2,705,954	2	1,338,878	1
Unappropriated earnings	15,789,147	8	10,093,753	5
Total retained earnings	30,545,001	16	23,219,598	12
Other equity				
Exchange differences on translating foreign operations	(2,779,863)	(2)	(2,528,893)	(1)
Unrealized loss of financial assets at FVTOCI	(449,461)	-	-	-
Unrealized loss on available-for-sale financial assets	-	-	(18,497)	-
Gain on financial instruments in cash flow hedging securities	2,714	-	3,372	-
Total other equity	(3,226,610)	(2)	(2,544,018)	(1)
Treasury shares	(1,248,722)	(1)	(1,248,722)	(1)
Total equity attributable to owners of the Parent Company	71,323,756	36	70,511,478	37
NON-CONTROLLING INTERESTS	3,354,645	2	3,255,951	2
Total equity	74,678,401	38	73,767,429	39
TOTAL	\$ 197,136,069	100	\$ 189,995,757	100

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

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 27 and 33)	\$ 211,390,341	102	\$ 220,857,071	103
Less: Sales allowance	3,102,425	1	5,075,609	2
Sales returns	<u>1,178,828</u>	<u>1</u>	<u>1,217,140</u>	<u>1</u>
Total operating revenue	<u>207,109,088</u>	<u>100</u>	<u>214,564,322</u>	<u>100</u>
COST OF GOODS SOLD (Notes 14, 30 and 33)	<u>180,006,839</u>	<u>87</u>	<u>186,854,505</u>	<u>87</u>
GROSS PROFIT	<u>27,102,249</u>	<u>13</u>	<u>27,709,817</u>	<u>13</u>
OPERATING EXPENSES (Notes 30 and 33)				
Selling and marketing expenses	7,084,795	3	6,774,460	3
General and administrative expenses	6,116,248	3	6,175,520	3
Research and development expenses	6,348,444	3	6,415,873	3
Expected credit loss (Note 32)	<u>66,949</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>19,616,436</u>	<u>9</u>	<u>19,365,853</u>	<u>9</u>
OPERATING INCOME	<u>7,485,813</u>	<u>4</u>	<u>8,343,964</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates	178,863	-	170,309	-
Interest income	1,710,052	1	1,365,837	-
Dividend income	39,400	-	39,811	-
Other income (Note 33)	5,265,003	2	1,401,724	1
Net gain on disposal of investments (Note 17)	86,603	-	179,115	-
Net gain (loss) on foreign currency exchange	(497,693)	-	226,478	-
Net gain on financial assets at FVTPL	1,338,423	1	341,680	-
Finance costs	(875,318)	(1)	(603,844)	-
Other expenses	(380,339)	-	(937,955)	(1)
Net loss on disposal of property, plant and equipment	(20,018)	-	(96,747)	-
Net loss on disposal of intangible asset	(6)	-	-	-
Impairment loss (Notes 11, 17, 18 and 20)	<u>(3,546,662)</u>	<u>(2)</u>	<u>(7,058,778)</u>	<u>(3)</u>
Total non-operating income and expenses	<u>3,298,308</u>	<u>1</u>	<u>(4,972,370)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	10,784,121	5	3,371,594	1
INCOME TAX EXPENSE (Note 28)	<u>(2,817,037)</u>	<u>(1)</u>	<u>(740,463)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>7,967,084</u>	<u>4</u>	<u>2,631,131</u>	<u>1</u>

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 25, 26 and 28)				
Items not reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 3,041	-	\$ (43,909)	-
Unrealized gain (loss) on investments in equity instruments designated as at FVTOCI	(107,838)	-	-	-
Share of other comprehensive loss of associates accounted for using the equity method	(1,770)	-	(9,920)	-
Income tax benefit relating to items not reclassified subsequently to profit or loss	4,441	-	9,552	-
	<u>(102,126)</u>	<u>-</u>	<u>(44,277)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(369,243)	-	(1,591,874)	-
Unrealized gain on available-for-sale financial assets	-	-	100,061	-
Share of other comprehensive loss of associates accounted for using the equity method	(48,265)	-	(64,169)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	171,056	-	287,498	-
	<u>(246,452)</u>	<u>-</u>	<u>(1,268,484)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(348,578)</u>	<u>-</u>	<u>(1,312,761)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,618,506</u>	<u>4</u>	<u>\$ 1,318,370</u>	<u>1</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Parent Company	\$ 7,956,838	4	\$ 2,629,334	1
Non-controlling interests	<u>10,246</u>	<u>-</u>	<u>1,797</u>	<u>-</u>
	<u>\$ 7,967,084</u>	<u>4</u>	<u>\$ 2,631,131</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Parent Company	\$ 7,602,588	4	\$ 1,366,244	1
Non-controlling interests	<u>15,918</u>	<u>-</u>	<u>(47,874)</u>	<u>-</u>
	<u>\$ 7,618,506</u>	<u>4</u>	<u>\$ 1,318,370</u>	<u>1</u>

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)				
From continuing operations				
Basic	<u>\$3.42</u>		<u>\$1.13</u>	
Diluted	<u>\$3.38</u>		<u>\$1.13</u>	

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

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Equity Attributable to Owners of the Parent Company																				
	Capital Surplus (Note 26)							Retained Earnings (Notes 26 and 28)						Other Equity (Note 26)							
	Issue of Share Capital (Note 26)		Additional Paid-in Capital from Share Issuance in Excess of Par Value	Bond Conversions	Treasury Share Transactions	Difference Between Consideration and Carrying Amounts Adjusted Arising from Changes in Percentage of Ownership in Subsidiaries	Changes in Capital Surplus from Investments in Associates Accounted for Using Equity Method	Mergers	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets Designated as FVOCI	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Treasury Shares (Note 26)	Non-controlling Interests (Notes 26)	Total Equity
	Shares (In Thousands)	Amount																			
BALANCE AT JANUARY 1, 2017	2,350,867	\$ 23,508,670	\$ 9,372,488	\$ 7,462,138	\$ 328,800	\$ 45,612	\$ 273,487	\$ 10,015,194	\$ 27,497,719	\$ 10,845,332	\$ 398,602	\$ 16,252,206	\$ 27,496,140	\$ (1,195,684)	\$ -	\$ (126,588)	\$ -	\$ (1,322,272)	\$ (1,248,722)	\$ 3,348,901	\$ 79,280,436
Appropriation of the 2016 earnings	-	-	-	-	-	-	-	-	-	-	-	(6,864,532)	(6,864,532)	-	-	-	-	-	-	-	(6,864,532)
Cash dividends - 29.2%	-	-	-	-	-	-	-	-	-	-	-	(940,276)	(940,276)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	941,635	-	(941,635)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,076)	(45,076)
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	3,407	-	-	3,407	-	-	-	-	-	-	-	-	-	-	-	3,407
Changes in capital surplus from investments in associates accounted for by using the equity method	-	-	-	-	-	-	3,295	-	3,295	-	-	-	-	-	-	-	-	-	-	-	3,295
Changes in capital surplus from cash dividends of the Parent Company paid to subsidiaries	-	-	-	-	71,529	-	-	-	71,529	-	-	-	-	-	-	-	-	-	-	-	71,529
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	-	-	-	-	2,629,334	2,629,334	-	-	-	-	-	-	1,797	2,631,131
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	-	-	-	-	(41,344)	(41,344)	(1,333,209)	-	108,091	3,372	(1,221,746)	-	(49,671)	(1,312,761)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	-	-	-	-	2,587,990	2,587,990	(1,333,209)	-	108,091	3,372	(1,221,746)	-	(47,874)	1,318,370
BALANCE AT DECEMBER 31, 2017	2,350,867	23,508,670	9,372,488	7,462,138	400,329	49,019	276,782	10,015,194	27,575,950	11,786,967	1,338,878	10,093,753	23,219,598	(2,528,893)	-	(18,497)	3,372	(2,544,018)	(1,248,722)	3,255,951	73,767,429
Effect of retrospective application (Note 3)	-	-	-	-	-	-	-	-	-	-	-	279,769	279,769	-	(298,266)	18,497	-	(279,769)	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,350,867	23,508,670	9,372,488	7,462,138	400,329	49,019	276,782	10,015,194	27,575,950	11,786,967	1,338,878	10,373,522	23,499,367	(2,528,893)	(298,266)	-	3,372	(2,823,787)	(1,248,722)	3,255,951	73,767,429
Appropriation of the 2017 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	262,933	-	(262,933)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	1,367,076	-	(1,367,076)	-	-	-	-	-	-	-	-	-
Cash dividends - 4.1%	-	-	-	-	-	-	-	-	-	-	-	(963,855)	(963,855)	-	-	-	-	-	-	-	(963,855)
Distribution of cash dividends from capital surplus	-	-	(5,900,676)	-	-	-	-	-	(5,900,676)	-	-	-	-	-	-	-	-	-	-	-	(5,900,676)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,776	82,776
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	(1,810)	-	-	(1,810)	-	-	-	-	-	-	-	-	-	-	-	(1,810)
Changes in capital surplus from investments in associates accounted for by using the equity method	-	-	-	-	-	-	(5,415)	-	(5,415)	-	-	-	-	-	-	-	-	-	-	-	(5,415)
Changes in capital surplus from cash dividends of the Parent Company paid to subsidiaries	-	-	-	-	77,368	-	-	-	77,368	-	-	-	-	-	-	-	-	-	-	-	77,368
Disposal of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	-	-	43,182	43,182	-	(43,182)	-	-	(43,182)	-	-	-
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	4,078	-	-	-	4,078	-	-	4,078
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	7,956,838	7,956,838	-	-	-	-	-	-	10,246	7,967,084
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	-	-	-	-	9,469	9,469	(255,048)	(108,013)	-	(658)	(363,719)	-	5,672	(348,578)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	7,966,307	7,966,307	(255,048)	(108,013)	-	(658)	(363,719)	-	15,918	7,618,506
BALANCE AT DECEMBER 31, 2018	2,350,867	23,508,670	3,471,812	7,462,138	477,697	47,209	271,367	10,015,194	21,745,417	12,049,900	2,705,954	15,789,147	30,545,001	(2,779,863)	(449,461)	-	2,714	(3,226,610)	(1,248,722)	3,354,645	74,678,401

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

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 10,784,121	\$ 3,371,594
Adjustments for:		
Depreciation expenses	4,698,252	5,675,601
Amortization expenses	306,500	421,386
Expected credit loss	66,949	-
Impairment loss reversed on trade receivables	-	(14,132)
Net gain on fair value change of financial assets designated as at FVTPL	(1,338,423)	(341,680)
Finance costs	875,318	603,844
Interest income	(1,710,052)	(1,365,837)
Dividend income	(39,400)	(39,811)
Share of profit of associates accounted for using the equity method	(178,863)	(170,309)
Net loss on disposal of property, plant and equipment	20,018	96,747
Net loss on disposal of intangible asset	6	-
Net gain on disposal of non-current assets held for sale	(162,819)	-
Net gain on disposal of available-for-sale financial assets	-	(49,598)
Net gain on disposal of investments accounted for using the equity method	(86,603)	(129,517)
Impairment loss recognized on financial assets	-	26,554
Impairment loss recognized on non-financial assets	3,749,500	8,054,479
Unrealized loss (gain) on foreign currency exchange	262,569	(140,908)
Recognition of provisions	429,650	149,804
Changes in operating assets and liabilities		
Financial instruments held for trading	-	427,387
Financial assets mandatorily classified as at FVTPL	1,230,565	-
Contract assets	(3,033,890)	-
Notes receivable	(419,737)	87,012
Trade receivables	8,831,029	7,499,616
Trade receivables from related parties	(10,807)	(19,110)
Other receivables	(9,800,729)	(284,175)
Other receivables from related parties	(1,611)	3,033
Inventories	(3,606,918)	(3,340,153)
Other current assets	696,139	(874,201)
Notes payable	(20,571)	20,414
Trade payables	(4,655,634)	(4,995,977)
Trade payables to related parties	(22,271)	(200,185)
Other payables	7,710,429	(1,506,621)
Other payables to related parties	(3,243)	10,499
Provisions	(285,733)	(311,752)
Advance receipts	(93,901)	184,462
Net defined benefit liabilities	(63,174)	89,129
Cash generated from operations	14,126,666	12,937,595
Interest received	1,662,673	1,370,650
Dividends received	39,400	39,811

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Interest paid	\$ (852,547)	\$ (598,421)
Income tax paid	<u>(1,492,648)</u>	<u>(2,596,455)</u>
Net cash generated from operating activities	<u>13,483,544</u>	<u>11,153,180</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at FVTOCI	(58,970)	-
Proceeds from disposal of financial assets at FVTOCI	176,660	-
Proceeds from disposal of financial assets at amortized costs	868,455	-
Acquisition of available-for-sale financial assets	-	(15,110)
Proceeds from sale of available-for-sale financial assets	-	298,632
Proceeds from sale of debt investments with no active market	-	17,548
Proceeds from disposal of investments accounted for using the equity method	2,849	246,708
Increase in prepaid investments	-	(1,354,950)
Cash provided by disposal of subsidiaries	5,590	-
Proceeds from disposal of non-current assets held for sale	658,211	-
Acquisition of property, plant and equipment	(5,646,424)	(4,204,726)
Proceeds from disposal of property, plant and equipment	3,444,871	84,065
Decrease (increase) in refundable deposits	140,857	(140,276)
Acquisition of intangible assets	(166,322)	(228,654)
Proceeds from disposal of intangible assets	418,442	17,688
Increase in other non-current assets	(80,403)	(67,148)
Dividend received from associates	<u>101,714</u>	<u>95,057</u>
Net cash used in investing activities	<u>(134,470)</u>	<u>(5,251,166)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	16,066,496
Repayments of short-term borrowings	(476,153)	-
Repayments of long-term borrowings	(16,645)	(19,528,450)
Refunds of guarantee deposits received	(1,345)	(6,273)
Decrease in finance lease payables	(1,617)	(1,567)
Cash dividends	(6,787,163)	(6,793,003)
Changes in non-controlling interests	<u>(30,537)</u>	<u>(47,305)</u>
Net cash used in financing activities	<u>(7,313,460)</u>	<u>(10,310,102)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(534,173)</u>	<u>(3,016,543)</u>
		(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 5,501,441	\$ (7,424,631)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>57,783,860</u>	<u>65,208,491</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 63,285,301</u>	<u>\$ 57,783,860</u>

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

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Lite-On Technology Corporation (the “Parent Company”) was established in March 1989. The Parent Company’s shares are listed on the Taiwan Stock Exchange. The Parent Company manufactures and markets (1) computer software, hardware, peripherals and components, (2) monitors, multifunction and all-in-one printers, cameras and Internet systems and image-processing equipment; (3) information storage and processing equipment, electronic components and office equipment; (4) electronic coils, transformers, power suppliers and electronic hardware parts; (5) light-emitting diode (LED) products; (6) electronic car products; and (7) optical lens modules and optoelectronic components.

The Parent Company merged with Lite-On Electronics, Inc., Silitek Corp. and GVC Corp., with the Parent Company as the surviving entity. The merger took effect on November 4, 2002, and the Parent Company thus assumed all rights and obligations of the three merged companies on that date.

The Parent Company merged with its subsidiary, Lite-On Enclosure Inc., with the Parent Company as the surviving entity. The merger took effect on April 1, 2004, and the Parent Company thus assumed all rights and obligations of its former subsidiary on that date.

The Parent Company separately merged with Li Shin International Enterprise Corp., Lite-On Clean Energy Technology Corp., Lite-On Automotive Corp., Leotek Electronics Corp., Lite-On IT Corporation and LarView Technologies Corp., with the Parent Company as the surviving entity. The mergers separately and respectively took effect on March 22, 2014, April 15, 2014, June 1, 2014, June 29, 2014, June 30, 2014 and September 1, 2014, with the Parent Company as the surviving entity of all the mergers, and the Parent Company thus assumed all rights and obligations of the six merged companies on those respective dates.

The consolidated financial statements of the Parent Company and its subsidiaries, hereto forth collectively referred to as the Group, are presented in the Parent Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent Company’s board of directors on February 26, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement, and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement, and impairment of financial assets have been applied retrospectively from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized on December 31, 2017.

Classification, measurement, and impairment of financial assets

On the basis of the facts and circumstances that exist as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company’s financial assets and financial liabilities as of January 1, 2018.

Financial Asset	Measurement Category		Carrying Amount		Note
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 57,783,860	\$ 57,783,860	a)
Derivatives instruments	Held-for-trading	Mandatorily classified as at FVTPL	101,677	101,677	-
Equity securities	Available-for-sale	Mandatorily classified as at FVTPL	20,271	20,271	b)
	Available-for-sale	Equity instruments classified as at FVTOCI	424,389	424,389	b)
Mutual funds	Available-for-sale	Mandatorily classified as at FVTPL	68,469	68,469	c)
Debt instruments	Debt investment instruments with no active market	Amortized cost	1,484,868	1,484,868	d)
Notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties	Loans and receivables	Amortized cost	53,766,170	53,766,170	a)

Financial Asset	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Note
<u>FVTPL</u>	\$ 101,677	\$ -	\$ 101,677	\$ -	\$ -	
Add: Reclassification from available-for-sale (IAS 39)	-	88,740	88,740	(25)	25	b) and c)
	<u>101,677</u>	<u>88,740</u>	<u>190,417</u>	<u>(25)</u>	<u>25</u>	
<u>FVTOCI</u>						
Add: Reclassification from available-for-sale (IAS 39)	-	424,389	424,389	205,414	(205,414)	b)
Investments accounted for using the equity method	3,681,951	-	3,681,951	74,380	(74,380)	d)
	<u>3,681,951</u>	<u>-</u>	<u>3,681,951</u>	<u>74,380</u>	<u>(74,380)</u>	
<u>Amortized cost</u>						
Add: Reclassification from loans and receivables (IAS 39)	-	113,034,898	113,034,898	-	-	a) and e)
	<u>-</u>	<u>113,034,898</u>	<u>113,034,898</u>	<u>-</u>	<u>-</u>	
	<u>\$ 3,783,628</u>	<u>\$ 113,548,027</u>	<u>\$ 117,331,655</u>	<u>\$ 279,769</u>	<u>\$ (279,769)</u>	

- a) Cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.
- b) The Group elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL or FVTOCI under IFRS 9. As a result, there were adjustments to decrease the beginning balance of retained earnings by \$25 thousand and increase that of other equity by \$25 thousand.

The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$205,414 thousand in other equity and an increase of \$205,414 thousand in retained earnings on January 1, 2018.

- c) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.
- d) With the retrospective adoption of IFRS 9 by investments in subsidiaries and associates accounted for using the equity method, the Company chose not to restate comparative periods for such investments. On January 1, 2018, the subsidiaries accounted for previously recognized equity securities under IAS 39 as available-for-sale financial assets upon its adoption of IFRS 9. The corresponding adjustments of the investments to at FVTOCI, according to the shareholding ratio, resulted in the decrease in other equity by \$12,970 thousand and the increase in retained earnings by \$12,970 thousand. The associates accounted for previously recognized equity securities under IAS 39 as available-for-sale financial assets upon its adoption of IFRS 9. The corresponding adjustments of the investments to at FVTPL, according to the shareholding ratio, resulted in the decrease in other equity by \$61,410 thousand and the increase in retained earnings by \$61,410 thousand.

- e) Debt investments previously classified as debt instruments with no active market and measured at amortized cost under IAS 39 were reclassified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

The revenue recognition process under IFRS 15 is as follows:

- a) Identify the contract(s);
- b) Identify the separate performance obligations in the contract;
- c) Determine the transaction price;
- d) Allocate the transaction price to the separate performance obligations; and
- e) Recognize revenue when the group entity satisfies a performance obligation.

The Group applies IFRS 15 retrospectively to on-going contracts with the cumulative effect recognized at the date of initial application. The Group does not restate the comparative information for the prior period.

The expected cumulative effect of retrospective applications on assets, liabilities and equity, as of January 1, 2018, is as follows:

Financial Asset	January 1, 2018 Carrying Amount (IAS 18)	Reclassification	January 1, 2018 Carrying Amount (IFRS 15)	January 1, 2018 Retained Earnings Effect	January 1, 2018 Other Equity Effect	Remark
Trade receivable from related parties	\$ 79,288	\$ -	\$ 79,288	\$ -	\$ -	
Trade receivable from non-related parties	52,037,732	(2,647,305)	49,390,427	-	-	
Contract assets - current	-	2,647,305	2,647,305	-	-	*
	<u>\$ 52,117,020</u>	<u>\$ -</u>	<u>\$ 52,117,020</u>	<u>\$ -</u>	<u>\$ -</u>	

Remark:

- * Before the adoption of IFRS 15, the Group recognized revenue once the transfer of risks and rewards of products was complete; upon adoption, any rights to consideration in exchange for goods or services are recognized as contract assets.

3) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group will apply IFRIC 22 prospectively on and after January 1, 2018.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2019

New, Amended And Revised Standards And Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan amendments, Curtailments, and Settlements”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and related interpretations. Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties and lease liabilities for all leases on the balance sheets, except for short-term leases and leases for which the underlying asset is of low value. The lease payments associated with those leases will be recognized as an expense on a straight-line basis.

On the statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Before the adoption of IFRS 16, payments under operating lease contracts including property interest qualified as investment properties are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China and Vietnam are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Contracts classified as finance lease are recognized as lease asset and finance lease payable on the balance sheets.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities at the commencement date. The Group applies IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets - non-current	\$ -	\$ 1,905,514	\$ 1,905,514
Prepaid lease payments - non-current (Note 21)	<u>713,824</u>	<u>(713,824)</u>	<u>-</u>
Total effect on assets	<u>\$ 713,824</u>	<u>\$ 1,191,690</u>	<u>\$ 1,905,514</u>
Finance lease payables- current	\$ -	\$ 376,009	\$ 376,009
Finance lease payables- non-current	<u>-</u>	<u>830,587</u>	<u>830,587</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 1,206,596</u>	<u>\$ 1,206,596</u>
Retained earnings	\$ 30,545,001	\$ (5,144)	\$ 30,539,857
Non-controlling interest	<u>3,354,645</u>	<u>(9,762)</u>	<u>3,344,883</u>
Total effect on equities	<u>\$ 33,899,646</u>	<u>\$ (14,906)</u>	<u>\$ 33,884,740</u>

2) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, if the Group sells or contributes assets that do not constitute a business to an associate or joint venture or the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated. Also, if the assets or the ex-subsidiary were not considered a “business”, as defined under IFRS 3, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated.

2) Amendments to IFRS 3 “Definition of a Business”

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets are business.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the entities controlled by the Parent Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Parent Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

Before 2018, the fair value of any investment retained in a former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of available-for-sale financial assets/financial assets at FVTPL or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture. Starting from 2018, the fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at FVTOCI/financial assets at FVTPL or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

See Note 15 and Table 8 for detailed information on subsidiaries, including the percentages of ownership and main businesses.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When a business combination is achieved in stages, the Group's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss or other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Group.

Business combinations involving entities under common control are not accounted for by the acquisition method but are accounted for at the carrying amounts of the entities. Prior period comparative information in the consolidated financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

f. Foreign currencies

In preparing the Group's financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries and associates, in other countries or currencies used different with the Group) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a foreign subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories consist of raw materials, work in process, finished goods, merchandise, and inventory in transit. 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 weighted-average cost.

h. Investments accounted for using the equity method

An associate is an entity over which the Group has significant influence and which is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Group also recognizes the Group's share of the change in other equity of the subsidiary.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The Group assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount, as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Group recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are stated at cost less recognized accumulated depreciation and accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the asset's useful life, then such an asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

j. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method. On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. The impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of such assets is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is any indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of an impairment loss are recognized in profit or loss.

n. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

o. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

2018

Financial assets, held by the Company, are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Refer to Note 32 for the determination of fair value of the financial assets.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Subsequent to initial recognition, financial assets at amortized cost - consisting of cash and cash equivalents, trade receivables at amortized cost, trade receivables (including from related parties), contract assets and other receivables (including from related parties) - are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits that are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

i. Financial assets at FVTPL

Financial assets at FVTPL are derivatives that do not meet the criteria for hedge accounting and are measured at fair value with any gains or losses arising from remeasurement recognized in profit or loss. Refer to Note 32 for the determination of fair value of the financial assets.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

iii. Loans and receivables

Except for financial assets at FVTPL, loans and receivables (primarily including cash and cash equivalent, note receivables, debt instruments with no active market, trade receivables, and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits that are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses (ECL) on financial assets at amortized cost (including cash and cash equivalents, trade receivables at amortized cost, trade receivables (including from related parties)), contract assets, other receivables (including from related parties) and investments in debt instruments that are measured at FVTOCI.

For trade receivables and contract assets, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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 financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Company assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities and equity instruments

Debt and equity instruments issued by a company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Except financial liabilities at FVTPL, financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

3) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including currency swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

p. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation by the management of the Group.

q. Revenue recognition

2018

The Group identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Sale of goods

The sale of goods is recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables or contract assets are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Rental revenue

The operation of leasing business was in accordance with IAS 17 Leases. The possible situations related to lease (such as the terms and conditions of leasing, the probabilities of future lease receivables and the burden of future costs) would be treated as operating lease.

3) Electricity generation revenue

Revenue is recognized when the power is transmitted to the substation of a power company. Electricity generation revenue is based on the fair value of subsidiary's settled value with the power company. However, when receivables are expected to be realized within one year, the value at the settlement date would not be discounted to the present to determine the fair value, since the difference between fair value and settled value is negligible and the transactions are frequent.

4) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Rental revenue

The operation of leasing business was in accordance with IAS 17 Leases, that is, the possible situation related to leasing (ex. the condition of leasing, and the burden of future cost) would treat as operating lease.

3) Electricity generation revenue

Revenue is recognized when the power is transmitted to the substation of a power company. Electricity generation revenue is based on the fair value of subsidiary's settled value with the power company. However, when receivables are expected to be realized within one year, the value at the settlement date would not be discounted to the present to determine the fair value, since the difference between fair value and settled value is negligible and the transactions are frequent.

4) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

r. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

s. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies (Note 4), management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Business model assessment for financial assets - 2018

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or at FVTOCI, and when assets are derecognized prior to their maturity, the Group understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Refer to Note 13 for details of the key assumptions and inputs used.

c. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss for trade receivables, the Group takes into consideration the estimation of future cash flows of such receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

e. Impairment of property, plant and equipment

The impairment of equipment in relation to the production of handsets was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to the recognition or reversal of additional impairment losses.

f. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 3,240	\$ 4,001
Checking accounts	975,772	1,215,740
Demand deposits	39,717,272	35,683,512
Time deposits	<u>22,589,017</u>	<u>20,880,607</u>
	<u>\$ 63,285,301</u>	<u>\$ 57,783,860</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	<u>\$ -</u>	<u>\$ 101,677</u>
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	\$ 93,643	\$ -
Currency swaps	<u>38,496</u>	<u>-</u>
	<u>\$ 132,139</u>	<u>\$ 101,677</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 99,727	\$ -
Domestic quoted shares	<u>11,493</u>	<u>-</u>
	<u>\$ 111,220</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	\$ -	\$ 96,393
Currency swaps	<u>-</u>	<u>50,659</u>
	<u>\$ -</u>	<u>\$ 147,052</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Non-derivative financial assets		
Forward exchange contracts	\$ 45,584	\$ -
Currency swaps	<u>6,293</u>	<u>-</u>
	<u>\$ 51,877</u>	<u>\$ -</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
The Parent Company			
Currency swaps	USD/NTD	2019.01.09- 2019.05.06	USD120,000/NTD3,652,320
Lite-On Overseas Trading Co., Ltd.			
Forward exchange contracts	CNY/USD	2019.01.15- 2019.03.11	CNY885,336/USD128,000
Currency swaps	CNY/USD	2019.01.29	CNY167,338/USD24,000
LITE-ON SINGAPORE PTE. LTD.			
Forward exchange contracts	USD/NTD	2019.01.14- 2019.06.10	USD600,000/NTD18,199,954
Forward exchange contracts	USD/CNY	2019.01.24	USD15,000/CNY104,925
Forward exchange contracts	CNY/USD	2019.03.06	CNY139,020/USD20,000
Forward exchange contracts	USD/MXN	2019.01.04	USD1,600/MXN32,384
Forward exchange contracts	USD/EUR	2019.01.04	USD14,790/EUR13,000
Forward exchange contracts	USD/JPY	2019.01.04	USD883/JPY100,000
Forward exchange contracts	USD/CAD	2019.01.03	USD984/CAD1,300
Forward exchange contracts	USD/BRL	2019.01.07	USD2,500/BRL9,587
Forward exchange contracts	USD/INR	2019.01.14	USD6,000/INR433,664
Currency swaps	CNY/USD	2019.01.09- 2019.03.13	USD367,701/USD53,000
Philip & Lite-On Digital Solutions Corporation			
Forward exchange contracts	USD/EUR	2019.01.04	USD3,980/EUR3,500
Currency swaps	USD/NTD	2019.01.14	USD20,000/NTD614,900
Silitech Technology Corporation			
Forward exchange contracts	USD/MYR	2019.01.07- 2019.03.06	USD1,980,000/MYR8,267,010
Forward exchange contracts	EUR/MYR	2019.01.28- 2019.03.27	EUR310,000/MYR1,488,464
Forward exchange contracts	USD/CNY	2019.01.14- 2019.02.15	USD3,000,000/CNY20,757,600
<u>December 31, 2017</u>			
The Parent Company			
Currency swaps	USD/NTD	2018.01.10- 2018.11.06	USD130,000/NTD3,856,015
Lite-On Overseas Trading Co., Ltd.			
Forward exchange contracts	CNY/USD	2018.01.08- 2018.01.31	CNY575,824/USD87,000

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
LITE-ON SINGAPORE PTE. LTD.			
Forward exchange contracts	USD/EUR	2018.01.04	USD19,040/EUR16,000
Forward exchange contracts	USD/BRL	2018.01.18	USD2,000/BRL6,690
Forward exchange contracts	USD/NTD	2018.01.31- 2018.04.03	USD445,000/NTD13,233,313
Forward exchange contracts	CNY/USD	2018.01.17- 2018.01.29	CNY480,017/USD72,500
Forward exchange contracts	USD/CAD	2018.01.03	USD1,573/CAD2,000
Forward exchange contracts	USD/JPY	2018.01.04	USD889/JPY100,000
Lite-On Electronics (Thailand) Co., Ltd.			
Forward exchange contracts	THB/USD	2018.01.16- 2018.02.15	THB91,160/USD2,800
Philip & Lite-On Digital Solutions Corporation			
Forward exchange contracts	USD/EUR	2018.01.04	USD5,950/EUR5,000
Currency swaps	USD/NTD	2018.01.16	USD27,000/NTD808,650
LITE-ON MOBILE PTE. LTD.			
Forward exchange contracts	USD/CNY	2018.01.29	USD70,000/CNY459,620
Silitech Technology Corporation			
Forward exchange contracts	USD/MYR	2018.01.08- 2018.03.08	USD1,050/MYR4,379
Forward exchange contracts	EUR/MYR	2018.02.26- 2018.03.26	EUR150/MYR735

(Concluded)

The Group entered into derivative contracts in 2018 and 2017 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Group did not meet the criteria for hedge accounting. Thus, the derivative contracts are classified as financial assets or financial liabilities at FVTPL. The financial risk management objectives of the Group were to minimize risks due to changes in fair value or cash flows.

8. FINANCIAL ASSETS AT FVTOCI

Investments in Equity Instruments at FVTOCI

	December 31, 2018
<u>Non-current</u>	
Domestic investments	
Listed shares	\$ 199,825
Emerging market shares	99,844
Unlisted shares	<u>40,998</u>
	<u>340,667</u>
Foreign investments	
Unlisted shares	43,952
Listed shares	<u>4,056</u>
	<u>48,008</u>
	<u>\$ 388,675</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as it believes that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 11 for information related to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COSTS

	December 31, 2018
Financial products	\$ 22,416
Pledged deposits	<u>596,623</u>
	<u>\$ 619,039</u>
Current	\$ 223,738
Non-current	<u>395,301</u>
	<u>\$ 619,039</u>

- a. Financial product mainly refers to subsidiaries' guarantee, income-bearing, bank deposit products, which are measured at amortized cost; the products shall not be paid or redeemed within the contract period.
- b. Financial products, pledge deposits are classified to debt investments with no active market under IAS 39. Refer to Notes 3 and 12 for information related to their reclassification and information of 2017.
- c. Refer to Note 10 for information related to credit risk management and impairment evaluation of financial assets at amortized cost.
- d. Refer to Note 34 for information related to investments in financial assets at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	December 31, 2018
<u>At amortized cost</u>	
Gross carrying amount	\$ 619,039
Less: Allowance for impairment loss	<u>-</u>
Net carrying amount	<u>\$ 619,039</u>

In order to minimize credit risk, the Group has designated its credit management committee to evaluate the exposure of default risk. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to evaluate the debtors.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017
<u>Non-current</u>	
Domestic investments	
Listed shares	\$ 243,321
Emerging market shares	107,399
Unlisted shares	<u>15,785</u>
	<u>366,505</u>
Foreign investments	
Unlisted shares	72,575
Mutual funds	68,469
Listed shares	<u>5,580</u>
	<u>146,624</u>
	<u>\$ 513,129</u>

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

There was objective evidence that the fair values of some financial assets were below their carrying costs and will permanently decline. As a result, the Group recognized impairment loss of \$10,987 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2017.

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2017
Financial products	\$ 766,844
Pledged deposits and restricted bank deposits	<u>718,024</u>
	<u>\$ 1,484,868</u>
Current	\$ 911,783
Non-current	<u>573,085</u>
	<u>\$ 1,484,868</u>

Financial product mainly refers to subsidiary's guarantee income-bearing bank deposit products, which are measured at amortized cost; the products shall not be paid or redeemed within the contract period.

Refer to Note 34 for information on asset pledged as collateral or for security.

13. NOTES AND TRADE RECEIVABLES, NET

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>697,671</u>	\$ <u>282,316</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 45,703,661	\$ 52,561,262
Allowance for impairment loss	(218,840)	(199,568)
Unrealized interest revenue	<u>-</u>	<u>(323,962)</u>
	<u>\$ 45,484,821</u>	<u>\$ 52,037,732</u>

a. Notes receivable

The aging of notes receivable was as follows:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Not past due	\$ <u>697,671</u>	\$ <u>282,316</u>

The above aging schedule was based on the number of days past the due date.

b. Trade receivables

For the year ended December 31, 2018

The average credit period on the sales of goods was approximately 90 days, and no interest was charged on trade receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to estimate expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses allowance for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. Upon consideration, there was no material difference across various client classes. Thus, the Group estimated the expected credit losses using the number of days that a trade receivable was past due.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or when the trade receivables are more than 2 years past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's allowance matrix.

	Not Past Due	Less Than and Including 60 Days	61 to 210 Days	211 to 240 Days	More Than 240 Days	Total
Expected credit loss rate	0%	0.1%-5%	40%-70%	50%-100%	100%	
Gross carrying amount	\$ 44,450,374	\$ 986,808	\$ 114,360	\$ 2,468	\$ 149,651	\$ 45,703,661
Loss allowance	<u> </u>	<u>(9,560)</u>	<u>(57,933)</u>	<u>(1,696)</u>	<u>(149,651)</u>	<u>(218,840)</u>
Amortized cost	<u>\$ 44,450,374</u>	<u>\$ 977,248</u>	<u>\$ 56,427</u>	<u>\$ 772</u>	<u>\$ -</u>	<u>\$ 45,841,821</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31, 2018
Balance at January 1 (IAS 18)	\$ 199,568
IFRS 15 contract assets reclassification adjustment	<u>(149)</u>
Balance at January 1 (IFRS 15)	199,419
Expected credit loss	55,148
Reversal of previously recognized write-off	927
Actual write-off	(17,508)
Disposal of subsidiaries	(18,383)
Effects of changes in foreign exchange rates	<u>(763)</u>
Balance at December 31	<u>\$ 218,840</u>

For the year ended December 31, 2017

The Group applied the same credit policy in 2018 and 2017. The Group recognized an allowance for impairment loss of 100% against all receivables over 240 days past due because historical experience is that receivables that are past due beyond 240 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 1 and 240 days based on the estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their respective current financial positions.

The aging of receivables were as follows:

	December 31, 2017
Not past due	<u>\$ 51,255,744</u>
Past due	
1-60 days	1,006,738
61-210 days	144,809
211-240 days	1,661
Over 240 days	<u>152,310</u>
	<u>1,305,518</u>
	<u>\$ 52,561,262</u>

The above aging schedule was based on the number of days past the due date.

Trade receivables from sales on installments by the Group were as follows:

	December 31, 2017
Trade receivables	\$ 2,171,192
Unrealized interests revenue	<u>(323,962)</u>
	<u>\$ 1,847,230</u>

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

	For the Year Ended December 31, 2017
Balance at January 1	\$ 219,021
Allowance reversed for impairment loss	(14,132)
Amounts written off during the period as uncollectible	(308)
Foreign exchange translation	<u>(5,013)</u>
Balance at December 31	<u>\$ 199,568</u>

14. INVENTORIES, NET

	December 31	
	2018	2017
Finished goods	\$ 19,718,524	\$ 17,234,506
Raw materials	8,462,033	7,622,326
Work in progress	2,650,114	2,908,250
Inventory in transit	200,049	241,992
Merchandise	<u>462,346</u>	<u>305,498</u>
	<u>\$ 31,493,066</u>	<u>\$ 28,312,572</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 were \$18,006,839 thousand and \$186,854,505 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 included an increase in cost of goods sold amounting to \$202,838 thousand, due to inventory write-downs to their net realizable value. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2017 included an increase in cost of goods sold amounting to \$1,022,255 thousand, due to an increase in net realizable value.

15. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		Remark	
			2018	2017		
The Parent Company	Silitech Technology Corporation	Manufacture and sale of modules and plastic products	33.87	33.87	-	
	Lite-On Integrated Service Inc.	Information outsourcing and system integrate	100.00	100.00	-	
	Lite-On Capital Corporation	Investment activities	100.00	100.00	-	
	SKYLA CORPORATION	Manufacture and sale of medical equipment	69.94	100.00	-	
	LITE-ON ELECTRONICS H.K. LIMITED	Sale of LED optical products	100.00	100.00	-	
	Lite-On Electronics (Thailand) Co., Ltd.	Manufacture and sale of LED optical products	100.00	100.00	-	
	Lite-On Japan Ltd.	Sale of LED optical products and power supplies	49.49	49.49	-	
	Lite-On International Holding Co., Ltd.	Investment activities	100.00	100.00	-	
	LTC GROUP LTD.	Investment activities	100.00	100.00	-	
	LITE-ON TECHNOLOGY USA, INC.	Investment activities	100.00	100.00	-	
	LITE-ON ELECTRONICS (EUROPE) LIMITED	Manufacture and sale of power supplies	100.00	100.00	-	
	Lite-On Technology (Europe) B.V.	Market research and after-sales service	54.00	54.00	-	
	Lite-On Overseas Trading Co., Ltd.	Merchandising business	100.00	100.00	-	
	LITE-ON SINGAPORE PTE. LTD.	Manufacture and supply computer peripheral products	100.00	100.00	-	
	LITE-ON VIETNAM CO., LTD.	Electronic contract manufacturing	100.00	100.00	-	
	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Manufacture and sale of computer and appliance components	100.00	100.00	-	
	EAGLE ROCK INVESTMENT LTD.	Import and export business and investment activities	100.00	100.00	-	
	LITE-ON MOBILE PTE. LTD.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-	
	HIGH YIELD GROUP CO., LTD.	Holding company	100.00	100.00	-	
	Lite-On Information Technology B.V.	Market research and customer service	100.00	100.00	-	
	Philips & Lite-On Digital Solutions Corporation	Sale of optical disc drives	49.00	49.00	-	
	LET (HK) LIMITED	Sale of optical disc drives	100.00	100.00	-	
	Lite-On Automotive Electronics (Europe) B.V.	Sale of automotive parts and other electronic products	-	100.00	1)	
	Lite-On Automotive International (Cayman) Co., Ltd.	Investment activities	100.00	100.00	-	
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Production, manufacture, sale, import and export of photovoltaic device, key electronic components, telecommunications equipment, information technology equipment, semiconductor applications, general lighting, automotive electronics, renewable energy products and systems and maintenance of automotive industry	99.00	99.00	-	
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	Manufacture and sale of phone chargers and power supplies	99.00	99.00	-	
	KBW-LITEON Jordan Private Shareholding Limited	Production and manufacture of energy-saving lights and project construction and maintenance	99.77	98.83	-	
	KBW-LEOTEK Jordan Private Shareholding Limited	Investment activities	49.00	-	2)	
	Lite-On Capital Corporation	Silitech Technology Corporation	Manufacture and sale of modules and plastic products	0.64	0.64	-
		Lite-On Green Technologies Inc.	Manufacture and wholesale of electronic components and energy technology services	100.00	100.00	-
Lite-On Green Energy (HK) Limited		Investment activities	100.00	100.00	-	
Lite-On Green Technologies Inc.	Lite-On Technology (Europe) B.V.	Market research and after-sales services	46.00	46.00	-	
	LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Investment activities	100.00	100.00	-	
	Lite-On Green Technologies B.V.	Solar energy engineering	100.00	100.00	-	
LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Solar energy engineering	100.00	100.00	-		
LITE-ON ELECTRONICS H.K. LIMITED	Lite-On Green Energy B.V.	Investment activities	100.00	100.00	-	
LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	ODM services	100.00	100.00	-	
	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Manufacture and sale of IT products	100.00	100.00	-	
	CHINA BRIDGE (CHINA) CO., LTD.	Investment, sales agent	100.00	100.00	-	
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture of electronic components	100.00	100.00	-	
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Manufacture and sale of keyboards	100.00	100.00	-	
	LITE-ON COMPUTER TECHNOLOGY (DONGGUAN) CO., LTD.	Manufacture and sale of display device	100.00	100.00	-	
	DONGGUAN G-TECH COMPUTER CO., LTD.	Manufacture and sale of computer case	-	100.00	3)	
	DONGGUAN G-PRO COMPUTER CO., LTD.	Manufacture and sale of system products	-	79.29	3)	
	LITE-ON DIGITAL ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture and sale of computer peripheral products	100.00	100.00	-	
	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	DONGGUAN G-PRO COMPUTER CO., LTD.	Manufacture and sale of system products	-	20.71	3)

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2018	2017	
CHINA BRIDGE (CHINA) CO., LTD.	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Development, manufacture of new-type electronic components and provide technology consulting services, maintenance equipment and after-sales services	12.59	12.59	-
LITE-ON ELECTRONICS COMPANY LIMITED	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Express and sale of power supplies, printers, display devices and scanners	100.00	100.00	-
	LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED	Manufacture and sale of mobile terminal equipment	100.00	100.00	-
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Manufacture and sale of printers and scanners	100.00	100.00	-
	LITE-ON (GUANGZHOU) INFORTECH CO., LTD.	Information outsourcing	100.00	100.00	-
	LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED	Manufacture and sale of mobile terminal equipment	100.00	100.00	-
	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	67.03	67.03	-
	LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED	Manufacture and sale of computer cases	100.00	100.00	-
	LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	Development, manufacture, sale and installation of power supplies and transformers and provision of technology consulting services, maintenance equipment and precision instruments	100.00	100.00	-
LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	Investment activities	100.00	100.00	-
	LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Development, manufacture and sale of electronic components, power supplies and provision technology consulting services	100.00	100.00	-
LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	32.97	32.97	-
	ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Mobile phone mold, assembly line design, manufacture and sale activities.	-	100.00	4)
LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Development, manufacture, sale and installation of power supplies and transformers and provision technology consulting services, maintenance equipment and after-sales services	100.00	100.00	-
	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Development, manufacture and sale of new-type electronic components and LED and provision technology consulting services, maintenance equipment and after-sales services	87.41	87.41	-
LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	LITE-ON MEDICAL DEVICE (CHANGZHOU) LTD.	Manufacture and sale of medical equipment	100.00	100.00	-
	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	100.00	100.00	-
	LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	Design, development, manufacture and sale of computer laptop keyboard modules and components and provision of technology consulting services and after-sales services	100.00	100.00	-
	Lite-On Automotive Electronics (CZ) Co.	Manufacture, sale and processing of electronic products	100.00	-	5)
	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Solar energy engineering	100.00	100.00	6)
	DONGGUAN LITE-ON COMPUTER CO., LTD.	Manufacture and sale of computer hosts and components	100.00	100.00	-
	LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD	Manufacture and sale of electronic components	100.00	100.00	-
	YANTAI LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Development, design, manufacture, sale of phone case and components and provide technical support, business management information consult, goods and technology import and export.	100.00	100.00	7)
LITE-ON TECHNOLOGY USA, INC.	LITE-ON, INC.	Sales data processing business of optoelectronic products and power supplies	100.00	100.00	-
	LITE-ON TRADING USA, INC.	Sale of optical products	100.00	100.00	-
	LEOTEK ELECTRONICS USA LLC.	Sale of LED products	100.00	100.00	-
	POWER INNOVATIONS INTERNATIONAL, INC.	Development, design and manufacture of power control and energy management	95.25	95.25	-
	Lite-On Sales & Distribution Inc.	Sale of optical disc drives	100.00	100.00	-
	LITE-ON TECHNOLOGY SERVICE, INC.	After-sales service of optical products	100.00	100.00	-
	LITE-ON CHINA HOLDING CO., LTD.	Manufacture and sale of computer cases	100.00	100.00	-
Lite-On International Holding Co., Ltd.	Lite-On Technology (Yingtian) Ltd.	Manufacture and sale of electronic components	100.00	100.00	-
LITE-ON SINGAPORE PTE. LTD.	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Manufacture and sale of electronic components	100.00	100.00	-
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Manufacture and sale of energy saving equipment	100.00	100.00	-
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Production, manufacture, sale, import and export of photovoltaic device, key electronic components, telecommunications equipment, information technology equipment, semiconductor applications, general lighting, automotive electronics, renewable energy products and systems and maintenance of automotive industry	1.00	1.00	-
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	Manufacture and sale of phone chargers and power supplies	1.00	1.00	-
	LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	100.00	100.00	-

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2018	2017	
LTC GROUP LTD.	TITANIC CAPITAL SERVICES LTD. LTC INTERNATIONAL LTD.	Investment activities Manufacture and sale of system products	100.00 100.00	100.00 100.00	- -
Lite-On Technology (Europe) B.V.	Lite-On (Finland) Oy	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
Lite-On (Finland) Oy	Lite-On Mobile Oyj	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
LITE-ON CHINA HOLDING CO., LTD.	LITE-ON ELECTRONICS COMPANY LIMITED YET FOUNDATE LIMITED	Investment activities Manufacture of plastic and computer peripheral products	100.00 100.00	100.00 100.00	- -
	I-SOLUTIONS LIMITED	Original equipment manufacturer of electronic products	100.00	100.00	-
	FORDGOOD ELECTRONIC LIMITED	Import and export and real estate business	100.00	100.00	-
G&W TECHNOLOGY (BVI) LIMITED	G&W TECHNOLOGY (BVI) LIMITED	Real estate management	50.00	50.00	-
EAGLE ROCK INVESTMENT LTD.	G&W TECHNOLOGY LIMITED	Leasing business	100.00	100.00	-
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	100.00	100.00	-
	HUIZHOU FU TAI ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	100.00	100.00	-
HIGH YIELD GROUP CO., LTD.	LITE-ON IT INTERNATIONAL (HK) LIMITED	Sale of optical disc drives	100.00	100.00	-
LITE-ON IT INTERNATIONAL (HK) LIMITED	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Manufacture and sale of optical disc drives	100.00	100.00	-
	LiteON Auto Electric Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	100.00	100.00	-
	LITEON-IT OPTO TECH (BH) CO., LTD.	Manufacture and sale of optical disc drives	100.00	100.00	-
Lite-On Information Technology B.V.	Lite-On Information Technology GmbH	Sale of optical disc drives	100.00	100.00	-
Philips & Lite-On Digital Solutions Corporation	PLDS Germany GmbH	Development and sale of modules of automotive recorders	100.00	100.00	-
	Philips & Lite-On Digital Solutions USA, Inc.	Sale of optical disc drives	100.00	100.00	-
	Philips & Lite-On Digital Solutions Korea Ltd.	Sale of optical disc drives	100.00	100.00	-
	PLDS Netherlands B.V.	Sale and design of optical disc drives	100.00	100.00	-
	Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Sale of optical disc drives	100.00	100.00	-
Silitech Technology Corporation	Silitech (BVI) Holding Ltd. Lite-On Japan Ltd.	Investment activities Sale of LED optical products and power supplies	100.00 7.87	100.00 7.87	- -
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Investment activities	100.00	100.00	-
Silitech (Bermuda) Holding Ltd.	Silitech Technology Corporation Limited	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	Silitech Technology Corp. Sdn. Bhd.	Manufacture of computer peripheral products	100.00	100.00	-
	Silitech (Hong Kong) Holding Ltd.	Investment activities	100.00	100.00	-
	Silitech International (India) Private Limited	Development, manufacture and sale of automotive parts	-	100.00	8)
Silitech (Hong Kong) Holding Ltd.	Silitech Electronic (SuZhou) Co., Ltd.	Manufacture and sale of automotive parts	100.00	100.00	-
Silitech Technology Corporation Limited	Xurong Electronic (Shenzhen) Ltd.	Manufacture of automotive parts, touch panels and plastic and rubber assembly	100.00	100.00	-
	XURONG Tooling Manufacturing (Suzhou) Co., Ltd.	Development, manufacture and sale of precision modules and new-type electronic components (chip components, testing elements, hybrid integrated circuits)	-	60.00	9)
Lite-On Automotive International (Cayman) Co., Ltd	LITE-ON AUTOMOTIVE HOLDINGS (HONG KONG) CO., LIMITED	Investment activities	100.00	100.00	-
LITE-ON AUTOMOTIVE HOLDINGS (HONG KONG) CO., LIMITED	LITE-ON AUTOMOTIVE (WUXI) CO., LTD	Manufacture, sale and processing of electronic products	100.00	100.00	-
	Lite-On (Guangzhou) Automotive Electronics Limited	Manufacture, sale and processing of electronic products	100.00	100.00	-
Lite-On Japan Ltd.	L&K Industries Philippines, Inc.	Import and export business of electronic components	100.00	100.00	-
	Lite-On Japan (H.K.) Limited	Import and export business of electronic components	100.00	100.00	-
	Lite-On Japan (Korea) Co., Ltd.	Import and export business of electronic components	100.00	100.00	-
	LITE-ON JAPAN (Thailand) CO., LTD.	Import and export business of electronic components	100.00	100.00	-
Lite-On Japan (H.K.) Limited	NL (SHANGHAI) CO., LTD.	Import and export business of electronic components	100.00	100.00	-
Lite-On Mobile Oyj	Lite-On Mobile Sweden AB	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Manufacture and sale of mobile phone modules and design for assembly line	2.97	2.97	-
	LITE-ON MOBILE INDIA PRIVATE LIMITED	Manufacture and sale of mobile phone modules and design for assembly line	11.59	11.59	-
LITE-ON MOBILE PTE. LTD.	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	-	100.00	4)
	GUANGZHOU LITE-ON MOBILE ENGINEERING PLASTICS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
	BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	100.00	100.00	-
	Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	-	100.00	4)
	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Manufacture and sale of mobile phone modules and design for assembly line	97.03	97.03	-
	LITE-ON MOBILE INDIA PRIVATE LIMITED	Manufacture and sale of mobile phone modules and design for assembly line	88.41	88.41	-
LITE-ON YOUNG FAST PTE. LTD.	LITE-ON YOUNG FAST PTE. LTD.	Investment activities	100.00	100.00	-
	LITE-ON YOUNG FAST (HUIZHOU) CO., LTD.	Modules of touch panels	-	100.00	10)
KBW-LEOTEK Jordan Private Shareholding Limited	LEOTEK, PSC (formerly: KBW-LEOTEK FACTORY Jordan Private Shareholding Limited)	Production and manufacture of energy-saving lights	60.00	-	2)

(Concluded)

Remark:

- 1) Sold in July 2018.
 - 2) Became a subsidiary in May 2018.
 - 3) Dissolved upon reorganization with LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED in December 2018.
 - 4) Sold in October 2018.
 - 5) Established in January 2018.
 - 6) The investee was initially held by Lite-On Green Technologies (HK) Limited. Upon reorganization in November 2018, the ownership interests were transferred to LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.
 - 7) The investee was initially held by Guangzhou Lite-On Mobile Electronic Components Co., Ltd. Upon reorganization in July 2018, the ownership interests were transferred to Lite-On Electronics (Guangzhou) Limited.
 - 8) Liquidated in October 2018.
 - 9) Liquidated in May 2018.
 - 10) Liquidated in November 2018.
- b. Subsidiaries excluded from consolidated financial statements: None.
- c. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2018	2017
Silitech Technology Corp.	65.49%	65.49%

See Table 8 and Table 9 for the information on main operating activities, place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2018	2017	2018	2017
	Silitech Technology Corp.	\$ (22,145)	\$ (53,798)	\$ 2,464,676
Others	<u>32,391</u>	<u>55,595</u>	<u>889,969</u>	<u>764,946</u>
	<u>\$ 10,246</u>	<u>\$ 1,797</u>	<u>\$ 3,354,645</u>	<u>\$ 3,255,951</u>

The summarized financial information below represents amounts before intragroup eliminations.

Silitech Technology Corp. and Silitech Technology Corp.'s subsidiaries:

	December 31	
	2018	2017
Current assets	\$ 3,972,433	\$ 4,049,950
Non-current assets	771,549	815,100
Current liabilities	(881,038)	(945,650)
Non-current liabilities	<u>(99,356)</u>	<u>(116,205)</u>
Equity	<u>\$ 3,763,588</u>	<u>\$ 3,803,195</u>
Equity attributable to:		
Parent Company	\$ 1,298,912	\$ 1,312,190
Non-controlling interests of Silitech Technology Corp.	2,464,676	2,489,872
Non-controlling interests of Silitech Technology Corp.'s subsidiaries	<u>-</u>	<u>1,133</u>
	<u>\$ 3,763,588</u>	<u>\$ 3,803,195</u>
	For the Year Ended December 31	
	2018	2017
Revenue	<u>\$ 2,251,044</u>	<u>\$ 2,285,054</u>
Net loss for the year	\$ (33,816)	\$ (82,105)
Other comprehensive loss for the year	<u>(4,603)</u>	<u>(56,610)</u>
Total comprehensive loss for the year	<u>\$ (38,419)</u>	<u>\$ (138,715)</u>
Net loss attributable to:		
Parent Company	\$ (11,671)	\$ (28,307)
Non-controlling interests of Silitech Technology Corp.	(22,145)	(53,711)
Non-controlling interests of Silitech Technology Corp.'s subsidiaries	<u>-</u>	<u>(87)</u>
	<u>\$ (33,816)</u>	<u>\$ (82,105)</u>
Total comprehensive loss attributable to:		
Parent Company	\$ (13,278)	\$ (47,836)
Non-controlling interests of Silitech Technology Corp.	(25,196)	(90,769)
Non-controlling interests of Silitech Technology Corp.'s subsidiaries	<u>55</u>	<u>(110)</u>
	<u>\$ (38,419)</u>	<u>\$ (138,715)</u>
Net cash flow from:		
Operating activities	\$ (299,005)	\$ (154,568)
Investing activities	1,248,814	(51,424)
Financing activities	(1,238)	(1,440,002)
Foreign exchange translation	<u>(406)</u>	<u>(46,278)</u>
Net cash inflow (outflow)	<u>\$ 948,165</u>	<u>\$ (1,692,272)</u>

16. NON-CURRENT ASSETS HELD FOR SALE

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Investment properties held for sale	\$ -	\$ 399,594
Property, plant and equipment held for sale	-	385,601
Land use right held for sale	<u>-</u>	<u>29,948</u>
	<u>\$ -</u>	<u>\$ 815,143</u>

Silitech Technology Corporation, a subsidiary, signed a contract with Suzhou Xu Die industrial Co., Ltd. to sell the majority of right-to-use of land, property, plant and equipment and investment properties in Suzhou for CNY 235,000 thousand on July 19, 2018. The transaction was completed as of December 2018. Silitech Technology Corporation has recognized gain on disposal of \$153,905 thousand.

No impairment loss was recognized when the Group classified property, plant and equipment and investment properties into non-current assets held for sale since the fair values of the assets were higher than their carrying values.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Associates that are not individually material	<u>\$ 4,972,609</u>	<u>\$ 3,681,951</u>

Aggregate Information of Associates That Are Not Individually Material

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
The Group's share of:		
Profit for the year	\$ 178,863	\$ 170,309
Other comprehensive loss	<u>(50,035)</u>	<u>(74,089)</u>
Total comprehensive income (loss) for the year	<u>\$ 128,828</u>	<u>\$ 96,220</u>

In January 2018, the Group partially disposed of its interest in Logah Technology Corp.; thus, it ceased to have significant influence. The Group retained the remaining interest as financial assets at FVTOCI whose fair value at the date of disposal. This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

	Amount
Proceeds of disposal	\$ 4,560
Add: Fair value of retained investment	187,834
Less: Carrying amount of investment on the date of loss of significant influence	(93,003)
Carrying amount of disposed of investment	(2,238)
Share of other comprehensive income of the associate	<u>(4,078)</u>
Gain recognized (under non-operating income and expenses - disposal of net investments)	<u>\$ 93,075</u>

In July 2017, the Group recognized an impairment loss of \$15,567 thousand to investments accounted for using the equity method, due to the bankruptcy of the associates. The loss was recorded under the impairment loss on the consolidated statements of comprehensive income.

18. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
Cost									
January 1, 2018	\$ 2,326,301	\$ 18,044,924	\$ 39,084,953	\$ 2,302,461	\$ 60,819	\$ 2,148,655	\$ 827,968	\$ 6,260,200	\$ 71,056,291
Additions	619	160,355	3,148,660	137,864	2,161	159,536	21,760	2,497,307	6,128,262
Disposals	-	(18,461)	(15,355,823)	(69,529)	(6,495)	(195,534)	(233,230)	(966,245)	(16,845,317)
Reclassification	-	231,250	839,888	(235,715)	(6)	24,717	(607,894)	(492,180)	(239,940)
Effect of foreign currency exchange differences	1,056	(262,960)	(297,758)	(26,275)	(404)	(11,131)	(8,614)	(54,877)	(660,963)
December 31, 2018	<u>\$ 2,327,976</u>	<u>\$ 18,155,108</u>	<u>\$ 27,419,920</u>	<u>\$ 2,108,806</u>	<u>\$ 56,075</u>	<u>\$ 2,126,243</u>	<u>\$ -</u>	<u>\$ 7,244,205</u>	<u>\$ 59,438,333</u>
Accumulated depreciation									
January 1, 2018	\$ -	\$ 8,835,336	\$ 28,402,680	\$ 2,138,079	\$ 55,513	\$ 1,788,779	\$ 607,728	\$ 4,205,896	\$ 46,034,011
Additions	-	664,151	3,316,541	136,406	2,865	190,923	30,951	328,550	4,670,387
Disposals	-	(9,277)	(10,238,666)	(71,316)	(6,145)	(168,084)	(232,102)	(756,855)	(11,482,445)
Reclassification	-	(55,435)	(26,170)	(248,757)	(4)	(4)	(398,538)	153,256	(575,652)
Effect of foreign currency exchange differences	-	(127,144)	(237,991)	(24,797)	(302)	(11,390)	(8,039)	(33,979)	(443,642)
December 31, 2018	<u>\$ -</u>	<u>\$ 9,307,631</u>	<u>\$ 21,216,394</u>	<u>\$ 1,929,615</u>	<u>\$ 51,927</u>	<u>\$ 1,800,224</u>	<u>\$ -</u>	<u>\$ 3,896,868</u>	<u>\$ 38,202,659</u>
Accumulated impairment									
January 1, 2018	\$ -	\$ 278,488	\$ 2,122,836	\$ 19,657	\$ -	\$ 2,711	\$ 38,067	\$ 70,110	\$ 2,531,869
Additions	-	51,963	86,219	-	155	2,476	18,380	2,145	161,338
Disposals	-	-	(1,897,807)	-	-	(167)	-	(9)	(1,897,983)
Reclassification	-	-	-	-	-	-	(55,426)	55,426	-
Effect of foreign currency exchange differences	-	(12,857)	(20,817)	(211)	(2)	(50)	(1,021)	(9,584)	(44,542)
December 31, 2018	<u>\$ -</u>	<u>\$ 317,594</u>	<u>\$ 290,431</u>	<u>\$ 19,446</u>	<u>\$ 153</u>	<u>\$ 4,970</u>	<u>\$ -</u>	<u>\$ 118,088</u>	<u>\$ 750,682</u>
December 31, 2018, net	<u>\$ 2,327,976</u>	<u>\$ 8,529,883</u>	<u>\$ 5,913,095</u>	<u>\$ 159,745</u>	<u>\$ 3,995</u>	<u>\$ 321,049</u>	<u>\$ -</u>	<u>\$ 3,229,249</u>	<u>\$ 20,484,992</u>
Cost									
January 1, 2017	\$ 2,324,761	\$ 18,915,082	\$ 39,797,206	\$ 2,707,256	\$ 63,509	\$ 2,163,576	\$ 786,526	\$ 7,513,576	\$ 74,271,492
Additions	-	163,256	2,780,511	91,490	2,495	238,765	44,669	1,284,127	4,605,313
Disposals	(691)	(204,668)	(3,293,484)	(489,298)	(3,771)	(206,009)	(2,290)	(174,260)	(4,374,471)
Reclassification	4,110	(588,732)	246,276	12,685	(190)	(18,398)	-	(2,268,914)	(2,613,163)
Effect of foreign currency exchange differences	(1,879)	(240,014)	(445,556)	(19,672)	(1,224)	(29,279)	(927)	(94,329)	(832,880)
December 31, 2017	<u>\$ 2,326,301</u>	<u>\$ 18,044,924</u>	<u>\$ 39,084,953</u>	<u>\$ 2,302,461</u>	<u>\$ 60,819</u>	<u>\$ 2,148,655</u>	<u>\$ 827,978</u>	<u>\$ 6,260,200</u>	<u>\$ 71,056,291</u>
Accumulated depreciation									
January 1, 2017	\$ -	\$ 8,718,781	\$ 27,497,682	\$ 2,514,537	\$ 54,910	\$ 1,830,294	\$ 580,760	\$ 4,046,477	\$ 45,243,441
Additions	-	710,822	4,153,408	150,329	5,230	198,489	26,264	409,081	5,653,623
Disposals	-	(157,058)	(2,780,733)	(495,655)	(3,331)	(201,434)	(2,290)	(165,368)	(3,823,869)
Reclassification	-	(336,205)	(181,936)	(12,645)	(288)	(14,534)	-	(50,362)	(595,970)
Effect of foreign currency exchange differences	-	(101,004)	(267,741)	(18,487)	(1,008)	(24,036)	2,994	(33,932)	(443,214)
December 31, 2017	<u>\$ -</u>	<u>\$ 8,835,336</u>	<u>\$ 28,402,680</u>	<u>\$ 2,138,079</u>	<u>\$ 55,513</u>	<u>\$ 1,788,779</u>	<u>\$ 607,728</u>	<u>\$ 4,205,896</u>	<u>\$ 46,034,011</u>
Accumulated impairment									
January 1, 2017	\$ -	\$ 254,172	\$ 734,237	\$ 13,624	\$ 453	\$ 7,055	\$ 38,787	\$ 153,509	\$ 1,201,837
Additions	-	30,904	1,828,468	974	-	315	-	1,357	1,862,018
Disposals	-	(2,766)	(339,233)	(38)	(215)	(1,357)	-	(26,181)	(369,790)
Effect of foreign currency exchange differences	-	(3,822)	(100,636)	5,097	(238)	(3,302)	(720)	(58,575)	(162,196)
December 31, 2017	<u>\$ -</u>	<u>\$ 278,488</u>	<u>\$ 2,122,836</u>	<u>\$ 19,657</u>	<u>\$ -</u>	<u>\$ 2,711</u>	<u>\$ 38,067</u>	<u>\$ 70,110</u>	<u>\$ 2,531,869</u>
December 31, 2017, net	<u>\$ 2,326,301</u>	<u>\$ 8,931,100</u>	<u>\$ 8,559,437</u>	<u>\$ 144,725</u>	<u>\$ 5,306</u>	<u>\$ 357,165</u>	<u>\$ 182,183</u>	<u>\$ 1,984,194</u>	<u>\$ 22,490,411</u>

Due to the decline in sales of some of the Group's products in the markets, the expected future cash flows generated by some equipments used in the production decreased. Therefore, the recoverable amount was lower than the carrying amount. Consequently, the Group recognized impairment loss of \$161,338 thousand and \$1,862,018 thousand for the years ended December 31, 2018 and 2017, respectively. The impairment losses were recognized in the statement of comprehensive income. The Group determined the recoverable amount of the related equipment on the basis of their fair value less costs of disposal. The fair value of the recoverable amount was categorized as a Level 1 measurement.

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

Buildings	3-60 years
Machinery equipment	2-10 years
Tooling equipment	2-20 years
Transportation equipment	3-10 years
Office equipment	2-20 years
Equipment held under finance leases	2-10 years
Other equipment	2-20 years

19. INVESTMENT PROPERTIES, NET

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2018	\$ 1,460,944
Additions	7,051
Transferred to property, plant and equipment	(204,424)
Net exchange differences	<u>(23,636)</u>
Balance at December 31, 2018	<u>\$ 1,239,935</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2018	\$ 34,810
Depreciation expense	27,865
Net exchange differences	<u>(1,133)</u>
Balance at December 31, 2018	<u>\$ 61,542</u>
Balance at December 31, 2018, net	<u>\$ 1,178,393</u>
<u>Cost</u>	
Balance at January 1, 2017	\$ 669,502
Transferred from property, plant and equipment	1,460,944
Transferred to non-current assets held for sale	(657,093)
Net exchange differences	<u>(12,409)</u>
Balance at December 31, 2017	<u>\$ 1,460,944</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2017	\$ 239,712
Depreciation expense	21,978
Transferred from property, plant and equipment	34,810
Transferred to non-current assets held for sale	(257,499)
Net exchange differences	<u>(4,191)</u>
Balance at December 31, 2017	<u>\$ 34,810</u>
Balance at December 31, 2017, net	<u>\$ 1,426,134</u>

The investment properties held by the Group are depreciated using the straight-line method over their estimated useful lives of 20 to 50 years.

The Group's management was unable to reliably measure the fair value of its investment property located in Shanghai because the market for comparable properties is inactive and alternative reliable measurements of fair value were not available; therefore, the Group determined that the fair value of the investment property cannot be reliably measurable.

The Group has freehold interests in all of its investment properties.

20. INTANGIBLE ASSETS, NET

	Goodwill	Patents	Patents Use Rights	Client Relationships	Software	Other Intangible Assets	Total
<u>Cost</u>							
January 1, 2018	\$ 15,413,191	\$ 51,244	\$ 2,695,878	\$ 163,819	\$ 1,057,879	\$ 1,677,191	\$ 21,059,202
Additions	-	111	-	-	160,061	6,150	166,322
Disposals	(368,462)	-	-	-	(74,643)	(172,549)	(615,654)
Reclassification	-	-	-	-	21,648	-	21,648
Effect of foreign currency exchange differences	8,343	9	-	-	542	(984)	7,910
December 31, 2018	<u>\$ 15,053,072</u>	<u>\$ 51,364</u>	<u>\$ 2,695,878</u>	<u>\$ 163,819</u>	<u>\$ 1,165,487</u>	<u>\$ 1,509,808</u>	<u>\$ 20,639,428</u>
<u>Accumulated amortization</u>							
January 1, 2018	\$ 77,234	\$ 48,792	\$ 2,583,550	\$ 163,819	\$ 761,406	\$ 1,635,740	\$ 5,270,541
Additions	-	1,432	112,328	-	185,034	7,706	306,500
Disposals	-	-	-	-	(58,348)	(138,817)	(197,165)
Reclassification	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	-	-	962	(781)	181
December 31, 2018	<u>\$ 77,234</u>	<u>\$ 50,224</u>	<u>\$ 2,695,878</u>	<u>\$ 163,819</u>	<u>\$ 889,054</u>	<u>\$ 1,503,848</u>	<u>\$ 5,380,057</u>
<u>Accumulated impairment</u>							
January 1, 2018	\$ 5,959,943	\$ -	\$ -	\$ -	\$ 60	\$ -	\$ 5,960,003
Additions	3,385,324	-	-	-	-	-	3,385,324
Deductions	-	-	-	-	(40)	-	(40)
December 31, 2018	<u>\$ 9,345,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 9,345,287</u>
December 31, 2018, net	<u>\$ 5,630,571</u>	<u>\$ 1,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,413</u>	<u>\$ 5,960</u>	<u>\$ 5,914,084</u>
<u>Cost</u>							
January 1, 2017	\$ 15,416,303	\$ 38,570	\$ 2,695,878	\$ 163,819	\$ 833,595	\$ 1,888,423	\$ 21,036,588
Additions	-	1,150	-	-	225,403	2,101	228,654
Disposals	-	-	-	-	(7,248)	(212,607)	(219,855)
Reclassification	-	11,535	-	-	8,077	(265)	19,347
Effect of foreign currency exchange differences	(3,112)	(11)	-	-	(1,948)	(461)	(5,532)
December 31, 2017	<u>\$ 15,413,191</u>	<u>\$ 51,244</u>	<u>\$ 2,695,878</u>	<u>\$ 163,819</u>	<u>\$ 1,057,879</u>	<u>\$ 1,677,191</u>	<u>\$ 21,059,202</u>
<u>Accumulated amortization</u>							
January 1, 2017	\$ 77,234	\$ 34,161	\$ 2,358,895	\$ 163,819	\$ 587,078	\$ 1,816,431	\$ 5,037,618
Additions	-	3,096	224,655	-	179,486	14,149	421,386
Disposals	-	-	-	-	(7,248)	(194,919)	(202,167)
Reclassification	-	11,535	-	-	3,773	(262)	15,046
Effect of foreign currency exchange differences	-	-	-	-	(1,683)	341	(1,342)
December 31, 2017	<u>\$ 77,234</u>	<u>\$ 48,792</u>	<u>\$ 2,583,550</u>	<u>\$ 163,819</u>	<u>\$ 761,406</u>	<u>\$ 1,635,740</u>	<u>\$ 5,270,541</u>
<u>Accumulated impairment</u>							
January 1, 2017	\$ 789,743	\$ -	\$ -	\$ -	\$ (507)	\$ -	\$ 789,236
Additions	5,170,200	-	-	-	6	-	5,170,206
Reclassification	-	-	-	-	561	-	561
December 31, 2017	<u>\$ 5,959,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 5,960,003</u>
December 31, 2017, net	<u>\$ 9,376,014</u>	<u>\$ 2,452</u>	<u>\$ 112,328</u>	<u>\$ -</u>	<u>\$ 296,413</u>	<u>\$ 41,451</u>	<u>\$ 9,828,658</u>

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

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

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

	December 31	
	2018	2017
Parent Company	\$ 5,248,746	\$ 5,617,208
POWER INNOVATIONS INTERNATIONAL, INC.	342,940	332,261
LITE-ON MOBILE PTE. LTD.	-	3,387,661
Others	<u>38,884</u>	<u>38,884</u>
	<u>\$ 5,630,570</u>	<u>\$ 9,376,014</u>

- 1) The Group has sold the major operations and assets of its portable mobile phones image business group during the six months ended June 30, 2018. As a result, the Group shall exclude the goodwill of that business group of \$368,462 thousand as a reduction of operating concession and premium earnings. (Refer to Note 36.)
- 2) The Group tested the goodwill of a cash-generating unit, LITE-ON MOBILE PTE. LTD, for impairment. Upon evaluation, the recoverable amount of the cash-generating unit was less than its carrying amount. Thus, for the nine months ended September 30, 2018 and 2017, the Group recognized impairment losses of \$3,385,324 and \$5,170,200 thousand in the consolidated statement of comprehensive income, respectively.
- 3) Goodwill is allocated to the Group's recoverable amount of cash-generating units. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering the future four to five-year period. The discount rate used in the value-in-use calculation was 9.90% to 11.36%. Pre-tax cash flow projections after the four to five-year period are expected to have zero growth thereon.
- 4) Management determined gross margin based on past performance and future profits. The growth rate used is consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash-generating units.

21. OTHER ASSETS

	<u>December 31</u>	
	2018	2017
Prepayments	\$ 1,800,430	\$ 2,402,109
Prepayments for leases	839,816	752,148
Offset against tax payable	624,290	731,553
Prepayments for equipment	17,631	36,708
Others	<u>228,799</u>	<u>257,409</u>
	<u>\$ 3,510,966</u>	<u>\$ 4,179,927</u>
Current	\$ 2,638,275	\$ 3,372,102
Non-current	<u>872,691</u>	<u>807,825</u>
	<u>\$ 3,510,966</u>	<u>\$ 4,179,927</u>

Prepayments for leases with carrying amounts of \$526,949 thousand and \$556,646 thousand as of December 31, 2018 and 2017, respectively, referred to land use rights located in mainland China. The carrying amount of \$186,875 thousand and \$73,901 thousand as of December 31, 2018 and 2017 referred to land use rights located in Vietnam, correspondingly.

22. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2018	2017
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 30,087,282</u>	<u>\$ 30,155,790</u>

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

	<u>December 31</u>	
	2018	2017
Short-term borrowings	2.48%-8.3%	1.69%-2.38%

b. Long-term borrowings

	<u>December 31</u>	
	2018	2017
<u>Unsecured borrowings</u>		
Lite-On Japan Ltd.	\$ -	\$ 15,161
Current portion	<u>-</u>	<u>(15,161)</u>
	<u>-</u>	<u>-</u>

(Continued)

	<u>December 31</u>	
	2018	2017
<u>Secured borrowings</u>		
POWER INNOVATIONS INTERNATIONAL, INC.	\$ 184	\$ 1,221
Current portion	<u>(184)</u>	<u>(1,043)</u>
	<u>-</u>	<u>178</u>
	<u>\$ -</u>	<u>\$ 178</u> (Concluded)

- 1) As of December 31, 2017, Lite-On Japan Ltd., a subsidiary of the Parent Company, had 2 long-term bank loans, with contract terms from June 2013 to October 2018, with interest rates of 1.1% and principals repayable in trimestral installments.
- 2) As of December 31, 2018 and 2017, POWER INNOVATIONS INTERNATIONAL, INC., a subsidiary of the Parent Company, had a long-term secured borrowing as a collateral loan for machinery and equipment, with contract terms from March 28, 2013 to February 28, 2019, and an interest rate of 4.4%.

23. FINANCE LEASE PAYABLES

	<u>December 31</u>	
	2018	2017
<u>Minimum lease payments</u>		
Not later than one year	\$ 1,473	\$ 1,722
Later than one year and not later than five years	<u>354</u>	<u>1,804</u>
	1,827	3,526
Future finance charges	<u>(7)</u>	<u>(162)</u>
	<u>\$ 1,820</u>	<u>\$ 3,364</u>
<u>Present value of minimum lease payments</u>		
Not later than one year	\$ 1,469	\$ 1,600
Later than one year and not later than five years	<u>351</u>	<u>1,764</u>
	<u>\$ 1,820</u>	<u>\$ 3,364</u>
Current	\$ 1,469	\$ 1,600
Non-current	<u>351</u>	<u>1,764</u>
	<u>\$ 1,820</u>	<u>\$ 3,364</u>
POWER INNOVATIONS INTERNATIONAL, INC.	\$ 1,820	\$ 3,364
Current portion of long-term capital lease liabilities	<u>(1,469)</u>	<u>(1,600)</u>
	<u>\$ 351</u>	<u>\$ 1,764</u>

POWER INNOVATIONS INTERNATIONAL, INC. leased machinery and equipment under finance leases valid from March 28, 2013 to March 31, 2020. The terms of these leases were between five and seven years, with 3.49% to 4.75% interest rate. The machinery and equipment can be bought at bargain purchase prices at the end of the lease terms.

24. PROVISIONS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Warranties	<u>\$ 1,011,238</u>	<u>\$ 866,119</u>
Balance at January 1	\$ 866,119	\$ 1,032,113
Recognition of provisions	429,650	149,804
Usage	(285,733)	(311,752)
Effect of foreign currency exchange differences	<u>1,202</u>	<u>(4,046)</u>
Balance at December 31	<u>\$ 1,011,238</u>	<u>\$ 866,119</u>

Based on the local legislation for the sale of goods, provision for warranty claims is the present value of management's best estimate of the future outflow of economic benefits that will be required under the Parent Company's obligations for warranties. The estimate has been made on the basis of historical warranty trends and may vary as a result of the entry of new materials, altered manufacturing processes or other events affecting product quality.

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Parent Company and subsidiaries - Philips & Lite-On Digital Solutions Corp., Silitech Technology Corp., Lite-On Integrated Services Inc. and SKYLA CORPORATION of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages starting from July 1, 2015. Some consolidated entities, which are mainly in investments, have either very few or even no staff. These companies have no pension plans and thus do not contribute to pension funds and do not recognize pension costs. Except for these companies, the remaining companies all contribute to pension funds and recognize pension costs based on local government regulations.

b. Defined benefit plans

The Parent Company and subsidiaries - Philips & Lite-On Digital Solutions Corp., Silitech Technology Corp. and SKYLA CORPORATION of the Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Parent Company and its subsidiaries - Philips & Lite-On Digital Solutions Corp. and Silitech Technology Corp. of the Group contribute amounts equal to 2% to 6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Parent Company and its subsidiaries assess the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Parent Company and its subsidiaries are required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor

Funds, Ministry of Labor (“the Bureau”); the Parent Company and its subsidiaries have no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 1,230,896	\$ 1,271,333
Fair value of plan assets	<u>(1,069,899)</u>	<u>(1,047,308)</u>
Net defined benefit liabilities	<u>\$ 160,997</u>	<u>\$ 224,025</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	<u>\$ 1,267,158</u>	<u>\$ (1,078,054)</u>	<u>\$ 189,104</u>
Current service cost	8,237	-	8,237
Net interest expense (income)	<u>16,248</u>	<u>(13,356)</u>	<u>2,892</u>
Recognized in profit or loss	<u>24,485</u>	<u>(13,356)</u>	<u>11,129</u>
Remeasurement			
Return on plan assets	-	2,972	2,972
Actuarial loss - changes in demographic assumptions	3,906	-	3,906
Actuarial loss - changes in financial assumptions	29,757	-	29,757
Actuarial loss - experience adjustments	<u>7,274</u>	<u>-</u>	<u>7,274</u>
Recognized in other comprehensive loss	<u>40,937</u>	<u>2,972</u>	<u>43,909</u>
Contributions from the employer	-	(20,512)	(20,512)
Benefits paid	(61,642)	61,642	-
Exchange differences on foreign plans	<u>395</u>	<u>-</u>	<u>395</u>
Balance at December 31, 2017	<u>\$ 1,271,333</u>	<u>\$ (1,047,308)</u>	<u>\$ 224,025</u>
Balance at January 1, 2018	<u>\$ 1,271,333</u>	<u>\$ (1,047,308)</u>	<u>\$ 224,025</u>
Current service cost	7,371	-	7,371
Net interest expense (income)	<u>13,382</u>	<u>(10,389)</u>	<u>2,993</u>
Recognized in profit or loss	<u>20,753</u>	<u>(10,389)</u>	<u>10,364</u>
Remeasurement			
Return on plan assets	-	(32,269)	(32,269)
Actuarial loss - changes in demographic assumptions	2,655	-	2,655
Actuarial loss - changes in financial assumptions	5,999	-	5,999
Actuarial loss - experience adjustments	<u>20,574</u>	<u>-</u>	<u>20,574</u>
Recognized in other comprehensive (gain) loss	<u>29,228</u>	<u>(32,269)</u>	<u>(3,041)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Contributions from the employer	\$ -	\$ (38,211)	\$ (38,211)
Benefits paid	(58,278)	58,278	-
Disposal of business	(32,240)	-	(32,240)
Exchange differences on foreign plans	<u>100</u>	<u>-</u>	<u>100</u>
Balance at December 31, 2018	<u>\$ 1,230,896</u>	<u>\$ (1,069,899)</u>	<u>\$ 160,997</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate(s)	0.95%-4.375%	1.00%-4.375%
Expected rate(s) of salary increase	3.00%-4.75%	3.00%-4.75%
Expected return on plan assets	0.95%-4.375%	1.00%-4.375%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	<u>\$ (27,081)</u>	<u>\$ (29,864)</u>
0.25% decrease	<u>\$ 28,007</u>	<u>\$ 30,927</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 26,800</u>	<u>\$ 29,657</u>
0.25% decrease	<u>\$ (26,067)</u>	<u>\$ (28,809)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 19,624</u>	<u>\$ 20,347</u>
The average duration of the defined benefit obligation	8.83-14.78 years	10.10-15.75 years

26. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>
Amount of shares authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,350,867</u>	<u>2,350,867</u>
Amount of shares issued	<u>\$ 23,508,670</u>	<u>\$ 23,508,670</u>

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

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

2) Issued global depositary receipts

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

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

As of December 31, 2018 and 2017, the outstanding GDRs were both 5,221 thousand units, representing 52,209 thousand ordinary shares of the Parent Company. The rights and obligation of security holders are the same as those of ordinary shareholders, except for voting rights. As of December 31, 2018 and 2017, the unredeemed GDRs amounted to 815 thousand units and 894 thousand units.

b. Capital surplus

The premium from shares issued in excess of par (including share premium from issuance of ordinary shares, conversion of bonds, and mergers) may be used to offset a deficit. When the Group has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital. The transfer to capital is restricted to a certain percentage of the Group's capital surplus and limited to one-per-year.

The capital surplus arising from - changes of shares in equities of subsidiaries, changes in equities of associates accounted for using the equity method and treasury share transactions resulting from dividends that are derived from subsidiaries holding the Company's shares - may only be used to offset deficits.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, if there is net profit after tax upon the final settlement of account of each fiscal year, the Group shall first to offset any previous accumulated losses (including unappropriated earnings adjustment if any) and set aside a legal reserve at 10% of the net profits, unless the accumulated legal reserve is equal to the total capital of the Group; then set aside special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustment of unappropriated earnings if any), shall be distributed into dividends to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval. For the policies on distribution of employees' compensation and remuneration of directors before and after amendment, refer to Note 30 (b) on employee benefits expense.

The Parent Company's dividend policy is designed to meet present and future development projects and takes into consideration the investment environment, funding requirements, international or domestic competitive conditions while simultaneously meeting shareholders' interests. When there is no cumulative loss, the Parent Company shall set aside share dividends at no less than 70% of the net profit. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 90% of the total dividends.

After the Parent Company considers financial, business, and operational factors, if there are no retained earnings to be appropriated or if the earnings to be appropriated are significantly lower than the prior year's actual appropriation of the earnings, then part of or all of the Parent Company's paid-in capital can be appropriated according to the law or the competent authority.

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

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Parent Company should appropriate or reverse a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders' meetings on June 22, 2018 and June 22, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 262,933	\$ 941,635		
Special reserve	1,367,076	940,276		
Cash dividends	963,855	6,864,532	\$ 0.41	\$ 2.92

On June 22, 2018, the shareholders approved in their meeting to distributed \$2.51 in cash dividends per share from \$5,900,676 thousand in capital surplus.

The appropriation of earnings for 2018 were proposed by the Parent Company's board of directors on February 26, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
	2018	2018
Legal reserve	\$ 795,684	
Special reserve	682,814	
Cash dividends	6,864,532	\$ 2.92

The appropriation of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 21, 2019.

d. Other equity items

Movements in other equity items were as follows:

	For the Year Ended December 31, 2018				
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Unrealized Gain (Loss) from Financial Assets at FVTOCI	Cash Flow Hedges	Total
Balance at January 1	\$ (2,528,893)	\$ (18,497)	\$ -	\$ 3,372	\$ (2,544,018)
Adjustments on initial application of IFRS 9	-	18,497	(298,266)	-	(279,769)
Balance at January 1, 2018 as restated	(2,528,893)	-	(298,266)	3,372	(2,823,787)
Exchange differences arising on translating the financial statements of foreign operations	(374,226)	-	-	-	(374,226)
Unrealized loss - equity instruments	-	-	(104,856)	-	(104,856)

(Continued)

	For the Year Ended December 31, 2018				
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available- for-sale Financial Assets	Unrealized Gain (Loss) from Financial Assets as at FVTOCI	Cash Flow Hedges	Total
Share of other comprehensive income (loss) of associates	\$ (47,607)	\$ -	\$ (3,157)	\$ (658)	\$ (51,422)
Cumulative unrealized gain of equity instruments at FVTOCI transferred to retained earnings due to disposals	-	-	(43,182)	-	(43,182)
Disposal of investment accounted for using the equity method	4,078	-	-	-	4,078
Income tax benefit	<u>166,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,785</u>
Balance at December 31	<u>\$ (2,779,863)</u>	<u>\$ -</u>	<u>\$ (449,461)</u>	<u>\$ 2,714</u>	<u>\$ (3,226,610)</u> (Concluded)

	For the Year Ended December 31, 2017				
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for- sale Financial Assets	Cash Flow Hedges	Total	
Balance at January 1	\$ (1,195,684)	\$ (126,588)	\$ -	\$ (1,322,272)	
Exchange differences arising on translating the financial statements of foreign operations	(1,533,318)	-	-	(1,533,318)	
Gain arising on changes in the fair value of available-for-sale financial assets	-	149,089	-	149,089	
Reclassification to income from disposal of available-for-sale financial assets	-	(49,598)	-	(49,598)	
Share of other comprehensive income (loss) of associates	(76,141)	8,600	3,372	(64,169)	
Gain reclassified to profit or loss based on decreased proportions on disposal of associates	(4,185)	-	-	(4,185)	
Income tax benefit	<u>280,435</u>	<u>-</u>	<u>-</u>	<u>280,435</u>	
Balance at December 31	<u>\$ (2,528,893)</u>	<u>\$ (18,497)</u>	<u>\$ 3,372</u>	<u>\$ (2,544,018)</u>	

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

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

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

e. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ 3,255,951	\$ 3,348,901
Attributable to non-controlling interests:		
Share of profit (loss) for the year	10,246	1,797
Exchange difference arising on translation of foreign entities	4,983	(54,371)
Unrealized loss on equity investments	(2,982)	-
Unrealized gain on available-for-sale financial assets	-	570
Remeasurement on define benefit plans	(600)	(2,933)
Related tax benefit	4,271	7,063
Decrease in non-controlling interests	<u>82,776</u>	<u>(45,076)</u>
Balance at December 31	<u>\$ 3,354,645</u>	<u>\$ 3,255,951</u>

The Group recognized a decrease in non-controlling interests for the years ended December 31, 2018 and 2017 because of the attribution of cash dividends to non-controlling interests amounting to \$30,537 thousand and \$47,305 thousand, respectively.

f. Treasury shares

	Unit: In Thousands of Shares			
Purpose of Buyback	Number of Shares at January 1	Increase During the Period	Decrease During the Period	Number of Shares at December 31
For the year ended				
<u>December 31, 2018</u>				
Shares held by subsidiaries	<u>26,841</u>	<u>-</u>	<u>-</u>	<u>26,841</u>
For the year ended				
<u>December 31, 2017</u>				
Shares held by subsidiaries	<u>26,841</u>	<u>-</u>	<u>-</u>	<u>26,841</u>

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

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2018</u>			
Lite-On Capital Corporation	15,116	\$ 718,857	\$ 613,704
LTC INTERNATIONAL LTD.	7,004	297,469	284,068
YET FOUNDATE LIMITED	2,271	126,881	91,989
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	<u>105,515</u>	<u>99,253</u>
		<u>\$ 1,248,722</u>	<u>\$ 1,089,014</u>
<u>December 31, 2017</u>			
Lite-On Capital Corporation	15,116	\$ 718,857	\$ 613,704
LTC INTERNATIONAL LTD.	7,004	297,469	284,157
YET FOUNDATE LIMITED	2,271	126,881	92,053
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	<u>105,515</u>	<u>99,322</u>
		<u>\$ 1,248,722</u>	<u>\$ 1,089,236</u>

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

27. REVENUE

	<u>For the Year Ended December 31</u>	
	2018	2017
Customer contract revenue		
Revenue from the sale of goods	\$ 207,019,842	\$ 214,444,557
Rental income from property	89,246	112,377
Solar power income	<u>-</u>	<u>7,388</u>
	<u>\$ 207,109,088</u>	<u>\$ 214,564,322</u>

Refer to Note 39 for segment revenue information.

28. INCOME TAX

a. Income tax recognized in profit or loss

Major components of tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2018	2017
Current income tax expense		
In respect of the current year	\$ 3,164,455	\$ 2,516,196
Adjustments for prior year	<u>(82,794)</u>	<u>127,289</u>
	<u>3,081,661</u>	<u>2,643,485</u>
Deferred income tax expense (benefit)		
The origination and reversal of temporary differences	(405,159)	(1,903,022)
Effect of change in tax rate	<u>140,535</u>	<u>-</u>
	<u>(264,624)</u>	<u>(1,903,022)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,817,037</u>	<u>\$ 740,463</u>

In order to lower operating costs, during the third quarter of the year ended December 31, 2017, the Group adjusted its policy approved by each overseas subsidiary's board of directors whereby a part of each of such subsidiary's earnings shall be reinvested instead of remitted back. Therefore, any recorded deferred tax liability for the year is reversed.

A reconciliation of income before income tax and income tax expense recognized in profit or loss is as follows:

	For the Year Ended December 31	
	2018	2017
Income before Income tax	<u>\$ 10,784,121</u>	<u>\$ 3,371,594</u>
Income tax expense calculated at the statutory rate	\$ 2,814,656	\$ 733,996
Deductible (nondeductible) items in determining taxable income	349,799	1,720,839
Additional income tax on unappropriated earnings	-	61,361
The origination and reversal of temporary differences	(264,624)	(1,903,022)
Adjustments for prior year	<u>(82,794)</u>	<u>127,289</u>
Income tax expense recognized in profit or loss	<u>\$ 2,817,037</u>	<u>\$ 740,463</u>

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in February 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2018 appropriations of earnings to be resolved in the shareholder's meeting is uncertain, the potential income tax consequences of the 2017 unappropriated earnings, which are subject to a 5% tax rate, cannot be reliably determinable.

b. Income tax benefit recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Deferred income tax</u>		
Income tax recognized in other comprehensive income		
Translation of foreign operations	\$ 171,143	\$ 287,775
Remeasurement on defined benefit plans	4,441	9,552
Share of other comprehensive loss of associates	<u>(87)</u>	<u>(277)</u>
	<u>\$ 175,497</u>	<u>\$ 297,050</u>

c. Deferred income tax

The movements of deferred tax assets were as follows:

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
<u>For the year ended December 31, 2018</u>					
Temporary differences					
Investment accounted for using the equity method	\$ 1,672,291	\$ 201,710	\$ 171,056	\$ (1)	\$ 2,045,056
Impairment loss on assets	678,986	425,683	-	(5)	1,104,664
Operating loss carryforward	432,628	11,095	-	(8,841)	434,882
Accrued warranty expense	121,735	48,591	-	5	170,331
Unrealized loss on inventories	151,455	9,761	-	(159)	161,057
Unrealized loss and expense	59,520	89,459	-	(844)	148,135
Net defined benefit liability	83,200	2,054	4,441	664	90,359
Unrealized sales profit	12,682	(12,440)	-	-	242
Others	<u>402,423</u>	<u>(229,275)</u>	<u>-</u>	<u>5,328</u>	<u>178,476</u>
	<u>\$ 3,614,920</u>	<u>\$ 546,638</u>	<u>\$ 175,497</u>	<u>\$ (3,853)</u>	<u>\$ 4,333,202</u>
<u>For the year ended December 31, 2017</u>					
Temporary differences					
Investment accounted for using the equity method	\$ 1,256,276	\$ 128,517	\$ 287,498	\$ -	\$ 1,672,291
Impairment loss on assets	351,520	327,728	-	(262)	678,986
Operating loss carryforward	145,933	290,315	-	(3,620)	432,628
Unrealized loss on inventories	183,136	(29,432)	-	(2,249)	151,455
Accrued warranty expense	268,718	(146,968)	-	(15)	121,735
Net defined benefit liability	72,727	943	9,552	(22)	83,200
Unrealized loss and expense	528,440	(467,647)	-	(1,273)	59,520
Unrealized sales profit	43,882	(31,194)	-	(6)	12,682
Others	<u>191,034</u>	<u>223,688</u>	<u>-</u>	<u>(12,299)</u>	<u>402,423</u>
	<u>\$ 3,041,666</u>	<u>\$ 295,950</u>	<u>\$ 297,050</u>	<u>\$ (19,746)</u>	<u>\$ 3,614,920</u>

The movements of deferred tax liabilities were as follows:

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
<u>For the year ended December 31, 2018</u>					
Temporary differences					
Investment accounted for using the equity method	\$ 572,741	\$ 183,430	\$ -	\$ -	\$ 756,171
Unrealized amortization of goodwill	353,808	62,437	-	-	416,245
Land value increment tax	239,693	40,627	-	-	280,320
Unrealized exchange gains, net	141,703	(43,877)	-	3	97,829
Others	16,847	39,397	-	(1,460)	54,784
	<u>\$ 1,324,792</u>	<u>\$ 282,014</u>	<u>\$ -</u>	<u>\$ (1,457)</u>	<u>\$ 1,605,349</u>
<u>For the year ended December 31, 2017</u>					
Temporary differences					
Investment accounted for using the equity method	\$ 2,220,464	\$ (1,647,723)	\$ -	\$ -	\$ 572,741
Unrealized amortization of goodwill	353,808	-	-	-	353,808
Land value increment tax	239,693	-	-	-	239,693
Unrealized exchange gains, net	84,796	56,826	-	81	141,703
Others	33,360	(16,175)	-	(338)	16,847
	<u>\$ 2,932,121</u>	<u>\$ (1,607,072)</u>	<u>\$ -</u>	<u>\$ (257)</u>	<u>\$ 1,324,792</u>

d. Income tax assessments

The tax returns of the Parent Company for all years through 2015 have been assessed by the tax authorities.

29. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2018	2017
Basic earnings per share	<u>\$ 3.42</u>	<u>\$ 1.13</u>
Diluted earnings per share	<u>\$ 3.38</u>	<u>\$ 1.13</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2018	2017
Earnings used in the computation of basic earnings per share	\$ 7,956,838	\$ 2,629,334
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	<u>\$ 7,956,838</u>	<u>\$ 2,629,334</u>

Weighted Average Number of Ordinary Shares Outstanding

Unit: In Thousand Shares

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	2,324,026	2,324,026
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>27,731</u>	<u>9,164</u>
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	<u>2,351,757</u>	<u>2,333,190</u>

If the Parent Company settles the bonuses or remuneration paid to employees in cash or shares, the Parent Company presumed that the entire amount of the bonus or remuneration would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

30. ADDITIONAL INFORMATION ON EXPENSES

	For the Year Ended December 31	
	2018	2017
a. Depreciation and amortization		
Property, plant and equipment	\$ 4,670,387	\$ 5,653,623
Investment properties	27,865	21,978
Intangible assets	<u>306,500</u>	<u>421,386</u>
	<u>\$ 5,004,752</u>	<u>\$ 6,096,987</u>
An analysis of depreciation by function		
Recognized in operating costs	\$ 3,954,159	\$ 4,844,222
Recognized in operating expenses	<u>744,093</u>	<u>831,379</u>
	<u>\$ 4,698,252</u>	<u>\$ 5,675,601</u>
An analysis of amortization by function		
Recognized in operating costs	\$ 17,587	\$ 26,753
Recognized in operating expenses	<u>288,913</u>	<u>394,633</u>
	<u>\$ 306,500</u>	<u>\$ 421,386</u>

(Continued)

	For the Year Ended December 31	
	2018	2017
b. Employee benefit expenses		
Post-employment benefits		
Defined contribution plans	\$ 687,796	\$ 758,431
Defined benefit plans (Note 25)	<u>10,364</u>	<u>11,129</u>
	698,160	769,560
Termination benefits	316,157	198,629
Other employee benefits	<u>24,098,829</u>	<u>25,146,841</u>
	<u>\$ 25,113,146</u>	<u>\$ 26,115,030</u>
Employee benefits expense summarized by function		
Recognized in operating costs	\$ 15,037,326	\$ 16,061,202
Recognized in operating expenses	<u>10,075,820</u>	<u>10,053,828</u>
	<u>\$ 25,113,146</u>	<u>\$ 26,115,030</u>

(Concluded)

The Parent Company distributed employees' compensation and remuneration of directors at the rates no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The appropriations of employee compensation and remuneration of directors for 2018 and 2017, which have been approved by the Parent Company's board of directors on February 26, 2019 and February 27, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Employees' compensation	\$ 1,125,893	\$ -	\$ 372,051	\$ -
Remuneration of directors	67,633	-	27,284	-

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate and will be adjusted in the next year.

There was no difference between the actual amounts of employee's compensation and the remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017.

Information on 2019 and 2018 employees' compensation and remuneration of directors resolved by the Parent Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

31. CAPITAL MANAGEMENT

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

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

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

For certain financial instruments - including contract assets, notes receivable, trade receivables including related parties, other receivables including related parties, financial assets at amortized costs, short-term borrowings, notes payable, trade payables including related parties, other payables including related parties and finance lease payables - the Group's management considers the carrying amounts of these financial instruments recognized in the financial statements as approximating their fair values. For long-term loans (including their current portion) with floating rates, the carrying amounts of long-term loans are used as basis to estimate their fair value.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 132,139	\$ -	\$ 132,139
Mutual funds	-	99,727	-	99,727
Securities listed in ROC - equity securities	<u>11,493</u>	<u>-</u>	<u>-</u>	<u>11,493</u>
	<u>\$ 11,493</u>	<u>\$ 231,866</u>	<u>\$ -</u>	<u>\$ 243,359</u>
Equity Investments				
Securities listed in ROC - equity securities	\$ 199,825	\$ -	\$ -	\$ 199,825
Emerging market shares	-	99,844	-	99,844
Unlisted securities - other countries - equity securities	-	-	43,952	43,952
Unlisted securities - ROC - equity securities	-	-	40,998	40,998
Securities listed in other countries - equity securities	<u>4,056</u>	<u>-</u>	<u>-</u>	<u>4,056</u>
	<u>\$ 203,881</u>	<u>\$ 99,844</u>	<u>\$ 84,950</u>	<u>\$ 388,675</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 51,877</u>	<u>\$ -</u>	<u>\$ 51,877</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ <u> -</u>	\$ <u> 101,677</u>	\$ <u> -</u>	\$ <u> 101,677</u>
Financial liabilities at FVTPL				
Derivative instruments	\$ <u> -</u>	\$ <u> 147,052</u>	\$ <u> -</u>	\$ <u> 147,052</u>
Available-for-sale financial assets				
Securities listed in ROC - equity securities	\$ 243,321	\$ -	\$ -	\$ 243,321
Securities listed in other countries - equity securities	5,580	-	-	5,580
Unlisted securities - ROC - equity securities	-	-	15,785	15,785
Unlisted securities - other countries - equity securities	-	-	72,575	72,575
Mutual funds	-	68,469	-	68,469
Emerging market shares	-	107,399	-	107,399
	<u>\$ 248,901</u>	<u>\$ 175,868</u>	<u>\$ 88,360</u>	<u>\$ 513,129</u>

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

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

	Investments on Equity Instruments <u>Unlisted Quotes</u>
<u>For the year ended December 31, 2018</u>	
Balance at January 1, 2018	\$ 88,360
Total gains or losses	
In other comprehensive income	36,252
Additions	59,480
Disposals	<u>(99,142)</u>
Balance at December 31, 2018	<u>\$ 84,950</u>
<u>For the year ended December 31, 2017</u>	
Balance at January 1, 2017	\$ 105,155
Total gains or losses	
In profit or loss (Note 11)	(10,987)
In other comprehensive income	(5,316)
Disposals	<u>(492)</u>
Balance at December 31, 2017	<u>\$ 88,360</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Financial assets at FVTPL - forward exchange contracts	Estimation of future cash flows using observable forward exchange rates at the end of year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Financial assets at FVTPL - currency swaps	Estimation of fair value of a currency swap contract is based on its principal and interest rate on mutual agreement and the suitable discount rate that reflects the credit risk of various counterparties at the end of the reporting period.
Mutual funds	Using the observable similar market average price or the price of the same kind of tools provided by the mutual fund management company.
Emerging market shares	Using the recent emerging market share price of similar emerging market shares of investee companies and considering the adjustment of all the information on the performance and operation of the emerging company available from trading date to measuring date.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair values of unlisted equity securities - ROC and other countries were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected economic benefits from these investments. According to the discounted cash flow analysis and observable financial market average prices or by using similar kinds of estimation tools, the discount rate and the parameters used can be referenced from Reuters news agency, Bloomberg agency or other financial institutions for instruments with essentially the same conditions and characteristics as the interest rate swaps offering financial products whose features include the same remaining contract terms, fixed interest rates, payment of principal, payment of currency, etc. All the information can be obtained by the Group.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial assets</u>		
FVTPL		
Financial assets held for trading	\$ -	\$ 101,677
Financial assets mandatorily classified as at FVTPL	243,359	-
Loans and receivables (1)	-	113,034,898
Available-for-sale financial assets (2)	-	513,129
Financial assets at amortized costs (3)	124,116,739	-
Equity investments at FVTOCI	388,675	-

(Continued)

	December 31	
	2018	2017
<u>Financial liabilities</u>		
FVTPL		
Financial liabilities held for trading	\$ -	\$ 147,052
Financial liabilities mandatorily classified as at FVTPL	51,877	-
Amortized cost		
Short-term borrowings	30,087,282	30,155,790
Long-term loans (including current portion of long-term debts)	184	16,382
Payables (4)	82,514,911	78,138,843 (Concluded)

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt instruments with no active market, notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties.
- 2) The balances of the financial assets included available for sale financial assets, evaluated at cost.
- 3) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt instruments measured at amortized cost, contract assets, notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties.
- 4) The balances included financial liabilities measured at amortized cost, which comprise notes payable, trade payables, trade payables to related parties, other payables and other payables to related parties.

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

The Group's had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward exchange contracts and currency swaps. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 37.

Sensitivity analysis

The Group was mainly affected by the U.S. dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the U.S. dollar. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars strengthening 5% against the U.S. dollar. For a 5% weakening of New Taiwan dollars against the U.S. dollar, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2018	2017
Profit or loss	<u>\$ (912,321)</u>	<u>\$ (645,616)</u>

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets (i)	\$ 22,904,046	\$ 20,865,475
Financial liabilities (ii)	27,973,401	28,199,681
Cash flow interest rate risk		
Financial assets (iii)	40,021,282	37,183,512
Financial liabilities (iv)	2,115,885	1,975,855

- i. The balances included time deposits, financial assets at amortized cost with fixed interest rates (2018) and debt investments with no active market (2017).

- ii. The balances included financial liabilities exposed to fair value risk from interest rate fluctuations.
- iii. The balances included demand deposits, financial assets at amortized cost with floating interest rates (2018).
- iv. The balances included financial liabilities exposed to cash flow risk from interest rate fluctuations.

Sensitivity analysis

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

If interest rates had been 25 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would increase by \$94,763 thousand and \$88,019 thousand.

c) Other price risk

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

Sensitivity analysis

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

If the fair value of financial assets as at FVTPL and FVTOCI increased by 10%, profit or loss before income tax and other comprehensive income would increase by \$1,149 thousand and \$20,388 thousand for the years ended December 31, 2018, respectively. If the fair value of available-for-sale financial assets increased by 10%, other comprehensive income (before tax) would increase by \$24,890 thousand in the year of 2017.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from trade receivables, deposits, and other financial instruments. Credit risk on business-related exposures is managed separately from that on financial-related exposures.

a) Business related credit risk

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

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

b) Financial related credit risk

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

c) The movement of allowance for expected credit loss, by the simplified method, is as follows:

	Notes Receivable	Trade Receivables	Contract Assets	Total
January 1, 2018 (IAS 18)	\$ -	\$ 199,568	\$ -	\$ 199,568
Effects of IFRS 15 adoption	-	(149)	149	-
January 1, 2018 (IFRS 18)	-	199,419	149	199,568
Expected credit loss	-	55,148	11,801	66,949
Reversal of previously recognized loss	-	927	-	927
Recognized Loss	-	(17,508)	-	(17,508)
Disposal of subsidiaries	-	(18,383)	-	(18,383)
Effects of changes in foreign exchange rates	-	(763)	119	(644)
December 31, 2018	<u>\$ -</u>	<u>\$ 218,840</u>	<u>\$ 12,069</u>	<u>\$ 230,909</u>

3) Liquidity risk

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

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

December 31, 2018

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing		\$ 82,514,911	\$ 78,128	\$ -	\$ 762
Finance lease liabilities	3.49-4.75	1,469	351	-	-
Variable interest rate liabilities	2.48-8.3	2,115,885	-	-	-
Fixed interest rate liabilities	3.04-4.40	27,971,581	-	-	-
		<u>\$ 112,603,846</u>	<u>\$ 78,479</u>	<u>\$ -</u>	<u>\$ 762</u>

December 31, 2017

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing		\$ 78,138,843	\$ 80,050	\$ -	\$ 812
Finance lease liabilities	3.49-4.75	1,600	1,764	-	-
Variable interest rate liabilities	1.98-2.29	1,975,855	-	-	-
Fixed interest rate liabilities	1.10-4.40	<u>28,196,139</u>	<u>178</u>	<u>-</u>	<u>-</u>
		<u>\$ 108,312,437</u>	<u>\$ 81,992</u>	<u>\$ -</u>	<u>\$ 812</u>

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

December 31, 2018

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Forward exchange contracts				
Inflows	\$ 24,394,324	\$ -	\$ -	\$ -
Outflows	<u>(24,159,086)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>235,238</u>	<u>-</u>	<u>-</u>	<u>-</u>
Currency swaps				
Inflows	6,712,114	-	-	-
Outflows	<u>(6,628,425)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>83,689</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 318,927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2017

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Forward exchange contracts				
Inflows	\$ 21,109,376	\$ -	\$ -	\$ -
Outflows	<u>(21,014,309)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>95,067</u>	<u>-</u>	<u>-</u>	<u>-</u>
Currency swaps				
Inflows	4,718,370	-	-	-
Outflows	<u>(4,664,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>53,705</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 148,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Parent Company and its subsidiaries, which were related parties of the Parent Company, had been eliminated on consolidation and are not disclosed in this note. Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and relationships

<u>Related Parties</u>	<u>Relationships with the Group</u>
Lite-On Semiconductor Corp.	Associate
Lite-Space Technology Company Limited	Associate
Yamada-Lom Fabricacao De Artefatos De Material Plastico Ltda. ("Yamada-Lom Ltda.")	Associate
DragonJet Corporation	Associate
Silport Travel Corp.	Related party in substance
Chi Mei Mold Co.	Related party in substance
Silport Technology Corp.	Related party in substance
Diodes Incorporated	Related party in substance
Auden Techno Corp.	Related party in substance
Lite-On Cultural Foundation	Related party in substance
Dongguan Huaqiang Information Technology Co., Ltd.	Related party in substance
Look Tec Co., Ltd.	Related party in substance (became an unrelated party since January 2018)
KBW-LEOTEK FACTORY Jordan Private Shareholding Limited	Related party in substance (became a subsidiary since May 2018)

b. Sales of goods

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Related parties categories</u>		
Associates		
Lite-On Semiconductor Corp.	\$ 373,492	\$ 284,931
Others	<u>6,207</u>	<u>-</u>
	<u>379,699</u>	<u>284,931</u>
Related party in substance		
Others	<u>512</u>	<u>591</u>
	<u>\$ 380,211</u>	<u>\$ 285,522</u>

For the years ended December 31, 2018 and 2017, the Group's selling prices for Lite-On Semiconductor Corp. for the Group were at cost plus an agreed-upon profit. Except for the sales arrangement with Lite-On Semiconductor Corp., the sales terms between the Group and its related parties have no material difference as the sales terms with non-related parties.

Operating lease contracts with related parties are based on market prices and made under mutual and standard agreements; the market prices and contract terms between the Group and its related parties have no material difference as the sales terms with non-related parties.

c. Purchases of goods

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Related parties categories</u>		
Associates		
Lite-Space Technology Company Limited	\$ 2,672,861	\$ 4,006,557
Lite-On Semiconductor Corp.	<u>1,336,179</u>	<u>1,237,763</u>
	<u>4,009,040</u>	<u>5,244,320</u>
Related party in substance		
Diodes Incorporated	610,845	612,652
Others	<u>55,063</u>	<u>97,286</u>
	<u>665,908</u>	<u>709,938</u>
	<u>\$ 4,674,948</u>	<u>\$ 5,954,258</u>

The costs of the Group's purchases from Lite-On Semiconductor Corp. for the years ended December 31, 2018 and 2017 were based on cost plus agreed-upon profit. Except for these purchases, the purchase terms between the Group and its related parties have no material difference in comparison with those with non-related parties.

d. Receivables from related parties

	<u>December 31</u>	
	2018	2017
<u>Related parties categories</u>		
Trade receivables		
Associates		
Lite-On Semiconductor Corp.	\$ 84,828	\$ 73,945
Others	<u>5,226</u>	<u>5,343</u>
	<u>90,054</u>	<u>79,288</u>
Related party in substance		
Others	<u>41</u>	<u>-</u>
	<u>\$ 90,095</u>	<u>\$ 79,288</u>
Other receivables		
Associates		
Lite-On Semiconductor Corp.	\$ 2,490	\$ 1,014
Yamada-Lom Ltda.	1,726	1,082
Others	<u>18</u>	<u>254</u>
	<u>4,234</u>	<u>2,350</u>
Related party in substance		
KBW-LEOTEK FACTORY Jordan Private Shareholding Limited	-	420
Others	<u>183</u>	<u>36</u>
	<u>183</u>	<u>456</u>
	<u>\$ 4,417</u>	<u>\$ 2,806</u>

The outstanding trade receivables from related parties are unsecured. No allowance for doubtful accounts was recognized for trade receivables from related parties for the years ended December 31, 2018 and 2017.

e. Payables to related parties

	December 31	
	2018	2017
<u>Related parties categories</u>		
Trade payables		
Associates		
Lite-On Semiconductor Corp.	\$ 384,374	\$ 388,159
Lite-Space Technology Company Limited	<u>179,309</u>	<u>153,398</u>
	<u>563,683</u>	<u>541,557</u>
Related party in substance		
Diodes Incorporated	213,798	227,239
Others	<u>4,142</u>	<u>35,098</u>
	<u>217,940</u>	<u>262,337</u>
	<u>\$ 781,623</u>	<u>\$ 803,894</u>
Other payables		
Associates		
Others	<u>\$ 515</u>	<u>\$ 24</u>
Related party in substance		
Silport Travel Corp.	8,043	10,489
Chi Mei Mold Co.	7,893	9,333
Others	<u>233</u>	<u>81</u>
	<u>16,169</u>	<u>19,903</u>
	<u>\$ 16,684</u>	<u>\$ 19,927</u>

The outstanding trade payables from related parties are unsecured.

f. Operating expenses

	For the Year Ended December 31	
	2018	2017
<u>Related parties categories</u>		
Associates		
Lite-On Semiconductor Corp.	<u>\$ 24,020</u>	<u>\$ 20,907</u>
Related party in substance		
Silport Travel Corp.	83,732	83,549
Chi Mei Mold Co.	3,865	14,506
Look Tec Co., Ltd.	-	16,797
Others	<u>380</u>	<u>250</u>
	<u>89,977</u>	<u>115,102</u>
	<u>\$ 111,997</u>	<u>\$ 136,009</u>

g. Other revenue

	For the Year Ended December 31	
	2018	2017
<u>Related parties categories</u>		
Associates		
Yamada-Lom Ltda.	\$ 9,269	\$ 3,068
Lite-On Semiconductor Corp.	6,778	4,478
Others	-	1,219
	<u>16,047</u>	<u>8,765</u>
Related party in substance		
Auden Techno Corp.	5,172	8,168
Others	1,519	1,468
	<u>6,691</u>	<u>9,636</u>
	<u>\$ 22,738</u>	<u>\$ 18,401</u>

h. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 603,414	\$ 582,380
Post-employment benefits	19,294	25,898
Termination benefits	-	1,944
	<u>\$ 622,708</u>	<u>\$ 610,222</u>

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

	December 31	
	2018	2017
Pledged time deposits (classified as financial assets at amortized costs)	\$ 596,623	\$ -
Pledged time deposits and restricted bank deposits (classified as debt instruments with no active markets)	-	718,024
	<u>\$ 596,623</u>	<u>\$ 718,024</u>

Above assets included the guarantee deposits that had been pledged for (a) a government projects (b) the customs agency for shipment clearance in advance of duty payments (c) the tax refund guarantee.

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. From the second quarter of the year ended June 30, 2010 to the second quarter of the year ended June 30, 2014, petitioner Carlos Fogelman filed a motion for authorization to institute class action antitrust proceedings with the Superior Court of Quebec in the district of Montreal; the Fanshawe College of Applied Arts and Technology filed a statement of claim in the Ontario court; Neil Godfrey filed a statement of claim with the Superior Court of British Columbia; Donald Woligroski filed a statement of claim in the Manitoba court; and Cindy Retallick filed a statement of claim in the Saskatchewan court. All plaintiffs filed an antitrust group lawsuit against the Parent Company and its subsidiaries - Philips & Lite-On Digital Solutions Corporation, Philips & Lite-On Digital Solutions USA, Inc. and other companies with related businesses. The Company assigned lawyers as its representative in these lawsuits. Although the outcome of the proceedings have not been determined, the Parent Company accrued a reasonable amount in case of losses on these lawsuits and will continue to recognize the losses quarterly on the basis of a reasonable estimation of the lawsuits until their settlements.
- b. The Company and its subsidiary LITE-ON SINGAPORE PTE. LTD. sued Darfon Electronics Co., Ltd. and Darfon Electronics Co., Ltd. (USA) in the San Francisco federal court for infringement of keyboard patents in June 2018. In the same court, Dafang Electronics Co., Ltd. countersued the Parent Company and its subsidiaries LITE-ON, INC., LITE-ON SINGAPORE PTE. LTD. and LITE-ON ELECTRONICS (DONGGUAN) CO., LTD. for infringement of keyboard patents. The lawsuits are in the early stages, and the current assessment has no significant impact on the Company's operations and finances.
- c. Darfon electronics Co., Ltd. sued the Company and its subsidiary LITE-ON COMPUTER (CHANGZHOU) CO., LTD. in the intermediate people's court at Suzhou, Jiangsu, People's Republic of China for infringement of keyboard patents in December 2018. In the same court, the Company and its subsidiary LITE-ON ELECTRONICS (GUANGZHOU) LIMITED sued Darfon electronics Co. Ltd. and its subsidiaries for infringement of keyboard related patents. The lawsuits are in the early stages, and the current assessment has no significant impact on the Company's operations and finances.

36. OTHER SIGNIFICANT MATTERS

The transaction regarding transferring the Portable Image Device SBG's main business (Camera Module Business) and assets and the recognition of the impairment loss of goodwill and operating losses for Mobile Mechanics Business Group were both approved by board of directors of the Parent Company in August 2018. As of the date that the consolidated financial statements were issued, the business transfer is completed and the main part of the operating assets and liabilities was transferred. The impairment loss of goodwill (see Note 20) and operating losses for Mobile Mechanics Business Group were also recognized. The net profit of the above transactions is NT\$1,041,786 thousand, which is recognized as non-operating income and expenses.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,441,072	30.6650 (USD:NTD)	\$ 44,190,469
USD	1,286,223	6.8393 (USD:CNY)	39,442,026
USD	64,281	7.8321 (USD:HKD)	1,971,176
USD	17,277	32.3200 (USD:THB)	529,806
USD	2,539	0.8730 (USD:EUR)	77,863
EUR	13,091	1.1455 (EUR:USD)	<u>459,837</u>
			<u>\$ 86,671,177</u>

Non-monetary items

Investments accounted for using the
equity method
USD

3,255 30.6650 (USD:NTD) \$ 99,826

Financial liabilities

Monetary items

USD	2,036,096	30.6650 (USD:NTD)	\$ 62,436,894
USD	1,013,611	6.8393 (USD:CNY)	31,082,386
USD	29,902	7.8321 (USD:HKD)	916,943
USD	26,325	32.3200 (USD:THB)	807,246
USD	6,066	0.8730 (USD:EUR)	<u>186,021</u>

\$ 95,429,490

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,501,366	29.7100 (USD:NTD)	\$ 44,605,573
USD	1,352,449	6.4968 (USD:CNY)	40,181,252
USD	63,065	7.8156 (USD:HKD)	1,873,647
USD	31,368	32.5600 (USD:THB)	931,936
USD	4,637	0.8368 (USD:EUR)	137,765
EUR	13,876	1.1950 (EUR:USD)	<u>492,681</u>
			<u>\$ 88,222,854</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Investments accounted for using the equity method			
USD	\$ 2,666	29.7100 (USD:NTD)	<u>\$ 79,217</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,935,977	29.7100 (USD:NTD)	\$ 57,517,887
USD	1,136,372	6.4968 (USD:CNY)	33,761,613
USD	32,937	7.8156 (USD:HKD)	978,552
USD	32,186	32.5600 (USD:THB)	956,238
USD	11,290	0.8368 (USD:EUR)	<u>335,418</u>
			<u>\$ 93,549,708</u>
			(Concluded)

For the years ended December 31, 2018 and 2017 net foreign exchange gains was \$497,693 thousand and \$226,478 thousand. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

38. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Financing provided: See Table 1 below.
- 2) Endorsement/guarantee provided: See Table 2 below.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 3 below.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 4 below.
- 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: See Table 5 below.
- 7) Total purchases from or sales to related parties of at amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 6 below.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 7 below.
- 9) Trading in derivative instruments: See Notes 7 and 32 to the financial statements.
- 10) Information on investees: See Table 8 below.

- b. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 9 below.
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 10 below.
- c. Intercompany relationships and significant intercompany transactions: See Table 10 below.

39. SEGMENT INFORMATION

a. General information

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

- 1) Optoelectronics: LED Components and Lighting Products, Camera Modules and Automotive Electronics.
- 2) Information technologies: Products used in Server, Networking Devices, NB, Tablets, DT and Multifunction Peripheral.
- 3) Storage: Optical Disk Drives and Solid State Drives.
- 4) The Group also had Mobile Mechanics and Others operating segments that did not exceed the quantitative threshold. These segments mainly engage in manufacturing and selling of Mechanical Products for Mobile Devices, handset casing and others.

b. Measurement of segment information

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

c. Segment information

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

	Optoelectronics	IT	Storage	Mobile Mechanics and Others	Elimination	Total
For the year ended <u>December 31, 2018</u>						
Sales from external customers	\$ 43,487,662	\$ 119,360,992	\$ 33,227,622	\$ 11,032,812	\$ -	\$ 207,109,088
Sales among segments	1,399,789	1,415,303	19,889	769,172	(3,604,153)	-
Operating profit (loss)	1,906,571	5,994,320	2,239,910	(1,453,472)	-	8,687,329
For the year ended <u>December 31, 2017</u>						
Sales from external customers	50,905,435	116,707,327	32,957,425	13,994,135	-	214,564,322
Sales among segments	1,412,294	1,235,280	11,038	601,698	(3,260,310)	-
Operating profit (loss)	1,141,393	6,718,831	3,179,584	(1,916,651)	-	9,123,157

d. Geographic information

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Asia	\$ 134,192,811	\$ 147,643,570	\$ 27,843,443	\$ 33,794,339
America	49,365,614	44,718,555	605,244	745,530
Europe	23,221,849	21,826,301	1,473	13,159
Others	<u>328,814</u>	<u>375,896</u>	-	-
	<u>\$ 207,109,088</u>	<u>\$ 214,564,322</u>	<u>\$ 28,450,160</u>	<u>\$ 34,553,028</u>

The geographic information is presented by billing regions. Noncurrent assets include property, plant and equipment, investment properties, intangible assets and others.

e. Information about major customers

The customer representing at least 10% of the Group's net sales:

Customer Name	For the Year Ended December 31			
	2018		2017	
	Sales Amount	Percentage	Sales Amount	Percentage
A	\$ -	-	\$ 21,641,308	10.09

f. Reconciliation information for segment profit (loss)

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

	For the Year Ended December 31	
	2018	2017
Reportable segments' profit	\$ 8,687,329	\$ 9,123,157
Unclassified loss	(1,201,516)	(779,193)
Non-operating income and expenses	<u>3,298,308</u>	<u>(4,972,370)</u>
Profit before income tax	<u>\$ 10,784,121</u>	<u>\$ 3,371,594</u>

- 3) Segment profit represented the profit before tax earned by each segment without unclassified headquarter administration costs, the share of profit of associates, interest income, dividend income, other income, net gain on disposal of investments, net gain or loss on foreign currency exchange, net valuation gain on financial assets at FVTPL, finance costs, other expenses, net loss on disposal of property, plant and equipment, impairment loss, and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 1)	Transaction Amount	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	LITE-ON SINGAPORE PTE. LTD.	LITE-ON MOBILE PTE. LTD.	Receivables from related parties	Yes	\$ 2,472,400	\$ 1,226,600	\$ 1,266,600	0.86%-3.64413%	b	\$ -	Operating capital	\$ -	None	\$ -	\$ 11,872,909	\$ 11,872,909	
2	LTC Group Ltd.	Lite-On Automotive Electronics Mexico, S.A. DE C.V.	Receivables from related parties	Yes	92,715	91,995	91,995	2.130%	b	-	Operating capital	-	None	-	471,720	471,720	
3	LITE-ON ELECTRONICS H.K. LIMITED	LET (HK) LIMITED	Receivables from related parties	Yes	236,440	-	-	1.160%	b	-	Operating capital	-	None	-	7,744,094	7,744,094	
		Lite-On Green Technologies (HK) Limited	Receivables from related parties	Yes	389	-	-	1.200%	b	-	Operating capital	-	None	-	7,744,094	7,744,094	
		Lite-On Green Energy (HK) Limited	Receivables from related parties	Yes	779	-	-	1.200%	b	-	Operating capital	-	None	-	7,744,094	7,744,094	
4	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	Receivables from related parties	Yes	46,807	-	-	3.045%	b	-	Operating capital	-	None	-	2,714,509	2,714,509	
5	LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Receivables from related parties	Yes	26,623	13,451	13,451	3.045%	b	-	Operating capital	-	None	-	594,309	594,309	
6	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	YANTAI LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Receivables from related parties	Yes	46,807	-	-	3.325%	b	-	Operating capital	-	None	-	1,976,351	1,976,351	
7	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Receivables from related parties	Yes	140,421	134,508	134,508	3.325%	b	-	Operating capital	-	None	-	3,935,856	3,935,856	
8	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED.	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Receivables from related parties	Yes	252,940	-	-	3.045%	b	-	Operating capital	-	None	-	3,771,895	3,771,895	
9	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) LIMITED	LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	Receivables from related parties	Yes	45,989	44,836	44,836	3.045%	b	-	Operating capital	-	None	-	2,858,633	2,858,633	

Note 1: Reasons for financing are as follows:

- a. Business relationship.
- b. The need for short-term financing.

Note 2: Financing limit for each borrower and aggregate financing limits are calculated based on the Parent Company's policy.

Note 3: The net worth is based on the latest audited financial statements.

Note 4: All intercompany financing loans have been eliminated from consolidation.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 1)											
0	Lite-On Technology Corporation (the "Parent Company")	Lite-On Technology (Europe) B.V.	b	\$ 7,132,376	\$ 68,728	\$ 66,741	\$ 66,741	\$ -	0.09	\$ 28,529,502	Yes	No	No	
1	Lite-On Capital Corporation	Lite-On Green Energy B.V. Lite-On Green Technologies B.V.	c c	2,137,951 2,137,951	339,998 848,537	330,169 -	330,169 -	- -	0.46 -	2,137,951 2,137,951	No No	No No	No No	

Note 1: Relationship between endorser/guarantor and endorsee/guarantee are as follows:

- a. Business relationship.
- b. A subsidiary in which the Parent Company holds directly over 50% of equity interest.
- c. An investee in which the Parent Company and its subsidiaries hold over 50% of equity interest.

- Note 2:
- a. No. 0: The aggregate amount of guarantees/endorsements by Lite-On Technology Corporation should not exceed 40% of its net worth, and the amount of guarantees/endorsements for any single entity should not exceed 10% of its net worth.
 - b. No. 1: The endorsement/guarantee limit for each entity and the total endorsement/guarantee limit are calculated on the basis of Lite-On Capital Corporation's endorsement/guarantee procedures.
 - c. The net worth is based on the latest audited financial statements.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars or Thousands of Foreign Currencies)

Held Company Name	Marketable Securities Type and Name	Relationship with the Held Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Lite-On Technology Corporation	<u>Ordinary shares</u>							
	EPSTAR Corporation	-	Financial assets at FVTPL	449	\$ 11,493	0.04	\$ 11,493	
	Wistron Corporation	-	Financial assets at FVTOCI	5,437	103,848	0.19	103,848	
	Logah Technology Corp.	-	Financial assets at FVTOCI	7,905	65,376	12.54	65,376	
	Com2B Corp.	-	Financial assets at FVTOCI	5,000	9,009	11.11	9,009	
	Avamax Corp.	-	Financial assets at FVTPL	559	-	6.99	-	Note
	Aetas Technology, Inc.	Member of the board of directors	Financial assets at FVTPL	4,026	-	8.07	-	Note
	AuriaSolar Co., Ltd.	-	Financial assets at FVTPL	41,400	-	19.71	-	Note
	Z-Com, Inc.	-	Financial assets at FVTOCI	63	683	0.09	683	
	Fong Han Electronics Co., Ltd.	-	Financial assets at FVTPL	1,167	-	6.67	-	Note
	Xepex Electronics Co., Ltd.	-	Financial assets at FVTPL	-	-	-	-	Note
	North America Micro-Electronic & Software, Incorporated	-	Financial assets at FVTOCI	5	-	2.67	-	Note
	Action Media Technologies, Inc.	-	Financial assets at FVTPL	38	-	-	-	Note
	Oplink Communications, Inc.	-	Financial assets at FVTOCI	1	867	0.01	867	
	Taiwan Changxing Technology Co., Ltd.	-	Financial assets at FVTOCI	462	4,620	15.40	4,620	
	InSynerger Technology Co., Ltd.	-	Financial assets at FVTOCI	1,710	29,070	19.29	29,070	
	<u>Preference shares</u>							
	Arkologic Holdings Limited	-	Financial assets at FVTPL	11,111	-	7.66	-	Note
	PI-CORAL	-	Financial assets at FVTPL	1,139	-	10.65	-	Note
	<u>Fund</u>							
Arm IoT Fund, L.P.	-	Financial assets at FVTPL	-	44,840	-	44,840		
<u>Convertible bond</u>								
Xepex Electronics Co., Ltd.	-	Financial assets at FVTPL	150	-	-	-	Note	
Lite-On Capital Corporation	<u>Ordinary shares</u>							
	Lite-On Technology Corporation	The Parent Company	Financial assets at FVTOCI	15,116	613,704	0.64	613,704	
	Lead Data, Inc.	-	Financial assets at FVTOCI	865	3,873	0.59	3,873	
	Compound Solar Technology Co., Ltd.	-	Financial assets at FVTPL	2,000	-	2.86	-	Note
	Z-Com, Inc.	-	Financial assets at FVTOCI	2,412	26,045	3.33	26,045	
Auden Techno Corp.	Member of the board of directors	Financial assets at FVTOCI	8,124	99,844	19.90	99,844		
Lite-On Green Energy (HK) Limited	<u>Ordinary shares</u>							
	Changzhou Binhu Thin Film Solar Greenhouse Co., Ltd.	-	Financial assets at FVTOCI	-	US\$ 140	19.90	US\$ 140	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Held Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
LITE-ON ELECTRONICS COMPANY LIMITED	<u>Share certificates</u> Lite-On Technology Corporation GDR	The Parent Company	Financial assets at FVTOCI	245	\$ 99,253	0.10	\$ 99,253	
YET FOUNDATE LIMITED	<u>Share certificates</u> Lite-On Technology Corporation GDR	The Parent Company	Financial assets at FVTOCI	227	91,989	0.10	91,989	
	<u>Ordinary shares</u> Northern Lights Semiconductor	-	Financial assets at FVTPL	3,000	-	5.91	-	Note
LET (HK) LIMITED	<u>Fund</u> Innovation Works Development Fund, L.P.	-	Financial assets at FVTPL	-	HK\$ 6,841	-	HK\$ 6,841	
LITE-ON TECHNOLOGY USA, INC.	<u>Preference shares</u> CNEX LABS Inc.	-	Financial assets at FVTOCI	245	US\$ 1,000	0.45	US\$ 1,000	
LTC GROUP LTD.	<u>Ordinary shares</u> VIZIO, Inc.	-	Financial assets at FVTPL	437	\$ -	2.90	\$ -	Note
LTC INTERNATIONAL LTD.	<u>Ordinary shares</u> Lite-On Technology Corporation	The Parent Company	Financial assets at FVTOCI	3,793	154,000	0.16	154,000	
	<u>Share certificates</u> Lite-On Technology Corporation GDR	The Parent Company	Financial assets at FVTOCI	321	130,068	0.14	130,068	
LITE-ON CHINA HOLDING CO. LTD.	<u>Ordinary shares</u> COMMIT Incorporated	-	Financial assets at FVTPL	4,962	-	1.87	-	Note
Silitech Technology Corporation	<u>Ordinary shares</u> Chi Mei Mold Co., Ltd. RTR-TECH Technology Co., Ltd.	Member of the board of directors -	Financial assets at FVTOCI Financial assets at FVTOCI	1,300 6,820	7,308 -	10.00 9.46	7,308 -	Note
Silitech (Bermuda) Holding Ltd.	<u>Fund</u> Innovation Works Development Fund, L.P.	-	Financial assets at FVTPL	-	US\$ 916	-	US\$ 916	
Lite-On Japan Ltd.	<u>Ordinary shares</u> Tamura Corporation The Dai-ichi Life Insurance Company, Limited	- -	Financial assets at FVTOCI Financial assets at FVTOCI	19,250 7	JPY 10,280 JPY 1,203	0.03 -	JPY 10,280 JPY 1,203	

Note: The carrying values of the financial instruments were all assessed for impairment.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units (In Thousands)	Amount
Lite-On Technology Corporation	The shares of KBW-LITEON Jordan Private Shareholding Limited	Investments accounted for using the equity method (Note 8)	KBW-LITEON Jordan Private Shareholding Limited	100%-owned subsidiary	4,297	\$ 325,571	17,500	\$ 885,324 (Note 1)	-	\$ -	\$ -	\$ -	21,797	\$ 1,210,895
	The shares of Lite-On International Holding Co., Ltd.	Investments accounted for using the equity method (Note 8)	Lite-On International Holding Co., Ltd.	100%-owned subsidiary	338,825	17,379,624	21,800	725,264 (Note 2)	-	-	104,680 (Note 2)	-	357,625	18,000,208
Lite-On International Holding Co., Ltd	The shares of LITE-ON CHINA HOLDING CO., LTD.	Investments accounted for using the equity method (Note 8)	LITE-ON CHINA HOLDING CO., LTD.	100%-owned subsidiary	339,442	US\$ 611,528	21,800	US\$ 28,817 (Note 3)	-	-	US\$ 20,284 (Note 3)	-	421,242	US\$ 620,061
LITE-ON CHINA HOLDING CO. LTD.	The shares of LITE-ON ELECTRONICS COMPANY LIMITED	Investments accounted for using the equity method (Note 8)	LITE-ON ELECTRONICS COMPANY LIMITED	100%-owned subsidiary	2,966,233	US\$ 586,824	117,234	US\$ 28,578 (Note 4)	-	-	US\$ 18,731 (Note 4)	-	3,083,467	US\$ 596,671
LITE-ON ELECTRONICS COMPANY LIMITED	The shares of LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	Investments accounted for using the equity method (Note 8)	LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	100%-owned subsidiary	-	HK\$ 1,975,279	-	HK\$ 245,498 (Note 5)	-	-	HK\$ 108,620 (Note 5)	-	-	HK\$2,112,157
LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	The shares of Lite-On Automotive Electronics (CZ) Co.	Investments accounted for using the equity method (Note 8)	Lite-On Automotive Electronics (CZ) Co.	100%-owned subsidiary	-	-	-	CNY 223,746 (Note 6)	-	-	CNY 614 (Note 6)	-	-	CNY 223,132
LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	The shares of Zhuhai Lite-On Mobile Technology Company Ltd.	Investments accounted for using the equity method (Note 8)	Top-Touch Electronics Co., Ltd.	100%-owned subsidiary	-	CNY (185,361)	-	-	-	(Note 7)	CNY 185,361 (Note 7)	(Note 7)	-	-
LITE-ON MOBILE PTE. LTD.	The shares of Guangzhou Lite-On Mobile Electronic Components Co., Ltd.	Investments accounted for using the equity method (Note 8)	Top-Touch Electronics Co., Ltd.	100%-owned subsidiary	-	US\$ 119,925	-	-	-	(Note 7)	US\$ 119,925 (Note 7)	(Note 7)	-	-
	The shares of Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Investments accounted for using the equity method (Note 8)	Top-Touch Electronics Co., Ltd.	100%-owned subsidiary	-	US\$ 7,023	-	-	-	(Note 7)	US\$ 7,023 (Note 7)	(Note 7)	-	-
Silitech Electronic (SuZhou) Co., Ltd.	Fixed Income Instruments	Financial assets at amortized cost - current	-	-	-	766,844 (CNY 167,700)	-	2,235,066 (CNY 498,540)	-	3,009,589 (CNY 667,953)	2,979,494 (CNY 661,240)	30,095 (CNY 6,713)	-	22,416 (CNY 5,000)

Note 1: The acquisition amount includes prepaid investments of \$269,820 thousand, cash injections of \$485,574 thousand, gain accounted for using the equity method of \$119,341 thousand and effects on changes in equity of \$10,589 thousand.

Note 2: The acquisition amount includes cash injections of \$650,346 thousand, effects on changes in equity of \$74,918 thousand; the disposal amount includes loss accounted for using the equity method.

Note 3: The acquisition amount includes cash injections of US\$21,800 thousand, gain accounted for using the equity method of US\$7,017 thousand; the disposal amount includes effects on changes in equity.

Note 4: The acquisition amount includes cash injections of US\$15,000 thousand, gain accounted for using the equity method of US\$13,578 thousand; the disposal amount includes effects on changes in equity.

Note 5: The acquisition amount includes cash injections of HK\$116,820 thousand, gain accounted for using the equity method of HK\$128,678 thousand; the disposal amount includes effects on changes in equity.

Note 6: The acquisition amount includes cash injections; the disposal amount includes loss accounted for using the equity method.

Note 7: The monetary amount for the disposal of equity shares transaction is CNY530 million. The expected loss on disposal is amounted to \$518 million according to the share purchase agreement and matters to be adjusted.

Note 8: The investment accounted for using the equity method and prepaid investments were eliminated during the consolidation process.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$ MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Pricing Reference	Other Terms
Silitech Electronic (SuZhou) Co., Ltd.	Right-to-use on land, property, plant and equipment and investment properties at Suzhou	July 19, 2018	July 2007	CNY 178,262	CNY 235,000	The Group has received 90% of the considerations as of December 31, 2018. The Group expects to receive the remaining considerations of CNY23,500 thousand on March 4, 2019.	CNY 33,812	Suzhou Xu Die Industrial Co., Ltd.	Non-related party	Liquidation of assets	Appraised value of CNY218,023 thousand, referred to the real estate appraisal report provided by Suzhou Suxin Zhongan Real Estate Appraisal And Consulting Co., Ltd. Appraised value of CNY217,934 thousand, referred to the real estate appraisal report provided by Wuxi Zhong-zheng Assets Appraisal Co.	None

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Lite-On Technology Corporation	Philips & Lite-On Digital Solutions Corporation LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Japan Ltd. LITE-ON TRADING USA, INC. Lite-On Sales & Distribution Inc. LITE-ON CHINA HOLDING CO. LTD. LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. LITE-ON, INC. Lite-On Overseas Trading Co., Ltd. LITE-ON AUTOMOTIVE (WUXI) CO., LTD. Diodes Incorporated	Subsidiary	Sale	\$(14,742,645)	(10.57)	About 90 days	Cost-plus pricing	No significant difference	\$ 3,797,699	9.79	
		Fourth-tier subsidiary	Sale	(1,206,074)	(0.88)	About 90 days	Cost-plus pricing	No significant difference	460,697	1.19	
		Third-tier subsidiary	Sale	(466,169)	(0.34)	About 90 days	Cost-plus pricing	No significant difference	73,845	0.19	
		Subsidiary	Sale	(3,846,273)	(2.80)	About 90 days	Cost-plus pricing	No significant difference	906,503	2.34	
		Subsidiary	Sale	(685,488)	(0.50)	About 90 days	Cost-plus pricing	No significant difference	159,394	0.41	
		Sub-subsubsidiary	Sale	(5,197,154)	(3.79)	About 90 days	Cost-plus pricing	No significant difference	2,046,981	5.28	
		Sub-subsubsidiary	Sale	(496,999)	(0.36)	About 90 days	Cost-plus pricing	No significant difference	223,843	0.58	
		Sub-subsubsidiary	Sale	(186,948)	(0.14)	About 90 days	Cost-plus pricing	No significant difference	186,249	0.48	
		Fourth-tier subsidiary	Purchase	1,852,264	1.48	About 90 days	Cost-plus pricing	No significant difference	(668,427)	(1.59)	
		Subsidiary	Purchase	22,425,492	17.97	About 90 days	Cost-plus pricing	No significant difference	(8,041,771)	(19.16)	
		Sub-subsubsidiary	Purchase	110,121	0.09	About 90 days	Cost-plus pricing	No significant difference	-	-	
		Subsidiary	Purchase	80,575,490	64.56	About 90 days	Cost-plus pricing	No significant difference	(26,481,119)	(63.10)	
		Third-tier subsidiary	Purchase	119,748	0.10	About 90 days	Cost-plus pricing	No significant difference	(38,104)	(0.09)	
Related party in substance	Purchase	131,947	0.11	About 90 days	Cost-plus pricing	No significant difference	(60,478)	(0.14)			
Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions USA, Inc. PLDS Germany GmbH	Subsidiary	Sale	(7,545,018)	(48.89)	About 90 days	Cost-plus pricing	No significant difference	709,895	26.83	
		Subsidiary	Sale	(660,967)	(4.28)	About 90 days	Cost-plus pricing	No significant difference	159,865	6.04	
LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(1,733,838)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	263,976	100.00	
LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(465,505)	(1.96)	About 90 days	Cost-plus pricing	No significant difference	174,774	13.93	
		Affiliate	Sale	(23,114,843)	(97.36)	About 90 days	Cost-plus pricing	No significant difference	1,031,369	82.21	
LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(4,730,256)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	1,145,681	100.00	
LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(747,181)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	153,875	100.00	
LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(562,182)	(50.77)	About 90 days	Cost-plus pricing	No significant difference	117,925	53.05	
		Affiliate	Sale	(545,214)	(49.23)	About 90 days	Cost-plus pricing	No significant difference	104,384	46.95	
LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(14,216,872)	(59.73)	About 90 days	Cost-plus pricing	No significant difference	3,016,583	54.31	
		Affiliate	Sale	(7,730,448)	(32.48)	About 90 days	Cost-plus pricing	No significant difference	1,867,396	33.62	
LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(721,870)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	89,204	100.00	
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Affiliate	Sale	(103,619)	(1.47)	About 90 days	Cost-plus pricing	No significant difference	34,958	1.36	
		Affiliate	Sale	(353,611)	(5.00)	About 90 days	Cost-plus pricing	No significant difference	18,933	0.74	
WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Affiliate	Sale	(177,168)	(3.98)	About 90 days	Cost-plus pricing	No significant difference	29,153	2.36	
		Affiliate	Sale	(158,928)	(3.57)	About 90 days	Cost-plus pricing	No significant difference	27,504	2.22	
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(581,982)	(3.83)	About 90 days	Cost-plus pricing	No significant difference	110,126	5.78	
		Affiliate	Sale	(228,253)	(1.50)	About 90 days	Cost-plus pricing	No significant difference	229,285	12.02	
		Affiliate	Sale	(14,372,652)	(94.66)	About 90 days	Cost-plus pricing	No significant difference	1,566,255	82.13	

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
SILITEK ELEC. (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	\$(10,574,723)	(95.07)	About 90 days	Cost-plus pricing	No significant difference	\$ 3,195,579	93.82	
LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	LITE-ON ELECTRONICS COMPANY LIMITED	Parent	Sale	(1,610,498)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	399,920	100.00	
LITE-ON ELECTRONICS H.K. LIMITED	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(308,930)	(9.66)	About 90 days	Cost-plus pricing	No significant difference	85,361	13.13	
LITE-ON ELECTRONICS COMPANY LIMITED	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(1,610,490)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	-	-	
HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(1,573,392)	(79.52)	About 90 days	Cost-plus pricing	No significant difference	199,367	71.73	
LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate Affiliate	Sale Sale	(804,063) (28,094,828)	(2.00) (70.01)	About 90 days About 90 days	Cost-plus pricing Cost-plus pricing	No significant difference No significant difference	315,421 6,194,405	4.75 93.29	
LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(1,644,749)	(98.84)	About 90 days	Cost-plus pricing	No significant difference	274,964	98.15	
LiteON Auto Electric Technology (Guangzhou) Ltd.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	Sale	(451,217)	(99.57)	About 90 days	Cost-plus pricing	No significant difference	79,809	100.00	
LITEON-IT OPTO TECH (BH) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(10,939,256)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	510,297	100.00	
Lite-On Electronics (Thailand) Co., Ltd.	LITE-ON SINGAPORE PTE. LTD. Lite-On Japan Ltd.	Affiliate Affiliate	Sale Sale	(3,511,429) (124,085)	(96.59) (3.41)	About 90 days About 90 days	Cost-plus pricing Cost-plus pricing	No significant difference No significant difference	521,618 46,920	91.75 8.25	
LITE-ON SINGAPORE PTE. LTD.	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. LITE-ON ELECTRONICS H.K. LIMITED Lite-On Japan Ltd. LITE-ON, INC. LITE-ON TRADING USA, INC. LEOTEK ELECTRONICS USA LLC Lite-On Sales & Distribution, Inc. Lite-On Overseas Trading Co., Ltd. Lite-On (Guangzhou) Automotive Electronics Limited LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Affiliate Subsidiary Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate	Sale Sale Sale Sale Sale Sale Sale Sale Sale Sale Sale Sale Sale Sale	(125,330) (2,762,142) (2,306,459) (3,174,900) (1,405,371) (804,903) (7,240,186) (1,077,087) (171,950) (179,435) (108,879) (305,361)	(0.18) (3.93) (3.28) (4.52) (2.00) (1.14) (10.30) (1.53) (0.24) (0.26) (0.15) (0.43)	About 90 days About 90 days	Cost-plus pricing Cost-plus pricing	No significant difference No significant difference	44,509 824,857 841,406 798,420 337,770 147,469 3,204,473 474,945 53,569 58,733 6,162 103,023	0.21 3.88 3.95 3.75 1.59 0.69 15.06 2.23 0.25 0.28 0.03 0.48	
LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(380,016)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	26,203	100.00	
Lite-On Overseas Trading Co., Ltd.	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD. LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON TECHNOLOGY (XIANNING) CO., LTD. LITE-ON ELECTRONICS (DONGGUAN) CO., LTD. SILITEK ELEC. (DONGGUAN) CO., LTD. I-SOLUTIONS LIMITED HUIZHOU LI SHIN ELECTRONIC CO., LTD. LITE-ON ELECTRONICS (GUANGZHOU) LIMITED LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD. LiteON Auto Electric Technology (Guangzhou) Ltd. LITEON-IT OPTO TECH (BH) CO., LTD. LITE-ON SINGAPORE PTE. LTD.	Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate Affiliate	Sale Sale Sale Sale Sale Sale Sale Sale Sale Sale Sale Sale Sale	(18,659,588) (297,837) (13,339,843) (275,700) (12,403,569) (7,963,382) (128,868) (765,428) (31,384,316) (1,086,080) (174,703) (10,247,644) (19,466,827)	(9.48) (0.15) (6.78) (0.14) (6.30) (4.05) (0.07) (0.39) (15.94) (0.55) (0.09) (5.21) (9.89)	About 90 days About 90 days	Cost-plus pricing Cost-plus pricing	No significant difference No significant difference	2,765,250 66,398 4,925,032 13,689 952,751 1,172,956 15,387 83,531 5,555,797 420,917 89,933 2,414,764 4,435,178	5.60 0.13 9.97 0.03 1.93 2.37 0.03 0.17 11.24 0.85 0.18 4.89 8.97	

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Lite-On Overseas Trading Co., Ltd.	Lite-On Semiconductor Corp. Diodes Incorporated	Associate Related party in substance	Purchase	\$ 658,281	0.33	About 90 days	Cost-plus pricing	No significant difference	\$ (256,881)	(0.57)	
			Purchase	284,488	0.14	About 90 days	Cost-plus pricing	No significant difference	(104,860)	(0.23)	
	Lite-Space Technology Company Limited	Associate	Purchase	2,694,901	1.37	About 90 days	Cost-plus pricing	No significant difference	(176,666)	(0.39)	
LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	Sale	(174,307)	(44.07)	About 90 days	Cost-plus pricing	No significant difference	138,148	67.90	
Lite-On (Guangzhou) Automotive Electronics Limited	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. LITE-ON SINGAPORE PTE. LTD.	Affiliate Affiliate	Sale	(2,458,695)	(44.94)	About 90 days	Cost-plus pricing	No significant difference	1,076,131	66.30	
			Sale	(2,394,096)	(43.76)	About 90 days	Cost-plus pricing	No significant difference	211,176	13.01	
Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Affiliate	Sale	(211,560)	(96.13)	About 90 days	Cost-plus pricing	No significant difference	-	-	(Note 2)
GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Lite-On Mobile Oyj	Affiliate	Sale	(146,220)	(11.42)	About 90 days	Cost-plus pricing	No significant difference	-	-	(Note 2)
	LITE-ON MOBILE PTE. LTD.	Parent	Sale	(489,215)	(38.22)	About 90 days	Cost-plus pricing	No significant difference	-	-	(Note 2)
ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	LITE-ON MOBILE PTE. LTD.	Affiliate	Sale	(134,240)	(25.83)	About 90 days	Cost-plus pricing	No significant difference	-	-	(Note 2)
LITE-ON MOBILE PTE. LTD.	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Subsidiary	Sale	(116,636)	(15.35)	About 90 days	Cost-plus pricing	No significant difference	-	-	
Lite-On Japan Ltd.	Lite-On Semiconductor Corp. Lite-On Semiconductor Corp.	Associate Associate	Sale	JPY(1,326,471)	(9.66)	About 90 days	Cost-plus pricing	No significant difference	JPY 303,321	12.56	
			Purchase	JPY 2,183,924	17.98	About 90 days	Cost-plus pricing	No significant difference	JPY (341,898)	(11.19)	
Silitech Technology Corp. Ltd.	Silitech Technology Corporation	Parent	Sale	US\$ (23,253) JPY (11,150) ERU (78)	(98.00)	About 90 days	No significant difference	60-120 days	US\$ 8,303 JPY 3,730 ERU 39	100.00	
Xurong Electronic (Shenzhen) Ltd.	Silitech Technology Corp. Ltd.	Parent	Sale	US\$ (23,716)	(66.00)	About 90 days	No significant difference	60-90 days	US\$ 8,303	80.00	
				JPY (11,150)					JPY 3,730		
				ERU (78)					ERU 39		
				ERU (78)					ERU 39		

Note 1: All intercompany sales and purchases have been eliminated from consolidation.

Note 2: Sold in October 2018.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Ending Balance of Notes Receivable-inter	Ending Balance of Trade Receivables-inter	Ending Balance of Other Receivables-inter	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
							Amount	Action Taken		
Lite-On Technology Corporation	Philips & Lite-On Digital Solutions Corporation LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Subsidiary	\$ -	\$ 3,797,699	\$ 2,997	3.23	\$ -	-	\$ 2,161,668	\$ -
		Fourth-tier subsidiary	-	460,697	144	2.97	-	-	-	-
	LITE-ON SINGAPORE PTE. LTD.	Subsidiary	-	906,503	86,352	5.53	-	-	58,064	-
	Lite-On Japan Ltd.	Subsidiary	-	159,394	26,273	4.53	-	-	24,360	-
	LITE-ON TRADING USA, INC.	Sub-subsidiary	-	2,046,981	10,384	2.58	-	-	456,286	-
	Lite-On Sales & Distribution Inc.	Sub-subsidiary	-	223,843	101	1.74	-	-	32,189	-
	Lite-On Overseas Trading Co., Ltd. LITE-ON CHINA HOLDING CO. LTD.	Subsidiary Sub-subsidiary	- -	3,233,971 186,249	86,112 -	- 0.97	- -	- -	1,826,629 -	- -
Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions USA, Inc. PLDS Germany GmbH	Subsidiary	-	709,895	3,496	6.84	-	-	217,348	-
		Subsidiary	-	159,865	-	3.45	-	-	29,203	-
LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	263,976	-	5.84	-	-	137,621	-
LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. LITE-ON ELECTRONICS (GUANGZHOU) CO., LTD.	Affiliate	-	174,774	-	3.35	-	-	53,799	-
		Affiliate	-	29,577	79,384	3.30	-	-	5	-
	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	1,031,369	-	25.45	-	-	916,272	-
LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO.,	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	1,145,681	7,224	4.38	-	-	545,159	-
LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	153,875	-	9.71	-	-	57,854	-
LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate	-	117,925	-	4.73	-	-	-	-
		Affiliate	-	104,384	-	6.53	-	-	62,384	-
LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate	-	-	139,515	-	-	-	83	-
		Affiliate	-	3,016,583	-	4.51	-	-	729,521	-
		Affiliate	-	1,867,396	-	4.11	-	-	1,041,518	-
LITE-ON TECHNOLOGY (SHANGHAI) LTD.	LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	Affiliate	-	-	154,241	-	-	-	-	
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED Lite-On Overseas Trading Co., Ltd.	Affiliate	-	110,126	-	4.52	-	-	32,721	-
		Affiliate	-	229,285	-	1.98	18,135	-	-	-
		Affiliate	-	1,566,255	-	8.69	-	-	1,566,255	-
SILITEK ELEC. (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	3,195,579	7,887	3.71	-	-	1,030,264	-
LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	LITE-ON ELECTRONICS COMPANY LIMITED	Affiliate	-	399,920	-	6.71	-	-	399,920	-
LITE-ON ELECTRONICS H.K. LIMITED	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	-	401,259	-	-	-	401,259	-
HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	199,367	-	15.78	-	-	147,714	-

(Continued)

Company Name	Related Party	Nature of Relationship	Ending Balance of Notes Receivable-inter	Ending Balance of Trade Receivables-inter	Ending Balance of Other Receivables-inter	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
							Amount	Action Taken		
LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate Affiliate	\$ - -	\$ 315,421 6,194,405	\$ 3,408 -	3.44 4.53	\$ - -	- -	\$ 96,912 2,506,985	\$ - -
LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	274,964	-	6.49	-	-	129,176	-
LITEON-IT OPTO TECH (BH) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	510,297	-	9.21	-	-	466,239	-
Lite-On Electronics (Thailand) Co., Ltd.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	521,618	8,192	4.88	-	-	257,193	-
LITE-ON SINGAPORE PTE. LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Subsidiary Affiliate	- -	824,857 841,406	- -	3.03 2.72	- -	- -	297,202 221,861	- -
	LITE-ON ELECTRONICS H.K. LIMITED	Affiliate	-	798,420	69	3.75	-	-	55,820	-
	Lite-On Japan Ltd.	Affiliate	-	337,770	6,992	3.38	-	-	33,290	-
	LITE-ON, INC.	Affiliate	-	147,469	578	4.79	-	-	15,193	-
	LITE-ON TRADING USA, INC.	Affiliate	-	3,204,473	-	2.85	-	-	617,680	-
	LEOTEK ELECTRONICS USA LLC	Affiliate	-	474,945	-	2.82	-	-	218,835	-
	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Affiliate	-	103,023	1,909	3.85	3,538	-	31,077	-
	LITE-ON MOBILE PTE. LTD.	Affiliate	-	-	1,228,959	-	-	-	-	-
G&W TECHNOLOGY (BVI) LIMITED	G&W TECHNOLOGY LIMITED	Subsidiary	-	-	139,315	-	-	-	-	-
Lite-On Overseas Trading Co., Ltd.	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Affiliate	-	2,765,250	-	6.87	-	-	1,453,353	-
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Affiliate	-	4,925,032	-	2.76	-	-	14,073	-
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Affiliate	-	952,751	-	8.56	-	-	916,759	-
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Affiliate	-	1,172,956	981	7.72	-	-	801,850	-
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Affiliate	-	5,555,797	-	5.51	-	-	1,861,166	-
	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Affiliate	-	420,917	3,974	2.76	-	-	94,693	-
	LiteON Auto Electric Technology (Guangzhou) Ltd.	Affiliate	-	89,933	35,906	2.26	-	-	30,112	-
	LITEON-IT OPTO TECH (BH) CO., LTD.	Affiliate	-	2,414,764	247	3.16	-	-	662	-
	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	4,435,178	23,041	3.16	-	-	350,425	-
LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	-	138,148	125	1.09	-	-	39,778	-
Lite-On (Guangzhou) Automotive Electronics Limited	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. LITE-ON SINGAPORE PTE. LTD.	Affiliate Affiliate	- -	1,076,131 211,176	35,339 26	2.57 10.92	- -	- -	307,439 206,775	- -
Silitech Technology Corp. Ltd.	Silitech Technology Corporation	Parent	-	US\$ 8,303 JPY 3,730 ERU 39	-	2.72	-	-	US\$ 2,200 JPY 404	-
Xurong Electronic (Shenzhen) Ltd.	Silitech Technology Corp. Ltd.	Parent	-	US\$ 8,303 JPY 3,730 ERU 39	-	2.78	-	-	US\$ 2,200 JPY 403	-

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE PARENT COMPANY EXERCISES SIGNIFICANT INFLUENCE

FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars or Thousands of Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Lite-On Technology Corporation	Silitech Technology Corporation	New Taipei City, Taiwan	Manufacture and sale of modules and plastic products	\$ 324,685	\$ 324,685	60,757	33.87	\$ 1,274,728	\$ (33,816)	\$ (11,453)	Subsidiary
	Lite-On Integrated Service Inc.	Taipei City, Taiwan	Information outsourcing and system integrate	25,886	25,886	3,400	100.00	48,323	6,079	6,079	Subsidiary
	DragonJet Corporation	New Taipei City, Taiwan	Manufacture and sale of computer peripherals, printers, digital cameras, modules and plastic products	1,069,080	1,069,080	26,727	29.62	921,780	(158,196)	(47,093)	Associate (Note 1)
	Lite-On Capital Corporation	Taipei City, Taiwan	Investment activities	4,096,367	4,096,367	209,545	100.00	1,453,527	63,571	19,433	Subsidiary
	LITE-ON ELECTRONICS H.K. LIMITED	Hong Kong	Sale of LED optical products	7,339,481	7,339,481	17,865	100.00	16,089,012	HK\$ 517,220	2,113,651	Subsidiary
	Lite-On Electronics (Thailand) Co., Ltd.	Thailand	Manufacture and sale of LED optical products	529,106	529,106	5,030	100.00	1,776,480	THB 156,975	146,897	Subsidiary
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	248,305	248,305	6,162	49.49	342,959	JPY (17,352)	(2,450)	Subsidiary
	Lite-On International Holding Co., Ltd.	British Virgin Islands	Investment activities	US\$ 357,625	US\$ 335,825	357,625	100.00	18,000,208	US\$ 7,012	(104,680)	Subsidiary
	LTC GROUP LTD.	British Virgin Islands	Investment activities	\$ 1,098,752	\$ 1,098,752	32,916	100.00	187,653	US\$ 631	(992)	Subsidiary
	LITE-ON TECHNOLOGY USA, INC.	USA	Investment activities	US\$ 55,172	US\$ 55,172	470	100.00	2,507,215	US\$ 3,802	97,919	Subsidiary
	LITE-ON ELECTRONICS (EUROPE) LIMITED	United Kingdom	Manufacture and sale of power supplies	\$ 44,559	\$ 44,559	300	100.00	59,784	GBP 144	5,800	Subsidiary
	Lite-On Technology (Europe) B.V.	Netherlands	Market research and after-sales service	2,543,184	2,543,184	331	54.00	425,694	EUR 87	1,656	Subsidiary
	Lite-On Overseas Trading Co., Ltd.	British Virgin Islands	Merchandising business	168,947	168,947	5,143	100.00	235,695	US\$ (1,536)	(46,680)	Subsidiary
	LITE-ON SINGAPORE PTE. LTD.	Singapore	Manufacture and supply computer peripheral products	US\$ 63,788	US\$ 63,788	51,777	100.00	12,106,016	US\$ 303,121	8,853,757	Subsidiary
	Lite-On Semiconductor Corp.	New Taipei City, Taiwan	Manufacture of image sensor and rectifier	\$ 773,618	\$ 773,618	57,204	18.32	1466,975	\$ 871,904	158,698	Associate (Note 1)
	LITE-ON VIETNAM CO., LTD.	Vietnam	Electronic contract manufacturing	US\$ 12,000	US\$ 12,000	-	100.00	353,641	US\$ 382	11,527	Subsidiary
	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	British Virgin Islands	Manufacture and sale of computer and appliance components	\$ 56,929	\$ 56,929	1,748	100.00	4,095	US\$ 2,186	66,463	Subsidiary
	EAGLE ROCK INVESTMENT LTD.	British Virgin Islands	Import and export business and investment activities	341	341	10	100.00	1,253,972	US\$ 4,660	142,277	Subsidiary
	Canfield Ltd.	Apia, Samoa	Import and export business and investment activities	7,142	7,142	200	33.33	3,884	US\$ (83)	(858)	Associate
	LITE-ON MOBILE PTE. LTD.	Singapore	Manufacture and sale of mobile phone modules and design for assembly line	EUR 457,014	EUR 457,014	427,531	100.00	3,785,919	US\$ (48,732)	(1,642,575)	Subsidiary
	LET (HK) LIMITED	Hong Kong	Sale of optical disc drives	\$ 251,322	\$ 251,322	62,060	100.00	40,046	HK\$ 2,102	8,219	Subsidiary
	HIGH YIELD GROUP CO., LTD.	British Virgin Islands	Holding company	2,271,806	2,271,806	68,138	100.00	5,896,949	US\$ 5,368	432,110	Subsidiary
	Lite-On Information Technology B.V.	Netherlands	Market research and customer service	1,163,591	1,163,591	11,018	100.00	16,243	EUR (14)	(480)	Subsidiary
Philips & Lite-On Digital Solutions Corporation	Taiwan	Sale of optical disc drives	267,113	267,113	17,150	49.00	300,513	\$ 62,572	30,660	Subsidiary	
Lite-Space Technology Company Limited	Hong Kong	Sale of computer components	165,498	149,968	5,600	46.67	95,942	US\$ 545	6,755	Associate	
LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Mexico	Production, manufacture, sale, import and export of photovoltaic device, key electronic components, telecommunications equipment, information technology equipment, semiconductor applications, general lighting, automotive electronics, renewable energy products and systems and maintenance of automotive industry	US\$ 4,950	US\$ 4,950	146	99.00	53,776	MXN (22,896)	(36,185)	Subsidiary	
Lite-On Automotive Electronics (Europe) B.V.	Netherlands	Sale of automotive parts and other electronic products	EUR -	EUR 90	-	-	-	EUR 4	160	Subsidiary (Note 4)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Lite-On Technology Corporation	Lite-On Automotive International (Cayman) Co., Ltd.	Cayman	Investment activities	US\$ 100,626	US\$ 100,626	11,967	100.00	\$ 2,386,776	US\$ 6,351	\$ 180,993	Subsidiary
	KBW-LEOTEK Jordan Private Shareholding Ltd.	Jordan	Investment activities	US\$ 69	US\$ 69	49	49.00	(119)	JOD (51)	(4,545)	Subsidiary
	KBW-LITEON Jordan Private Shareholding Limited	Jordan	Production and manufacture of energy-saving lights and project construction and maintenance	US\$ 30,786	US\$ 6,069	21,797	99.77	1,210,895	JOD 2,848	119,341	Subsidiary
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	India	Manufacture and sale of phone chargers and power supplies	INR 403,920	INR 403,920	40,392	99.00	96,022	INR (147,011)	(64,563)	Subsidiary
	SKYLA CORPORATION	Taiwan	Manufacture and sale of medical equipment	\$ 200,000	\$ 500	20,000	64.94	199,533	\$ (973)	(5,236)	Subsidiary
Lite-On Capital Corporation	Silitech Technology Corporation	New Taipei City, Taiwan	Manufacture and sale of modules and plastic products	115,572	115,572	1,153	0.64	105,645	(33,816)	-	Subsidiary
	Lite-On Green Technologies Inc.	Taipei City, Taiwan	Manufacture and wholesale of electronic components and energy technology services	1,040,000	1,040,000	84,000	100.00	242,278	(4,867)	-	Subsidiary
	Lite-On Green Energy (HK) Limited	Hong Kong	Investment activities	US\$ 3,100	US\$ 3,000	3,100	100.00	6,425	US\$ (2)	-	Subsidiary
	Lite-On Technology (Europe) B.V.	Netherlands	Market research and after-sales service	\$ 2,126,479	\$ 2,126,479	282	46.00	360,777	EUR 87	-	Subsidiary
	Lite-On Semiconductor Corp.	New Taipei City, Taiwan	Manufacture of image sensor and rectifier	-	-	6,486	2.08	194,868	\$ 871,904	-	Associate (Note 1)
Lite-On Green Technologies Inc.	LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Singapore	Investment activities	227,434	227,434	3,458	100.00	105,953	EUR 21	-	Subsidiary
	Five Dimension Co., Ltd.	Japan	Development, manufacture and sale of cell phone and camera lens modules	JPY 172,180	JPY 172,180	9	39.10	-	-	-	Associate (Note 2)
	Lite-On Green Technologies B.V.	Netherlands	Solar energy engineering	EUR 16,020	EUR 16,020	30	100.00	207,266	EUR (11)	-	Subsidiary
LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Lite-On Green Technologies (HK) Limited	Hong Kong	Solar energy engineering	US\$ 860	US\$ 760	4,000	100.00	2,408	US\$ (63)	-	Subsidiary
	Lite-On Green Energy B.V.	Netherlands	Investment activities	EUR 2,500	EUR 2,500	9,140	100.00	EUR 629	EUR (8)	-	Subsidiary
Lite-On Green Technologies B.V.	KompaktSolar GmbH	Berlin, Germany	Solar energy engineering	EUR 401	EUR 401	51	51.00	EUR -	EUR -	-	Associate
CHINA BRIDGE (CHINA) CO., LTD.	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Wuxi, China	Express and sale of power supplies, printers, display devices and scanners	CNY 36,244	CNY 36,244	-	100.00	CNY 103,087	CNY (8,810)	-	Subsidiary
	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Changzhou, China	Development, manufacture of new-type electronic components and provide technology consulting services, maintenance equipment and after-sales services	CNY 85,015	CNY 85,015	-	12.59	CNY 80,271	CNY 44,812	-	Subsidiary
LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	YANTAI LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Yantai, China	Development, design, manufacture, sale of phone case and components and provide technical support, business management information consult, goods and technology import and export.	CNY 37,504	CNY -	-	100.00	CNY 35,043	CNY (11,847)	-	Subsidiary
LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Changzhou, China	Development, manufacture, sale and installation of power supplies and transformers and provision technology consulting services, maintenance equipment and after-sales services	CNY 527,134	CNY 527,134	-	100.00	CNY 877,834	CNY 58,290	-	Subsidiary
	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Changzhou, China	Development, manufacture and sale of new-type electronic components and LED and provision technology consulting services, maintenance equipment and after-sales services	CNY 503,977	CNY 503,977	-	87.41	CNY 557,305	CNY 44,812	-	Subsidiary
	LITE-ON MEDICAL DEVICE (CHANGZHOU) LTD.	Changzhou, China	Manufacture and sale of medical equipment	CNY 30,640	CNY 30,640	-	100.00	CNY 23,603	CNY -	-	Subsidiary
	LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	Changzhou, China	Design, development, manufacture and sale of computer laptop keyboards and components and provision technology consulting services and after-sales services	CNY 55,924	CNY 55,924	-	100.00	CNY 54,033	CNY 1,530	-	Subsidiary
	Lite-On Automotive Electronics (CZ) Co.	Changzhou, China	Manufacture, sale and processing of electronic products	CNY 223,746	CNY -	-	100.00	CNY 223,132	CNY (614)	-	Subsidiary
Lite-On Automotive International (Cayman) Co., Ltd.	LITE-ON AUTOMOTIVE HOLDINGS (HONG KONG) CO., LIMITED	Hong Kong	Investment activities	HK\$ 42,009	HK\$ 41,384	101,250	100.00	US\$ 77,330	HK\$ 49,959	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
HIGH YIELD GROUP CO., LTD.	LITE-ON IT INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of optical disc drives	US\$ 102,400	US\$ 102,400	102,400	100.00	US\$ 203,062	US\$ 5,374	\$ -	Subsidiary
Lite-On Information Technology B.V.	Lite-On Information Technology GmbH	Germany	Sale of optical disc drives	EUR 25	EUR 25	-	100.00	EUR 42	EUR 2	-	Subsidiary
Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions USA, Inc.	USA	Sale of optical disc drives	\$ 33	\$ 33	1	100.00	\$ 233,600	US\$ (53)	-	Subsidiary
	PLDS Netherlands B.V.	Netherlands	Sale and design of optical disc drives	381,221	381,221	15	100.00	48,391	EUR 11	-	Subsidiary
	PLDS Germany GmbH	Germany	Development and sale of modules of automotive recorders	1,326,996	1,326,996	-	100.00	970,012	EUR 601	-	Subsidiary
KBW-LEOTEK Jordan Private Shareholding Limited	Philips & Lite-On Digital Solutions Korea Ltd.	South Korea	Sale of optical disc drives	15,376	15,376	18	100.00	34,555	KBW 37,572	-	Subsidiary
	LEOTEK, PSC (formerly: KBW-LEOTEK FACTORY Jordan Private Shareholding Limited)	Jordan	Production and manufacture of energy-saving lights	JOD 30	JOD 30	30	60.00	JOD 4	JOD (60)	-	-
LITE-ON TECHNOLOGY USA, INC.	LITE-ON, INC.	USA	Sales data processing business of optoelectronic products and power supplies	US\$ 3,000	US\$ 3,000	3,000	100.00	US\$ 5,785	US\$ 608	-	Subsidiary
	LITE-ON TRADING USA, INC.	California, USA	Sale of optical products	US\$ 31,500	US\$ 31,500	315	100.00	US\$ 36,766	US\$ 2,464	-	Subsidiary
	LEOTEK ELECTRONICS USA LLC	USA	Sale of LED products	US\$ 5,792	US\$ 5,792	-	100.00	US\$ 12,604	US\$ 1,493	-	Subsidiary
	POWER INNOVATIONS INTERNATIONAL, INC.	USA	Development, design and manufacture of power control and energy management	US\$ 15,756	US\$ 15,756	12,916	95.25	US\$ 16,676	US\$ (850)	-	Subsidiary
	Lite-On Sales & Distribution, Inc.	USA	Sale of optical disc drives	US\$ 4,765	US\$ 4,765	1	100.00	US\$ 3,311	US\$ 284	-	Subsidiary
Lite-On International Holding Co., Ltd.	LITE-ON TECHNOLOGY SERVICE, INC.	USA	After-sales service of optical products	US\$ 1,500	US\$ 1,500	1	100.00	US\$ 1,790	US\$ 74	-	Subsidiary
	LITE-ON CHINA HOLDING CO. LTD.	British Virgin Islands	Manufacture and sale of computer cases	US\$ 421,242	US\$ 399,442	421,242	100.00	US\$ 620,061	US\$ 7,017	-	Subsidiary
LITE-ON SINGAPORE PTE. LTD.	LiteStar JV Holding (BVI) Co., Ltd.	British Virgin Islands	Investment activities	US\$ 27,000	US\$ 27,000	2	17.59	US\$ 24,823	\$ 53,568	-	Associate
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Mexico	Production, manufacture, sale, import and export of photovoltaic device, key electronic components, telecommunications equipment, information technology equipment, semiconductor applications, general lighting, automotive electronics, renewable energy products and systems and maintenance of automotive industry	US\$ 50	US\$ 50	1	1.00	US\$ 18	MXN (22,896)	-	Subsidiary
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	India	Manufacture and sale of phone chargers and power supplies	INR 4,080	INR 4,080	408	1.00	US\$ 32	INR (147,011)	-	Subsidiary
	LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	Yancheng, China	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	CNY 19,427	CNY 19,427	-	100.00	CNY 30,077	CNY (846)	-	Subsidiary
LTC GROUP LTD.	TITANIC CAPITAL SERVICES LTD.	British Virgin Islands	Investment activities	\$ 529,106	\$ 529,106	8,655	100.00	US\$ 575	US\$ (67)	-	Subsidiary
	LTC INTERNATIONAL LTD.	British Virgin Islands	Manufacture and sale of system products	485,514	485,514	15,120	100.00	US\$ 11,922	US\$ 638	-	Subsidiary
Lite-On Technology (Europe) B.V.	Lite-On (Finland) Oy	Finland	Manufacture and sale of mobile phone modules and design for assembly line	EUR 76,674	EUR 76,674	3	100.00	EUR 19,010	EUR 52	-	Subsidiary
Lite-On (Finland) Oy	Lite-On Mobile Oyj	Finland	Manufacture and sale of mobile phone modules and design for assembly line	EUR 196,618	EUR 196,618	52,937	100.00	EUR 18,720	EUR 52	-	Subsidiary
LITE-ON CHINA HOLDING CO., LTD.	LITE-ON ELECTRONICS COMPANY LIMITED	Hong Kong	Investment activities	US\$ 375,760	US\$ 360,760	3,083,467	100.00	US\$ 596,671	HK\$ 106,256	-	Subsidiary
	YET FOUNDATE LIMITED	Hong Kong	Manufacture of plastic and computer peripheral products	CNY 73,220	CNY 73,220	68,430	100.00	US\$ 17,793	CNY 5,316	-	Subsidiary
	I-SOLUTIONS LIMITED	British Virgin Islands	Original equipment manufacturer of electronic products	US\$ 1,500	US\$ 1,500	1,500	100.00	US\$ 1,500	US\$ -	-	Subsidiary
	FORDGOOD ELECTRONIC LIMITED	Hong Kong	Import and export and real estate business	US\$ 12,666	US\$ 13,336	100,150	100.00	US\$ 15,868	HK\$ 17,147	-	Subsidiary
	G&W TECHNOLOGY (BVI) LIMITED	British Virgin Islands	Real estate management	US\$ 3,900	US\$ 3,900	3,900	50.00	US\$ 4,315	US\$ 525	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
G&W TECHNOLOGY (BVI) LIMITED	G&W TECHNOLOGY LIMITED	Hong Kong	Leasing business	US\$ 65	US\$ 65	500	100.00	US\$ 1,162	US\$ 565	\$ -	Subsidiary
Silitech Technology Corporation	Lite-On Japan Ltd. Silitech (BVI) Holding Ltd.	Japan	Sale of LED optical products and power supplies	JPY 197,040	JPY 197,040	980	7.87	\$ 71,176	JPY (17,352)	-	Subsidiary
		British Virgin Islands	Investment activities	US\$ 95,182	US\$ 95,182	95,182	100.00	3,360,288	US\$ 848	-	Subsidiary
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Bermuda	Investment activities	US\$ 95,132	US\$ 95,132	95,132	100.00	US\$ 109,524	US\$ 850	-	Subsidiary
Silitech (Bermuda) Holding Ltd.	Silitech (Hong Kong) Holding Ltd. Silitech Technology Corporation Sdn. Bhd. Silitech Technology Corporation Ltd. Silitech International (India) Private Ltd.	Hong Kong	Investment activities	US\$ 77,200	US\$ 77,200	77,200	100.00	US\$ 57,752	CNY 23,275	-	Subsidiary
		Malaysia	Manufacture of computer peripheral products	US\$ 5,632	US\$ 5,632	21,400	100.00	US\$ 14,444	CNY 11,944	-	Subsidiary
		Hong Kong	Manufacture of plastic and computer peripheral products	US\$ 8,000	US\$ 8,000	62,400	100.00	US\$ 22,096	CNY (43,812)	-	Subsidiary
		India	Development, manufacture and sale of automotive parts	US\$ 3,002	US\$ 3,002	4,173	100.00	US\$ -	INR -	-	Subsidiary (Note 5)
Lite-On Japan Ltd.	L&K Industries Philippines, Inc. Lite-On Japan (H.K.) Limited Lite-On Japan (Korea) Co., Ltd. LITE-ON JAPAN (Thailand) CO., LTD	Philippines	Import and export business of electronic components	JPY 261,944	JPY 261,944	1,000	100.00	JPY 261,944	JPY (242,858)	-	Subsidiary (Note 3)
		Hong Kong	Import and export business of electronic components	JPY 70,000	JPY 70,000	50	100.00	JPY 70,000	JPY 61,685	-	Subsidiary (Note 3)
		South Korea	Import and export business of electronic components	JPY 22,593	JPY 22,593	20	100.00	JPY 22,593	JPY -	-	Subsidiary (Note 3)
		Thailand	Import and export business of electronic components	JPY 65,939	JPY 65,939	200	100.00	JPY 65,939	JPY 55,022	-	Subsidiary (Note 3)
Lite-On Japan (H.K.) Limited	NL (SHANGHAI) CO., LTD.	China	Import and export business of electronic components	JPY 35,655	JPY 35,655	30	100.00	JPY 35,655	JPY 27,139	-	Subsidiary (Note 3)
Lite-On Mobile Oyj	Lite-On Mobile Sweden AB LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA. LITE-ON MOBILE INDIA PRIVATE LIMITED	Sweden	Manufacture and sale of mobile phone modules and design for assembly line	EUR 20,551	EUR 20,551	20	100.00	EUR 350	SEK (1)	-	Subsidiary
		Brazil	Manufacture and sale of mobile phone modules and design for assembly line	EUR 2,509	EUR 2,509	6,507	2.97	EUR 387	BRL 10,504	-	Subsidiary
		India	Manufacture and sale of mobile phone modules and design for assembly line	EUR 4,436	EUR 4,436	33,536	11.59	EUR 2,286	INR 58,833	-	Subsidiary
LITE-ON MOBILE PTE. LTD.	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA. LITE-ON YOUNG FAST PTE. LTD. Yamada-Lom Fabricacao De Artefatos De Material Plastico Ltda. LITE-ON MOBILE INDIA PRIVATE LIMITED	Brazil	Manufacture and sale of mobile phone modules and design for assembly line	US\$ 108,302	US\$ 108,302	212,824	97.03	US\$ 14,505	BRL 10,504	-	Subsidiary
		Singapore	Investment activities	US\$ 7,864	US\$ 7,864	10	100.00	US\$ 3,983	US\$ 835	-	Subsidiary
		Brazil	Manufacture and sale of mobile phone modules and design for assembly line	US\$ 540	US\$ 540	-	25.00	US\$ 255	BRL 2,524	-	Associate
		India	Manufacture and sale of mobile phone modules and design for assembly line	US\$ 47,239	US\$ 47,239	255,730	88.41	US\$ 19,973	INR 58,833	-	Subsidiary

Note 1: Information on net income (loss) of investee has not been approved by its board of directors, so it is shown as an estimated amount. For final amount of net income (loss), refer to financial statements published on the market observation post system.

Note 2: The investee is filing for bankruptcy and impairment loss has already been recognized.

Note 3: The sub-subsidiary of the parent company; the investment income/losses and adjustment for changes in equities using the equity method are recognized by the parent company.

Note 4: Sold in July 2018.

Note 5: Dissolved upon liquidation in October 2018.

Note 6: Refer to Table 9 for information on investments in mainland China.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars or Thousands of Foreign Currencies)

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
						Outflow	Inflow							
Lite-On Technology Corporation	LITE-ON COMPUTER TECHNOLOGY (DONGGUAN) CO., LTD.	Manufacture and sale of display device	\$ 502,906 (US\$ 16,400)	Note 1	\$ 873,002 (US\$ 28,469)	\$ -	\$ -	\$ 873,002 (US\$ 28,469)	\$ (11,561) (CNY -2,535)	100.00	\$ (11,561) (CNY -2,535)	\$ 389,243 (HK\$ 99,416)	\$ -	
	DONGGUAN G-PRO COMPUTER CO., LTD.	Manufacture and sale of system products	-	Note 1	534,338 (US\$ 17,425)	-	-	-	-	-	-	-	-	Note 3
	LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	ODM services	2,039,223 (US\$ 66,500)	Note 1	2,039,161 (US\$ 66,498)	-	-	2,039,161 (US\$ 66,498)	230,411 (CNY 50,522)	100.00	230,411 (CNY 50,522)	3,143,927 (HK\$ 802,985)	-	
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture of electronic components	1,085,541 (US\$ 35,400)	Note 1	1,085,541 (US\$ 35,400)	-	-	1,085,541 (US\$ 35,400)	464,383 (CNY 101,825)	100.00	464,383 (CNY 101,825)	2,723,835 (HK\$ 695,690)	-	
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Manufacture and sale of keyboards	147,192 (US\$ 4,800)	Note 1	147,192 (US\$ 4,800)	-	-	147,192 (US\$ 4,800)	792,591 (CNY 173,791)	100.00	792,591 (CNY 173,791)	3,159,353 (HK\$ 806,925)	-	
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Manufacture and sale of printers and scanners	1,122,339 (US\$ 36,600)	Note 1	1,122,339 (US\$ 36,600)	-	-	1,122,339 (US\$ 36,600)	(729,673) (CNY -159,995)	100.00	(729,673) (CNY -159,995)	8,676,649 (HK\$ 2,216,088)	-	Note 4
	CHINA BRIDGE (CHINA) CO., LTD.	Investment, sales agent	919,950 (US\$ 30,000)	Note 1	912,130 (US\$ 29,745)	-	-	912,130 (US\$ 29,745)	13,796 (CNY 3,025)	100.00	13,796 (CNY 3,025)	1,286,677 (HK\$ 328,628)	-	
	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Manufacture and sale of IT products	1,362,017 (US\$ 44,416)	Note 1	434,523 (US\$ 14,170)	-	-	1,321,508 (US\$ 430,95)	455,841 (CNY 99,952)	100.00	455,841 (CNY 99,952)	3,771,890 (HK\$ 963,372)	-	Note 3
	LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED	Manufacture and sale of mobile terminal equipment	753,132 (US\$ 24,560)	Note 1	753,132 (US\$ 24,560)	-	-	753,132 (US\$ 24,560)	-	100.00	-	-	-	Note 4
	DONGGUAN G-TECH COMPUTER CO., LTD.	Manufacture and sale of computer case	-	Note 1	352,648 (US\$ 11,500)	-	-	-	-	100.00	-	-	-	Note 3
	LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED	Manufacture and sale of computer case	1,018,078 (US\$ 33,200)	Note 1	1,018,078 (US\$ 33,200)	-	-	1,018,078 (US\$ 33,200)	-	100.00	-	-	-	Note 4
	COMMIT Incorporated	Manufacture and sale of application software and multimedia product design	983,917 (US\$ 32,086)	Note 1	18,399 (US\$ 600)	-	-	18,399 (US\$ 600)	-	1.87	-	-	-	
	LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED	Manufacture and sale of mobile terminal equipment	484,814 (US\$ 15,810)	Note 1	484,814 (US\$ 15,810)	-	-	484,814 (US\$ 15,810)	-	100.00	-	-	-	Note 4
	LITE-ON (GUANGZHOU) INFORTECH CO., LTD.	Information outsourcing	38,945 (US\$ 1,270)	Note 1	71,879 (US\$ 2,344)	-	-	71,879 (US\$ 2,344)	12,770 (CNY 2,800)	100.00	12,770 (CNY 2,800)	185,072 (HK\$ 47,269)	-	
	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	558,103 (US\$ 18,200)	Note 1	374,113 (US\$ 12,200)	-	-	374,113 (US\$ 12,200)	-	100.00	-	-	-	Note 4
	LITE-ON DIGITAL ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture and sale of computer peripheral products	91,995 (US\$ 3,000)	Note 1	91,995 (US\$ 3,000)	-	-	91,995 (US\$ 3,000)	4,497 (CNY 986)	100.00	4,497 (CNY 986)	88,498 (HK\$ 22,603)	-	
	LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Manufacture and sale of electronic components	367,980 (US\$ 12,000)	Note 1	408,948 (US\$ 13,336)	-	-	408,948 (US\$ 13,336)	68,076 (CNY 14,927)	100.00	68,076 (CNY 14,927)	460,447 (HK\$ 117,602)	-	
	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Manufacture and sale of electronic components	199,323 (US\$ 6,500)	Note 1	199,323 (US\$ 6,500)	-	-	199,323 (US\$ 6,500)	55,192 (CNY 12,102)	100.00	55,192 (CNY 12,102)	305,515 (US\$ 9,963)	-	
	LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	Development, manufacture, sale and installation of power supplies and transformers and provision of technology consulting services, maintenance equipment and precision instruments	5,090,390 (US\$ 166,000)	Note 1	4,630,415 (US\$ 151,000)	459,975 (US\$ 15,000)	-	5,090,390 (US\$ 166,000)	497,411 (CNY 109,067)	100.00	497,411 (CNY 109,067)	8,269,728 (HK\$ 2,112,157)	-	
	LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	Investment activities	2,453,200 (US\$ 80,000)	Note 1	2,453,200 (US\$ 80,000)	-	-	2,453,200 (US\$ 80,000)	811,034 (CNY 177,835)	100.00	811,034 (CNY 177,835)	514,995 (HK\$ 131,534)	-	
Lite-On Technology (Yingtai) Ltd.	Manufacture and sale of electronic components	337,315 (US\$ 11,000)	Note 1	337,315 (US\$ 11,000)	-	-	337,315 (US\$ 11,000)	22,151 (CNY 4,857)	100.00	22,151 (CNY 4,857)	301,437 (US\$ 9,830)	-		
LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Development, manufacture and sale of electronic components, power supplies and provision technology consulting services	489,781 (US\$ 15,972)	Note 1	489,781 (US\$ 15,972)	-	-	489,781 (US\$ 15,972)	182,629 (CNY 40,045)	100.00	182,629 (CNY 40,045)	887,963 (HK\$ 226,793)	-		

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
						Outflow	Inflow							
Lite-On Technology Corporation	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	\$ 30,665 (US\$ 1,000)	Note 1	\$ 30,665 (US\$ 1,000)	\$ -	\$ -	\$ 30,665 (US\$ 1,000)	\$ (17,444) (CNY -3,825)	100.00	\$ (17,444) (CNY -3,825)	\$ 2,748 (CNY 613)	\$ -	
	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Manufacture and sale of optical disc drives	1,318,595 (US\$ 43,000)	Note 1	1,318,595 (US\$ 43,000)	-	-	1,318,595 (US\$ 43,000)	(136,768) (CNY -29,989)	100.00	(136,768) (CNY -29,989)	1,976,359 (US\$ 64,450)	-	
	LiteON Auto Electric Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	61,330 (US\$ 2,000)	Note 1	61,330 (US\$ 2,000)	-	-	61,330 (US\$ 2,000)	(15,757) (CNY -3,455)	100.00	(15,757) (CNY -3,455)	132,687 (US\$ 4,327)	-	
	LITEON-IT OPTO TECH (BH) CO., LTD.	Manufacture and sale of optical disc drives	1,686,575 (US\$ 55,000)	Note 1	1,686,575 (US\$ 55,000)	-	-	1,686,575 (US\$ 55,000)	316,223 (CNY 69,338)	100.00	316,223 (CNY 69,338)	4,113,158 (US\$ 134,132)	-	
	Lite-On (Guangzhou) Automotive Electronics Limited	Manufacture, sale and processing of electronic products	190,123 (US\$ 6,200)	Note 1	180,004 (US\$ 5,870)	-	-	180,004 (US\$ 5,870)	234,237 (CNY 51,361)	100.00	234,237 (CNY 51,361)	1,774,735 (HK\$ 453,282)	-	
	LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	Manufacture, sale and processing of electronic products	153,325 (US\$ 5,000)	Note 1	153,325 (US\$ 5,000)	-	-	153,325 (US\$ 5,000)	(44,639) (CNY -9,788)	100.00	(44,639) (CNY -9,788)	594,307 (HK\$ 151,791)	-	
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	377,425 (US\$ 12,308)	Note 1	195,551 (US\$ 6,377)	-	-	195,551 (US\$ 6,377)	141,178 (CNY 30,956)	100.00	141,178 (CNY 30,956)	1,171,219 (US\$ 38,194)	-	
	HUIZHOU FU TAI ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	29,714 (US\$ 969)	Note 1	1,993 (US\$ 65)	-	-	1,993 (US\$ 65)	1,532 (CNY 336)	100.00	1,532 (CNY 336)	62,649 (CNY 2,043)	-	
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Manufacture and sale of energy saving equipment	2,177,215 (US\$ 71,000)	Note 1	2,177,215 (US\$ 71,000)	-	-	2,177,215 (US\$ 71,000)	102,326 (CNY 22,437)	100.00	102,326 (CNY 22,437)	2,714,496 (CNY 88,521)	-	
	SUZHOU LITE-ON STORAGE CO., LTD.	Research, development, manufacture, sale of SSD and smart storage device (including high-speed with more than 100TB storage capacity) provide after-sales service and technical support; import and export, as a principal or an agent, assorted products and technologies.	3,066,500 (US\$ 100,000)	Note 2	1,379,925 (US\$ 45,000)	-	-	1,379,925 (US\$ 45,000)	65,050 (CNY 14,651)	45.00	29,273 (CNY 6,593)	1,366,254	-	
	BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	490,640 (US\$ 16,000)	Note 1	1,605,742 (US\$ 52,364)	-	-	1,605,742 (US\$ 52,364)	(65,892) (CNY -14,448)	100.00	(65,892) (CNY -14,448)	544,334 (US\$ 17,751)	-	
	GUANGZHOU LITE-ON MOBILE ENGINEERING PLASTICS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	600,114 (US\$ 19,570)	Note 1	2,779,077 (US\$ 90,627)	-	-	2,779,077 (US\$ 90,627)	50,960 (CNY 11,174)	100.00	50,960 (CNY 11,174)	1,834,012 (US\$ 59,808)	-	
	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	-	Note 1	3,537,269 (US\$ 115,352)	-	-	3,537,269 (US\$ 115,352)	(232,372) (CNY -50,952)	-	(232,372) (CNY -50,952)	-	-	Note 5
	Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	-	Note 1	400,209 (US\$ 13,051)	-	-	400,209 (US\$ 13,051)	(172,226) (CNY -37,764)	-	(172,226) (CNY -37,764)	-	-	Note 5
	ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Manufacture and sale of mobile phone modules and design for assembly line	-	Note 1	476,197 (US\$ 15,529)	-	-	476,197 (US\$ 15,529)	(239,691) (CNY -52,557)	-	(239,691) (CNY -52,557)	-	-	Note 5
	LITE-ON YOUNG FAST (HUIZHOU) CO., LTD.	Modules of touch panels	-	Note 1	199,323 (US\$ 6,500)	-	-	199,323 (US\$ 6,500)	16,085 (CNY 3,527)	-	16,085 (CNY 3,527)	-	-	Note 6
	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Solar energy engineering	22,999 (US\$ 750)	Note 1	22,999 (US\$ 750)	-	-	22,999 (US\$ 750)	(2,043) (CNY -448)	100.00	(2,043) (CNY -448)	(10,115) (CNY -2,256)	-	
	Changzhou Binhu Thin Film Solar Greenhouse Co., Ltd.	Manufacture and sale of solar energy engineering	448,360 (CNY 100,000)	Note 1	91,903 (US\$ 2,997)	-	-	91,903 (US\$ 2,997)	-	19.90	-	4,293 (US\$ 140)	-	
	Epicrystal (Changzhou) Co., Ltd.	Manufacture, design and sale of light-emitting diode products	4,814,405 (US\$ 157,000)	Note 1	827,955 (US\$ 27,000)	-	-	827,955 (US\$ 27,000)	57,188 (CNY 12,539)	19.74	11,287 (CNY 2,475)	916,753 (CNY 204,468)	-	
	DONGGUAN LITE-ON COMPUTER CO., LTD.	Manufacture and sale of computer hosts and components	61,330 (US\$ 2,000)	Note 1	61,330 (US\$ 2,000)	-	-	61,330 (US\$ 2,000)	3,612 (CNY 792)	100.00	3,612 (CNY 792)	100,832 (CNY 22,489)	-	
Dongguan Huaqiang Information Technology Co., Ltd.	Manufacture and sale of laser head and digital player machine core	89,672 (CNY 20,000)	Note 1	38,086 (US\$ 1,242)	-	-	53,418 (US\$ 1,742)	18,080 (CNY 3,964)	46.67	8,437 (CNY 1,850)	1,793 (CNY 400)	-		
Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Sale of optical disc drives	30,665 (US\$ 1,000)	Note 1	30,665 (US\$ 1,000)	-	-	30,665 (US\$ 1,000)	17,034 (CNY 3,735)	100.00	17,034 (CNY 3,735)	505,046	-	
Silitech Technology Corporation	Xurong Electronic (Shenzhen) Ltd.	Manufacture of automotive parts, touch panels and plastic & rubber assembly	85,862 (US\$ 2,800)	Note 1	203,354	-	-	203,354	(202,669) (CNY -44,525)	100.00	(202,669) (CNY -44,525)	619,030 (CNY 138,077)	-	
	Silitech Electronic (SuZhou) Co., Ltd.	Manufacture and sale of automotive parts	827,955 (US\$ 27,000)	Note 1	2,391,870 (US\$ 78,000)	-	-	2,391,870 (US\$ 78,000)	102,329 (CNY 22,481)	100.00	102,329 (CNY 22,481)	433,743 (CNY 96,748)	-	Note 7

(Continued)

Investor Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Lite-On Technology Corporation	\$ 36,532,840 (US\$ 1,191,353)	\$ 39,281,865 (US\$ 1,281,000)	Note 8
Philips & Lite-On Digital Solutions Corporation	30,665 (US\$ 1,000)	30,665 (US\$ 1,000)	\$ 367,976 (Note 9)
Silitech Technology Corporation	2,687,219 (US\$ 81,000) (NT\$ 203,354)	2,837,631 (US\$ 85,905) (NT\$ 203,354)	7,538,445 (Note 10)

Note 1: The way of investment in Mainland China is as follows:

- a. Indirect investment in mainland China through holding companies.
- b. Direct investment in mainland China through the Company.

Note 2: Amount was recognized based on the audited financial statements.

Note 3: LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED merged with DONGGUAN G-PRO COMPUTER CO., LTD. and DONGGUAN G-TECH COMPUTER CO., LTD; LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED was the surviving entity. The merger has been registered with the Ministry of Economic Affairs on February 13, 2019 (Registered No. 10800011600).

Note 4: LITE-ON ELECTRONICS (GUANGZHOU) LIMITED merged with LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED, LITE-ON (GUANGZHOU) PRECISION TOOLING LTD., LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED, and LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED; LITE-ON ELECTRONICS (GUANGZHOU) LIMITED was the surviving entity. Because the merger was still under way, the change in the amount of investment in mainland China has not yet registered with the Ministry of Economic Affairs.

Note 5: Sold in October 2018 and has been registered with the Ministry of Economic Affairs (No. 10700355970).

Note 6: Dissolved upon liquidation in November 2018.

Note 7: The total paid-in-capital of Silitech Electronic (SuZhou) Co., Ltd. was US\$78,000 thousand. On September 13, 2018, its board of directors passed a resolution for the return of capital in the form of cash of US\$51,000 thousand to Silitech (Hong Kong) Holding Ltd. As of December 31, 2018, Silitech (Hong Kong) Holding Ltd. has received US\$40,000 thousand.

Note 8: Under Order No. 10720403170 issued by the Ministry of Economic Affairs, R.O.C. on February 5, 2018, the Company acquired a certification - approved by the Industrial Development Bureau and valid from January 31, 2018 to January 30, 2021 - of its status as operation headquarters in the ROC. Thus, the Company has no limitation on the investment amount in mainland China.

Note 9: Calculated based on 60% of Philips & Lite-On Digital Solutions Corporation's net worth.

Note 10: Calculated based on 60% of Silitech Technology Corporation's net worth or NT\$80 million, whichever is higher, plus accumulated inward remittance of share capital or earnings from subsidiaries.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			% of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Item	Amount	Terms	
0	Lite-On Technology Corporation	Philips & Lite-On Digital Solutions Corporation	a.	Sales	\$ 14,742,645	Cost-plus pricing	7
		Philips & Lite-On Digital Solutions Corporation	a.	Accounts receivable	3,797,699	Cost-plus pricing	2
		LITE-ON SINGAPORE PTE. LTD.	a.	Sales	3,846,273	Cost-plus pricing	2
		LITE-ON SINGAPORE PTE. LTD.	a.	Purchases	22,425,492	Cost-plus pricing	11
		LITE-ON SINGAPORE PTE. LTD.	a.	Accounts payable	8,041,771	Cost-plus pricing	4
		LITE-ON TRADING USA, INC.	a.	Sales	5,197,154	Cost-plus pricing	3
		LITE-ON TRADING USA, INC.	a.	Accounts receivable	2,046,981	Cost-plus pricing	1
		Lite-On Overseas Trading Co., Ltd.	a.	Accounts receivable	3,233,971	Cost-plus pricing	2
		Lite-On Overseas Trading Co., Ltd.	a.	Purchases	80,575,490	Cost-plus pricing	39
		Lite-On Overseas Trading Co., Ltd.	a.	Accounts payable	26,481,119	Cost-plus pricing	13
1	Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions USA, Inc.	a.	Sales	7,545,018	Cost-plus pricing	4
2	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Lite-On Overseas Trading Co., Ltd.	c.	Sales	23,114,843	Cost-plus pricing	11
		Lite-On Overseas Trading Co., Ltd.	c.	Accounts receivable	1,031,369	Cost-plus pricing	1
3	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	c.	Sales	4,730,256	Cost-plus pricing	2
		LITE-ON SINGAPORE PTE. LTD.	c.	Accounts receivable	1145,681	Cost-plus pricing	1
4	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	c.	Sales	14,216,872	Cost-plus pricing	7
		LITE-ON SINGAPORE PTE. LTD.	c.	Accounts receivable	3,016,583	Cost-plus pricing	2
		Lite-On Overseas Trading Co., Ltd.	c.	Sales	7,730,448	Cost-plus pricing	4
		Lite-On Overseas Trading Co., Ltd.	c.	Accounts receivable	1,867,396	Cost-plus pricing	1
5	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	14,372,652	Cost-plus pricing	7
		Lite-On Overseas Trading Co., Ltd.	c.	Accounts receivable	1,566,255	Cost-plus pricing	1
6	SILITEK ELEC. (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	10,574,723	Cost-plus pricing	5
		Lite-On Overseas Trading Co., Ltd.	c.	Accounts receivable	3,195,579	Cost-plus pricing	2
7	LITE-ON ELECTRONICS (GUANGZHOU) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	28,094,828	Cost-plus pricing	14
		Lite-On Overseas Trading Co., Ltd.	c.	Accounts receivable	6,194,405	Cost-plus pricing	3

(Continued)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statements Item	Amount	Terms	% of Consolidated Net Revenue or Total Assets (Note 3)
8	LITEON-IT OPTO TECH (BH) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	\$ 10,939,256	Cost-plus pricing	5
9	Lite-On Electronics (Thailand) Co., Ltd.	LITE-ON SINGAPORE PTE. LTD.	c.	Sales	3,511,429	Cost-plus pricing	2
10	LITE-ON SINGAPORE PTE. LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	c.	Sales	2,762,142	Cost-plus pricing	1
		WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	c.	Sales	2,306,459	Cost-plus pricing	1
		LITE-ON ELECTRONICS H.K. LIMITED	c.	Sales	3,174,900	Cost-plus pricing	2
		LITE-ON TRADING USA, INC.	c.	Sales	7,240,186	Cost-plus pricing	4
		LITE-ON TRADING USA, INC. LEOTEK ELECTRONICS USA LLC	c. c.	Accounts receivable Sales	3,204,473 1,077,087	Cost-plus pricing Cost-plus pricing	2 1
11	Lite-On Overseas Trading Co., Ltd.	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	c.	Sales	18,659,588	Cost-plus pricing	9
		LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	c.	Accounts receivable	2,765,250	Cost-plus pricing	1
		LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	c.	Sales	13,339,843	Cost-plus pricing	6
		LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	c.	Accounts receivable	4,925,032	Cost-plus pricing	3
		LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	c.	Sales	12,403,569	Cost-plus pricing	6
		SILITEK ELEC. (DONGGUAN) CO., LTD.	c.	Sales	7,963,382	Cost-plus pricing	4
		SILITEK ELEC. (DONGGUAN) CO., LTD.	c.	Sales	1,172,956	Cost-plus pricing	1
		LITE-ON ELECTRONICS (GUANGZHOU) CO., LTD.	c.	Sales	31,384,316	Cost-plus pricing	15
		LITE-ON ELECTRONICS (GUANGZHOU) CO., LTD.	c.	Accounts receivable	5,555,797	Cost-plus pricing	3
		LITE-ON OPTO TECHNOLOGY (GUANGZHOU) CO., LTD.	c.	Sales	1,086,080	Cost-plus pricing	1
		LITE-ON IT OPTO TECH (BH) CO., LTD.	c.	Sales	10,247,644	Cost-plus pricing	5
		LITE-ON IT OPTO TECH (BH) CO., LTD.	c.	Accounts receivable	2,414,764	Cost-plus pricing	1
		LITE-ON SINGAPORE PTE. LTD.	c.	Sales	19,466,827	Cost-plus pricing	9
LITE-ON SINGAPORE PTE. LTD.	c.	Accounts receivable	4,435,178	Cost-plus pricing	2		
12	Lite-On (Guangzhou) Automotive Electronics Co., Limited	LITE-ON TECHNOLOGY (SHANGHAI) LTD.	c.	Sales	2,458,695	Cost-plus pricing	1
		LITE-ON TECHNOLOGY (SHANGHAI) LTD.	c.	Accounts receivable	1,076,131	Cost-plus pricing	1
		LITE-ON SINGAPORE PTE. LTD.	c.	Sales	2,394,096	Cost-plus pricing	1

Note 1: The Parent Company and its subsidiaries are coded as follows:

- a. The Parent Company is coded "0".
- b. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

- a. From the Parent Company to its subsidiary.
- b. From a subsidiary to its Parent Company.
- c. Between subsidiaries.

(Continued)

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as December 31, 2018. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2018.

Note 4: The intercompany transactions have been eliminated from consolidation.

Note 5: The above table only discloses each of the related-party transactions which amount to at least 1% of total revenue or total assets, while the reverse flow of transactions are not additionally disclosed.

(Concluded)