

Lite-On Technology Corporation

**Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Lite-On Technology Corporation

Opinion

We have audited the accompanying financial statements of Lite-On Technology Corporation (the Company), which comprise the balance sheets as of December 31, 2016 and 2015, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Financial Statements section of our report. We are independent of the Company 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 financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the 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, 2016, the key audit matters to the Company's financial statements were as follows:

Allowance for impairment loss for trade receivables

The recoverable amount from 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 receivable balances and those with overdue balances, and we evaluated the reasonableness of management's estimation on the allowance for impairment loss.

For a summary of significant accounting policies on impairment loss for trade receivables, refer to Note 4 to the Company's financial statements. Refer to Note 9 to the Company's financial statements for the carrying amount of trade receivables. Our audit procedures for the aforementioned key audit matter are described as follows:

1. We assessed both the trade receivables aging report classified by client credit rating and the reasonableness of the percent of impairment loss allowance; this assessment included the implementation of the computer audit sampling procedures to test the correctness of the trade receivable aging report. We compared the aging reports of current and prior accounting periods and examined both periods' bad debt write-offs. We confirmed the recoverability of outstanding trade receivables by testing the after period end collection of receivables.
2. We reviewed approval of client credit terms and examined reversals in the trade receivables subledger in order to assess the effectiveness of internal controls relevant to trade receivables.

Allowance for Inventory Valuation Loss

The value of the inventory is affected by the volatility of the market demand and the 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 if 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.

For summary of the significant accounting policies on inventory valuation, refer to Note 4 to the Company's financial statements. Refer to Note 10 to the Company's financial statements for the carrying amount of inventory. Our audit procedures for the aforementioned key audit matter are described as follows:

1. We assessed both the inventory aging report classified by product types and the reasonableness of the percent of allowance for inventory valuation loss; this assessment included the implementation of the computer audit sampling procedures to test the correctness of the inventory aging report. We compared the amount of allowances in prior years to actual amount of write-downs in order to evaluate the appropriateness of the policy implemented relevant to the allowance for inventory valuation loss.
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 the inventory had been valued by the lower of cost or net realizable value method.
3. We obtained year-end inventory quantities from the inventory accounts book and compared it with data from the physical inventory count to test the existence and completeness of management's assumption. Through the physical inventory count, we evaluated the conditions of the inventory and, in turn, the appropriateness of the allowance estimated by management.

Impairment Loss for Property, Plant and Equipment and Intangible Assets (Including Goodwill), and Investments Accounted For Using Equity Method

Management should assess, on the financial statements date, any indication of impairment to property, plant and equipment, to intangible assets, and to investments accounted for using the equity method. 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 if the estimation was made in accordance to IAS 36 to ensure all assets' carrying amounts did not exceed their recoverable amount.

For a summary of the significant accounting policies on impairment loss, refer to Note 4 to the Company's financial statements. Refer to Notes 12, 13 and 14 to the Company's financial statements for disclosures of property, plant and equipment, intangible assets, and investments accounted for using the equity method. Our audit procedures for the aforementioned key audit matter are described as follows:

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 with our firm experts on the reasonableness of management's impairment assessments and assumptions, including their cash generating unit classification, cash flow prediction, discount rate, etc.

Litigation Provisions and Contingent Liabilities

In Note 27 to the Company's financial statements, management has disclosed the progress of major ongoing litigations, investigations, and other government related matters. The timing of the recognition and quantification of the associated liabilities require the application of management's significant judgment on existing facts and circumstances, which can be subject to change. Therefore, we focused on if provisions and contingent liabilities were recognized according to IAS 37 and ensured sufficient disclosures and explanations of these contingencies on the Company's Notes to the financial statements. Our audit procedures for the aforementioned key audit matter are described as the follows:

1. We understood and assessed the effectiveness of the controls designed and executed by management to recognize and assess risks.
2. We evaluated assumptions made by management in assessing the appropriate level of provisions for litigations. We compared these assumptions with that of available industry-specific and historical information, including reviewing the Company's internal documents relevant to provisions.
3. We corresponded by mail with the Company's external lawyers to obtain the latest information on ongoing litigations and other legal matters, and tested the reasonableness of management assumptions.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with the 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 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 Company'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 Company'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 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 Company 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to 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 financial statements for the year ended December 31, 2016 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 Jr-Shian Ke and Ching-Fu Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2017

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

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

LITE-ON TECHNOLOGY CORPORATION

BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 7,809,197	5	\$ 4,190,926	3
Financial assets at fair value through profit or loss (Note 7)	113,953	-	45,845	-
Debt instruments with no active market - current (Note 8)	6,534	-	5,781	-
Notes receivable, net (Note 9)	1,244	-	180	-
Trade receivables, net (Note 9)	27,660,329	18	21,641,543	15
Trade receivables from related parties (Note 25)	14,671,974	10	11,028,957	7
Other receivables	315,080	-	790,721	1
Other receivables from related parties (Note 25)	389,847	-	541,785	-
Inventories, net (Note 10)	8,997,686	6	10,458,264	7
Prepayments	543,135	-	807,852	1
Total current assets	<u>60,508,979</u>	<u>39</u>	<u>49,511,854</u>	<u>34</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets (Note 11)	314,251	-	321,274	-
Debt instruments with no active market - non-current (Note 8)	303,823	-	4,527	-
Investments accounted for using equity method (Note 12)	80,160,419	52	80,806,177	55
Property, plant and equipment, net (Note 13)	6,425,996	4	6,879,323	5
Intangible assets, net (Note 14)	6,177,890	4	6,742,250	5
Deferred tax assets (Note 21)	1,982,632	1	2,106,142	1
Refundable deposits	117,843	-	160,322	-
Prepayments for investments	4,457	-	155,677	-
Other non-current assets	6,399	-	6,444	-
Total noncurrent assets	<u>95,493,710</u>	<u>61</u>	<u>97,182,136</u>	<u>66</u>
TOTAL	<u>\$ 156,002,689</u>	<u>100</u>	<u>\$ 146,693,990</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 10,126,680	6	\$ 12,874,375	9
Notes payable	2	-	2,597	-
Trade payables	8,007,701	5	8,103,755	5
Trade payables to related parties (Note 25)	32,387,980	21	18,858,168	13
Other payables	10,465,709	7	9,892,335	7
Other payables to related parties (Note 25)	199,880	-	755,682	-
Current tax liabilities (Note 21)	1,785,826	1	1,270,893	1
Provisions - current (Note 16)	857,176	1	853,031	1
Advance receipts	1,295,315	1	1,814,666	1
Current portion of long-term borrowings (Note 15)	4,800,000	3	2,900,000	2
Total current liabilities	<u>69,926,269</u>	<u>45</u>	<u>57,325,502</u>	<u>39</u>
NON-CURRENT LIABILITIES				
Long-term borrowings, net of current portion (Note 15)	7,200,000	4	9,600,000	7
Deferred tax liabilities (Note 21)	2,757,688	2	3,282,201	2
Net defined benefit liabilities - non-current (Note 17)	101,521	-	63,935	-
Guarantee deposits	19,661	-	21,210	-
Credit balance of investments accounted for using equity method (Note 12)	66,015	-	412,631	-
Total noncurrent liabilities	<u>10,144,885</u>	<u>6</u>	<u>13,379,977</u>	<u>9</u>
Total liabilities	<u>80,071,154</u>	<u>51</u>	<u>70,705,479</u>	<u>48</u>
EQUITY				
Share capital				
Ordinary shares	23,508,670	15	23,349,283	16
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	9,372,488	6	9,251,603	7
Bond conversion	7,462,138	5	7,462,138	5
Treasury stock transactions	328,800	-	275,516	-
Difference between consideration and carry amounts adjusted arising from changes in percentage of ownership in subsidiaries	45,612	-	43,236	-
Change in capital surplus from investments in associates and joint ventures accounted for using equity method	273,487	-	278,747	-
Merger	10,015,194	7	10,015,194	7
Total capital surplus	27,497,719	18	27,326,434	19
Retained earnings				
Legal reserve	10,845,332	7	10,123,042	7
Special reserve	398,602	-	232,213	-
Unappropriated earnings	16,252,206	11	13,011,073	9
Total retained earnings	27,496,140	18	23,366,328	16
Other equity				
Exchange differences on translating foreign operations	(1,195,684)	(1)	3,347,902	2
Unrealized loss on available-for-sale financial assets	(126,588)	-	(152,714)	-
Total other equity	(1,322,272)	(1)	3,195,188	2
Treasury shares	(1,248,722)	(1)	(1,248,722)	(1)
Total equity	<u>75,931,535</u>	<u>49</u>	<u>75,988,511</u>	<u>52</u>
TOTAL	<u>\$ 156,002,689</u>	<u>100</u>	<u>\$ 146,693,990</u>	<u>100</u>

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

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 19 and 25)	\$ 153,349,016	103	\$ 127,877,547	103
Less: Sales returns	913,932	1	827,475	1
Sales allowance	<u>3,708,892</u>	<u>2</u>	<u>2,420,824</u>	<u>2</u>
Total operating revenue	<u>148,726,192</u>	<u>100</u>	<u>124,629,248</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 10, 20 and 25)	<u>133,223,045</u>	<u>90</u>	<u>110,580,446</u>	<u>88</u>
GROSS PROFIT	15,503,147	10	14,048,802	12
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	48,478	-	-	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>-</u>	<u>-</u>	<u>28,510</u>	<u>-</u>
GROSS PROFIT, NET	<u>15,454,669</u>	<u>10</u>	<u>14,077,312</u>	<u>12</u>
OPERATING EXPENSES (Notes 20 and 25)				
Selling and marketing expenses	2,580,664	2	3,030,307	2
General and administrative expenses	4,416,912	3	4,823,651	4
Research and development expenses	<u>3,472,085</u>	<u>2</u>	<u>3,293,023</u>	<u>3</u>
Total operating expenses	<u>10,469,661</u>	<u>7</u>	<u>11,146,981</u>	<u>9</u>
OPERATING INCOME	<u>4,985,008</u>	<u>3</u>	<u>2,930,331</u>	<u>3</u>
NONOPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries and associates	4,955,874	3	5,047,718	4
Interest income	35,319	-	32,065	-
Dividend income	5,960	-	10,844	-
Other income (Note 25)	1,839,685	1	1,185,172	1
Gain on disposal of property, plant and equipment (Note 25)	31,003	-	39,220	-
Gain on disposal of investments	4,318	-	20,190	-
Net loss on foreign currency exchange	(28,322)	-	(27,501)	-
Gain on financial assets with fair value through profit or loss	90,209	-	45,845	-
Finance costs	(308,094)	-	(341,075)	-
Other expenses	(231,216)	-	(555,040)	(1)

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LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
Loss on disposal of property, plant and equipment	\$ (53,976)	-	\$ (517)	-
Impairment loss (Notes 11, 13 and 14)	<u>(341,670)</u>	<u>-</u>	<u>(54,801)</u>	<u>-</u>
Total nonoperating income and expenses	<u>5,999,090</u>	<u>4</u>	<u>5,402,120</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	10,984,098	7	8,332,451	7
INCOME TAX EXPENSE (Note 21)	<u>(1,567,747)</u>	<u>(1)</u>	<u>(1,109,552)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>9,416,351</u>	<u>6</u>	<u>7,222,899</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (Notes 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(50,094)	-	(76,626)	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(14,722)	-	(21,876)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>8,516</u>	<u>-</u>	<u>13,026</u>	<u>-</u>
	<u>(56,300)</u>	<u>-</u>	<u>(85,476)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(5,056,073)	(3)	(818,537)	(1)
Unrealized gain (loss) on available-for-sale financial assets	50,209	-	(300,819)	-
Unrealized Gain on hedging instruments determined to be the effective portion of cash flow hedging	-	-	11,989	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(354,459)	-	(81,980)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>842,863</u>	<u>-</u>	<u>132,355</u>	<u>-</u>
	<u>(4,517,460)</u>	<u>(3)</u>	<u>(1,056,992)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(4,573,760)</u>	<u>(3)</u>	<u>(1,142,468)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,842,591</u>	<u>3</u>	<u>\$ 6,080,431</u>	<u>5</u>

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LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 22)				
Basic	<u>\$4.05</u>		<u>\$3.10</u>	
Diluted	<u>\$4.00</u>		<u>\$3.05</u>	

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

(Concluded)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Capital Surplus (Note 18)										Other Equity (Note 18)								
	Issue of Share Capital (Notes 18 and 20)		Additional Paid-in Capital from Share Excess of Par Value	Bond Conversion	Treasury Stock Transactions	Difference Between Consideration and Carry Amounts Adjusted Arising from Change in Percentage of Ownership in Subsidiaries	Arising from Share of Changes in Capital Surplus of Associates and Joint Ventures	Merger	Total	Retained Earnings (Notes 18 and 21)				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Cash Flow Hedges	Total	Treasury Shares (Note 18)	Total Equity
										Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
		Shares (In Thousands)	Amount																
BALANCE AT JANUARY 1, 2015	2,341,674	\$ 23,416,737	\$ 9,238,931	\$ 7,534,962	\$ 445,694	\$ 30,960	\$ 231,446	\$ 10,112,934	\$ 27,594,927	\$ 9,476,876	\$ 49,669	\$ 11,432,541	\$ 20,959,086	\$ 4,125,097	\$ 139,072	\$ (11,989)	\$ 4,252,180	\$ (1,248,722)	\$ 74,974,208
Appropriation of the 2014 earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	646,166	-	(646,166)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	182,544	(182,544)	-	-	-	-	-	-	-
Cash dividends - 19.7%	-	-	-	-	-	-	-	-	-	-	-	(4,613,097)	(4,613,097)	-	-	-	-	-	(4,613,097)
Stock dividends - 0.5%	11,708	117,084	-	-	-	-	-	-	-	-	-	(117,084)	(117,084)	-	-	-	-	-	-
Other changes in capital surplus																			
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	12,276	-	-	12,276	-	-	-	-	-	-	-	-	-	12,276
Change in capital surplus from investments in associates and joint ventures accounted for using equity method	-	-	-	-	-	-	47,301	-	47,301	-	-	-	-	-	-	-	-	-	47,301
Stock dividends of employee transfer to capital	4,333	43,332	102,960	-	-	-	-	-	102,960	-	-	-	-	-	-	-	-	-	146,292
Change in capital surplus from cash dividends of the Company paid to subsidiaries	-	-	-	-	47,779	-	-	-	47,779	-	-	-	-	-	-	-	-	-	47,779
Net profit for the year ended December 31, 2015	-	-	-	-	-	-	-	-	-	-	-	7,222,899	7,222,899	-	-	-	-	-	7,222,899
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	-	-	-	-	-	(85,476)	(85,476)	(777,195)	(291,786)	11,989	(1,056,992)	-	(1,142,468)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	-	-	-	-	-	7,137,423	7,137,423	(777,195)	(291,786)	11,989	(1,056,992)	-	6,080,431
Cancellation of treasury shares	(22,787)	(227,870)	(90,288)	(72,824)	(217,957)	-	-	(97,740)	(478,809)	-	-	-	-	-	-	-	-	-	(706,679)
BALANCE AT DECEMBER 31, 2015	2,334,928	23,349,283	9,251,603	7,462,138	275,516	43,236	278,747	10,015,194	27,326,434	10,123,042	232,213	13,011,073	23,366,328	3,347,902	(152,714)	-	3,195,188	(1,248,722)	75,988,511
Appropriation of the 2015 earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	722,290	-	(722,290)	-	-	-	-	-	-	-
Reversal of Special reserve	-	-	-	-	-	-	-	-	-	-	166,389	(166,389)	-	-	-	-	-	-	-
Cash dividends - 21.9%	-	-	-	-	-	-	-	-	-	-	-	(5,113,493)	(5,113,493)	-	-	-	-	-	(5,113,493)
Stock dividends - 0.5%	11,675	116,746	-	-	-	-	-	-	-	-	-	(116,746)	(116,746)	-	-	-	-	-	-
Other changes in capital surplus																			
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	2,376	-	-	2,376	-	-	-	-	-	-	-	-	-	2,376
Change in capital surplus from investments in associates and joint ventures accounted for using equity method	-	-	-	-	-	-	(5,260)	-	(5,260)	-	-	-	-	-	-	-	-	-	(5,260)
Stock dividends of employee transfer to capital	4,264	42,641	120,885	-	-	-	-	-	120,885	-	-	-	-	-	-	-	-	-	163,526
Change in capital surplus from cash dividends of the Company paid to subsidiaries	-	-	-	-	53,284	-	-	-	53,284	-	-	-	-	-	-	-	-	-	53,284
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	-	-	-	-	-	9,416,351	9,416,351	-	-	-	-	-	9,416,351
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	-	-	-	-	-	(56,300)	(56,300)	(4,543,586)	26,126	-	(4,517,460)	-	(4,573,760)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	-	-	-	-	-	-	9,360,051	9,360,051	(4,543,586)	26,126	-	(4,517,460)	-	4,842,591
BALANCE AT DECEMBER 31, 2016	<u>2,350,867</u>	<u>\$ 23,508,670</u>	<u>\$ 9,372,488</u>	<u>\$ 7,462,138</u>	<u>\$ 328,800</u>	<u>\$ 45,612</u>	<u>\$ 273,487</u>	<u>\$ 10,015,194</u>	<u>\$ 27,497,719</u>	<u>\$ 10,845,332</u>	<u>\$ 398,602</u>	<u>\$ 16,252,206</u>	<u>\$ 27,496,140</u>	<u>\$ (1,195,684)</u>	<u>\$ (126,588)</u>	<u>\$ -</u>	<u>\$ (1,322,272)</u>	<u>\$ (1,248,722)</u>	<u>\$ 75,931,535</u>

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

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 10,984,098	\$ 8,332,451
Adjustments for:		
Depreciation expenses	751,792	701,807
Amortization expenses	418,255	462,614
Recognition of impairment loss of trade receivables	4,798	13,818
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(90,209)	(45,845)
Finance costs	308,094	341,075
Interest income	(35,319)	(32,065)
Dividend income	(5,960)	(10,844)
Share of profit of subsidiaries and associates	(4,955,874)	(5,047,718)
Loss (gain) on disposal of property, plant and equipment	22,973	(38,703)
Gain on disposal of available-for-sale financial assets	(3,310)	(19,926)
Gain on disposal of investments accounted for using equity method	(1,008)	(264)
Impairment loss recognized on financial assets	4,709	54,801
Impairment loss recognized on non-financial assets	34,235	162,974
Unrealized gain on the transactions with subsidiaries and associates	48,478	-
Realized gain on the transactions with subsidiaries and associates	-	(28,510)
Unrealized loss (gain) on foreign currency exchange	(276,479)	270,959
Recognition of provisions	293,421	263,383
Changes in operating assets and liabilities		
Financial assets held for trading	22,100	-
Notes receivable	(1,064)	40,433
Trade receivables	(6,023,583)	1,422,153
Trade receivables from related parties	(3,643,017)	(196,112)
Other receivables	487,519	(132,535)
Other receivables from related parties	153,972	30,664
Inventories	1,763,304	(2,195,953)
Prepayments	264,717	111,781
Notes payable	(2,595)	(4,118)
Trade payables	180,538	1,827,447
Trade payables to related parties	13,529,812	(2,052,623)
Other payables	747,165	2,146,279
Other payables to related parties	(555,802)	155,582
Provisions	(289,276)	(238,639)
Advance receipts	(519,351)	(144,127)
Net defined benefit liabilities	(12,508)	(12,674)
Cash generated from operations	13,604,625	6,137,565
Interest received	23,441	32,362
Dividends received	5,960	10,844
Interest paid	(304,433)	(343,334)
Income tax paid	(602,438)	(190,471)
Net cash generated from operating activities	12,727,155	5,646,966

(Continued)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets	\$ 55,833	\$ 22,949
Purchase of debt instruments with no active market	(300,049)	(8,519)
Acquisition of investments accounted for using equity method	(537,840)	(1,555,000)
Proceeds from disposal of long-term investments for using equity method	19,829	-
Increase in prepayments for long-term investments	(4,457)	(155,677)
Proceeds from capital reduction of investments accounted for using equity method	281,556	4,806
Payments for property, plant and equipment	(504,810)	(520,263)
Proceeds from disposal of property, plant and equipment	104,150	383,631
Decrease in refundable deposits	42,479	14,482
Payments for intangible assets	(156,383)	(133,023)
Decrease in other noncurrent assets	45	834
Dividend received from subsidiaries and associates	<u>253,500</u>	<u>283,994</u>
Net cash used in investing activities	<u>(746,147)</u>	<u>(1,661,786)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(2,747,695)	(592,746)
Repayments of long-term borrowings	(500,000)	(425,000)
Proceeds from (Refund of) guarantee deposits received	(1,549)	1,414
Cash dividends	(5,113,493)	(4,613,097)
Payments for buy-back of ordinary shares	<u>-</u>	<u>(706,679)</u>
Net cash used in financing activities	<u>(8,362,737)</u>	<u>(6,336,108)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,618,271	(2,350,928)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,190,926</u>	<u>6,541,854</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,809,197</u>	<u>\$ 4,190,926</u>

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

(Concluded)

LITE-ON TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

1. GENERAL INFORMATION

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

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

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

The 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 Company as the surviving entity. The merger separately took effect on March 22, 2014, April 15, 2014, June 1, 2014, June 29, 2014, June 30, 2014 and September 1, 2014, and the Company thus assumed all rights and obligations of the six merged companies on those date.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors and authorized for issue on February 24, 2017.

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

- a. 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) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company’s accounting policies, except for the following:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the

transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Company continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

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

The impairment of financial assets

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

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

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

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

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

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

3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the of cash flows, cash payments for the principal portion of the lease liability and interest portion are both classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

4) 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 Company shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

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, and IFRS as endorsed by the FSC.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

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.

When preparing the Company's financial statements, the Company used equity method to account for its investment in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the Company's financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and related equity items, as appropriate, in the parent company only financial statements.

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, and
- 3) Liabilities for which the Company 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. 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

e. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company'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 Company's foreign operations (including of the subsidiaries and associates, in other countries or currencies used different with the Company) 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 Company'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 subsidiary that does not result in the Company 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.

f. 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 on the balance sheet date.

g. Investments accounted for using equity method

Investments in subsidiaries and associates are accounted for using equity method.

1) Investments in subsidiaries

Subsidiaries are the entities controlled by the Company.

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

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary, the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

The Company 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 Company 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. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions are eliminated in full. Profits and losses from upstream and sidestream transactions are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

2) Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. Besides, the Company also recognizes the Company's share of the change in equity of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized 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 Company'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 the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company's share of equity of associates. If the Company's ownership interest is reduced due to the additional subscription of the new shares of 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 if the investee had 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 by the equity method is insufficient, the shortage is debited to retained earnings.

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

h. 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 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 useful lives, assets are 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 estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. 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 to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An 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.

j. 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.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset 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 Company 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 an indication that the asset may be impaired.

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. A reversal of an impairment loss is recognized in profit or loss.

1. Financial instruments

Financial assets and financial liabilities are recognized in Balance Sheets when a company 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 fair value through profit or loss) 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 fair value through profit or loss 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

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss 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. Please see Note 24 on financial instruments for remeasurement at fair value.

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 fair value through profit or loss.

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 Company's right to receive the dividends is established.

iii. Loans and receivables

Except for financial assets at fair value through profit or loss, 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 equivalent includes time deposits and investments that meet short-term cash commitments, within highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

b) Impairment of financial assets

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 Company 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.

a) Financial liabilities subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

c) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. 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.

3) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including cross-currency swap contracts.

Derivatives are initially recognized at fair value at the date 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 hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

m. Hedge accounting

The Company designates derivative hedging instruments to conduct cash flow hedges. The effective portion of changes in the fair value of derivatives is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

n. 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 Company's obligation by the management of the Company

o. Revenue recognition

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. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company 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 Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company 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) Rendering of services

Service income is recognized when services are provided.

3) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

4) 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.

5) 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 Company 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 Company 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.

p. 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 Company as lessor

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

2) The Company as lessee

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

q. 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 liability (asset) 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 they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. 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 Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

r. 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 in the financial statements 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 Company 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 liability is settled or the asset 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 Company 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company'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. 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 present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. 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 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.

c. 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 recognition of additional or reversal of impairment losses.

d. Write-down of inventory

Net realizable value of inventory 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 was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

e. Litigation provision and contingent liability

Refer to Note 27 for the disclosure on antitrust group lawsuits filed against the Company, its subsidiaries, and other companies with related businesses in the United States of America. Litigation provision estimations and contingent liabilities disclosures are subject to change as some of the lawsuits are still in progress.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 1,109	\$ 1,352
Checking accounts	1,034	2,025
Demand deposits	2,126,374	4,187,549
Time deposits	<u>5,680,680</u>	<u>-</u>
	<u>\$ 7,809,197</u>	<u>\$ 4,190,926</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
<u>Financial assets held for trading</u>		
Derivative financial assets (not under hedge accounting)		
Cross-currency swap contracts	<u>\$ 113,953</u>	<u>\$ 45,845</u>
Current	\$ 113,953	\$ 45,845
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 113,953</u>	<u>\$ 45,845</u>

At the end of the reporting period, cross-currency swap contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2016</u>			
Cross-currency swap contracts	USD/NTD	2017.10.06- 2017.12.08	USD170,000/NTD5,304,775
<u>December 31, 2015</u>			
Cross-currency swap contracts	USD/NTD	2016.11.09	USD100,000/NTD3,212,900

The Company entered into cross-currency swap contracts during the years ended December 31, 2016 and 2015 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Thus, the derivative contracts classified as financial assets or financial liabilities at fair value through profit or loss. The financial risk management objectives of the Company were to minimize risks due to changes in fair value or cash flows.

8. DEBT INSTRUMENTS WITH NO ACTIVE MARKET

	<u>December 31</u>	
	2016	2015
Pledged deposits	<u>\$ 310,357</u>	<u>\$ 10,308</u>
Current	\$ 6,534	\$ 5,781
Non-current	<u>303,823</u>	<u>4,527</u>
	<u>\$ 310,357</u>	<u>\$ 10,308</u>

Refer to Note 26 for information on debt instruments with no active market pledged as security.

9. TRADE RECEIVABLES, NET

	<u>December 31</u>	
	2016	2015
<u>Notes receivable</u>		
Notes receivable - operating	\$ 1,244	\$ 180
Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 1,244</u>	<u>\$ 180</u>
<u>Trade receivables</u>		
Trade receivables	\$ 27,760,469	\$ 21,751,209
Allowance for impairment loss	(72,682)	(68,241)
Unrealized interests revenue	<u>(27,458)</u>	<u>(41,425)</u>
	<u>\$ 27,660,329</u>	<u>\$ 21,641,543</u>

The aging of receivables was as follows:

	December 31	
	2016	2015
Not overdue	\$ 27,501,475	\$ 21,312,911
Overdue		
1-60 days	169,470	304,692
61-210 days	33,191	73,030
211-240 days	1,023	1,026
Over 241 days	<u>55,310</u>	<u>59,550</u>
	<u>258,994</u>	<u>438,298</u>
	<u>\$ 27,760,469</u>	<u>\$ 21,751,209</u>

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

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

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 68,241	\$ 54,423
Allowance for impairment loss	4,798	13,818
Amounts written off during the year as uncollectible	<u>(357)</u>	<u>-</u>
Balance at December 31	<u>\$ 72,682</u>	<u>\$ 68,241</u>

At the end of the reporting period, trade receivables from sales on installments by the Company were as follows:

	December 31	
	2016	2015
Gross amounts trade receivables	\$ 805,273	\$ 966,328
Unrealized interests revenue	<u>(27,458)</u>	<u>(41,425)</u>
	<u>\$ 777,815</u>	<u>\$ 924,903</u>

The amount of the above trade receivables is expected to be recovered \$161,055 thousand per year from 2017 to 2021.

10. INVENTORIES, NET

	December 31	
	2016	2015
Merchandise	\$ 5,734,033	\$ 6,265,512
Raw materials	1,915,165	2,388,627
Finished good	739,803	985,689
Work in progress	<u>608,685</u>	<u>818,436</u>
	<u>\$ 8,997,686</u>	<u>\$ 10,458,264</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was \$133,223,045 thousand and \$110,580,446 thousand, respectively.

The cost of inventories recognized as the cost of goods sold in 2016 included a reversal amounting to \$302,726 thousand of inventory write-downs. The reversal was due to increases in inventory net realizable values after the Company had written off the inventory. The cost of inventories recognized as the cost of goods sold in 2015 included an inventory write-down of \$162,974 thousand, which resulted from a write-down of inventory to net realizable value.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 288,558	\$ 287,229
Unlisted shares	<u>4,620</u>	<u>4,620</u>
	<u>293,178</u>	<u>291,849</u>
Foreign investments		
Unlisted shares	20,163	20,163
Listed shares	<u>910</u>	<u>9,262</u>
	<u>21,073</u>	<u>29,425</u>
	<u>\$ 314,251</u>	<u>\$ 321,274</u>

Refer to Note 24 for information related to the determination of the fair values of on 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 Company recognized impairment losses of \$4,709 thousand and \$54,801 thousand respectively in the statements of comprehensive income for the years ended December 31, 2016 and 2015.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	\$ 77,468,068	\$ 77,923,043
Investments in associates	<u>2,692,351</u>	<u>2,883,134</u>
	<u>\$ 80,160,419</u>	<u>\$ 80,806,177</u>

a. Investments in subsidiaries

	December 31			
	2016		2015	
	%	Book Value	%	Book Value
Lite-On International Holding Co., Ltd.	100.00	\$ 21,476,229	100.00	\$ 25,106,404
Lite-On Singapore Pte. Ltd.	100.00	18,442,116	100.00	15,338,196
Lite-On Electronics H.K. Ltd.	100.00	12,293,534	100.00	11,231,033
Lite-On Mobile Pte. Ltd.	100.00	8,005,173	100.00	8,790,237
High Yield Group Co., Ltd.	100.00	5,431,907	100.00	5,305,483
Lite-On Technology USA, Inc.	100.00	2,312,102	100.00	2,359,141
Lite-On Automotive International (Cayman) Co., Ltd.	100.00	1,948,415	100.00	1,897,276
Lite-On Capital Corp.	100.00	1,442,800	100.00	1,598,494
Lite-On Electronics (Thailand) Co., Ltd.	100.00	1,411,616	100.00	1,304,188
Silitech Technology Corp.	33.87	1,334,704	33.87	1,487,387
Eagle Rock Investment Ltd.	100.00	1,228,407	100.00	1,410,738
Lite-On Vietnam Co., Ltd.	100.00	362,838	100.00	70,420
Lite-On Japan Ltd.	49.49	353,908	49.49	358,234
Lite-On Overseas Trading Co., Ltd.	100.00	329,214	100.00	242,239
Philip & Lite-On Digital Solutions Corp.	49.00	291,107	49.00	337,073
LTC Group Ltd. (BVI)	100.00	288,603	100.00	592,312
Lite-On Technology (Europe) B.V.	54.00	273,799	54.00	311,079
Lite-On Automotive Electronics Mexico, S.A. DE C.V.	99.00	62,596	99.00	(59,097)
Lite-On Electronics (Europe) Ltd.	100.00	49,011	100.00	53,011
Lite-On Integrated Service Inc.	100.00	47,155	100.00	46,323
Lite-On Automotive Electronics (Europe) B.V.	100.00	38,501	100.00	43,143
LET (HK) Ltd.	100.00	27,754	100.00	(285,689)
Lite-On Information Technology B.V.	100.00	16,579	100.00	18,056
Lite-On Automotive Service USA Inc.	-	-	100.00	12,908
Leotek Electronics Holding Limited	-	-	100.00	9,668
Li Shin International Enterprise Corp.	100.00	(66,015)	100.00	(67,845)
		77,402,053		77,510,412
Add: Credit balance on the carrying value of investments accounted for using equity method		<u>66,015</u>		<u>412,631</u>
		<u>\$ 77,468,068</u>		<u>\$ 77,923,043</u>

b. Investments in associates

	December 31	
	2016	2015
Associates that are not individually material	<u>\$ 2,692,351</u>	<u>\$ 2,883,134</u>

Aggregate information of associates that are not individually material:

	For the Year Ended December 31	
	2016	2015
The Company's share of:		
Net profit for the year	\$ 83,146	\$ 81,906
Other comprehensive loss	<u>(186,742)</u>	<u>(50,418)</u>
Total comprehensive income (loss) for the year	<u>\$ (103,596)</u>	<u>\$ 31,488</u>

13. PROPERTY, PLANT AND EQUIPMENT, NET

For the Year Ended December 31, 2016									
	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Lease	Other Equipment	Total
<u>Cost</u>									
January 1, 2016	\$ 2,226,499	\$ 4,887,078	\$ 3,826,539	\$ 657,146	\$ 3,896	\$ 802,677	\$ 71,322	\$ 519,526	\$ 12,994,683
Additions	-	5,390	267,895	89,479	-	71,096	-	53,237	487,097
Disposals	-	(2,795)	(381,138)	(97,232)	-	(205,349)	(64,942)	(122,960)	(874,416)
Reclassification	-	251	(769)	3,064	-	2,643	-	(30,661)	(25,472)
December 31, 2016	<u>\$ 2,226,499</u>	<u>\$ 4,889,924</u>	<u>\$ 3,712,527</u>	<u>\$ 652,457</u>	<u>\$ 3,896</u>	<u>\$ 671,067</u>	<u>\$ 6,380</u>	<u>\$ 419,142</u>	<u>\$ 12,581,892</u>
<u>Accumulated depreciation</u>									
January 1, 2016	\$ -	\$ 1,762,901	\$ 2,746,032	\$ 550,187	\$ 3,543	\$ 625,268	\$ 51,069	\$ 371,150	\$ 6,110,150
Additions	-	144,649	346,066	94,690	90	108,172	11,555	46,570	751,792
Disposals	-	(1,939)	(246,045)	(97,232)	-	(204,467)	(53,553)	(113,233)	(716,469)
Reclassification	-	67	-	4,177	-	421	(2,691)	2,488	4,462
December 31, 2016	<u>\$ -</u>	<u>\$ 1,905,678</u>	<u>\$ 2,846,053</u>	<u>\$ 551,822</u>	<u>\$ 3,633</u>	<u>\$ 529,394</u>	<u>\$ 6,380</u>	<u>\$ 306,975</u>	<u>\$ 6,149,935</u>
<u>Accumulated impairment</u>									
January 1, 2016	\$ -	\$ 5,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,210
Additions	-	-	-	751	-	-	-	-	751
December 31, 2016	<u>\$ -</u>	<u>\$ 5,210</u>	<u>\$ -</u>	<u>\$ 751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,961</u>
December 31, 2016, net	<u>\$ 2,226,499</u>	<u>\$ 2,979,036</u>	<u>\$ 866,474</u>	<u>\$ 99,884</u>	<u>\$ 263</u>	<u>\$ 141,673</u>	<u>\$ -</u>	<u>\$ 112,167</u>	<u>\$ 6,425,996</u>
For the Year Ended December 31, 2015									
	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Lease	Other Equipment	Total
<u>Cost</u>									
January 1, 2015	\$ 2,226,499	\$ 4,491,518	\$ 3,903,005	\$ 575,356	\$ 4,605	\$ 800,410	\$ 87,081	\$ 1,073,239	\$ 13,161,713
Additions	-	300,983	247,928	96,690	-	103,957	-	76,863	826,421
Disposals	-	(22,421)	(583,721)	(14,898)	-	(68,921)	(16,624)	(22,765)	(729,350)
Reclassification	-	116,998	259,327	(2)	(709)	(32,769)	865	(607,811)	(264,101)
December 31, 2015	<u>\$ 2,226,499</u>	<u>\$ 4,887,078</u>	<u>\$ 3,826,539</u>	<u>\$ 657,146</u>	<u>\$ 3,896</u>	<u>\$ 802,677</u>	<u>\$ 71,322</u>	<u>\$ 519,526</u>	<u>\$ 12,994,683</u>
<u>Accumulated depreciation</u>									
January 1, 2015	\$ -	\$ 1,550,320	\$ 2,489,038	\$ 495,117	\$ 4,086	\$ 632,410	\$ 39,676	\$ 567,790	\$ 5,778,437
Additions	-	136,617	329,991	51,026	166	97,654	23,108	63,245	701,807
Disposals	-	(22,375)	(218,574)	(14,091)	-	(68,635)	(4,818)	(22,633)	(351,126)
Reclassification	-	98,339	145,577	18,135	(709)	(36,161)	(6,897)	(237,252)	(18,968)
December 31, 2015	<u>\$ -</u>	<u>\$ 1,762,901</u>	<u>\$ 2,746,032</u>	<u>\$ 550,187</u>	<u>\$ 3,543</u>	<u>\$ 625,268</u>	<u>\$ 51,069</u>	<u>\$ 371,150</u>	<u>\$ 6,110,150</u>
<u>Accumulated impairment</u>									
January 1, 2015	\$ -	\$ 5,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,210
December 31, 2015	<u>\$ -</u>	<u>\$ 5,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,210</u>
December 31, 2015, net	<u>\$ 2,226,499</u>	<u>\$ 3,118,967</u>	<u>\$ 1,080,507</u>	<u>\$ 106,959</u>	<u>\$ 353</u>	<u>\$ 177,409</u>	<u>\$ 20,253</u>	<u>\$ 148,376</u>	<u>\$ 6,879,323</u>

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

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

14. INTANGIBLE ASSETS, NET

For the Year Ended December 31, 2016					
	Goodwill	Patents	Software	Client Relationships	Total
January 1, 2016	\$ 6,030,652	\$ 3,408,077	\$ 1,120,521	\$ 163,819	\$ 10,723,069
Additions	-	800	155,583	-	156,383
Disposals	-	-	(53,029)	-	(53,029)
Reclassification	-	-	34,914	-	34,914
December 31, 2016	<u>\$ 6,030,652</u>	<u>\$ 3,408,877</u>	<u>\$ 1,257,989</u>	<u>\$ 163,819</u>	<u>\$ 10,861,337</u>
<u>Accumulated amortization</u>					
January 1, 2016	\$ 77,234	\$ 2,839,657	\$ 900,109	\$ 163,819	\$ 3,980,819
Additions	-	227,965	190,290	-	418,255
Disposals	-	-	(53,029)	-	(53,029)
Reclassification	-	-	1,192	-	1,192
December 31, 2016	<u>\$ 77,234</u>	<u>\$ 3,067,622</u>	<u>\$ 1,038,562</u>	<u>\$ 163,819</u>	<u>\$ 4,347,237</u>
<u>Accumulated impairment</u>					
January 1, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	336,210	-	-	-	336,210
December 31, 2016	<u>\$ 336,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,210</u>
December 31, 2016, net	<u>\$ 5,617,208</u>	<u>\$ 341,255</u>	<u>\$ 219,427</u>	<u>\$ -</u>	<u>\$ 6,177,890</u>
For the Year Ended December 31, 2015					
	Goodwill	Patents	Software	Client Relationships	Total
January 1, 2015	\$ 6,003,390	\$ 4,332,221	\$ 1,045,410	\$ 163,819	\$ 11,544,840
Additions	27,262	-	103,001	-	130,263
Disposals	-	(946,176)	(36,121)	-	(982,297)
Reclassification	-	22,032	8,231	-	30,263
December 31, 2015	<u>\$ 6,030,652</u>	<u>\$ 3,408,077</u>	<u>\$ 1,120,521</u>	<u>\$ 163,819</u>	<u>\$ 10,723,069</u>
<u>Accumulated amortization</u>					
January 1, 2015	\$ 77,234	\$ 3,471,624	\$ 757,601	\$ 163,819	\$ 4,470,278
Additions	-	292,219	170,395	-	462,614
Disposals	-	(946,176)	(36,121)	-	(982,297)
Reclassification	-	21,990	8,234	-	30,224
December 31, 2015	<u>\$ 77,234</u>	<u>\$ 2,839,657</u>	<u>\$ 900,109</u>	<u>\$ 163,819</u>	<u>\$ 3,980,819</u>
December 31, 2015, net	<u>\$ 5,953,418</u>	<u>\$ 568,420</u>	<u>\$ 220,412</u>	<u>\$ -</u>	<u>\$ 6,742,250</u>

The above items of other intangible assets were amortized on a straight-line basis over the estimated useful life of the asset:

Patents	6 years
Software	1-14 years
Client relationships	4 years

- a. The Company acquired an asset group from SEEnergy Corp. in September 2015. IFRS 3 “Business Combinations” and IAS 38 “Intangible Assets” define recognized goodwill as the sum of the acquisition cost plus other direct transaction costs minus the fair value of the identifiable net assets acquired. Thus, goodwill was calculated as follows:

Acquisition price		\$ 30,093
Fair value of acquired identifiable net assets:		
Inventories	\$ 2,420	
Property, plant and equipment	340	
Software	<u>71</u>	<u>2,831</u>
Goodwill		<u>\$ 27,262</u>

- b. Goodwill is allocated to the Company’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 management covering the future five-year period. In 2016, the Company examined the current conditions and future prospects of the global optical disc drives market; an amount of \$336,210 thousand was recognized as goodwill impairment after the assessment, and the discount rate used was 9.71%.

Management determined the 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 related to the relevant cash-generating units.

15. BORROWINGS

- a. Short-term borrowings

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 10,126,680</u>	<u>\$ 12,874,375</u>

The range of interest rate on bank loans was 0.78%-6.00% and 0.70%-1.17% per annum as of December 31, 2016 and 2015, respectively.

- b. Long-term borrowings

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Unsecured borrowings</u>		
Syndicated loan with Citi Bank	\$ 12,000,000	\$ 12,000,000
Chang Hwa Bank	<u>-</u>	<u>500,000</u>
	<u>12,000,000</u>	<u>12,500,000</u>
Current portion	<u>(4,800,000)</u>	<u>(2,900,000)</u>
Long-term borrowings: Non-current	<u>\$ 7,200,000</u>	<u>\$ 9,600,000</u>

As of December 31, 2016 and 2015, the Company had 2 long-term bank loans, respectively, with contract terms between September 23, 2013 and September 23, 2021. The floating interest rates are (1.5789% to 1.7895% and 1.5789% to 1.59067% as of December 31, 2016 and 2015, respectively) payable monthly or quarterly. These loans should be repaid in 5 installments or at lump sum on loan maturity.

On September 23, 2008, the Company signed a contract for a five-year syndicated loan with Citibank and 14 other financial institutions, and on May 16, 2011, changed the contract period to seven years from 2008. The repayment period is between September 23, 2008 and September 22, 2015. The credit line is \$15 billion, consisting of (a) \$12 billion and (b) \$3 billion of the credit line of the above syndicated loan. The Company had repaid the syndicated loan in September 2015.

On September 12, 2013, the Company signed another contract for a five-year syndicated loan with Citibank and 16 other financial institutions. The credit line was \$15 billion, which was for Company to repay the former syndicated loan with Citibank signed on September 23, 2008, consisting of (a) \$12 billion and (b) \$3 billion of the credit line of the above syndicated loan. It should be used as a medium-term loan but may not be used on a revolving basis. The principal of this syndication loan should be repaid three years after September 23, 2013 in five semiannual installments with the first payment paid on September 23, 2016, and the interest rate is the 90-day Taipei Interbank Offered Rate plus 61 points. Under the syndicated loan agreement, the Company should maintain the agreed financial ratios based on the most recent semiannual or annual financial statements. As of December 31, 2016 and 2015, the Company used \$9.6 billion and \$12 billion, respectively, of the credit line of the above syndicated loan.

On June 27, 2016, the Company signed another contract for a five-year syndicated loan with Citibank and 15 other financial institutions. The credit line was \$12 billion, which was for Company to repay the former syndicated loan with Citibank signed on September 12, 2013. It should be used as a medium-term loan but may not be used on a revolving basis. The principal of this syndication loan should be repaid three years after June 27, 2016 in five semiannual installments with the first payment paid on June 27, 2019, and the interest rate is the 90-day Taipei Interbank Offered Rate plus 60 points. Under the syndicated loan agreement, the Company should maintain the agreed financial ratios based on the most recent semiannual or annual financial statements. As of December 31, 2016, the Company used \$2.4 billion of the credit line of the above syndicated loan.

As of December 31, 2016 and 2015, the Company did not violate the financial ratio agreement stated above.

16. PROVISIONS

	December 31	
	2016	2015
<u>Current</u>		
Warranties	<u>\$ 857,176</u>	<u>\$ 853,031</u>

Movements in the provisions were as follows:

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 853,031	\$ 828,287
Recognition of provisions	293,421	263,383
Usage	<u>(289,276)</u>	<u>(238,639)</u>
Balance at December 31	<u>\$ 857,176</u>	<u>\$ 853,031</u>

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

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company 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.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% 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 Company assesses 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 Company is 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 Company has no right to influence the investment policy and strategy.

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

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 1,166,870	\$ 1,154,819
Fair value of plan assets	<u>(1,065,349)</u>	<u>(1,090,884)</u>
Net defined benefit liability	<u>\$ 101,521</u>	<u>\$ 63,935</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	<u>\$ 1,072,976</u>	<u>\$ (1,072,993)</u>	<u>\$ (17)</u>
Current service cost	7,717	-	7,717
Net interest expense (income)	<u>17,964</u>	<u>(18,137)</u>	<u>(173)</u>
Recognized in profit or loss	<u>25,681</u>	<u>(18,137)</u>	<u>7,544</u>
Remeasurement			
Return on plan assets	-	(10,538)	(10,538)
Actuarial loss - changes in financial assumptions	68,088	-	68,088
Actuarial loss - experience adjustments	<u>19,076</u>	<u>-</u>	<u>19,076</u>
Recognized in other comprehensive income (loss)	<u>87,164</u>	<u>(10,538)</u>	<u>76,626</u>
Contributions from the employer	-	(20,218)	(20,218)
Benefits paid	<u>(31,002)</u>	<u>31,002</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 1,154,819</u>	<u>\$ (1,090,884)</u>	<u>\$ 63,935</u>
Balance at January 1, 2016	<u>\$ 1,154,819</u>	<u>\$ (1,090,884)</u>	<u>\$ 63,935</u>
Current service cost	6,356	-	6,356
Net interest expense (income)	<u>12,502</u>	<u>(11,909)</u>	<u>593</u>
Recognized in profit or loss	<u>18,858</u>	<u>(11,909)</u>	<u>6,949</u>
Remeasurement			
Return on plan assets	-	4,312	4,312
Actuarial gain - changes in financial assumptions	(17,296)	-	(17,296)
Actuarial loss - experience adjustments	<u>63,078</u>	<u>-</u>	<u>63,078</u>
Recognized in other comprehensive loss	<u>45,782</u>	<u>4,312</u>	<u>50,094</u>
Contributions from the employer	-	(19,457)	(19,457)
Benefits paid	<u>(52,589)</u>	<u>52,589</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 1,166,870</u>	<u>\$ (1,065,349)</u>	<u>\$ 101,521</u>

Through the defined benefit plans under the Labor Standards Law, the Company 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	
	2016	2015
Discount rate	1.25%	1.10%
Expected rate of salary increase	3.00%	3.00%

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	
	2016	2015
Discount rate		
0.25% increase	<u>\$ (28,018)</u>	<u>\$ (29,099)</u>
0.25% decrease	<u>\$ 29,034</u>	<u>\$ 30,194</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 27,896</u>	<u>\$ 28,997</u>
0.25% decrease	<u>\$ (27,081)</u>	<u>\$ (28,114)</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	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 19,800</u>	<u>\$ 19,920</u>
The average duration of the defined benefit obligation	9.83 years	10.32 years

18. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2016	2015
Numbers of shares authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>
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>2,334,928</u>
Shares issued	<u>\$ 23,508,670</u>	<u>\$ 23,349,283</u>

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

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

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

As of December 31, 2016 and 2015, the outstanding marketable equity securities were 5,221 thousand units and 5,217 thousand units, representing 52,209 thousand common shares and 52,168 thousand common shares of the Company, respectively. The rights and obligation of security holders are the same as those of common shareholders, except for voting rights. As of December 31, 2016 and 2015, the unredeemed GDRs amounted to 890 thousand units and 816 thousand units.

b. Capital surplus

The premium from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds, and merger) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital limited to a certain percentage of the Company's capital surplus and once a year.

The capital surplus arising from share of changes in equities of subsidiaries, changes in equities of associates and joint ventures accounted for by the equity method and treasury share transactions from dividends according to the Company's shares holding by subsidiaries may only be used to offset a deficit.

c. Retained earnings and dividend policy

To ensure the availability of cash for the Company's present and future expansion plans and to meet shareholders' cash flow requirements, the Company prefers to distribute more stock dividends. In principle, cash dividends are no less than 10% of total dividends distributed.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 24, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

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 Company 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 Company; 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, please refer to (b) Employee benefits expense in Note 20.

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 2015 and 2014 had been approved in the shareholders' meetings on June 24, 2016 and 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2015	2014	2015	2014
Legal reserve	\$ 722,290	\$ 646,166		
Special reserve	166,389	182,544		
Share dividends	116,746	117,084	\$ 0.05	\$ 0.05
Cash dividends	5,113,493	4,613,097	2.19	1.97

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on February 24, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 941,635	
Special reserve	940,276	
Cash dividends	6,864,532	2.92

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on June 22, 2017.

d. Others equity items

Movements in others equity items were as follows:

	2016		
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for- sale Financial Assets	Total
Balance at January 1	\$ 3,347,902	(\$ 152,714)	\$ 3,195,188

(Continued)

	2016		
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for- sale Financial Assets	Total
Exchange differences arising on translating the financial statements of foreign operations	\$ (5,056,073)	\$ -	\$ (5,056,073)
Gain arising on changes in the fair value of available-for- sale financial assets	-	53,519	53,519
Reclassification to income from disposal of available-for-sale financial assets	-	(3,310)	(3,310)
Share of other comprehensive income of subsidiaries and associates	(330,376)	(24,083)	(354,459)
Income tax benefit	<u>842,863</u>	<u>-</u>	<u>842,863</u>
Balance at December 31	<u>\$ (1,195,684)</u>	<u>(\$ 126,588)</u>	<u>(\$ 1,322,272)</u> (Concluded)

	2015			
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for- sale Financial Assets	Cash Flow Hedges Reserve	Total
Balance at January 1	\$ 4,125,097	\$ 139,072	\$ (11,989)	\$ 4,252,180
Exchange differences arising on translating the financial statements of foreign operations	(818,537)	-	-	(818,537)
Loss arising on changes in the fair value of available-for-sale financial assets	-	(280,893)	-	(280,893)
Reclassification to income from disposal of available-for-sale financial assets	-	(19,926)	-	(19,926)
Gain arising on changes in the fair value of hedging instruments	-	-	11,989	11,989
Share of other comprehensive income of subsidiaries and associates	(91,013)	9,033	-	(81,980)
Income tax benefit	<u>132,355</u>	<u>-</u>	<u>-</u>	<u>132,355</u>
Balance at December 31	<u>\$ 3,347,902</u>	<u>\$ (152,714)</u>	<u>\$ -</u>	<u>\$ 3,195,188</u>

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the 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. 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
<u>For the year ended December 31, 2016</u>				
Shares held by its subsidiaries	<u>26,708</u>	<u>133</u>	<u>-</u>	<u>26,841</u>
<u>For the year ended December 31, 2015</u>				
Shares held by its subsidiaries	26,575	133	-	26,708
Shares buyback for cancellation	<u>-</u>	<u>22,787</u>	<u>22,787</u>	<u>-</u>
	<u>26,575</u>	<u>22,920</u>	<u>22,787</u>	<u>26,708</u>

The 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, 2016</u>			
Lite-On Capital Corp.	15,116	\$ 718,857	\$ 734,631
LTC International Ltd.	7,004	297,469	340,269
Yet Foundate Ltd.	2,271	126,881	110,276
Lite-On Electronics Co., Ltd.	2,450	<u>105,515</u>	<u>118,984</u>
		<u>\$ 1,248,722</u>	<u>\$ 1,304,160</u>
			(Continued)

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2015</u>			
Lite-On Capital Corp.	15,041	\$ 718,857	\$ 479,049
LTC International Ltd.	6,969	297,469	221,759
Yet Foundate Ltd.	2,260	126,881	71,820
Lite-On Electronics Co., Ltd.	2,438	<u>105,515</u>	<u>77,491</u>
		<u>\$ 1,248,722</u>	<u>\$ 850,119</u> (Concluded)

On July 20, 2015, the Company's Board of Directors approved the repurchase of up to 100,000 thousand shares listed on the Taiwan Stock Exchange between July 21, 2015 and September 20, 2015, with the buyback price ranging from \$25.34 to \$53.97. By the end of the repurchase period, the Company had bought back 22,787 thousand shares for \$706,679 thousand. The Company has already registered with the Ministry of Economic Affairs to cancel those buy-back shares.

Under the Securities and Exchange Act, the 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.

19. REVENUE

	<u>For the Year Ended December 31</u>	
	2016	2015
Revenue from the sale of goods	\$ 147,046,370	\$ 122,362,953
Royalty income	752,589	1,332,439
Revenue from management services	842,448	830,524
Rental income from property	<u>84,785</u>	<u>103,332</u>
	<u>\$ 148,726,192</u>	<u>\$ 124,629,248</u>

20. ADDITIONAL INFORMATION ON EXPENSES

Net income included the following items:

	<u>For the Year Ended December 31</u>	
	2016	2015
a. Depreciation and amortization		
Property, plant and equipment	\$ 751,792	\$ 701,807
Intangible assets	<u>418,255</u>	<u>462,614</u>
	<u>\$ 1,170,047</u>	<u>\$ 1,164,421</u> (Continued)

	For the Year Ended December 31	
	2016	2015
Depreciation expenses summarized by function		
Recognized in operating costs	\$ 200,155	\$ 212,606
Recognized in operating expenses	<u>551,637</u>	<u>489,201</u>
	<u>\$ 751,792</u>	<u>\$ 701,807</u>
Amortization expenses summarized by function		
Recognized in operating costs	\$ 10,853	\$ 3,084
Recognized in operating expenses	<u>407,402</u>	<u>459,530</u>
	<u>\$ 418,255</u>	<u>\$ 462,614</u>
b. Employee benefit expenses		
Post-employment benefits (Note 17)		
Defined contribution plans	\$ 221,793	\$ 213,948
Defined benefit plans	<u>6,949</u>	<u>7,544</u>
	228,742	221,492
Termination benefits	36,350	32,500
Other employee benefits	<u>6,422,902</u>	<u>6,001,944</u>
	<u>\$ 6,687,994</u>	<u>\$ 6,255,936</u>
Employee benefit expenses summarized by function		
Recognized in operating costs	\$ 825,606	\$ 807,678
Recognized in operating expenses	<u>5,862,388</u>	<u>5,448,258</u>
	<u>\$ 6,687,994</u>	<u>\$ 6,255,936</u>

(Concluded)

In compliance with the Company Act as amended in May 2015 and the amended Articles as resolved in the shareholders' meeting on June 24, 2016, the 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 employees' compensation and remuneration of directors for the years ended December 31, 2016 and 2015 have been approved by the Company's board of directors on February 24, 2017 and March 25, 2016, respectively. The details were as follows:

	For the Year Ended December 31			
	2016		2015	
	Cash	Share	Cash	Share
Employees' compensation	\$ 1,332,414	\$ -	\$ 858,514	\$ 163,526
Remuneration of directors	80,039	-	61,395	-

The 4,264 thousand shares for 2015 were determined by dividing the amount of share compensation resolved in 2016 by \$38.35, the closing price of the shares on the day immediately preceding the Company's board of directors' meeting.

If there is a change in the proposed amounts after the financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and adjusted in the following year.

There was no difference between the amount of the actual employees' compensation and the remuneration of directors and the amount recognized in the Company's financial statement for the year ended December 31, 2015.

The appropriations of bonuses to employees and remuneration of directors for 2014, which have been approved in the shareholders' meetings on June 24, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Cash Dividends	Share Dividends
Bonus to employees	\$ 768,033	\$ 146,292
Remuneration of directors	54,924	-

The 4,333 thousand shares for 2014 was determined by dividing the amount of share bonus approved in 2015 by the closing price of \$33.76 (after considering the effect of cash and stock dividends) on the day immediately preceding the shareholders' meeting.

There was no difference between the amounts of the bonus to employees and the remuneration of directors approved in the shareholders' meeting on June 24, 2015 and the amounts recognized in the Company's financial statements for the year ended December 31, 2014.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2016 and bonus to employees and directors resolved by the shareholders' meeting in 2016 and 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current income tax expense		
Current tax expense recognized in the current year	\$ 1,328,561	\$ 768,721
Adjustment for prior years' tax	<u>(211,190)</u>	<u>(154,022)</u>
	<u>1,117,371</u>	<u>614,699</u>
Deferred tax		
The origination and reversal of temporary differences	<u>450,376</u>	<u>494,853</u>
Income tax expense recognized in profit or loss	<u>\$ 1,567,747</u>	<u>\$ 1,109,552</u>

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

	For the Year Ended December 31	
	2016	2015
Income before tax	<u>\$ 10,984,098</u>	<u>\$ 8,332,451</u>
Income tax expense at the statutory rate	\$ 1,867,297	\$ 1,416,517
Tax effect of adjusting items:		
Deductible items in determining taxable income	(640,587)	(738,895)
Additional income tax on unappropriated earnings	101,851	91,099
The origination and reversal of temporary differences	450,376	494,853
Adjustment for prior years' tax	<u>(211,190)</u>	<u>(154,022)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,567,747</u>	<u>\$ 1,109,552</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
Deferred income tax benefit		
Translation of foreign operations	\$ 842,863	\$ 132,355
Related to actuarial loss from defined benefit plans	<u>8,516</u>	<u>13,026</u>
	<u>\$ 851,379</u>	<u>\$ 145,381</u>

c. Deferred income tax balance

The analysis of deferred income tax assets was as follows:

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<u>2016</u>				
Temporary differences				
Investment accounted for using equity method	\$ 1,109,952	\$ -	\$ -	\$ 1,109,952
Impairment loss on assets	328,940	-	-	328,940
Unrealized loss on inventories	224,777	(51,464)	-	173,313
Unrealized loss and expense	190,948	(64,327)	-	126,621
Accrued warranty expense	145,015	705	-	145,720
Net defined benefit liability	47,346	-	8,516	55,862
Unrealized sales profit	38,615	3,072	-	41,687
Unrealized exchange loss net	12,699	(12,699)	-	-
Others	<u>7,850</u>	<u>(7,313)</u>	<u>-</u>	<u>537</u>
	<u>\$ 2,106,142</u>	<u>\$ (132,026)</u>	<u>\$ 8,516</u>	<u>\$ 1,982,632</u>

(Continued)

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<u>2015</u>				
Temporary differences				
Investment accounted for using equity method	\$ 1,266,944	\$ (156,992)	\$ -	\$ 1,109,952
Impairment loss on assets	325,877	3,063	-	328,940
Unrealized loss on inventories	197,071	27,706	-	224,777
Unrealized loss and expense	117,257	73,691	-	190,948
Accrued warranty expense	113,095	31,920	-	145,015
Net defined benefit liability	36,465	(2,145)	13,026	47,346
Unrealized sales profit	40,835	(2,220)	-	38,615
Unrealized exchange loss net	-	12,699	-	12,699
Others	<u>27,390</u>	<u>(19,540)</u>	<u>-</u>	<u>7,850</u>
	<u>\$ 2,124,934</u>	<u>\$ (31,818)</u>	<u>\$ 13,026</u>	<u>\$ 2,106,142</u> (Concluded)

The analysis of deferred income tax liabilities was as follows:

	Opening Balance	Recognized in (Profit) Loss	Recognized in Other Comprehensive (Income) Loss	Closing Balance
<u>2016</u>				
Temporary differences				
Investment accounted for using equity method	\$ 2,698,177	\$ 224,776	\$ (842,863)	\$ 2,080,090
Unrealized amortization of goodwill	353,808	-	-	353,808
Land value increment tax	230,216	-	-	230,216
Unrealized exchange gains net	<u>-</u>	<u>93,574</u>	<u>-</u>	<u>93,574</u>
	<u>\$ 3,282,201</u>	<u>\$ 318,350</u>	<u>\$ (842,863)</u>	<u>\$ 2,757,688</u>

<u>2015</u>				
Temporary differences				
Investment accounted for using equity method	\$ 2,355,715	\$ 474,817	\$ (132,355)	\$ 2,698,177
Unrealized amortization of goodwill	353,808	-	-	353,808
Land value increment tax	230,216	-	-	230,216
Unrealized exchange gains net	<u>11,782</u>	<u>(11,782)</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,951,521</u>	<u>\$ 463,035</u>	<u>\$ (132,355)</u>	<u>\$ 3,282,201</u>

- d. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2016 and 2015, the aggregate deductible temporary differences for which no deferred income tax assets have been recognized amounted to \$663,496 thousand for both years.

e. Integrated income tax

	December 31	
	2016	2015
Unappropriated earnings		
Unappropriated earnings generated before January 1, 1998	\$ 2,215	\$ 2,215
Unappropriated earnings generated on and after January 1, 1998	<u>16,249,991</u>	<u>13,008,858</u>
	<u>\$ 16,252,206</u>	<u>\$ 13,011,073</u>
Imputation credits accounts	<u>\$ 1,034,031</u>	<u>\$ 888,124</u>

The estimated and actual creditable ratio for distribution of earnings of 2016 and 2015 were 8.72% and 8.13%, respectively.

f. Income tax assessments

The tax returns through all years by 2014 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2016	2015
Basic earnings per share	<u>\$ 4.05</u>	<u>\$ 3.10</u>
Diluted earnings per share	<u>\$ 4.00</u>	<u>\$ 3.05</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 30, 2016. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2015 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 3.11</u>	<u>\$ 3.10</u>
Diluted earnings per share	<u>\$ 3.07</u>	<u>\$ 3.05</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2016	2015
Earnings used in the computation of basic earnings per share	\$ 9,416,351	\$ 7,222,899
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonus issue to employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 9,416,351</u>	<u>\$ 7,222,899</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	2,323,048	2,331,882
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonus issue to employees	<u>28,393</u>	<u>34,549</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>2,351,441</u>	<u>2,366,431</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will 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, as the effect is dilutive. Such 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.

23. CAPITAL MANAGEMENT

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

The Company'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.

24. FINANCIAL INSTRUMENTS

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

For certain financial instruments-including notes receivable, trade receivables including related parties, other receivables including related parties, debt investments with no active market, short-term borrowings, notes payable, trade payables including related parties, and other payables including related parties - the Company'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

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

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

1) Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Cross-currency swap contracts	\$ -	\$ 113,953	\$ -	\$ 113,953
Available-for-sale financial assets				
Securities listed in ROC - equity securities	\$ 288,558	\$ -	\$ -	\$ 288,558
Securities listed in other countries - equity securities	910	-	-	910
Unlisted securities - ROC - equity securities	-	-	4,620	4,620
Unlisted securities - other countries - equity securities	-	-	20,163	20,163
	<u>\$ 289,468</u>	<u>\$ -</u>	<u>\$ 24,783</u>	<u>\$ 314,251</u>

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Cross-currency swap contracts	\$ -	\$ 45,845	\$ -	\$ 45,845
Available-for-sale financial assets				
Securities listed in ROC - equity securities	\$ 287,229	\$ -	\$ -	\$ 287,229
Securities listed in other countries - equity securities	9,262	-	-	9,262
Unlisted securities - ROC - equity securities	-	-	4,620	4,620
Unlisted securities - other countries - equity securities	-	-	20,163	20,163
	<u>\$ 296,491</u>	<u>\$ -</u>	<u>\$ 24,783</u>	<u>\$ 321,274</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 instruments

December 31, 2016: No change.

	Investments on Equity Instruments Unlisted Quotes
<u>December 31, 2015</u>	
<u>Financial assets</u>	
Balance at January 1, 2015	\$ 45,957
Total gains or losses	
In profit or loss	(54,801)
Additions	<u>33,627</u>
Balance at December 31, 2015	<u>\$ 24,783</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 - Cross-currency swap contracts	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.

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 with the same kind of tool to be estimated, the use of the discount rate and the parameters can refer to Reuters news agency or Bloomberg agency or other financial institutions with essentially the same conditions and characteristics of the interest rate swap offer financial products whose features including the remaining contract terms of fixed interest rates, the payment of principal, payment of currency, and etc. All the information can be obtained by the Company.

c. Categories of financial instruments

	<u>December 31</u>	
	2016	2015
<u>Financial assets</u>		
Designated as at FVTPL	\$ 113,953	\$ 45,845
Loans and receivables (1)	51,158,028	38,204,420
Available-for-sale financial assets	314,251	321,274
		(Continued)

	December 31	
	2016	2015
<u>Financial liabilities</u>		
Measured at amortized cost		
Short-term borrowings	\$ 10,126,680	\$ 12,874,375
Long-term loans (included current portion of long-term debts)	12,000,000	12,500,000
Payables (2)	51,061,272	37,612,537
		(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 - inter, other receivables and other receivables - inter.
- 2) The balances included financial liabilities measured at amortized cost, which comprise notes payable, trade payables, trade payables - inter, other payables and other payables - inter.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, trade receivable, trade payables and borrowings. The Company'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 Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company 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 Company'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 Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company is an international electronics manufacturing entity with stable foreign currency income that covers foreign currency expense; exchange rate exposures were managed through foreign currency loans.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Company was mainly exposed to the currency USD.

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

	Currency USD Impact	
	For the Year Ended December 31	
	2016	2015
Profit or loss	<u>\$ (81,849)</u>	<u>\$ (33,750)</u>

b) Interest rate risk

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

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

	December 31	
	2016	2015
Fair value interest rate risk		
Financial assets (i)	\$ 5,991,037	\$ 10,308
Financial liabilities (ii)	10,126,680	11,074,375
Cash flow interest rate risk		
Financial assets (iii)	2,126,374	4,187,549
Financial liabilities (iv)	12,000,000	14,300,000

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

Sensitivity analysis

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

If interest rates had been 25 basis points higher and all other variables were held constant, the Company's pre-tax profit years ended December 31, 2016 and 2015 would decrease by \$24,684 thousand and \$25,281 thousand.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 10% higher, the pre-tax other comprehensive income years ended December 31, 2016 and 2015 would increase by \$28,947 thousand and \$29,649 thousand as a result of the changes in fair value of available-for-sale shares.

2) Credit risk

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

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

a) Business related credit risk

To maintain the quality of receivables, the Company 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 Company's internal credit rating, and transaction history as well as current economic conditions that may affect the customer's ability to pay. The Company 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 Company's department of finance department to be measured and monitored. However, since the Company's counter-parties are all reputable financial institutions and government agencies, there is no significant financial credit risk.

3) Liquidity risk

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

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

December 31, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 51,061,272	\$ 19,661	\$ -	\$ -
Fixed interest rate liabilities	0.78-6	10,126,680	-	-	-
Variable interest rate liabilities	1.5789-1.7895	4,800,000	7,200,000	-	-
		<u>\$ 65,987,952</u>	<u>\$ 7,219,661</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2015

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 37,612,537	\$ 21,210	\$ -	\$ -
Fixed interest rate liabilities	0.7-1.17	11,074,375	-	-	-
Variable interest rate liabilities	0.89-1.5907	4,700,000	9,600,000	-	-
		<u>\$ 53,386,912</u>	<u>\$ 9,621,210</u>	<u>\$ -</u>	<u>\$ -</u>

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

December 31, 2016

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Currency swap contracts				
Inflows	\$ 5,370,000	\$ -	\$ -	\$ -
Outflows	<u>(5,304,775)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 65,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2015

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Currency swap contracts				
Inflows	\$ 3,235,000	\$ -	\$ -	\$ -
Outflows	<u>(3,212,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 22,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

25. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties are summarized below.

a. Sales of goods

Related Parties Categories	For the Year Ended December 31	
	2016	2015
Subsidiaries	\$ 36,188,842	\$ 23,938,054
Associates	453	-
Other related parties	<u>69</u>	<u>462</u>
	<u>\$ 36,189,364</u>	<u>\$ 23,938,516</u>

b. Purchases of goods

Related Parties Categories	For the Year Ended December 31	
	2016	2015
Subsidiaries	\$ 112,061,362	\$ 97,618,457
Associates	9	-
Other related parties	<u>-</u>	<u>19</u>
	<u>\$ 112,061,371</u>	<u>\$ 97,618,476</u>

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

c. Receivables from related parties

Related Parties Categories	December 31	
	2016	2015
<u>Trade receivables</u>		
Subsidiaries	\$ 14,667,811	\$ 11,028,955
Other related parties	<u>4,163</u>	<u>2</u>
	<u>\$ 14,671,974</u>	<u>\$ 11,028,957</u>
<u>Other receivables</u>		
Subsidiaries	\$ 389,140	\$ 540,848
Associates	700	918
Other related parties	<u>7</u>	<u>19</u>
	<u>\$ 389,847</u>	<u>\$ 541,785</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2016 and 2015, no impairment loss was recognized for trade receivables from related parties.

d. Payables to related parties

Related Parties Categories	December 31	
	2016	2015
<u>Trade payables</u>		
Subsidiaries	\$ 32,346,017	\$ 18,782,250
Other related parties	<u>41,963</u>	<u>75,918</u>
	<u>\$ 32,387,980</u>	<u>\$ 18,858,168</u>
<u>Other payables</u>		
Subsidiaries	\$ 194,963	\$ 748,387
Other related parties	4,801	7,295
Associates	<u>116</u>	<u>-</u>
	<u>\$ 199,880</u>	<u>\$ 755,682</u>

The outstanding trade payables from related parties are unsecured.

e. Acquisition of property, plant and equipment

Related Parties Categories	Purchase Price For the Year Ended December 31	
	2016	2015
Subsidiaries	<u>\$ 21,200</u>	<u>\$ 30,632</u>

f. Disposal of property, plant and equipment

Related Parties Categories	For the Year Ended December 31			
	2016		2015	
	Proceeds	Gains	Proceeds	Gains
Subsidiaries	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,680</u>	<u>\$ 36</u>

g. Operating expense

Related Parties Categories	For the Year Ended December 31	
	2016	2015
Subsidiaries	\$ 373,153	\$ 915,022
Associates	2	-
Other related parties	<u>61,628</u>	<u>61,107</u>
	<u>\$ 434,783</u>	<u>\$ 976,129</u>

h. Other revenues

Related Parties Categories	For the Year Ended December 31	
	2016	2015
Subsidiaries	\$ 67,123	\$ 160,635
Associates	3,172	3,748
Other related parties	<u>639</u>	<u>648</u>
	<u>\$ 70,934</u>	<u>\$ 165,031</u>

i. Compensation of management personnel

Related Parties Categories	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 605,482	\$ 576,647
Post-employment benefits	21,413	22,062
Termination benefits	<u>231</u>	<u>-</u>
	<u>\$ 627,126</u>	<u>\$ 598,709</u>

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

	December 31	
	2016	2015
Pledge-time deposits	<u>\$310,357</u>	<u>\$ 10,308</u>

Pledged assets - noncurrent included the refundable deposits that had been provided for government projects.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. CMP Consulting Service, Inc., KI, Inc., Aaron Wagner, The Stereo Shop, David Carney, Jr., Tina Corse, Cynthia R. Rall, Richard R. Rall, Aaron Deshaw and Don Cheung filed an antitrust group lawsuit against the Company and its subsidiaries - Philips & Lite-On Digital Solutions Corporation, Philips & Lite-On Digital Solutions USA, Inc. and other companies with related businesses - with a court in California, from October 2009 to September 2010. The Company has assigned lawyers in the United States as its representative in these lawsuits. In January 2017, the Company has reached a settlement with the plaintiff, and the contents of the settlement do not have a significant impact on the Company's operation.
- b. In the second quarter of 2013, the Attorney General of the State of Florida filed antitrust lawsuits against the Company and its subsidiaries - Philips & Lite-On Digital Solutions Corporation and Philips & Lite-On Digital Solutions USA, Inc. - as well as other companies with related businesses with the U.S. District Court for the Northern District of California (USDC-NDC). The Company assigned lawyers in the United States as its representative in these lawsuits. In the second quarter of 2014, the USDC-NDC allowed the plaintiff to proceed with the lawsuits but dismissed certain parts of these lawsuits. In January 2017, the Company reached a settlement with the plaintiff, and the contents of the settlement do not have a significant impact on the Company's operation.

- c. In the second quarter of 2013, Dell Inc. and Dell Products L.P. filed a complaint with the United States District Court for Western District of Texas. In the fourth quarter of 2013, Acer Inc., Acer America Corporation, Gateway Inc. and Gateway U.S. Retail, Inc. filed a complaint with the United States District Court for the Northern District of California. In the fourth quarter of 2013, Ingram Micro Inc., and Synnex Corporation filed a complaint with the United States District Court for the Central District of California. In the third quarter of 2015, Alfred H. Siegel, the bankruptcy trustee of Circuit City Stores, Inc., filed a complaint with the United States District Court for the Northern District of California. In the fourth quarter of 2015, Peter Kravitz, the bankruptcy trustee of RadioShack Corporation, filed a complaint with the United States District Court for the Northern District of California. All these complaints constituted an antitrust group lawsuit against the Company and other companies with related businesses. The Company assigned lawyers as its representative in these lawsuits. Although the outcome of the proceedings had not been determined, the Company already accrued a reasonable amount in case of a loss on this lawsuit and will continue to recognize losses quarterly at this reasonably estimated amount until the settlement of this lawsuit.
- d. From the second quarter of 2010 to the second quarter of 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 Ontario court. Neil Godfrey filed a statement of claim with the Superior Court of British Columbia. Donald Woligroski filed a statement of claim in Manitoba court. Cindy Retallick filed a statement of claim in Saskatchewan court. All plaintiffs filed the antitrust group lawsuit against the 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 had not been determined, the Company accrued a reasonable amount in case of a loss on this lawsuit and will continue to recognize the losses quarterly on the basis of a reasonable estimation of the lawsuit until the settlement of this lawsuit.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies 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, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,358,306	32.2000 (USD:NTD)	\$ 43,737,453
EUR	1,994	33.8358 (EUR:NTD)	67,469
HKD	10,470	4.1521 (HKD:NTD)	43,472
CZK	12,460	1.2536 (CZK:NTD)	15,620
JPY	6,455	0.2752 (JPY:NTD)	<u>1,776</u>
			<u>\$ 43,865,790</u>
			(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Investments accounted for using equity method			
USD	1,859,803	32.2000 (USD:NTD)	\$ 59,819,632
HKD	2,967,484	4.1521 (HKD:NTD)	12,321,288
EUR	9,720	33.8358 (EUR:NTD)	328,879
JPY	1,286,006	0.2752 (JPY:NTD)	<u>353,909</u>
			<u>\$ 72,823,708</u>

Financial liabilities

Monetary items			
USD	1,409,144	32.2000 (USD:NTD)	\$ 45,374,437
JPY	42,621	0.2752 (JPY:NTD)	11,729
EUR	368	33.8358 (EUR:NTD)	12,452
HKD	3,944	4.1521 (HKD:NTD)	<u>16,376</u>
			<u>\$ 45,414,994</u>

Non-monetary items			
Investments accounted for using equity method			
USD	2,050	32.2000 (USD:NTD)	<u>\$ 66,015</u> (Concluded)

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	\$ 1,049,145	32.7750 (USD:NTD)	\$ 34,385,727
EUR	2,162	35.8034 (EUR:NTD)	77,406
HKD	7,184	4.2289 (HKD:NTD)	30,382
CZK	5,805	1.3261 (CZK:NTD)	7,698
JPY	5,513	0.2723 (JPY:NTD)	<u>1,501</u>
			<u>\$ 34,502,714</u>

Non-monetary items			
Investments accounted for using equity method			
USD	1,866,396	32.7750 (USD:NTD)	\$ 61,171,129
HKD	2,658,071	4.2289 (HKD:NTD)	11,240,716
EUR	10,398	35.8034 (EUR:NTD)	372,284
JPY	1,315,588	0.2723 (JPY:NTD)	<u>358,235</u>
			<u>\$ 73,142,364</u> (Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	1,069,740	32.7750 (USD:NTD)	\$ 35,060,726
CZK	13,733	1.3261 (CZK:NTD)	18,211
JPY	64,068	0.2723 (JPY:NTD)	17,446
EUR	484	35.8034 (EUR:NTD)	17,338
HKD	3,764	4.2289 (HKD:NTD)	<u>15,917</u>
			<u>\$ 35,129,638</u>
Non-monetary items			
Investments accounted for using equity method			
HKD	67,556	4.2289 (HKD:NTD)	\$ 285,688
USD	2,070	32.7750 (USD:NTD)	<u>67,844</u>
			<u>\$ 353,532</u> (Concluded)

For the years ended December 31, 2016 and 2015 net foreign exchange loss were \$28,322 thousand and \$27,501 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.

29. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: See Table 1 below.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): See Table 2 below.
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 3 below.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 4 below.

- 9) Trading in derivative instruments: Refer to Note 7 and Note 24 to the financial statements.
- 10) Information on investees: See Table 5 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 6 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 3 and 4 below.

TABLE 1

LITE-ON TECHNOLOGY CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	Lite-On Technology (Europe) B.V.	b	\$ 7,593,154	\$ 69,651	\$ 64,288	\$ 64,288	\$ -	0.08	\$ 30,372,614	Yes	No	No	
		Lite-On Mobile Pte. Ltd.	b	7,593,154	7,994,400	6,440,000	6,440,000	-	8.48	30,372,614	Yes	No	No	
		Silitek Elec. (Dongguan) Co., Ltd.	c	7,593,154	1,332,400	1,288,000	1,288,000	-	1.70	30,372,614	Yes	No	Yes	
		Guangzhou Lite-On Mobile Electronic Components Co., Ltd.	c	7,593,154	866,060	-	-	-	-	30,372,614	Yes	No	Yes	

Note 1: Relationship between the Company and endorsee/guarantee are as follows:

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

Note 2: a. 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. Limits on endorsement/guarantee amount provided to each guaranteed party and maximum endorsement/guarantee amount allowable were calculated on the basis of the net worth of the endorsement/guarantee provider, as shown in its most recent audited financial statements.

TABLE 2

LITE-ON TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2016				Note
				Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
Lite-On Technology Corporation	<u>Common stock</u> EPISTAR Corporation	-	Available-for-sale financial assets - non-current	5,908	\$ 136,769	0.55	\$ 136,769	
	Wistron Corporation	-	"	5,130	127,995	0.20	127,995	
	Com2B Corp.	-	"	5,000	19,009	11.11	19,009	
	Avamax Corp.	-	"	559	-	6.99	-	Note
	Aetas Technology, Inc.	Member of the board of directors	"	4,026	-	8.07	-	Note
	AuriaSolar Co., Ltd.	-	"	41,400	-	19.71	-	Note
	Z-Com, Inc.	-	"	2,974	23,794	4.10	23,794	
	Fong Han Electronics Co., Ltd.	-	"	1,167	-	6.67	-	Note
	Xepex Electronics Co., Ltd.	-	"	-	-	-	-	Note
	North America Micro-Electronic & Software, Incorporated	-	"	5	1,154	2.67	1,154	
	Action Media Technologies, Inc.	-	"	38	-	-	-	Note
	Oplink Communications, Inc.	-	"	1	910	0.01	910	
	Taiwan Changxing Technology Co., Ltd.	-	"	462	4,620	15.40	4,620	
	<u>Preferred stock</u> Arkologic Holdings Limited	-	"	11,111	-	7.66	-	Note
	PI-CORAL	-	"	1,139	-	10.65	-	Note
	<u>Convertible bond</u> Xepex Electronics Co., Ltd.	-	Debt investments with no active market - non-current	150	-	-	-	Note

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

TABLE 3

LITE-ON TECHNOLOGY CORPORATION

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, 2016
(Amounts in Thousands of New Taiwan Dollars)

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	Philip & Lite-On Digital Solutions Corp.	Note 1	Sale	\$ (23,627,190)	(16)	About 90 days	Cost-plus pricing	No significant difference	\$ 5,996,229	14	
	Lite-On Technology (Changzhou) Co., Ltd.	Note 2	Sale	(1,075,660)	(1)	About 90 days	Cost-plus pricing	No significant difference	414,917	1	
	China Bridge Express (Wuxi) Co., Ltd.	Note 2	Sale	(1,143,329)	(1)	About 90 days	Cost-plus pricing	No significant difference	544,026	1	
	Lite-On Singapore Pte. Ltd.	Note 1	Sale	(3,528,473)	(2)	About 90 days	Cost-plus pricing	No significant difference	1,159,868	3	
	Lite-On Japan Ltd.	Note 1	Sale	(608,388)	-	About 90 days	Cost-plus pricing	No significant difference	160,262	-	
	Lite-On Trading USA, Inc.	Note 2	Sale	(4,399,638)	(3)	About 90 days	Cost-plus pricing	No significant difference	1,462,746	3	
	Lite-On Sales & Distribution Inc.	Note 2	Sale	(1,943,838)	(1)	About 90 days	Cost-plus pricing	No significant difference	632,684	1	
	Lite-On China Holding Co., Ltd.	Note 2	Sale	(152,686)	-	About 90 days	Cost-plus pricing	No significant difference	154,510	-	
	Lite-On Technology (Changzhou) Co., Ltd.	Note 2	Purchase	1,176,235	1	About 90 days	Cost-plus pricing	No significant difference	(508,539)	(1)	
	Lite-On Singapore Pte. Ltd.	Note 1	Purchase	21,907,646	17	About 90 days	Cost-plus pricing	No significant difference	(7,918,051)	(20)	
	Lite-On, Inc.	Note 2	Purchase	163,708	-	About 90 days	Cost-plus pricing	No significant difference	-	-	
	Li Shin International Enterprise Corp.	Note 1	Purchase	3,264,919	3	About 90 days	Cost-plus pricing	No significant difference	(352,208)	(1)	
	Lite-On Overseas Trading Co., Ltd.	Note 1	Purchase	85,211,776	66	About 90 days	Cost-plus pricing	No significant difference	(23,414,894)	(58)	
	Lite-On Automotive Electronics (Guangzhou) Co., Ltd.	Note 2	Purchase	481,162	-	About 90 days	Cost-plus pricing	No significant difference	(148,180)	-	

Note 1: Equity-method investee.

Note 2: Investee of the equity-method investee.

TABLE 4

LITE-ON TECHNOLOGY CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(Amounts in Thousands of New Taiwan Dollars)

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	Philip & Lite-On Digital Solutions Corp.	Note 1	\$ -	\$ 5,996,229	\$ 210	4.72	\$ -	-	\$ 1,817,358	\$ -
	Lite-On Technology (Changzhou) Co., Ltd.	Note 2	-	414,917	3,341	2.40	2,330	-	-	-
	China Bridge Express (Wuxi) Co., Ltd.	Note 2	-	544,026	-	2.69	-	-	126,502	-
	Lite-On Singapore Pte. Ltd.	Note 1	-	1,159,868	223,803	3.40	-	-	1,116,170	-
	Lite-On Japan Ltd.	Note 1	-	160,262	24,180	3.74	15	-	16,394	-
	Lite-On Trading USA, Inc.	Note 2	-	1,462,746	-	3.46	-	-	450,209	-
	Lite-On Sales & Distribution Inc.	Note 2	-	632,684	2	5.10	-	-	228,366	-
	Lite-On Overseas Trading Co., Ltd.	Note 1	-	4,098,762	30,786	-	-	-	2,173,903	-
	Lite-On China Holding Co., Ltd.	Note 2	-	154,510	-	1.03	-	-	-	-

Note 1: Equity-method investee.

Note 2: Investee of the equity-method investee.

TABLE 5

LITE-ON TECHNOLOGY CORPORATION

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016			Net Income (Loss) of the Investee	Share of Profits/Loss of Investee	Note
				December 31, 2016	December 31, 2015	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Lite-On Technology Corporation	Silitech Technology Corp.	New Taipei City, Taiwan	Manufacture and sale of modules and plastic products	\$ 324,685	\$ 324,685	60,757	33.87	\$ 1,334,704	\$ (109,202)	\$ (36,987)	Subsidiary
	Lite-On Integrated Service Inc.	Taipei City, Taiwan	Information outsourcing and system integrate	25,886	25,886	3,400	100.00	47,155	6,406	6,406	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	1,025,933	88,044	26,082	Associate
	Logah Technology Corp.	Kaohsiung City, Taiwan	Development, manufacture and sale of LCD TV inverters	402,787	402,787	31,683	28.10	199,468	(122,188)	(34,338)	Associate (Note 3)
	Lite-On Capital Corp.	Taipei City, Taiwan	Investment activities	4,096,367	4,096,367	209,545	100.00	1,442,800	43,569	10,690	Subsidiary
	Lite-On Electronics H.K. Ltd.	Hong Kong	Sale of LED optical products	7,339,481	7,339,481	17,865	100.00	12,293,534	HK\$ 488,442	1,985,446	Subsidiary
	Lite-On Electronics (Thailand) Co., Ltd.	Thailand	Manufacture and sale of LED optical products	529,106	529,106	5,030	100.00	1,411,616	THB 136,745	124,999	Subsidiary
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	248,305	248,305	6,162	49.49	353,908	JPY 75,201	11,138	Subsidiary
	Lite-On International Holding Co., Ltd.	British Virgin Islands	Investment activities	US\$ 335,825	US\$ 335,825	335,825	100.00	21,476,229	US\$ (46,493)	(1,555,633)	Subsidiary
	LTC Group Ltd.	British Virgin Islands	Investment activities	\$ 1,098,752	\$ 1,380,308	32,916	100.00	288,603	US\$ (109)	(15,370)	Subsidiary
	Lite-On Technology USA, Inc.	USA	Investment activities	US\$ 55,172	US\$ 55,172	470	100.00	2,312,102	US\$ 3,385	85,576	Subsidiary
	Lite-On Electronics (Europe) Ltd.	United Kingdom	Manufacture and sale of power supplies	\$ 44,559	\$ 44,559	300	100.00	49,011	GBP 149	6,603	Subsidiary
	Lite-On Technology (Europe) B.V.	Netherlands	Market research and after-sales service	2,543,184	2,543,184	331	54.00	273,799	EUR 719	12,384	Subsidiary
	Lite-On Overseas Trading Co., Ltd.	British Virgin Islands	Merchandising business	168,947	168,947	5,143	100.00	329,214	US\$ 2,833	92,516	Subsidiary
	Lite-On Singapore Pte. Ltd.	Singapore	Manufacture and supply computer peripheral products	US\$ 63,788	US\$ 63,788	51,777	100.00	18,442,116	US\$ 111,194	3,585,196	Subsidiary
	Lite-On Semiconductor Corp.	New Taipei City, Taiwan	Manufacture of image sensor and rectifier	773,618	773,618	57,204	18.46	1,406,307	\$ 439,969	76,613	Associate (Note 3)
	Lite-On Vietnam Co., Ltd.	Vietnam	Electronic contract manufacturing	US\$ 12,000	US\$ 3,000	-	100.00	362,838	US\$ 120	3,675	Subsidiary
	Li Shin International Enterprise Corp.	British Virgin Islands	Manufacture and sale of computer and appliance components	\$ 56,929	\$ 56,929	1,748	100.00	(66,015)	US\$ 20	623	Subsidiary (Note 2)
	Eagle Rock Investment Ltd.	British Virgin Islands	Import and export business and investment activities	341	341	10	100.00	1,228,407	US\$ (2,494)	(87,204)	Subsidiary
	Canfield Ltd.	Apia, Samoa	Import and export business and investment activities	7,142	7,142	200	33.33	5,092	US\$ (27)	475	Associate
	Lite-On Mobile Pte. Ltd.	Singapore	Manufacture and sale of mobile phone modules and design for assembly line	EUR 250,329	EUR 250,329	162,886	100.00	8,005,173	US\$ (8,887)	(294,441)	Subsidiary
	Leotek Electronics Holding Limited	Hong Kong	Holding company	US\$ -	US\$ 1,010	-	-	-	HK\$ 2	9	Subsidiary (Note 1)
	LET (HK) Ltd.	Hong Kong	Sale of optical disc drives	251,322	42	62,060	100.00	27,754	HK\$ 12,191	50,119	Subsidiary
	High Yield Group Co., Ltd.	British Virgin Islands	Holding company	2,271,806	2,271,806	68,138	100.00	5,431,907	US\$ 10,269	670,065	Subsidiary
	Lite-On Information Technology B.V.	Netherlands	Market research and customer service	1,163,591	1,163,591	11,018	100.00	16,579	EUR (14)	(502)	Subsidiary
	Philip & Lite-On Digital Solutions Corp.	Taipei City, Taiwan	Sale of optical disc drives	267,113	267,113	17,150	49.00	291,107	\$ 41,824	20,494	Subsidiary
	Lite-Space Technology Company Limited	Hong Kong	Sale of computer components	149,968	149,968	5,100	39.23	55,551	US\$ 1,127	14,314	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 services and maintenance of automotive system	US\$ 4,950	US\$ 4,950	146	99.00	62,596	MXN (11,074)	(19,138)	Subsidiary
	Lite-On Automotive Service USA Inc.	USA	Sale of automotive parts and other electronic products	US\$ -	US\$ 60	-	-	-	US\$ 1	40	Subsidiary (Note 1)
	Lite-On Automotive Electronics (Europe) B.V.	Netherlands	Sale of automotive parts and other electronic products	EUR 1,090	EUR 1,090	24	100.00	38,501	EUR (63)	(2,143)	Subsidiary
	Lite-On Automotive International (Cayman) Co., Ltd.	Cayman	Investment activities	US\$ 100,626	US\$ 100,626	11,967	100.00	1,948,415	US\$ 8,382	218,167	Subsidiary

(Continued)

Note 1: Dissolved after liquidation in December 2016.

Note 2: Credit balance of long-term equity investment under the equity method has been transferred to the credit balance of other liabilities - investment using the equity method.

Note 3: Information on net income (loss) of the investee has not been approved by its board of directors, so it is shown as an estimated amount. For the final amount of Net Income (Loss), refer to the financial statements published on the Market Observation Post System.

(Concluded)

TABLE 6

LITE-ON TECHNOLOGY CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016

(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, 2016	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Loss (Note 2)	Carrying Amount as of December 31, 2016 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2016	Note
						Outflow	Inflow							
Lite-On Technology Corporation	Lite-On Computer Tech (Dongguan) Co., Ltd.	Manufacture and sale of display device	\$ 528,080 (US\$ 16,400)	Note 1	\$ 916,702 (US\$ 28,469)	\$ -	\$ -	\$ 916,702 (US\$ 28,469)	\$ 499 (CNY 92)	100.00	\$ 499 (CNY 92)	\$ 426,877 (HK\$ 102,810)	\$ -	
	DongGuan G-Pro Computer Co., Ltd.	Manufacture and sale of system products	701,572 (HK\$ 168,968)	Note 1	734,192 (US\$ 22,801)	-	-	734,192 (US\$ 22,801)	379,507 (CNY 77,787)	100.00	379,507 (CNY 77,787)	1,185,371 (HK\$ 285,487)	-	
	Lite-On Electronics (Tianjinn) Co., Ltd.	ODM services	2,141,300 (US\$ 66,500)	Note 1	2,141,236 (US\$ 66,498)	-	-	2,141,236 (US\$ 66,498)	273,540 (CNY 56,067)	100.00	273,540 (CNY 56,067)	2,937,387 (HK\$ 707,446)	-	
	Lite-On Electronics (Dongguan) Co., Ltd.	Manufacture of electronic components	1,139,880 (US\$ 35,400)	Note 1	1,139,880 (US\$ 35,400)	-	-	1,139,880 (US\$ 35,400)	419,035 (CNY 85,889)	100.00	419,035 (CNY 85,889)	1,473,489 (HK\$ 354,878)	-	
	Silitek Elec. (Dongguan) Co., Ltd.	Manufacture and sale of keyboards	154,560 (US\$ 4,800)	Note 1	154,560 (US\$ 4,800)	-	-	154,560 (US\$ 4,800)	693,419 (CNY 142,129)	100.00	693,419 (CNY 142,129)	1,919,171 (HK\$ 462,217)	-	
	Lite-On Electronics (Guangzhou) Co., Ltd.	Manufacture and sale of printers and scanners	1,178,520 (US\$ 36,600)	Note 1	1,178,520 (US\$ 36,600)	-	-	1,178,520 (US\$ 36,600)	442,000 (CNY 90,596)	100.00	442,000 (CNY 90,596)	13,017,668 (HK\$ 3,135,201)	-	Note 3
	China Bridge (China) Co., Ltd.	Investment, sales agent	966,000 (US\$ 30,000)	Note 1	957,789 (US\$ 29,745)	-	-	957,789 (US\$ 29,745)	19,862 (CNY 4,071)	100.00	19,862 (CNY 4,071)	1,243,720 (HK\$ 299,540)	-	
	Lite-On Network Communication (Dongguan) Limited	Manufacture and sale of IT products	456,274 (US\$ 14,170)	Note 1	456,274 (US\$ 14,170)	-	-	456,274 (US\$ 14,170)	303,705 (CNY 62,250)	100.00	303,705 (CNY 62,250)	1,399,083 (HK\$ 336,958)	-	
	Lite-On Communications (Guangzhou) Co., Ltd.	Manufacture and sale of mobile terminal equipment	790,832 (US\$ 24,560)	Note 1	790,832 (US\$ 24,560)	-	-	790,832 (US\$ 24,560)	-	100.00	-	-	-	Note 3
	Dong Guan G-Tech Computers Co., Ltd.	Manufacture and sale of computer case	417,278 (HK\$ 100,498)	Note 1	370,300 (US\$ 11,500)	-	-	370,300 (US\$ 11,500)	7,186 (CNY 1,473)	100.00	7,186 (CNY 1,473)	656,559 (HK\$ 158,127)	-	
	Lite-On Tech (Guangzhou) Co., Ltd.	Manufacture and sale of computer case	1,069,040 (US\$ 33,200)	Note 1	1,069,040 (US\$ 33,200)	-	-	1,069,040 (US\$ 33,200)	-	100.00	-	-	-	Note 3
	COMMIT Incorporated	Manufacture and sale of application software and multimedia product design	1,033,169 (US\$ 32,086)	Note 1	19,320 (US\$ 600)	-	-	19,320 (US\$ 600)	-	1.87	-	-	-	
	Lite-On Elec and Wire (Guangzhou) Co., Ltd.	Manufacture and sale of mobile terminal equipment	509,082 (US\$ 15,810)	Note 1	509,082 (US\$ 15,810)	-	-	509,082 (US\$ 15,810)	-	100.00	-	-	-	Note 3
	Lite-On (Guangzhou) Infortech Co., Ltd.	Information outsourcing	40,894 (US\$ 1,270)	Note 1	75,477 (US\$ 2,344)	-	-	75,477 (US\$ 2,344)	8,026 (CNY 1,645)	100.00	8,026 (CNY 1,645)	164,905 (HK\$ 39,716)	-	
	Lite-On (Guangzhou) Precision Tooling Co., Ltd.	Manufacture and sale of modules	586,040 (US\$ 18,200)	Note 1	392,840 (US\$ 12,200)	-	-	392,840 (US\$ 12,200)	-	100.00	-	-	-	Note 3
	Lite-On Digital Electronics (Dongguan) Co., Ltd.	Manufacture and sale of computer peripheral products	96,600 (US\$ 3,000)	Note 1	96,600 (US\$ 3,000)	-	-	96,600 (US\$ 3,000)	6,318 (CNY 1,295)	100.00	6,318 (CNY 1,295)	91,811 (HK\$ 22,112)	-	
	Lite-On Li Shin Technology (Ganzhou) Co., Ltd.	Manufacture and sale of electronic components	386,400 (US\$ 12,000)	Note 1	429,419 (US\$ 13,336)	-	-	429,419 (US\$ 13,336)	101,108 (CNY 20,724)	100.00	101,108 (CNY 20,724)	408,587 (HK\$ 98,405)	-	
	Lite-On Technology (Xianging) Co., Ltd.	Manufacture and sale of electronic components	209,300 (US\$ 6,500)	Note 1	209,300 (US\$ 6,500)	-	-	209,300 (US\$ 6,500)	108,290 (CNY 22,196)	100.00	108,290 (CNY 22,196)	224,595 (US\$ 6,975)	-	
	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	4,862,200 (US\$ 151,000)	Note 1	4,862,200 (US\$ 151,000)	-	-	4,862,200 (US\$ 151,000)	299,919 (CNY 61,474)	100.00	299,919 (CNY 61,474)	7,210,969 (HK\$ 1,736,704)	-	
	Lite-On Technology (Guangzhou) Investment Co., Ltd.	Investment activities	2,576,000 (US\$ 80,000)	Note 1	2,576,000 (US\$ 80,000)	-	-	2,576,000 (US\$ 80,000)	(420,065) (CNY -86,100)	100.00	(420,065) (CNY -86,100)	1,795,625 (HK\$ 432,462)	-	
	Lite-On Technology (Ying Tan) Co., Ltd.	Manufacture and sale of new-type electronic components	354,200 (US\$ 11,000)	Note 1	354,200 (US\$ 11,000)	-	-	354,200 (US\$ 11,000)	54,472 (CNY 11,165)	100.00	54,472 (CNY 11,165)	435,956 (US\$ 13,539)	-	
	Lite-On Power Technology (Dongguan) Co., Ltd.	Development, manufacture and sale of electronic components, power supplies and provision technology consulting services	514,298 (US\$ 15,972)	Note 1	514,298 (US\$ 15,972)	-	-	514,298 (US\$ 15,972)	96,922 (CNY 19,866)	100.00	96,922 (CNY 19,866)	774,757 (HK\$ 186,594)	-	

(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, 2016	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Loss (Note 2)	Carrying Amount as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016	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	\$ 32,200 (US\$ 1,000)	Note 1	\$ 32,200 (US\$ 1,000)	\$ -	\$ -	\$ 32,200 (US\$ 1,000)	\$ 1,830 (CNY 375)	100.00	\$ 1,830 (CNY 375)	\$ 14,989 (CNY 3,232)	\$ -	
	Lite-On Opto Technology (Guangzhou) Co., Ltd.	Manufacture and sale of optical disc drives	1,384,600 (US\$ 43,000)	Note 1	1,384,600 (US\$ 43,000)	-	-	1,384,600 (US\$ 43,000)	(76,261) (CNY -15,631)	100.00	(76,261) (CNY -15,631)	2,190,115 (US\$ 68,016)	-	
	Lite-On Auto Electric Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	64,400 (US\$ 2,000)	Note 1	64,400 (US\$ 2,000)	-	-	64,400 (US\$ 2,000)	17,939 (CNY 3,677)	100.00	17,939 (CNY 3,677)	135,948 (US\$ 4,222)	-	
	Lite-On IT Opto Tech (BH) Co., Ltd.	Manufacture and sale of optical disc drives	1,771,000 (US\$ 55,000)	Note 1	1,771,000 (US\$ 55,000)	-	-	1,771,000 (US\$ 55,000)	388,201 (CNY 79,569)	100.00	388,201 (CNY 79,569)	3,755,100 (US\$ 116,618)	-	
	Lite-On Automotive Electronics (Guangzhou) Co., Ltd.	Manufacture, sale and processing of electronic products	199,640 (US\$ 6,200)	Note 1	189,018 (US\$ 5,870)	-	-	189,018 (US\$ 5,870)	201,372 (CNY 41,275)	100.00	201,372 (CNY 41,275)	1,365,738 (HK\$ 328,927)	-	
	Lite-On Automotive (Wuxi) Co., Ltd.	Manufacture, sale and processing of electronic products	161,000 (US\$ 5,000)	Note 1	161,000 (US\$ 5,000)	-	-	161,000 (US\$ 5,000)	66,718 (CNY 13,675)	100.00	66,718 (CNY 13,675)	600,913 (HK\$ 144,725)	-	
	Huizhou Li Shin Electronic Co., Ltd.	Manufacture of computer peripheral products	203,102 (US\$ 6,308)	Note 1	131,035 (US\$ 4,069)	-	-	131,035 (US\$ 4,069)	132,035 (CNY 27,063)	100.00	132,035 (CNY 27,063)	660,647 (US\$ 20,517)	-	
	Huizhou Fu Tai Electronic Co., Ltd.	Manufacture of computer peripheral products	31,191 (US\$ 969)	Note 1	2,093 (US\$ 65)	-	-	2,093 (US\$ 65)	4,454 (CNY 913)	100.00	4,454 (CNY 913)	61,631 (US\$ 1,914)	-	
	Lite-On Technology (Shanghai) Ltd.	Manufacture and sale of energy saving equipment	2,286,200 (US\$ 71,000)	Note 1	2,093,000 (US\$ 65,000)	193,200 (US\$ 6,000)	-	2,286,200 (US\$ 71,000)	201,465 (CNY 41,294)	100.00	201,465 (CNY 41,294)	2,371,981 (US\$ 73,664)	-	
	Li Shin Technology (Huizhou) Ltd.	Manufacture and sale of electronic components and peripheral materials	193,200 (US\$ 6,000)	Note 1	-	-	-	-	7,874 (CNY 1,614)	100.00	7,874 (CNY 1,614)	388,557 (US\$ 12,067)	-	
	Beijing Lite-On Mobile Electronic and Telecommunication Components Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	515,200 (US\$ 16,000)	Note 1	1,686,121 (US\$ 52,364)	-	-	1,686,121 (US\$ 52,364)	(289,152) (CNY -59,267)	100.00	(289,152) (CNY -59,267)	859,193 (US\$ 26,683)	-	
	Guangzhou Lite-On Mobile Engineering Plastics Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	630,154 (US\$ 19,570)	Note 1	2,918,189 (US\$ 90,627)	-	-	2,918,189 (US\$ 90,627)	58,565 (CNY 12,004)	100.00	58,565 (CNY 12,004)	1,810,477 (US\$ 56,226)	-	
	Guangzhou Lite-On Mobile Electronic Components Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	1,291,220 (US\$ 40,100)	Note 1	3,714,332 (US\$ 115,352)	-	-	3,714,332 (US\$ 115,352)	496,906 (CNY 101,850)	100.00	496,906 (CNY 101,850)	4,485,557 (US\$ 139,303)	-	
	Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	265,734 (HK\$ 64,000)	Note 1	420,256 (US\$ 13,051)	-	-	420,256 (US\$ 13,051)	(104,221) (CNY -21,362)	100.00	(104,221) (CNY -21,362)	347,116 (US\$ 10,780)	-	
	Zhuhai Lite-On Mobile Technology Company Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	2,688,043 (CNY 579,595)	Note 1	500,034 (US\$ 15,529)	-	-	500,034 (US\$ 15,529)	(441,312) (CNY -90,455)	100.00	(441,312) (CNY -90,455)	1,159,710 (CNY 250,056)	-	
	Lite-On Young Fast (Huizhou) Co., Ltd.	Modules of touch panels	322,000 (US\$ 10,000)	Note 1	209,300 (US\$ 6,500)	-	-	209,300 (US\$ 6,500)	781 (CNY 160)	100.00	781 (CNY 160)	(16,615) (US\$ -516)	-	
	Lite-on Green Technologies (Nanjing) Corporation	Solar energy engineering	24,150 (US\$ 750)	Note 1	24,150 (US\$ 750)	-	-	24,150 (US\$ 750)	50,700 (CNY 10,392)	100.00	50,700 (CNY 10,392)	(5,796) (US\$ -180)	-	
	Changzhou Binhu Thin Film Solar Greenhouse Co., Ltd.	Manufacture and sale of solar energy equipment	278,036 (CNY 59,950)	Note 1	96,494 (US\$ 2,997)	-	-	96,494 (US\$ 2,997)	-	19.90	-	4,508 (US\$ 140)	-	
	Epri crystal (Changzhou) Co., Ltd.	Manufacture, design and sale of light-emitting diode products	4,669,000 (US\$ 145,000)	Note 1	869,400 (US\$ 27,000)	-	-	869,400 (US\$ 27,000)	4,284 (CNY 878)	21.55	483 (CNY 99)	881,238 (CNY 190,012)	-	
	Dongguan Lite-On Computer Co., Ltd.	Manufacture and sale of computer hosts and components	64,400 (US\$ 2,000)	Note 1	64,400 (US\$ 2,000)	-	-	64,400 (US\$ 2,000)	(707) (CNY -145)	100.00	(707) (CNY -145)	98,901 (CNY 21,325)	-	

Accumulated Investment in Mainland China as of December 31, 2016 (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment
\$36,472,283 (US\$1,132,679)	\$38,316,390 (US\$1,189,950)	Note 4

Note 1: Indirect investment in Mainland China through holding companies.

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

Note 3: Lite-On Electronics (Guangzhou) Co., Ltd. merged with Lite-On Tech (Guangzhou) Co., Ltd., Lite-On (Guangzhou) Precision Tooling Co., Ltd., Lite-On Communications (Guangzhou) Co., Ltd. and Lite-On Elec and Wire (Guangzhou) Co., Ltd., with the Lite-On Electronics (Guangzhou) Co., Ltd. as the survivor entity. Because the merging process was still under way, the change in the amount of investment in Mainland China has not yet been registered with the Ministry of Economic Affairs.

Note 4: Under Order No. 09704604680 and Order No. 10420404350 issued by the Ministry of Economic Affairs, R.O.C. on August 29, 2008 and February 16, 2015, respectively, the Company acquired a certification-approved by the Industrial Development Bureau and valid from February 9, 2015 to February 8, 2018 - of its status as operation headquarters in the ROC. Thus, the Company has no limitation on the amount of investing in Mainland China.

(Concluded)