Lite-On Technology Corporation

Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
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, 2017 and 2016, and the statements 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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, 2017. 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, 2017, the key audit matters to the Company's financial statements were as follows:

Allowance for Impairment Loss for Trade Receivables

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

For a summary of the significant accounting policies on trade receivables and 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 and allowance for impairment loss for 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 computer audit sampling procedures to test the correctness of trade receivable aging reports. 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 the approval of client credit terms and examined reversals in the subledger of trade receivables in order to assess the effectiveness of internal controls relevant to allowance for impairment loss for trade receivables.

Allowance for Inventory Valuation Loss

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of inventory is affected by the volatility of market demand and ever-changing technology which could make inventory outdated and obsolete.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

For a 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 reports classified by product types and the reasonableness of the percent of allowance for inventory valuation loss; this assessment included the implementation of computer audit sampling procedures to test the correctness of the inventory aging reports. We compared the amount of allowance in prior years to the 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 that 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 account books and compared it with data from the physical inventory counts to test the existence and completeness of management's assumptions. Through physical inventory counts, 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, Intangible Assets (Including Goodwill) and Investments Accounted for Using the Equity Method

Management should assess, on the date of the balance sheets, any indication of impairment to property, plant and equipment and 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 whether the estimation was made in accordance with IAS 36 to ensure that all assets' carrying amounts did not exceed their respective recoverable amounts.

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 (including goodwill) 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 our firm experts on the reasonableness of management's impairment assessments and assumptions, including its cash generating unit classifications, cash flow predictions, discount rates, etc.

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 the 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.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2018

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

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 7,536,265	6	$ 7,809,197	5
Financial assets at fair value through profit or loss (Note 7)	-	-	113,953	-
Debt instruments with no active market (Note 8)	-	-	6,534	-
Notes receivable, net (Note 9)	1,436	-	1,244	-
Trade receivables, net (Note 9)	27,927,833	20	27,660,329	18
Trade receivables from related parties (Note 25)	11,950,083	9	14,671,974	10
Other receivables	469,072	-	315,080	-
Other receivables from related parties (Note 25)	255,156	-	389,847	-
Inventories, net (Note 10)	7,783,026	6	8,997,686	6
Prepayments	571,383	-	543,135	-
Total current assets	56,494,254	41	60,508,979	39
NON-CURRENT ASSETS				
Available-for-sale financial assets (Note 11)	225,698	-	314,251	-
Debt instruments with no active market (Note 8)	303,997	-	303,823	-
Investments accounted for using the equity method (Note 12)	64,705,045	47	80,160,419	52
Property, plant and equipment, net (Note 13)	6,654,089	5	6,425,996	4
Intangible assets, net (Note 14)	5,995,675	4	6,177,890	4
Deferred tax assets (Note 21)	2,632,621	2	1,982,632	1
Refundable deposits	106,050	-	117,843	-
Prepaid investments	1,624,770	1	4,457	-
Other non-current assets	6,470	-	6,399	-
Total non-current assets	82,254,415	59	95,493,710	61
TOTAL	$ 138,748,669	100	$ 156,002,689	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	$ 17,291,220	12	$ 10,126,680	6
Financial liabilities at fair value through profit or loss (Note 7)	43,447	-	-	-
Notes payable	630	-	2	-
Trade payables	6,641,532	5	8,007,701	5
Trade payables to related parties (Note 25)	28,659,451	21	32,387,980	21
Other payables	10,420,554	7	10,465,709	7
Other payables to related parties (Note 25)	121,456	-	199,880	-
Current tax liabilities	1,706,487	1	1,785,826	1
Provisions (Note 16)	715,037	1	857,176	1
Advance receipts	1,301,833	1	1,295,315	1
Current portion of long-term borrowings (Note 15)	-	-	4,800,000	3
Total current liabilities	66,901,647	48	69,926,269	45
NON-CURRENT LIABILITIES				
Long-term borrowings, net of current portion (Note 15)	-	-	7,200,000	4
Deferred tax liabilities (Note 21)	1,131,711	1	2,757,688	2
Net defined benefit liabilities (Note 17)	126,851	-	101,521	-
Guarantee deposits	16,018	-	19,661	-
Credit balance of investments accounted for using the equity method (Note 12)	60,964	-	66,015	-
Total non-current liabilities	1,335,544	1	10,144,885	6
Total liabilities	68,237,191	49	80,071,154	51
EQUITY				
Share capital				
Ordinary shares	23,508,670	17	23,508,670	15
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	9,372,488	7	9,372,488	6
Bond conversions	7,462,138	6	7,462,138	5
Treasury share transactions	400,329	-	328,800	-
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership of subsidiaries	49,019	-	45,612	-
Changes in capital surplus from investments in associates accounted for using the equity method	276,782	-	273,487	-
Mergers	10,015,194	7	10,015,194	7
Total capital surplus	27,575,950	20	27,497,719	18
Retained earnings				
Legal reserve	11,786,967	9	10,845,332	7
Special reserve	1,338,878	1	398,602	-
Unappropriated earnings	10,093,753	7	16,252,206	11
Total retained earnings	23,219,598	17	27,496,140	18
Other equity				
Exchange differences on translating foreign operations	(2,528,893)	(2)	(1,195,684)	(1)
Unrealized loss on available-for-sale financial assets	(18,497)	-	(126,588)	-
Gain on financial instruments in cash flow hedging securities	3,372	-	-	-
Total other equity	(2,544,018)	(2)	(1,322,272)	(1)
Treasury shares	(1,248,722)	(1)	(1,248,722)	(1)
Total equity	70,511,478	51	75,931,535	49
TOTAL	$ 138,748,669	100	$ 156,002,689	100

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales (Notes 19 and 25)	$ 143,873,976	103	$ 153,349,016	103
Less: Sales returns	808,758	-	913,932	1
Sales allowance	3,822,614	3	3,708,892	2
Total operating revenue	139,242,604	100	148,726,192	100
COST OF GOODS SOLD (Notes 10, 20 and 25)	124,507,607	89	133,223,045	90
GROSS PROFIT	14,734,997	11	15,503,147	10
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	-	-	48,478	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	143,082	-	-	-
GROSS PROFIT, NET	14,878,079	11	15,454,669	10
OPERATING EXPENSES (Notes 20 and 25)				
Selling and marketing expenses	2,815,608	2	2,580,664	2
General and administrative expenses	4,790,239	3	4,416,912	3
Research and development expenses	3,841,727	3	3,472,085	2
Total operating expenses	11,447,574	8	10,469,661	7
OPERATING INCOME	3,430,505	3	4,985,008	3
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries and associates	2,119,142	1	4,955,874	3
Interest income	83,785	-	35,319	-
Dividend income	6,968	-	5,960	-
Other income (Note 25)	820,996	1	1,839,685	1
Net gain (loss) on disposal of property, plant and equipment	28,385	-	(22,973)	-
Net gain on disposal of investments	151,047	-	4,318	-
Net gain (loss) on foreign currency exchange	491,036	-	(28,322)	-
Net gain (loss) on financial assets with fair value through profit or loss	(94,466)	-	90,209	-
Finance costs	(386,589)	-	(308,094)	-
Other expenses	(44,615)	-	(231,216)	-
Impairment loss (Notes 11, 12, 13 and 14)	(5,186,588)	(4)	(341,670)	-
Total non-operating income and expenses	(2,010,899)	(2)	5,999,090	4

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LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
PROFIT BEFORE INCOME TAX	$ 1,419,606	1	$ 10,984,098	7
INCOME TAX BENEFIT (EXPENSE) (Note 21)	1,209,728	1	(1,567,747)	(1)
NET PROFIT FOR THE YEAR	2,629,334	2	9,416,351	6
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(38,263)	-	(50,094)	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(9,586)	-	(14,722)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	6,505	-	8,516	-
	(41,344)	-	(56,300)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(1,571,489)	(1)	(5,056,073)	(3)
Unrealized gain on available-for-sale financial assets	156,525	-	50,209	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(83,495)	-	(354,459)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	276,713	-	842,863	-
	(1,221,746)	(1)	(4,517,460)	(3)
Other comprehensive loss for the year, net of income tax	(1,263,090)	(1)	(4,573,760)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 1,366,244	1	$ 4,842,591	3
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 22)				
From continuing operations				
Basic	$1.13		$4.05	
Diluted	$1.13		$4.00	

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Issue of Share Capital (Note 18)		Capital Surplus (Note 18)							Retained Earnings (Notes 18 and 21)				Other Equity (Note 18)					
	Shares (In Thousands)	Amount	Additional Paid-in Capital from Share Issuance in Excess of Par Value	Bond Conversions	Treasury Share Transactions	Difference Between Consideration and Carrying Amounts Adjusted Arising from Changes in Percentage of Ownership of Subsidiaries	Changes in Capital Surplus from Investments in Associates Accounted for Using the Equity Method	Mergers	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	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
BALANCE AT JANUARY 1, 2016	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 2015 earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	722,290	-	(722,290)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	166,389	(166,389)	-	-	-	-	-	-	-
Cash dividends - 21.9%	-	-	-	-	-	-	-	-	-	-	-	(5,113,493)	(5,113,493)	-	-	-	-	-	(5,113,493)
Share dividends - 0.5%	11,675	116,746	-	-	-	-	-	-	-	-	-	(116,746)	(116,746)	-	-	-	-	-	-
Other changes in capital surplus																			
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	2,376	-	-	2,376	-	-	-	-	-	-	-	-	-	2,376
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	-	-	-	(5,260)	-	(5,260)	-	-	-	-	-	-	-	-	-	(5,260)
Share dividends of employees transferred to capital	4,264	42,641	120,885	-	-	-	-	-	120,885	-	-	-	-	-	-	-	-	-	163,526
Changes 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 income (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 (loss) 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	2,350,867	23,508,670	9,372,488	7,462,138	328,800	45,612	273,487	10,015,194	27,497,719	10,845,332	398,602	16,252,206	27,496,140	(1,195,684)	(126,588)	-	(1,322,272)	(1,248,722)	75,931,535
Appropriation of 2016 earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	941,635	-	(941,635)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	940,276	(940,276)	-	-	-	-	-	-	-
Cash dividends - 29.2%	-	-	-	-	-	-	-	-	-	-	-	(6,864,532)	(6,864,532)	-	-	-	-	-	(6,864,532)
Other changes in capital surplus																			
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	3,407	-	-	3,407	-	-	-	-	-	-	-	-	-	3,407
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	-	-	-	3,295	-	3,295	-	-	-	-	-	-	-	-	-	3,295
Changes in capital surplus from cash dividends of the Company paid to subsidiaries	-	-	-	-	71,529	-	-	-	71,529	-	-	-	-	-	-	-	-	-	71,529
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	-	-	-	-	2,629,334	2,629,334	-	-	-	-	-	2,629,334
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	-	-	-	-	(41,344)	(41,344)	(1,333,209)	108,091	3,372	(1,221,746)	-	(1,263,090)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	-	-	-	-	2,587,990	2,587,990	(1,333,209)	108,091	3,372	(1,221,746)	-	1,366,244
BALANCE AT DECEMBER 31, 2017	2,350,867	$ 23,508,670	$ 9,372,488	$ 7,462,138	$ 400,329	$ 49,019	$ 276,782	$ 10,015,194	$ 27,575,950	$ 11,786,967	$ 1,338,878	$ 10,093,753	$ 23,219,598	$ (2,528,893)	$ (18,497)	$ 3,372	$ (2,544,018)	$ (1,248,722)	$ 70,511,478

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,419,606	$ 10,984,098
Adjustments for:		
Depreciation expenses	662,204	751,792
Amortization expenses	385,326	418,255
Impairment loss recognized (reversed) on trade receivables	(12,190)	4,798
Net loss (gain) on fair value change of financial assets designated as at fair value through profit or loss	94,466	(90,209)
Finance costs	386,589	308,094
Interest income	(83,785)	(35,319)
Dividend income	(6,968)	(5,960)
Share of profit of subsidiaries and associates	(2,119,142)	(4,955,874)
Net loss (gain) on disposal of property, plant and equipment	(28,385)	22,973
Net gain on disposal of available-for-sale financial assets	(49,598)	(3,310)
Net gain on disposal of investments accounted for using the equity method	(101,449)	(1,008)
Impairment loss recognized on financial assets	10,662	4,709
Impairment loss recognized on non-financial assets	4,822,143	34,235
Unrealized gain on the transactions with subsidiaries and associates	-	48,478
Realized gain on the transactions with subsidiaries and associates	(143,082)	-
Unrealized net gain on foreign currency exchange	(208,823)	(276,479)
Recognition of provisions	144,788	293,421
Changes in operating assets and liabilities		
Financial instruments held for trading	62,935	22,100
Notes receivable	(192)	(1,064)
Trade receivables	(255,314)	(6,023,583)
Trade receivables from related parties	2,721,891	(3,643,017)
Other receivables	(163,349)	487,519
Other receivables from related parties	134,691	153,972
Inventories	1,568,443	1,763,304
Prepayments	(28,248)	264,717
Notes payable	628	(2,595)
Trade payables	(1,366,169)	180,538
Trade payables to related parties	(3,728,529)	13,529,812
Other payables	(174,543)	747,165
Other payables to related parties	(78,424)	(555,802)
Provisions	(286,927)	(289,276)
Advance receipts	6,517	(519,351)
Net defined benefit liabilities	25,330	(12,508)
Cash generated from operations	3,611,102	13,604,625
Interest received	93,142	23,441
Dividends received	6,968	5,960
Interest paid	(378,097)	(304,433)
Income tax paid	(862,359)	(602,438)
Net cash generated from operating activities	2,470,756	12,727,155

(Continued)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	$ (15,110)	$ -
Proceeds from sale of available-for-sale financial assets	298,632	55,833
Purchase of debt instruments with no active market	-	(300,049)
Proceeds from sale of debt investments with no active market	6,360	-
Acquisition of investments accounted for using the equity method	(7,286,445)	(537,840)
Proceeds from disposal of investments accounted for using the equity method	195,899	19,829
Increase in prepaid investments	(1,624,770)	(4,457)
Proceeds from capital reduction of investments accounted for using the equity method	35,261	281,556
Payments for property, plant and equipment	(656,183)	(504,810)
Proceeds from disposal of property, plant and equipment	33,510	104,150
Decrease in refundable deposits	11,793	42,479
Payments for intangible assets	(192,711)	(156,383)
Decrease (increase) in other non-current assets	(71)	45
Dividends received from subsidiaries and associates	18,153,782	253,500
Net cash generated from (used in) investing activities	8,959,947	(746,147)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	7,164,540	(2,747,695)
Repayments of long-term borrowings	(12,000,000)	(500,000)
Refund of guarantee deposits received	(3,643)	(1,549)
Cash dividends	(6,864,532)	(5,113,493)
Net cash used in financing activities	(11,703,635)	(8,362,737)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(272,932)	3,618,271
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7,809,197	4,190,926
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 7,536,265	$ 7,809,197

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

1. GENERAL INFORMATION

Lite-On Technology Corporation (the "Company") was established in March 1989. The Company's shares are 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 mergers separately and respectively took effect on March 22, 2014, April 15, 2014, June 1, 2014, June 29, 2014, June 30, 2014 and September 1, 2014, with the Company as the surviving entity of all the mergers, and the Company thus assumed all rights and obligations of the six merged companies on those respective dates.

The financial statements of the Company 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 27, 2018.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2017 would not have any material impact on the Company's accounting policies:

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. 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 Company, 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 Company has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Company'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.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transactions is enhanced. Refer to Note 25 for related disclosures.

b. 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 2018

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
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
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” and related amendments

Classification, measurement and impairment 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 any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. 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 Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares classified as available-for-sale will be classified as at fair value through profit or loss, with fair value changes recognized in profit or loss. Emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. A 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.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets and equity			
Financial assets at fair value through profit or loss - non-current	$ -	$ 35,380	$ 35,380
Financial assets at fair value through other comprehensive income - non-current	-	190,318	190,318
Available-for-sale financial assets - non-current	225,698	(225,698)	-
Financial assets measured at amortized cost - non-current	-	303,997	303,997
Debt investments with no active market - non-current	303,997	(303,997)	-
Total effect on assets	$ 529,695	$ -	$ 529,695
Retained earnings	$ 10,093,753	$ 205,348	$ 10,299,101
Other equity - unrealized income or loss for financial assets at fair value through other comprehensive income - non-current	(18,497)	(205,348)	(223,845)
Total effect on equity	$ 10,075,256	$ -	$ 10,075,256

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Company recognizes 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.

The Company elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

In addition, the Company will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The Company performed a preliminary assessment and recognized revenue based on the facts and circumstances as at December 31, 2017, and the recognition and measurement did not change upon the application of IFRS 15.

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously 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 completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan amendments, Curtailments, and Settlements"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

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

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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

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

When the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture and when assets and such subsidiaries do not meet the IFRS 3 "Business Combinations" requirements, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated.

2) 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 leases 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 assets separately from the interest expense accrued on the lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of the lease liabilities are classified within financing activities; cash payments for the interest portion are 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.

3) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously 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 completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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 the equity method to account for its investment in subsidiaries and associates. 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 the equity method, share of profit or loss of subsidiaries and associates, 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the 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.

g. Investments accounted for using the equity method

Investments in subsidiaries and associates are accounted for using the 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'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.

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 their intended use.

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

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 pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. The impairment loss recognized for goodwill is not reversed in subsequent periods.

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

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 any impairment loss. If any such indication exists, the recoverable amount of such assets is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the 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 any indication that the asset may be impaired.

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

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

l. 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. 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

n. 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.

o. 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.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

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

q. 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 liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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 the 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 for trade receivables, the Company takes into consideration the estimation of future cash flows of such receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows 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 the recognition or reversal of additional 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	$ 534	$ 1,109
Checking accounts	1,821	1,034
Demand deposits	4,533,910	2,126,374
Time deposits	3,000,000	5,680,680
	$ 7,536,265	$ 7,809,197

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Currency swap contracts	$ -	$ 113,953
Current	$ -	$ 113,953
Non-current	-	-
	$ -	$ 113,953
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Currency swap contracts	$ 43,447	$ -
Current	$ 43,447	$ -
Non-current	-	-
	$ 43,447	$ -

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2017			
Cross-currency swap contracts	USD/NTD	2018.01.10-2018.11.06	USD130,000/NTD3,856,015
December 31, 2016			
Cross-currency swap contracts	USD/NTD	2017.10.06-2017.12.08	USD170,000/NTD5,304,775

The Company entered into derivative contracts during the years ended December 31, 2017 and 2016 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 are 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

	December 31	
	2017	2016
Pledged time deposits	$ 303,997	$ 310,357
Current	$ -	$ 6,534
Non-current	303,997	303,823
	$ 303,997	$ 310,357

Refer to Note 26 for information on assets pledged as collateral or for security.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES, NET

	December 31	
	2017	2016
Notes receivable		
Notes receivable - operating	$ 1,436	$ 1,244
Allowance for impairment loss	-	-
	$ 1,436	$ 1,244
Trade receivables		
Trade receivables	$ 28,005,996	$ 27,760,469
Allowance for impairment loss	(60,492)	(72,682)
Unrealized interests revenue	(17,671)	(27,458)
	$ 27,927,833	$ 27,660,329

The aging of trade receivables was as follows:

	December 31	
	2017	2016
Not overdue	$ 27,592,527	$ 27,501,475
Overdue		
1-60 days	345,780	169,470
61-210 days	12,852	33,191
211-240 days	93	1,023
Over 240 days	54,744	55,310
	413,469	258,994
	$ 28,005,996	$ 27,760,469

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	
	2017	2016
Balance at January 1	$ 72,682	$ 68,241
Allowance for impairment loss (impairment losses reversed)	(12,190)	4,798
Amounts written off during the year as uncollectible	-	(357)
Balance at December 31	$ 60,492	$ 72,682

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

	December 31	
	2017	2016
Trade receivables	$ 648,100	$ 805,273
Unrealized interests revenue	(17,671)	(27,458)
	$ 630,429	$ 777,815

The amount of the above trade receivables is expected to be recovered in the amount of $162,025 thousand per year from 2018 to 2021.

10. INVENTORIES, NET

	December 31	
	2017	2016
Merchandise	$ 5,891,832	$ 5,734,033
Raw materials	854,012	1,915,165
Finished good	529,264	739,803
Work in progress	507,918	608,685
	$ 7,738,026	$ 8,997,686

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $124,507,607 thousand and $133,223,045 thousand, respectively.

The cost of inventories recognized as the cost of goods sold in 2017 and 2016 included a reduction of cost of goods sold amounting to $353,783 thousand and $302,726 thousand, respectively, due to an increase in net realizable value. The increase was due to the Company writing off part of its inventories that had been impaired.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Non-current		
Domestic investments		
Listed shares	$ 196,120	$ 288,558
Unlisted shares	4,620	4,620
	200,740	293,178
Foreign investments		
Mutual funds	15,110	-
Unlisted shares	9,009	20,163
Listed shares	839	910
	24,958	21,073
	$ 225,698	$ 314,251

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 amounts and will permanently decline. As a result, the Company recognized impairment losses of $10,662 thousand and $4,709 thousand, respectively, in the statements of comprehensive income for the years ended December 31, 2017 and 2016.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	$ 62,144,465	$ 77,468,068
Investments in associates	2,560,580	2,692,351
	$ 64,705,045	$ 80,160,419

a. Investments in subsidiaries

	December 31			
	2017		2016	
	%	Book Value	%	Book Value
Lite-On International Holding Co., Ltd.	100.00	$ 17,379,624	100.00	$ 21,476,229
LITE-ON ELECTRONICS H.K. LIMITED	100.00	14,218,135	100.00	12,293,534
LITE-ON MOBILE PTE. LTD.	100.00	9,001,757	100.00	8,005,173
HIGH YIELD GROUP CO., LTD.	100.00	5,588,529	100.00	5,431,907
LITE-ON SINGAPORE PTE. LTD.	100.00	3,212,400	100.00	18,442,116
LITE-ON TECHNOLOGY USA, INC.	100.00	2,302,123	100.00	2,312,102
Lite-On Automotive International (Cayman) Co., Ltd.	100.00	2,253,101	100.00	1,948,415
Lite-On Capital Corporation	100.00	1,603,803	100.00	1,442,800

(Continued)

	December 31			
	2017		2016	
	%	Book Value	%	Book Value
Lite-On Electronics (Thailand) Co., Ltd.	100.00	$ 1,564,682	100.00	$ 1,411,616
Silitech Technology Corporation	33.87	1,287,758	33.87	1,334,704
EAGLE ROCK INVESTMENT LTD.	100.00	1,134,938	100.00	1,228,407
Lite-On Technology (Europe) B.V.	54.00	438,634	54.00	273,799
Lite-On Japan Ltd.	49.49	349,889	49.49	353,908
LITE-ON VIETNAM CO., LTD.	100.00	331,292	100.00	362,838
KBW-LITEON Jordan Private Shareholding Limited	98.83	325,571	-	-
Philips & Lite-On Digital Solutions Corporation	49.00	302,064	49.00	291,107
Lite-On Overseas Trading Co., Ltd.	100.00	273,986	100.00	329,214
LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	99.00	171,585	-	-
LTC GROUP LTD.	100.00	163,059	100.00	288,603
LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	99.00	85,195	99.00	62,596
LITE-ON ELECTRONICS (EUROPE) LIMITED	100.00	55,875	100.00	49,011
Lite-On Integrated Service Inc.	100.00	47,153	100.00	47,155
LET (HK) LIMITED	100.00	30,889	100.00	27,754
Lite-On Information Technology B.V.	100.00	16,898	100.00	16,579
Lite-On Automotive Electronics (Europe) B.V.	100.00	5,025	100.00	38,501
SKYLA CORPORATION	100.00	500	-	-
LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	100.00	(60,964)	100.00	(66,015)
		62,083,501		77,402,053
Add: Credit balance on the carrying value of investments accounted for using the equity method		60,964		66,015
		$ 62,144,465		$ 77,468,068

(Concluded)

The Company's subsidiary under the equity method, LITE-ON MOBILE PTE. LTD., restructured its business units and repositioned its operation strategy for such cash-generating units and for resource allocation during the third quarter of the year ended December 31, 2017 because the price of its handset casings had dropped and the market demand had been slowing down. As a result of the adjustment of strategy, the recoverable amount of its cash-generating units is less than the carrying amount. Therefore, the Company recognized the impairment loss from its investments in the statement of comprehensive income during the third quarter of 2017. Refer to Note 17 for the value-in-use calculations and explanation in the Company's consolidated financial statements for the year ended in December 31, 2017.

b. Investments in associates

	December 31 2017	December 31 2016
Associates that are not individually material	$ 2,560,580	$ 2,692,351

Aggregate information of associates that are not individually material

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
The Company's share of:		
Net profit for the year	$ 99,751	$ 83,146
Other comprehensive loss	(59,101)	(186,742)
Total comprehensive income (loss) for the year	$ 40,650	$ (103,596)

13. PROPERTY, PLANT AND EQUIPMENT, NET

For the Year Ended December 31, 2017

	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
Cost									
January 1, 2017	$ 2,226,499	$ 4,889,924	$ 3,712,527	$ 652,457	$ 3,896	$ 671,067	$ 6,380	$ 419,142	$ 12,581,892
Additions	-	1,852	135,371	26,257	-	154,139	-	626,570	944,189
Disposals	-	(86,144)	(86,917)	(98,718)	(315)	(63,135)	-	(58,080)	(393,309)
Reclassification	-	6,943	267,926	115,019	-	14,782	-	(201,572)	203,098
December 31, 2017	$ 2,226,499	$ 4,812,575	$ 4,028,907	$ 695,015	$ 3,581	$ 776,853	$ 6,380	$ 786,060	$ 13,335,870
Accumulated depreciation									
January 1, 2017	$ -	$ 1,905,678	$ 2,846,053	$ 551,822	$ 3,633	$ 529,394	$ 6,380	$ 306,975	$ 6,149,935
Additions	-	107,805	350,470	53,139	90	110,541	-	40,159	662,204
Disposals	-	(86,144)	(81,942)	(98,718)	(315)	(63,120)	-	(57,942)	(388,181)
Reclassification	-	6,175	78,797	125,619	-	11,798	-	15,479	237,868
December 31, 2017	$ -	$ 1,933,514	$ 3,193,378	$ 631,862	$ 3,408	$ 588,613	$ 6,380	$ 304,671	$ 6,661,826
Accumulated impairment									
January 1, 2017	$ -	$ 5,210	$ -	$ 751	$ -	$ -	$ -	$ -	$ 5,961
Additions	-	-	4,254	-	-	254	-	1,218	5,726
Disposals	-	-	-	-	-	(3)	-	-	(3)
Reclassification	-	-	74	8,093	-	104	-	-	8,271
December 31, 2017	$ -	$ 5,210	$ 4,328	$ 8,844	$ -	$ 355	$ -	$ 1,218	$ 19,955
December 31, 2017, net	$ 2,226,499	$ 2,873,851	$ 831,201	$ 54,309	$ 173	$ 187,885	$ -	$ 480,171	$ 6,654,089

For the Year Ended December 31, 2016

	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
Cost									
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	$ 2,226,499	$ 4,889,924	$ 3,712,527	$ 652,457	$ 3,896	$ 671,067	$ 6,380	$ 419,142	$ 12,581,892
Accumulated depreciation									
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	$ -	$ 1,905,678	$ 2,846,053	$ 551,822	$ 3,633	$ 529,394	$ 6,380	$ 306,975	$ 6,149,935
Accumulated impairment									
January 1, 2016	$ -	$ 5,210	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,210
Additions	-	-	-	751	-	-	-	-	751
December 31, 2016	$ -	$ 5,210	$ -	$ 751	$ -	$ -	$ -	$ -	$ 5,961
December 31, 2016, net	$ 2,226,499	$ 2,979,036	$ 866,474	$ 99,884	$ 263	$ 141,673	$ -	$ 112,167	$ 6,425,996

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

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

As a result of the declining sale of some of the Company's products in the market, the estimated future cash flows expected to arise from the related equipment used in the production of those products and the related tooling equipment decreased, causing the recoverable amount to be less than the carrying amount. Therefore, the Company recognized an impairment loss in the amount of $5,726 thousand and $751 thousand for the years ended December 31, 2017 and 2016, respectively. The impairment loss was recognized in the statement of comprehensive income.

14. INTANGIBLE ASSETS, NET

	For the Year Ended December 31, 2017				
	Goodwill	**Patents**	**Software**	**Client Relationships**	**Total**
Cost					
January 1, 2017	$ 6,030,652	$ 3,408,877	$ 1,257,989	$ 163,819	$ 10,861,337
Additions	-	1,150	191,561	-	192,711
Disposals	-	-	(13,416)	-	(13,416)
Reclassification	-	11,535	14,703	-	26,238
December 31, 2017	$ 6,030,652	$ 3,421,562	$ 1,450,837	$ 163,819	$ 11,066,870
Accumulated amortization					
January 1, 2017	$ 77,234	$ 3,067,622	$ 1,038,562	$ 163,819	$ 4,347,237
Additions	-	227,753	157,573	-	385,326
Disposals	-	-	(13,416)	-	(13,416)
Reclassification	-	11,535	4,303	-	15,838
December 31, 2017	$ 77,234	$ 3,306,910	$ 1,187,022	$ 163,819	$ 4,734,985
Accumulated impairment					
January 1, 2017	$ 336,210	$ -	$ -	$ -	$ 336,210
December 31, 2017	$ 336,210	$ -	$ -	$ -	$ 336,210
December 31, 2017, net	$ 5,617,208	$ 114,652	$ 263,815	$ -	$ 5,995,675

	For the Year Ended December 31, 2016				
	Goodwill	Patents	Software	Client Relationships	Total
Cost					
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	$ 6,030,652	$ 3,408,877	$ 1,257,989	$ 163,819	$ 10,861,337
Accumulated amortization					
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	$ 77,234	$ 3,067,622	$ 1,038,562	$ 163,819	$ 4,347,237
Accumulated impairment					
January 1, 2016	$ -	$ -	$ -	$ -	$ -
Additions	336,210	-	-	-	336,210
December 31, 2016	$ 336,210	$ -	$ -	$ -	$ 336,210
December 31, 2016, net	$ 5,617,208	$ 341,255	$ 219,427	$ -	$ 6,177,890

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

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

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 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%. Additionally, the recoverable amount of all cash-generating units calculated using their value-in-use exceeded their carrying amount. As such, goodwill was not impaired for the year ended December 31, 2017.

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

	December 31	
	2017	2016
Unsecured borrowings		
Line of credit borrowings	$ 17,291,220	$ 10,126,680

The range of interest rate on bank loans was 1.69%-2.38% and 0.78%-6.00% per annum as of December 31, 2017 and 2016, respectively.

b. Long-term borrowings

	December 31	
	2017	2016
Unsecured borrowings		
Syndicated loan	$ -	$ 12,000,000
Current portion	-	(4,800,000)
Long-term borrowings: Non-current	$ -	$ 7,200,000

1) On December 31, 2016, the Company had 2 long-term bank loans with contract terms between September 23, 2013 and September 23, 2021. The floating interest rates are 1.5789% to 1.7895% as of December 31, 2016. These loans should be repaid in 5 installments.

2) On September 12, 2013, the Company signed another contract for a five-year syndicated loan with Citibank and 17 other financial institutions. The credit line was $15 billion, which was for the 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 this syndicated loan. It should be used as a medium-term loan but may not be used on a revolving basis. The principal of this syndicated 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, the Company used $9.6 billion of the credit line of component (a) of this syndicated loan.

3) 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 the Company to repay component (a) of 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 syndicated 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 upon financial ratios based on the most recent semiannual or annual financial statements. As of December 31, 2016, the Company used $2.4 billion of this syndicated loan. The syndicated loan was repaid ahead of schedule in December 2017.

16. PROVISIONS

	December 31	
	2017	2016
Current		
Warranties	$ 715,037	$ 857,176

Movements in the provisions were as follows:

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 857,176	$ 853,031
Recognition of provisions	144,788	293,421
Usage	(286,927)	(289,276)
Balance at December 31	$ 715,037	$ 857,176

Based on the local legislation for the sale of goods, 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. 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	
	2017	2016
Present value of defined benefit obligation	$ 1,159,791	$ 1,166,870
Fair value of plan assets	(1,032,940)	(1,065,349)
Net defined benefit liabilities	$ 126,851	$ 101,521

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2016	$ 1,154,819	$ (1,090,884)	$ 63,935
Current service cost	6,356	-	6,356
Net interest expense (income)	12,502	(11,909)	593
Recognized in profit or loss	18,858	(11,909)	6,949
Remeasurement			
Return on plan assets	-	4,312	4,312
Actuarial gain - changes in financial assumptions	(17,296)	-	(17,296)
Actuarial loss - experience adjustments	63,078	-	63,078
Recognized in other comprehensive loss	45,782	4,312	50,094
Contributions from the employer	-	(19,457)	(19,457)
Benefits paid	(52,589)	52,589	-
Balance at December 31, 2016	$ 1,166,870	$ (1,065,349)	$ 101,521
Balance at January 1, 2017	$ 1,166,870	$ (1,065,349)	$ 101,521
Current service cost	4,898	-	4,898
Net interest expense (income)	14,332	(13,187)	1,145
Recognized in profit or loss	19,230	(13,187)	6,043
Remeasurement			
Return on plan assets	-	2,930	$ 2,930
Actuarial loss - changes in financial assumptions	26,801	-	26,801
Actuarial loss - experience adjustments	8,532	-	8,532
Recognized in other comprehensive loss	35,333	2,930	38,263
Contributions from the employer	-	(18,976)	(18,976)
Benefits paid	(61,642)	61,642	-
Balance at December 31, 2017	$ 1,159,791	$ (1,032,940)	$ 126,851

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	
	2017	**2016**
Discount rate	1.00%	1.25%
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	
	2017	**2016**
Discount rate		
0.25% increase	$ (26,801)	$ (28,018)
0.25% decrease	$ 27,744	$ 29,034
Expected rate of salary increase		
0.25% increase	$ 26,563	$ 27,896
0.25% decrease	$ (25,815)	$ (27,081)

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	
	2017	**2016**
The expected contributions to the plan for the next year	$ 18,852	$ 19,800
The average duration of the defined benefit obligation	9.46 years	9.83 years

18. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2017	**2016**
Number of shares authorized (in thousands)	3,500,000	3,500,000
Amount of shares authorized	$ 35,000,000	$ 35,000,000
Number of shares issued and fully paid (in thousands)	2,350,867	2,350,867
Amount of shares issued	$ 23,508,670	$ 23,508,670

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 ordinary shares of the Company.

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

As of December 31, 2017 and 2016, the outstanding marketable equity securities were both 5,221 thousand units, representing 52,209 thousand ordinary shares. The rights and obligation of security holders are the same as those of ordinary shareholders, except for voting rights. As of December 31, 2017 and 2016, the unredeemed GDRs amounted to 894 thousand units and 890 thousand units.

b. Capital surplus

The premium from shares issued in excess of par (including share premium from issuance of ordinary shares, conversion of bonds, and mergers) may be used to offset a deficit; 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 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

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, refer to Note 20 (b) on employee benefits expense.

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

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

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the 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 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 Company.

The appropriations of earnings for 2016 and 2015 having been approved in the shareholders’ meetings on June 22, 2017 and June 24, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 941,635	$ 722,290		
Special reserve	940,276	166,389		
Cash dividends	6,864,532	5,113,493	$ 2.92	$ 2.19
Share dividends	-	116,746	-	0.05

The appropriation of earnings for 2017 were proposed by the Company’s board of directors on February 27, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 262,933	
Special reserve	1,367,076	
Cash dividends	963,855	$0.41

The appropriation of earnings for 2017 are subject to resolution in the shareholders’ meeting to be held on June 22, 2018.

In addition, on February 27, 2018, the board of directors proposed to distribute $2.51 cash dividends per share from $5,900,676 thousand in capital surplus. The distribution will be subject to resolution in the shareholders’ meeting to be held on June 22, 2018.

d. Others equity items

Movements in others equity items were as follows:

	For the Year Ended December 31, 2017			
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Cash Flow Hedges	Total
Balance at January 1	$ (1,195,684)	$ (126,588)	$ -	$ (1,322,272)
Exchange differences on translating foreign operations	(1,567,333)	-	-	(1,567,333)
Gain arising on changes in the fair value of available-for-sale financial assets	-	206,123	-	206,123
Reclassification to income from disposal of available-for-sale financial assets	-	(49,598)	-	(49,598)
Share of other comprehensive income (loss) of subsidiaries and associates	(38,433)	(48,434)	3,372	(83,495)
Effect of deconsolidation of subsidiaries	(4,156)	-	-	(4,156)
Income tax benefit	276,713	-	-	276,713
Balance at December 31	$ (2,528,893)	$ (18,497)	$ 3,372	$ (2,544,018)

	For the Year Ended December 31, 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
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 (loss) of subsidiaries and associates	(330,376)	(24,083)	(354,459)
Income tax benefit	842,863	-	842,863
Balance at December 31	$ (1,195,684)	$ (126,588)	$ (1,322,272)

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 Year	Decrease During the Year	Number of Shares at December 31
For the year ended December 31, 2017				
Shares held by its subsidiaries	26,841	-	-	26,841
For the year ended December 31, 2016				
Shares held by its subsidiaries	26,708	133	-	26,841

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
December 31, 2017			
Lite-On Capital Corporation	15,116	$ 718,857	$ 613,704
LTC INTERNATIONAL LTD.	7,004	297,469	284,157
YET FOUNDATE LIMITED	2,271	126,881	92,053
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	105,515	99,322
		$ 1,248,722	$ 1,089,236
December 31, 2016			
Lite-On Capital Corporation	15,116	$ 718,857	$ 734,631
LTC INTERNATIONAL LTD.	7,004	297,469	340,269
YET FOUNDATE LIMITED	2,271	126,881	110,276
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	105,515	118,984
		$ 1,248,722	$ 1,304,160

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

	For the Year Ended December 31	
	2017	2016
Revenue from the sale of goods	$ 137,508,919	$ 147,046,370
Royalty income	781,995	752,589
Revenue from management services	865,408	842,448
Rental income from property	86,282	84,785
	$ 139,242,604	$ 148,726,192

20. ADDITIONAL INFORMATION ON EXPENSES

Net income included the following items:

	For the Year Ended December 31	
	2017	2016
a. Depreciation and amortization		
Property, plant and equipment	$ 662,204	$ 751,792
Intangible assets	385,326	418,255
	$ 1,047,530	$ 1,170,047
An analysis of deprecation by function		
Recognized in operating costs	$ 186,897	$ 200,155
Recognized in operating expenses	475,307	551,637
	$ 662,204	$ 751,792
An analysis of amortization by function		
Recognized in operating costs	$ 3,284	$ 10,853
Recognized in operating expenses	382,042	407,402
	$ 385,326	$ 418,255
b. Employee benefit expenses		
Post-employment benefits		
Defined contribution plans	$ 239,525	$ 221,793
Defined benefit plans (Note 17)	6,043	6,949
	245,568	228,742
Termination benefits	22,298	36,350
Other employee benefits	6,728,687	6,422,902
	$ 6,996,553	$ 6,687,994

(Continued)

	For the Year Ended December 31	
	2017	2016
Employee benefit expenses summarized by function		
Recognized in operating costs	$ 815,439	$ 825,606
Recognized in operating expenses	6,181,114	5,862,388
	$ 6,996,553	$ 6,687,994

(Concluded)

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, 2017 and 2016 have been approved by the Company's board of directors on February 27, 2018 and February 24, 2017, respectively. The details were as follows:

	For the Year Ended December 31			
	2017		2016	
	Cash	Share	Cash	Share
Employees' compensation	$ 372,051	$ -	$ 1,332,414	$ -
Remuneration of directors	27,284	-	80,039	-

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 actual amounts of the employees' compensation and the remuneration of directors paid and the amounts recognized in the Company's financial statements for the year ended December 31, 2016.

Information on the 2018 and 2017 employees' compensation and remuneration of directors resolved by the Company's board of directors is 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 benefit (expense) were as follows:

	For the Year Ended December 31	
	2017	2016
Current income tax benefit (expense)		
In respect of the current year	$ (656,346)	$ (1,328,561)
Adjustments for prior year	(126,674)	211,190
	(783,020)	(1,117,371)
Deferred tax		
The origination and reversal of temporary differences	1,992,748	(450,376)
Income tax benefit (expense) recognized in profit or loss	$ 1,209,728	$ (1,567,747)

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

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

	For the Year Ended December 31	
	2017	2016
Income before tax	$ 1,419,606	$ 10,984,098
Income tax expense at the statutory rate	$ (241,333)	$ (1,867,297)
Tax effect of adjusting items:		
Deductible (nondeductible) items in determining taxable income	(353,652)	640,587
Additional income tax on unappropriated earnings	(61,361)	(101,851)
The origination and reversal of temporary differences	1,992,748	(450,376)
Adjustments for prior year	(126,674)	211,190
Income tax benefit (expense) recognized in profit or loss	$ 1,209,728	$ (1,567,747)

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

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $464,580 thousand and $199,714 thousand, respectively, in 2018.

As the status of the 2018 appropriations of earnings to be resolved in the shareholder's meeting is uncertain, the potential income tax consequences of the 2017 unappropriated earnings, which are subject to a 10% tax rate, are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ 276,713	$ 842,863
Remeasurement on defined benefit plans	6,505	8,516
	$ 283,218	$ 851,379

c. Deferred tax assets and liabilities

The analysis of deferred tax assets was as follows:

For the year ended December 31, 2017	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Temporary differences				
Investment accounted for using the equity method	$ 1,109,952	$ 223,395	$ 276,713	$ 1,610,060
Impairment loss on assets	328,940	331,261	-	660,201
Unrealized loss on inventories	173,313	(60,143)	-	113,170
Accrued warranty expense	145,720	(24,164)	-	121,556
Unrealized loss and expense	126,621	(81,181)	-	45,440
Net defined benefit liability	55,862	-	6,505	62,367
Unrealized sales profit	41,687	(29,246)	-	12,441
Others	537	6,849	-	7,386
	$ 1,982,632	$ 366,771	$ 283,218	$ 2,632,621

For the year ended December 31, 2016	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Temporary differences				
Investment accounted for using the 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	7,850	(7,313)	-	537
	$ 2,106,142	$ (132,026)	$ 8,516	$ 1,982,632

The analysis of deferred tax liabilities was as follows:

For the year ended December 31, 2017	Opening Balance	Recognized in (Profit) Loss	Recognized in Other Comprehensive (Income) Loss	Closing Balance
Temporary differences				
Investment accounted for using the equity method	$ 2,080,090	$ (1,661,329)	$ -	$ 418,761
Unrealized amortization of goodwill	353,808	-	-	353,808
Land value increment tax	230,216	-	-	230,216
Unrealized exchange gains, net	93,574	35,352	-	128,926
	$ 2,757,688	$ (1,625,977)	$ -	$ 1,131,711

For the year ended December 31, 2016	Opening Balance	Recognized in (Profit) Loss	Recognized in Other Comprehensive (Income) Loss	Closing Balance
Temporary differences				
Investment accounted for using the 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	-	93,574	-	93,574
	$ 3,282,201	$ 318,350	$ (842,863)	$ 2,757,688

d. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated before January 1, 1998	$ 2,215	$ 2,215
Generated on and after January 1, 1998	10,091,538	16,249,991
	$ 10,093,753	$ 16,252,206
Shareholders-imputed credits account	$ 1,340,876	$ 1,034,031

The estimated creditable ratio for the distribution of earnings of 2017 and the actual creditable ratio of 2016 were 7.95% and 8.13%, respectively. Besides, since the amended Income Tax Act as announced in February 2018 abolished the imputation tax system, no creditable ratio for the distribution of earnings in 2018 is expected.

e. Income tax assessments

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

22. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share	$ 1.13	$ 4.05
Diluted earnings per share	$ 1.13	$ 4.00

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	2016
Earnings used in the computation of basic earnings per share	$ 2,629,334	$ 9,416,351
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 2,629,334	$ 9,416,351

Weighted Average Number of Ordinary Shares Outstanding:

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	2,324,026	2,323,048
Effect of potentially dilutive ordinary shares:		
Employees' compensation	9,164	28,393
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	2,333,190	2,351,441

If the Company settles the compensation paid to employees in cash or shares, the Company presumed the entire amount of the compensation 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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 43,447	$ -	$ 43,447
Available-for-sale financial assets				
Securities listed in ROC - equity securities	$ 196,120	$ -	$ -	$ 196,120
Securities listed in other countries - equity securities	839	-	-	839
Unlisted securities - ROC - equity securities	-	-	4,620	4,620
Unlisted securities - other countries - equity securities	-	-	9,009	9,009
Mutual Funds	-	15,110	-	15,110
	$ 196,959	$ 15,110	$ 13,629	$ 225,698

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 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
	$ 289,468	$ -	$ 24,783	$ 314,251

There were no transfers between Levels 1 and 2 in the 2017 and 2016.

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

	Investments on Equity Instruments Unlisted Quotes
For the year ended December 31, 2017	
Financial assets	
Balance at January 1, 2017	$ 24,783
Total gains or losses	
In profit or loss (Note 11)	(10,662)
Sales	(492)
Balance at December 31, 2017	$ 13,629

For the year ended December 31, 2016: No change.

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

Financial Instruments	Valuation Techniques and Inputs
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 Level 3 fair value measurement

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

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss (FVTPL)		
Derivative instruments	$ -	$ 113,953
Loans and receivables (1)	48,443,842	51,158,028
Available-for-sale financial assets	225,698	314,251
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Derivative instruments	43,447	-
Amortized cost		
Short-term borrowings	17,291,220	10,126,680
Long-term loans (included current portion of long-term debts)	-	12,000,000
Payables (2)	45,843,623	51,061,272

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 - related parties, other receivables and other receivables - related parties.

2) The balances included financial liabilities measured at amortized cost, which comprise notes payable, trade payables, trade payables - related parties, other payables and other payables - related parties.

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. Exchange rate exposures were managed through currency swap contracts.

For information on 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 affected by the U.S. dollar.

The following table details the Company's sensitivity to a 5% increase and decrease in the 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 the New Taiwan dollars strengthen 5% against the U.S. dollars. For a 5% weakening of the 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.

	USD Impact	
	For the Year Ended December 31	
	2017	2016
Profit or loss	$ (641,478)	$ (81,849)

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.

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	
	2017	**2016**
Fair value interest rate risk		
Financial assets (i)	$ 1,803,997	$ 5,991,037
Financial liabilities (ii)	17,291,220	10,126,680
Cash flow interest rate risk		
Financial assets (iii)	6,033,910	2,126,374
Financial liabilities (iv)	-	12,000,000

i. The balances included time deposits at fixed interest rates and debt instruments with no active market.

ii. The balances included financial liabilities exposed to fair value risk from interest rate fluctuations.

iii. The balances included demand deposits and time deposits at floating interest rates.

iv. The balances included financial liabilities exposed to cash flow risk from interest rate fluctuations.

Sensitivity analysis

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

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, 2017 and 2016 would increase by $15,085 thousand and decrease by $24,684 thousand, respectively.

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 analysis below was 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 for years ended December 31, 2017 and 2016 would increase by $19,696 thousand and $28,947 thousand, respectively, 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, the customer's 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 counterparties are all reputable financial institutions and government agencies, there is no significant financial credit risk.

3) Liquidity risk

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

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

December 31, 2017

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing	-	$ 45,843,623	$ 16,018	$ -	$ -
Fixed interest rate liabilities	1.69-2.38	17,291,220	-	-	-
		$ 63,134,843	$ 16,018	$ -	$ -

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
Non-derivative financial liabilities					
Non-interest bearing	-	$ 51,061,272	$ 19,661	$ -	$ -
Fixed interest rate liabilities	0.78-6.00	10,126,680	-	-	-
Variable interest rate liabilities	1.5789-1.7895	4,800,000	7,200,000	-	-
		$ 65,987,952	$ 7,219,661	$ -	$ -

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

December 31, 2017

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Currency swap contracts				
Inflows	$ 3,916,200	$ -	$ -	$ -
Outflows	(3,856,015)	-	-	-
	$ 60,185	$ -	$ -	$ -

December 31, 2016

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Currency swap contracts				
Inflows	$ 5,368,070	$ -	$ -	$ -
Outflows	(5,304,775)	-	-	-
	$ 63,295	$ -	$ -	$ -

25. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are summarized below:

a. Related parties and relationships

Related Parties	Relationships with the Company
Lite-On Japan Ltd.	Subsidiary
Lite-On Japan (H.K.) Limited	Sub-subsidiary
LITE-ON SINGAPORE PTE. LTD.	Subsidiary
Lite-On Overseas Trading Co., Ltd.	Subsidiary
WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Third-tier subsidiary
Lite-On Green Technologies, Inc.	Sub-subsidiary
Lite-On Integrated Service Inc.	Subsidiary
Lite-On Capital Corporation	Subsidiary
Philips & Lite-On Digital Solutions Corporation	Subsidiary
Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Sub-subsidiary
Philips & Lite-On Digital Solutions USA, Inc.	Sub-subsidiary
PLDS Germany GmbH	Sub-subsidiary
PLDS Netherlands B.V.	Sub-subsidiary
Silitech Technology Corporation	Subsidiary
Silitech Technology Corporation Limited	Four-tier subsidiary
LITE-ON MOBILE PTE. LTD.	Subsidiary
GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Sub-subsidiary
LITE-ON TRADING USA, INC.	Sub-subsidiary

(Continued)

Related Parties	Relationships with the Company
LITE-ON, INC.	Sub-subsidiary
LITE-ON TECHNOLOGY SERVICE, INC.	Sub-subsidiary
LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Four-tier subsidiary
Lite-On Technology (Europe) B.V.	Subsidiary
Lite-On Sales & Distribution Inc.	Sub-subsidiary
I-SOLUTIONS LIMITED	Third-tier subsidiary
LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Four-tier subsidiary
LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Four-tier subsidiary
LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Subsidiary
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Sub-subsidiary
LITE-ON CHINA HOLDING CO., LTD.	Sub-subsidiary
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Sub-subsidiary
LITE-ON ELECTRONICS (EUROPE) LIMITED	Subsidiary
LITE-ON MEDICAL DEVICE (CHANGZHOU) LTD.	Four-tier subsidiary
LEOTEK ELECTRONICS USA LLC	Sub-subsidiary
KBW-LITEON Jordan Private Shareholding Limited	Subsidiary
POWER INNOVATIONS INTERNATIONAL, INC.	Subsidiary
LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Sub-subsidiary
BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	Sub-subsidiary
LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	Third-tier subsidiary
Lite-On (Guangzhou) Automotive Electronics Limited	Third-tier subsidiary
Lite-On Automotive Electronics (Europe) B.V.	Subsidiary
Lite-On Semiconductor Corp.	Associate
Lite-On Microelectronics (Wuxi) Co., Ltd.	Associate
Logah Technology Corp.	Associate
KBW-LEOTEK Jordan Private Shareholding Limited	Associate
Lite-Space Technology Company Limited	Associate
Silport Travel Corp.	Related party in substance
Lite-On Cultural Foundation	Related party in substance
Diodes Incorporated	Related party in substance
Silport Technology Corp.	Related party in substance

(Concluded)

b. Sales of goods

Related Parties Categories	For the Year Ended December 31 2017	2016
Subsidiaries		
Philips & Lite-On Digital Solutions Corporation	$ 19,712,094	23,635,156
LITE-ON TRADING USA, INC.	4,986,038	4,399,638
LITE-ON SINGAPORE PTE. LTD.	3,369,737	2,213,919
Others	2,985,892	5,940,129
	31,053,761	36,188,842
Associates		
Others	60	453
Related party in substance		
Others	964	69
	$ 31,054,785	$ 36,189,364

c. Purchases of goods

Related Parties Categories	For the Year Ended December 31 2017	2016
Subsidiaries		
Lite-On Overseas Trading Co., Ltd.	$ 81,486,302	$ 85,211,776
LITE-ON SINGAPORE PTE. LTD.	22,399,977	21,907,646
Others	5,071,137	4,941,940
	108,957,416	112,061,362
Associates		
Others	-	9
Related party in substance		
Others	131,571	102,809
	$ 109,088,987	$ 112,164,180

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.

d. Receivables from related parties

Related Parties Categories	December 31 2017	2016
Trade receivables		
Subsidiaries		
Philips & Lite-On Digital Solutions Corporation	$ 5,343,874	6,004,195
Lite-On Overseas Trading Co., Ltd.	2,922,898	4,098,762
LITE-ON TRADING USA, INC.	1,984,088	1,462,746
Others	1,693,879	3,102,108
	11,944,739	14,667,811
Associates		
Others	5,344	4,163
	$ 11,950,083	$ 14,671,974
Other receivables		
Subsidiaries		
LITE-ON SINGAPORE PTE. LTD.	79,239	223,803
Lite-On Overseas Trading Co., Ltd.	71,352	41,930
Others	103,414	123,407
	254,005	389,140
Associates		
Others	875	700
Related party in substance		
Others	276	7
	$ 255,156	$ 389,847

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Related Parties Categories	December 31 2017	December 31 2016
Trade payables		
Subsidiaries		
Lite-On Overseas Trading Co., Ltd.	$ 22,184,657	$ 23,414,755
LITE-ON SINGAPORE PTE. LTD.	5,194,655	7,918,051
Others	1,223,652	1,013,211
	28,602,964	32,346,017
Associates		
Others	-	73
Related party in substance		
Others	56,487	41,890
	$ 28,659,451	$ 32,387,980
Other payables		
Subsidiaries		
LITE-ON SINGAPORE PTE. LTD.	$ 36,490	$ 94,691
LITE-ON TECHNOLOGY SERVICE USA, INC.	21,145	19,394
Lite-On Integrated Service Inc.	15,046	9,229
Others	38,349	71,649
	111,030	194,963
Related party in substance		
Others	10,426	4,801
Associates		
Others	-	116
	$ 121,456	$ 199,880

The outstanding trade payables to related parties are unsecured.

f. Acquisition of property, plant and equipment

Related Parties Categories	Purchase Price For the Year Ended December 31 2017	Purchase Price For the Year Ended December 31 2016
Subsidiaries	$ 911	$ 21,200

g. Operating expenses

Related Parties Categories	For the Year Ended December 31 2017	2016
Subsidiaries		
LITE-ON, INC.	$ 110,980	$ 163,699
Lite-On Integrated Service Inc.	83,615	51,413
LITE-ON TECHNOLOGY SERVICE USA, INC.	55,188	64,680
Others	89,169	93,361
	338,952	373,153
Associates		
Others	3,744	2
Related party in substance		
Silport Travel Corp.	82,392	56,289
Others	218	5,339
	82,610	61,628
	$ 425,306	$ 434,783

h. Other revenue

Related Parties Categories	For the Year Ended December 31 2017	2016
Subsidiaries		
Philips & Lite-On Digital Solutions Corporation	$ 14,254	$ 15,339
Lite-On (Guangzhou) Automotive Electronics Limited	16,019	17,109
LITE-ON MOBILE PTE. LTD.	10,205	7,172
LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	6,576	13,263
Others	7,966	14,240
	55,020	67,123
Associates		
Others	4,109	3,172
Related party in substance		
Others	39	639
	$ 59,168	$ 70,934

i. Compensation of key management personnel

	For the Year Ended December 31 2017	2016
Short-term employee benefits	$ 518,387	$ 605,482
Post-employment benefits	24,763	21,413
Termination benefits	-	231
	$ 543,150	$ 627,126

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	
	2017	2016
Pledged time deposits	$ 303,997	$ 310,357

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

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. In the fourth quarter of the year ended December 31, 2013, Acer Inc., Acer America Corporation, Gateway Inc. and Gateway U.S. Retail, Inc. filed a complaint that constituted an antitrust group lawsuit against the Company and other companies with related businesses with the United States District Court for the Northern District of California. In November 2017, the Company reached a settlement with the plaintiffs, and the contents of the settlement do not have a significant impact on the Company's operations.

b. From the second quarter of the year ended December 31, 2010 to the second quarter of 2014, petitioner Carlos Fogelman filed a motion for the authorization to institute class action antitrust proceedings with the Superior Court of Quebec in the district of Montreal. The Fanshawe College of Applied Arts and Technology filed a statement of claim in the Ontario court. Neil Godfrey filed a statement of claim with the Superior Court of British Columbia. Donald Woligroski filed a statement of claim in the Manitoba court. Cindy Retallick filed a statement of claim in the Saskatchewan court. All plaintiffs 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. The Company assigned lawyers as its representative in these lawsuits. Although the outcome of the proceedings has 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, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 1,339,756	29.7100 (USD:NTD)	$ 39,804,155
EUR	3,787	35.5064 (EUR:NTD)	134,449
HKD	5,462	3.8014 (HKD:NTD)	20,762
CZK	17,848	1.3883 (CZK:NTD)	24,779
JPY	33,029	0.2638 (JPY:NTD)	8,713
			$ 39,992,858

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 1,460,737	29.7100 (USD:NTD)	$ 43,398,493
HKD	3,748,362	3.8014 (HKD:NTD)	14,249,024
EUR	12,971	35.5064 (EUR:NTD)	460,557
JPY	1,326,343	0.2638 (JPY:NTD)	349,889
			$ 58,457,963
Financial liabilities			
Monetary items			
USD	1,771,582	29.7100 (USD:NTD)	$ 52,633,714
JPY	46,140	0.2638 (JPY:NTD)	12,172
EUR	173	35.5064 (EUR:NTD)	6,160
HKD	5,450	3.8014 (HKD:NTD)	20,717
			$ 52,672,763
Non-monetary items			
Investments accounted for using the equity method			
USD	2,052	29.7100 (USD:NTD)	$ 60,964

(Concluded)

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
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)	1,776
			$ 43,865,790
Non-monetary items			
Investments accounted for using the 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)	353,909
			$ 72,823,708

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
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)	16,376
			$ 45,414,994
Non-monetary items			
Investments accounted for using the equity method			
USD	2,050	32.2000 (USD:NTD)	$ 66,015

(Concluded)

For the years ended December 31, 2017 and 2016, net foreign exchange gains (losses) were $491,036 thousand and $(28,322) thousand, respectively. 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: 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: See Table 3 below.

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: See Table 4 below.

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 5 below.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 6 below.

9) Trading in derivative instruments: Refer to Note 7 and Note 24 to the financial statements.

10) Information on investees: See Table 7 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 8 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 5 and Table 6 below.

LITE-ON TECHNOLOGY CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 1)											
0	Lite-On Technology Corporation (the Company)	LITE-ON MOBILE PTE. LTD.	b	$ 7,051,148	$ 6,259,000	$ -	$ -	$ -	-	$ 28,204,591	Yes	No	No	
		SILITEK ELEC. (DONGGUAN) CO., LTD.	c	7,051,148	1,251,800	-	-	-	-	28,204,591	Yes	No	Yes	
		Lite-On Technology (Europe) B.V.	b	7,051,148	68,055	67,462	67,462	-	0.10	28,204,591	Yes	No	No	

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.

LITE-ON TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Lite-On Technology Corporation	Ordinary shares							
	EPISTAR Corporation	-	Available-for-sale financial assets - non-current	449	$ 20,271	0.04	$ 20,271	
	Wistron Corporation	-	Available-for-sale financial assets - non-current	5,282	126,502	0.20	126,502	
	Com2B Corp.	-	Available-for-sale financial assets - non-current	5,000	9,009	11.11	9,009	
	Avamax Corp.	-	Available-for-sale financial assets - non-current	559	-	6.99	-	Note
	Aetas Technology, Inc.	Member of the board of directors	Available-for-sale financial assets - non-current	4,026	-	8.07	-	Note
	AuriaSolar Co., Ltd.	-	Available-for-sale financial assets - non-current	41,400	-	19.71	-	Note
	Z-Com, Inc.	-	Available-for-sale financial assets - non-current	2,844	49,347	3.92	49,347	
	Fong Han Electronics Co., Ltd.	-	Available-for-sale financial assets - non-current	1,167	-	6.67	-	Note
	Xepex Electronics Co., Ltd.	-	Available-for-sale financial assets - non-current	-	-	-	-	Note
	North America Micro-Electronic & Software, Incorporated	-	Available-for-sale financial assets - non-current	5	-	2.67	-	Note
	Action Media Technologies, Inc.	-	Available-for-sale financial assets - non-current	38	-	-	-	Note
	Oplink Communications, Inc.	-	Available-for-sale financial assets - non-current	1	839	0.01	839	
	Taiwan Changxing Technology Co., Ltd.	-	Available-for-sale financial assets - non-current	462	4,620	15.40	4,620	
	Preference shares							
	Arkologic Holdings Limited	-	Available-for-sale financial assets - non-current	11,111	-	7.66	-	Note
	PI-CORAL	-	Available-for-sale financial assets - non-current	1,139	-	10.65	-	Note
	Fund							
	Arm IoT Fund, L.P.	-	Available-for-sale financial assets - non-current	-	15,110	-	15,110	
	Convertible bond							
	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

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty (Note 3)	Nature of Relationship (Note 3)	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units (In Thousands)	Amount
Lite-On Technology Corporation	The shares of LITE-ON MOBILE PTE. LTD.	Investments accounted for using the equity method	LITE-ON MOBILE PTE. LTD.	100%-owned subsidiary	162,886	$ 8,005,173	315,360	$ 7,249,844 (Note 1)	27,214 (Note 1)	$ -	$ 6,253,260 (Note 1)	$ -	451,032	$ 9,001,757
	The shares of KBW-LITEON Jordan Private Shareholding Limited	Investments accounted for using the equity method and prepaid investments	KBW-LITEON Jordan Private Shareholding Limited	98.83%-owned subsidiary	-	-	4,297	608,700 (Note 2)	-	-	13,309 (Note 2)	-	4,297	595,391
	The shares of SUZHOU LITE-ON STORAGE CO., LTD.	Prepaid investments	-	-	-	-	-	1,354,950	-	-	-	-	-	1,354,950

Note 1: The acquisition amount of $6,907,500 thousand is from the capital increased by cash; the $342,344 thousand is from the exchange differences on translating foreign operations; the disposal amount of $1,081,206 thousand is from losses accounted for using the equity method; $5,170,200 thousand is from impairment losses; and $1,854 thousand is from changes in the equity accounted for using the equity method.

Note 2: The acquisition amount of $186,462 thousand is from the capital increased by cash, the $150,190 thousand is from the profit accounted for using the equity method, and the $2,228 thousand and $269,820 thousand are transfers from prepaid investments at the beginning of the year and the end of the year respectively; the disposal amount of $13,309 thousand is from the exchange differences on translating foreign operations.

Note 3: The columns are applicable only to marketable securities which are accounted for using the equity method.

TABLE 4

LITE-ON TECHNOLOGY CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount (Note)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Lite-On Technology Corporation	Plant	June 22, 2017	Total amount in contracts of no more than $2,035,000	Monthly settlement by the construction progress and acceptance	Fu Tsu Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Bidding, pricing comparison and price negotiation	Established operation center in Kaohsiung	None

Note: Final amount is based on actual settlement amount.

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, 2017
(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	Philips & Lite-On Digital Solutions Corporation	Subsidiary	Sale	$ (19,712,094)	(14)	About 90 days	Cost-plus pricing	No significant difference	$ 5,343,874	13	
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Fourth-tier subsidiary	Sale	(1,022,953)	(1)	About 90 days	Cost-plus pricing	No significant difference	351,530	1	
	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Third-tier subsidiary	Sale	(699,056)	(1)	About 90 days	Cost-plus pricing	No significant difference	311,045	1	
	LITE-ON SINGAPORE PTE. LTD.	Subsidiary	Sale	(3,369,737)	(2)	About 90 days	Cost-plus pricing	No significant difference	317,884	1	
	Lite-On Japan Ltd.	Subsidiary	Sale	(574,055)	-	About 90 days	Cost-plus pricing	No significant difference	142,929	-	
	LITE-ON TRADING USA, INC.	Sub-subsidiary	Sale	(4,986,038)	(4)	About 90 days	Cost-plus pricing	No significant difference	1,984,088	5	
	Lite-On Sales & Distribution Inc.	Sub-subsidiary	Sale	(588,278)	-	About 90 days	Cost-plus pricing	No significant difference	346,799	1	
	LITE-ON CHINA HOLDING CO. LTD.	Sub-subsidiary	Sale	(201,850)	-	About 90 days	Cost-plus pricing	No significant difference	200,266	1	
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Fourth-tier subsidiary	Purchase	1,648,114	1	About 90 days	Cost-plus pricing	No significant difference	(588,792)	(2)	
	LITE-ON SINGAPORE PTE. LTD.	Subsidiary	Purchase	22,399,977	18	About 90 days	Cost-plus pricing	No significant difference	(5,194,655)	(15)	
	LITE-ON, INC.	Sub-subsidiary	Purchase	110,980	-	About 90 days	Cost-plus pricing	No significant difference	-	-	
	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Subsidiary	Purchase	2,721,873	2	About 90 days	Cost-plus pricing	No significant difference	(515,335)	(1)	
	Lite-On Overseas Trading Co., Ltd.	Subsidiary	Purchase	81,486,302	65	About 90 days	Cost-plus pricing	No significant difference	(22,184,657)	(63)	
	LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	Third-tier subsidiary	Purchase	102,332	-	About 90 days	Cost-plus pricing	No significant difference	(43,819)	-	
	Lite-On (Guangzhou) Automotive Electronics Limited	Third-tier subsidiary	Purchase	307,288	-	About 90 days	Cost-plus pricing	No significant difference	(64,899)	-	
	Diodes Incorporated	Related party in substance	Purchase	131,571	-	About 90 days	Cost-plus pricing	No significant difference	(56,487)	-	

LITE-ON TECHNOLOGY CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance of Notes Receivable - Related Parties	Ending Balance of Trade Receivables - Related Parties	Ending Balance of Other Receivables - Related Parties	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
							Amount	Action Taken		
Lite-On Technology Corporation	Philips & Lite-On Digital Solutions Corporation	Subsidiary	$ -	$ 5,343,874	$ 2,296	3.47	$ -	-	$ 1,081,185	$ -
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Fourth-tier subsidiary	-	351,530	-	2.67	-	-	-	-
	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Third-tier subsidiary	-	311,045	-	1.64	-	-	92,460	-
	LITE-ON SINGAPORE PTE. LTD.	Subsidiary	-	317,884	79,239	4.71	-	-	45,022	-
	Lite-On Japan Ltd.	Subsidiary	-	142,929	22,446	3.79	-	-	59,044	-
	LITE-ON TRADING USA, INC.	Sub-subsidiary	-	1,984,088	12,152	2.89	-	-	623,871	-
	Lite-On Sales & Distribution Inc.	Sub-subsidiary	-	346,799	70	1.20	-	-	-	-
	Lite-On Overseas Trading Co., Ltd.	Subsidiary	-	2,922,898	71,352	-	-	-	1,580,674	-
	Lite-On China Holding Co., Ltd.	Sub-subsidiary		200,266	-	-	-	-	-	-

TABLE 7

LITE-ON TECHNOLOGY CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2017			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2017	December 31, 2016	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Lite-On Technology Corporation	Silitech Technology Corporation	New Taipei City, Taiwan	Manufacture and sale of modules and plastic products	$ 324,685	$ 324,685	60,757	33.87	$ 1,287,758	$ (82,018)	$ (27,779)	Subsidiary
	Lite-On Integrated Service Inc.	Taipei City, Taiwan	Information outsourcing and system integrate	25,886	25,886	3,400	100.00	47,153	5,454	5,454	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	974,975	(56,735)	(16,807)	Associate
	Logah Technology Corp.	Kaohsiung City, Taiwan	Development, manufacture and sale of LCD TV inverters	198,585	389,240	16,164	14.34	95,242	197	(11,558)	Associate (Note 2)
	Lite-On Capital Corporation	Taipei City, Taiwan	Investment activities	4,096,367	4,096,367	209,545	100.00	1,603,803	204,045	159,907	Subsidiary
	LITE-ON ELECTRONICS H.K. LIMITED	Hong Kong	Sale of LED optical products	7,339,481	7,339,481	17,865	100.00	14,218,135	HK$ 513,612	2,151,174	Subsidiary
	Lite-On Electronics (Thailand) Co., Ltd.	Thailand	Manufacture and sale of LED optical products	529,106	529,106	5,030	100.00	1,564,682	THB 145,202	129,380	Subsidiary
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	248,305	248,305	6,162	49.49	349,889	JPY 109,616	15,118	Subsidiary
	Lite-On International Holding Co., Ltd.	British Virgin Islands	Investment activities	US$ 335,825	US$ 335,825	335,825	100.00	17,379,624	US$ (121,220)	(3,812,840)	Subsidiary
	LTC GROUP LTD.	British Virgin Islands	Investment activities	$ 1,098,752	$ 1,098,752	32,916	100.00	163,059	US$ (3,474)	(121,531)	Subsidiary
	LITE-ON TECHNOLOGY USA, INC.	USA	Investment activities	US$ 55,172	US$ 55,172	470	100.00	2,302,123	US$ 3,387	120,092	Subsidiary
	LITE-ON ELECTRONICS (EUROPE) LIMITED	United Kingdom	Manufacture and sale of power supplies	$ 44,559	$ 44,559	300	100.00	55,875	GBP 156	6,104	Subsidiary
	Lite-On Technology (Europe) B.V.	Netherlands	Market research and after-sales service	2,543,184	2,543,184	331	54.00	438,634	EUR 8,065	154,885	Subsidiary
	Lite-On Overseas Trading Co., Ltd.	British Virgin Islands	Merchandising business	168,947	168,947	5,143	100.00	273,986	US$ (1,002)	(28,646)	Subsidiary
	LITE-ON SINGAPORE PTE. LTD.	Singapore	Manufacture and supply computer peripheral products	US$ 63,788	US$ 63,788	51,777	100.00	3,212,400	US$ 120,646	3,697,311	Subsidiary
	Lite-On Semiconductor Corp.	New Taipei City, Taiwan	Manufacture of image sensor and rectifier	$ 773,618	$ 773,618	57,204	18.38	1,406,656	$ 563,975	102,257	Associate (Note 2)
	LITE-ON VIETNAM CO., LTD.	Vietnam	Electronic contract manufacturing	US$ 12,000	US$ 12,000	-	100.00	331,292	US$ (117)	(3,495)	Subsidiary
	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	British Virgin Islands	Manufacture and sale of computer and appliance components	$ 56,929	$ 56,929	1,748	100.00	(60,964)	US$ (2)	(57)	Subsidiary (Note 1)
	EAGLE ROCK INVESTMENT LTD.	British Virgin Islands	Import and export business and investment activities	341	341	10	100.00	1,134,938	US$ (2,349)	(71,441)	Subsidiary
	Canfield Ltd.	Apia, Samoa	Import and export business and investment activities	7,142	7,142	200	33.33	4,584	US$ (12)	(99)	Associate
	LITE-ON MOBILE PTE. LTD.	Singapore	Manufacture and sale of mobile phone modules and design for assembly line	EUR 457,014	EUR 250,329	451,032	100.00	9,001,757	US$ (35,570)	(1,081,206)	Subsidiary
	LET (HK) LIMITED	Hong Kong	Sale of optical disc drives	$ 251,322	$ 251,322	62,060	100.00	30,889	HK$ 1,441	5,364	Subsidiary
	HIGH YIELD GROUP CO., LTD.	British Virgin Islands	Holding company	2,271,806	2,271,806	68,138	100.00	5,588,529	US$ 3,698	209,093	Subsidiary
	Lite-On Information Technology B.V.	Netherlands	Market research and customer service	1,163,591	1,163,591	11,018	100.00	16,898	EUR (14)	(489)	Subsidiary
	Philips & Lite-On Digital Solutions Corporation	Taiwan	Sale of optical disc drives	267,113	267,113	17,150	49.00	302,064	$ 56,287	27,580	Subsidiary
	Lite-Space Technology Company Limited	Hong Kong	Sale of computer components	149,968	149,968	5,100	42.50	74,632	US$ 2,675	23,140	Associate
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Mexico	Production, manufacture, sale, import and export of photovoltaic device, key electronic components, telecommunications equipment, information technology equipment, semiconductor applications, general lighting, automotive electronics, renewable energy products and systems and maintenance of automotive industry	US$ 4,950	US$ 4,950	146	99.00	85,195	MXN 16,408	24,990	Subsidiary
	Lite-On Automotive Electronics (Europe) B.V.	Netherlands	Sale of automotive parts and other electronic products	EUR 90	EUR 1,090	2	100.00	5,025	EUR (17)	(619)	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount: December 31, 2017	Original Investment Amount: December 31, 2016	Balance as of December 31, 2017: Shares (In Thousands)	Balance as of December 31, 2017: Percentage of Ownership (%)	Balance as of December 31, 2017: Carrying Value	Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
	Lite-On Automotive International (Cayman) Co., Ltd.	Cayman	Investment activities	US$ 100,626	US$ 100,626	11,967	100.00	$ 2,253,101	US$ 9,271	$ 327,068	Subsidiary
	KBW-LITEON Jordan Private Shareholding Ltd.	Jordan	Investment	US$ 69	US$ 69	49	49.00	4,491	JOD 135	2,818	Associate
	KBW-LITEON Jordan Private Shareholding Limited	Jordan	Production and manufacture of energy-saving lights and project construction and maintenance	US$ 6,069	US$ 69	4,297	98.83	325,571	JOD 3,600	150,190	Subsidiary
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	India	Manufacture and sale of phone chargers and power supplies	INR 403,920	INR -	40,392	99.00	171,585	INR (35,112)	(16,216)	Subsidiary
	SKYLA CORPORATION	Taiwan	Manufacture and sale of medical equipment	$ 500	$ -	50	100.00	500	$ -	-	Subsidiary

Note 1: 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 2: 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 8

LITE-ON TECHNOLOGY CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Note
						Outflow	Inflow							
Lite-On Technology Corporation	LITE-ON COMPUTER TECHNOLOGY (DONGGUAN) CO., LTD.	Manufacture and sale of display device	$ 487,244 (US$ 16,400)	Note 1	$ 845,814 (US$ 28,469)	$ -	$ -	$ 845,814 (US$ 28,469)	$ (12,134) (CNY -2,694)	100.00	$ (12,134) (CNY -2,694)	$ 408,593 (HK$ 107,485)	$ -	
	DONGGUAN G-PRO COMPUTER CO., LTD.	Manufacture and sale of system products	642,315 (HK$ 168,968)	Note 1	517,697 (US$ 17,425)	-	-	517,697 (US$ 17,425)	181,155 (CNY 40,221)	100.00	181,155 (CNY 40,221)	-	-	Note 3
	LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	ODM services	1,975,715 (US$ 66,500)	Note 1	1,975,656 (US$ 66,498)	-	-	1,975,656 (US$ 66,498)	78,311 (CNY 17,387)	100.00	78,311 (CNY 17,387)	2,975,835 (HK$ 782,826)	-	
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture of electronic components	1,051,734 (US$ 35,400)	Note 1	1,051,734 (US$ 35,400)	-	-	1,051,734 (US$ 35,400)	846,639 (CNY 187,975)	100.00	846,639 (CNY 187,975)	2,312,509 (HK$ 608,331)	-	
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Manufacture and sale of keyboards	142,608 (US$ 4,800)	Note 1	142,608 (US$ 4,800)	-	-	142,608 (US$ 4,800)	527,180 (CNY 117,047)	100.00	527,180 (CNY 117,047)	2,427,608 (HK$ 638,609)	-	
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Manufacture and sale of printers and scanners	1,087,386 (US$ 36,600)	Note 1	1,087,386 (US$ 36,600)	-	-	1,087,386 (US$ 36,600)	(1,386,696) (CNY -307,881)	100.00	(1,386,696) (CNY -307,881)	9,601,101 (HK$ 2,525,675)	-	Note 4
	CHINA BRIDGE (CHINA) CO., LTD.	Investment, sales agent	891,300 (US$ 30,000)	Note 1	883,724 (US$ 29,745)	-	-	883,724 (US$ 29,745)	71,069 (CNY 15,779)	100.00	71,069 (CNY 15,779)	1,298,501 (HK$ 341,585)	-	
	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Manufacture and sale of IT products	420,991 (US$ 14,170)	Note 1	420,991 (US$ 14,170)	-	-	420,991 (US$ 14,170)	227,083 (CNY 50,418)	100.00	227,083 (CNY 50,418)	3,390,024 (HK$ 891,783)	-	Note 3
	LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED	Manufacture and sale of mobile terminal equipment	729,678 (US$ 24,560)	Note 1	729,678 (US$ 24,560)	-	-	729,678 (US$ 24,560)	-	100.00	-	-	-	Note 4
	DONGGUAN G-TECH COMPUTER CO., LTD.	Manufacture and sale of computer case	382,033 (HK$ 100,498)	Note 1	341,665 (US$ 11,500)	-	-	341,665 (US$ 11,500)	85,396 (CNY 18,960)	100.00	85,396 (CNY 18,960)	-	-	Note 3
	LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED	Manufacture and sale of computer case	986,372 (US$ 33,200)	Note 1	986,372 (US$ 33,200)	-	-	986,372 (US$ 33,200)	-	100.00	-	-	-	Note 4
	COMMIT Incorporated	Manufacture and sale of application software and multimedia product design	953,275 (US$ 32,086)	Note 1	17,826 (US$ 600)	-	-	17,826 (US$ 600)	-	1.87	-	-	-	
	LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED	Manufacture and sale of mobile terminal equipment	469,715 (US$ 15,810)	Note 1	469,715 (US$ 15,810)	-	-	469,715 (US$ 15,810)	-	100.00	-	-	-	Note 4
	LITE-ON (GUANGZHOU) INFORTECH CO., LTD.	Information outsourcing	37,732 (US$ 1,270)	Note 1	69,640 (US$ 2,344)	-	-	69,640 (US$ 2,344)	13,161 (CNY 2,922)	100.00	13,161 (CNY 2,922)	175,959 (HK$ 46,288)	-	
	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	540,722 (US$ 18,200)	Note 1	362,462 (US$ 12,200)	-	-	362,462 (US$ 12,200)	-	100.00	-	-	-	Note 4
	LITE-ON DIGITAL ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture and sale of computer peripheral products	89,130 (US$ 3,000)	Note 1	89,130 (US$ 3,000)	-	-	89,130 (US$ 3,000)	(4,702) (CNY -1,044)	100.00	(4,702) (CNY -1,044)	85,756 (HK$ 22,559)	-	
	LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Manufacture and sale of electronic components	356,520 (US$ 12,000)	Note 1	396,213 (US$ 13,336)	-	-	396,213 (US$ 13,336)	(1,491) (CNY -331)	100.00	(1,491) (CNY -331)	401,367 (HK$ 105,584)	-	
	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Manufacture and sale of electronic components	193,115 (US$ 6,500)	Note 1	193,115 (US$ 6,500)	-	-	193,115 (US$ 6,500)	34,266 (CNY 7,608)	100.00	34,266 (CNY 7,608)	256,249 (US$ 8,625)	-	
	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	4,486,210 (US$ 151,000)	Note 1	4,486,210 (US$ 151,000)	-	-	4,486,210 (US$ 151,000)	392,600 (CNY 87,167)	100.00	392,600 (CNY 87,167)	7,508,826 (HK$ 1,975,279)	-	
	LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	Investment activities	2,376,800 (US$ 80,000)	Note 1	2,376,800 (US$ 80,000)	-	-	2,376,800 (US$ 80,000)	(2,025,791) (CNY -449,776)	100.00	(2,025,791) (CNY -449,776)	(288,743) (HK$ -75,957)	-	
	Lite-On Technology (Yingtan) Ltd.	Manufacture and sale of electronic components	326,810 (US$ 11,000)	Note 1	326,810 (US$ 11,000)	-	-	326,810 (US$ 11,000)	(142,453) (CNY -31,628)	100.00	(142,453) (CNY -31,628)	285,216 (US$ 9,600)	-	
	LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Development, manufacture and sale of electronic components, power supplies and provision technology consulting services	474,528 (US$ 15,972)	Note 1	474,528 (US$ 15,972)	-	-	474,528 (US$ 15,972)	(40,766) (CNY -9,051)	100.00	(40,766) (CNY -9,051)	722,544 (HK$ 190,073)	-	
	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	29,710 (US$ 1,000)	Note 1	29,710 (US$ 1,000)	-	-	29,710 (US$ 1,000)	5,432 (CNY 1,206)	100.00	5,432 (CNY 1,206)	20,295 (CNY 4,438)	-	

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment of Flows Outflow	Investment of Flows Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Note
	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Manufacture and sale of optical disc drives	$ 1,277,530 (US$ 43,000)	Note 1	$ 1,277,530 (US$ 43,000)	$ -	$ -	$ 1,277,530 (US$ 43,000)	$ (36,536) (CNY -8,112)	100.00	$ (36,536) (CNY -8,112)	$ 2,152,905 (US$ 72,464)	$ -	
	LiteON Auto Electric Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	59,420 (US$ 2,000)	Note 1	59,420 (US$ 2,000)	-	-	59,420 (US$ 2,000)	16,813 (CNY 3,733)	100.00	16,813 (CNY 3,733)	151,135 (US$ 5,087)	-	
	LITEON-IT OPTO TECH (BH) CO., LTD.	Manufacture and sale of optical disc drives	1,634,050 (US$ 55,000)	Note 1	1,634,050 (US$ 55,000)	-	-	1,634,050 (US$ 55,000)	172,818 (CNY 38,370)	100.00	172,818 (CNY 38,370)	3,878,106 (US$ 130,532)	-	
	Lite-On (Guangzhou) Automotive Electronics Limited	Manufacture, sale and processing of electronic products	184,202 (US$ 6,200)	Note 1	174,398 (US$ 5,870)	-	-	174,398 (US$ 5,870)	225,146 (CNY 49,988)	100.00	225,146 (CNY 49,988)	1,575,251 (HK$ 414,387)	-	
	LITE-ON AUTOMOTIVE (WUXI) CO., LTD	Manufacture, sale and processing of electronic products	148,550 (US$ 5,000)	Note 1	148,550 (US$ 5,000)	-	-	148,550 (US$ 5,000)	57,525 (CNY 12,772)	100.00	57,525 (CNY 12,772)	650,921 (HK$ 171,232)	-	
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	365,671 (US$ 12,308)	Note 1	120,890 (US$ 4,069)	-	-	120,890 (US$ 4,069)	15,359 (CNY 3,410)	100.00	15,359 (CNY 3,410)	1,053,012 (US$ 35,443)	-	
	HUIZHOU FU TAI ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	28,789 (US$ 969)	Note 1	1,931 (US$ 65)	-	-	1,931 (US$ 65)	1,563 (CNY 347)	100.00	1,563 (CNY 347)	62,361 (US$ 2,099)	-	
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Manufacture and sale of energy saving equipment	2,109,410 (US$ 71,000)	Note 1	2,109,410 (US$ 71,000)	-	-	2,109,410 (US$ 71,000)	465,497 (CNY 103,352)	100.00	465,497 (CNY 103,352)	2,811,487 (US$ 94,631)	-	
	LI SHIN TECHNOLOGY (HUIZHOU) LTD.	Manufacture and sale of new-type electronic components and peripheral materials	-	Note 1	-	-	-	-	2,829 (CNY 628)	-	2,829 (CNY 628)	-	-	Note 5
	BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	475,360 (US$ 16,000)	Note 1	1,555,734 (US$ 52,364)	-	-	1,555,734 (US$ 52,364)	(200,820) (CNY -44,587)	100.00	(200,820) (CNY -44,587)	642,598 (US$ 21,629)	-	
	GUANGZHOU LITE-ON MOBILE ENGINEERING PLASTICS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	581,425 (US$ 19,570)	Note 1	2,692,528 (US$ 90,627)	-	-	2,692,528 (US$ 90,627)	33,785 (CNY 7,501)	100.00	33,785 (CNY 7,501)	1,819,470 (US$ 61,241)	-	
	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	1,191,371 (US$ 40,100)	Note 1	3,427,108 (US$ 115,352)	-	-	3,427,108 (US$ 115,352)	(870,826) (CNY -193,345)	100.00	(870,826) (CNY -193,345)	3,562,972 (US$ 119,925)	-	
	Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	243,290 (HK$ 64,000)	Note 1	387,745 (US$ 13,051)	-	-	387,745 (US$ 13,051)	(129,571) (CNY -28,768)	100.00	(129,571) (CNY -28,768)	208,653 (US$ 7,023)	-	
	ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Manufacture and sale of mobile phone modules and design for assembly line	2,650,488 (CNY 579,595)	Note 1	461,366 (US$ 15,529)	-	-	461,366 (US$ 15,529)	(1,961,118) (CNY -435,417)	100.00	(1,961,118) (CNY -435,417)	(847,656) (CNY -185,361)	-	
	LITE-ON YOUNG FAST (HUIZHOU) CO., LTD.	Modules of touch panels	297,100 (US$ 10,000)	Note 1	193,115 (US$ 6,500)	-	-	193,115 (US$ 6,500)	257 (CNY 57)	100.00	257 (CNY 57)	(16,133) (US$ -543)	-	
	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Solar energy engineering	22,282 (US$ 750)	Note 1	22,282 (US$ 750)	-	-	22,282 (US$ 750)	(2,522) (CNY -560)	100.00	(2,522) (CNY -560)	(8,259) (US$ -278)	-	
	Changzhou Binhu Thin Film Solar Greenhouse Co., Ltd.	Manufacture and sale of solar energy engineering	457,300 (CNY 100,000)	Note 1	89,041 (US$ 2,997)	-	-	89,041 (US$ 2,997)	-	19.90	-	4,159 (US$ 140)	-	
	Epricrystal (Changzhou) Co., Ltd.	Manufacture, design and sale of light-emitting diode products	4,664,470 (US$ 157,000)	Note 1	802,170 (US$ 27,000)	-	-	802,170 (US$ 27,000)	283,702 (CNY 62,989)	21.55	61,133 (CNY 13,573)	930,994 (CNY 203,585)	-	
	DONGGUAN LITE-ON COMPUTER CO., LTD.	Manufacture and sale of computer hosts and components	59,420 (US$ 2,000)	Note 1	59,420 (US$ 2,000)	-	-	59,420 (US$ 2,000)	1,522 (CNY 338)	100.00	1,522 (CNY 338)	99,216 (CNY 21,696)	-	

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 33,492,172 (US$ 1,127,303)	$ 38,235,285 (US$ 1,286,950)	Note 6

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 NETWORK COMMUNICATION (DONGGUAN) LIMITED merged with DONGGUAN G-PRO COMPUTER CO., LTD. and DONGGUAN G-TECH COMPUTER CO., LTD., with LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED as the surviving entity. Because the merging process was still under way as of December 31, 2017, the change in the amount of investment in mainland China has not yet been registered with the Ministry of Economic Affairs.

Note 4: LITE-ON ELECTRONICS (GUANGZHOU) LIMITED merged with LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED, LITE-ON (GUANGZHOU) PRECISION TOOLING LTD., LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED, and LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED with the LITE-ON ELECTRONICS (GUANGZHOU) LIMITED as the surviving entity. Because the merging process was still under way as of December 31, 2017, the change in the amount of investment in mainland China has not yet been registered with the Ministry of Economic Affairs.

Note 5: Dissolved after a merger with HUIZHOU LI SHIN ELECTRONIC CO., LTD. in December 2017.

Note 6: 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)