



2 0 1 9 ANNUAL REPORT

LITEON[®]

LITE-ON TECHNOLOGY CORPORATION

LITEON[®]

2019

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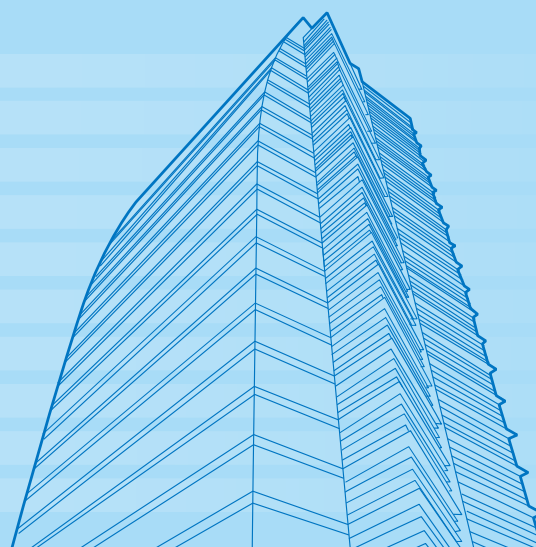
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MEMBERS OF TOP MANAGEMENT

01

MEMBERS OF TOP MANAGEMENT



Raymond Soong
Chairman of LITE-ON Group

Warren Chen
Vice Chairman and Group CEO of LITE-ON Group

BUSINESS PHILOSOPHY

02

BUSINESS PHILOSOPHY

Belief

Customer Satisfaction
Excellence in Execution
Innovation
Integrity

Vision

**A World-Class Excellent Company
Best Partner in Opto-Electronic,
Eco-Friendly and Intelligent Technologies**

- Corporate Citizenship: Globalization / Environmental protection / Social responsibility
- Industry Leader: No.1 global market position
- Profitability: Being up to the highest industry standard
- Governance: Transparency / Independence / Fairness
- Size of Organization: Over 10 billion US dollars in revenue

Spirit

Passion
Excellence
Innovation
Growth

Mission

Long-Term Mission:

- Become the Absolute #1 in the Industry

Mid-Term Mission:

- Prioritize investment in energy saving, environmentally friendly and smart technologies; enhance product portfolio and profit
- Expand to emerging markets
- Excellent global time-to-market, time-to-volume capability; optimize global operation (industry #1 operation excellence)

LETTER TO SHAREHOLDERS

Dear Shareholders,

LITE-ON's global consolidated revenue amounted to NT\$177.954 billion in 2019. Operating profit was NT\$9.35 billion, increasing 25% year-over-year. Net profit was NT\$9.38 billion and earnings per share (EPS) was NT\$4.03, the highest level in last three years, representing 18% year-on-year growth. The figures reflected LITE-ON's ongoing effort to focus on realigning revenue sources and creating stronger operations, thereby achieving successful upgrade and transformation.

Business Performance

In 2019, the LITE-ON Opto-electronics business segment reported steady growth as its LED components benefited from the demand for 5G and artificial intelligence of things (AIoT) applications and rising shipments of LED vehicle lighting. The Information Technology business segment continued to see rising shipments of AI smart home devices and game console power supply products, and reported market share gains in keyboards, mice and peripherals and streamlined shipments of all-in-one laser machines. LITE-ON's pillars for growth, cloud computing, LED components, LED vehicle and outdoor lighting, 5G, AIoT and other applications, accounted for more than 30% of the total revenue, and contributed more than 40% of the profit. On the operational side of business, we will focus on opportunities created by cloud computing, such as power supply, casing, network communication and other IoT applications, and growth in power supply and opto-electronics components in 5G and AIoT applications.

In the interest of effective specialization in the group, the business segments operate independently and follow a diversification strategy designed to improve the overall business performance and competitiveness. In 2019, an extraordinary general meeting passed a proposal to spin off the Solid-State Drive (SSD) Business Unit to a wholly owned subsidiary, Solid State Storage Technology Corporation. The Solid-State Drive Business Unit will be transferred to KIOXIA Holdings Corporation by sale of shares. The business to be sold is the operations and assets of the Solid-State Drive Business Unit, including inventory, machines and equipment, teams, technologies and intellectual property rights, and client/supplier relationships. The transaction price is US\$165 million. (The actual amount will be subject to adjustment at settlement as provided in the agreement.)

In response to drastic changes in global geopolitical and economic conditions, LITE-ON has been investing heavily in establishing long term advantages, including automated production systems and robotic arms, accelerated smart manufacturing, strengthened integration of manufacturing platforms and capabilities to manage digital supply chains at production facilities around the world, and integration of internal talent and external partners. LITE-ON aims to build a supply chain for smart manufacturing and enhance the company's core competency of serving customers worldwide. Meanwhile, LITE-ON has been making more extensive use of the Microsoft productivity tool, "O-365", and introduced robotic process automations (RPA) to push for a complete digital transformation in the last two years. This year, we will take one step further to combine management data on the LITE-ON Cloud and implement AI in stages to turn LITE-ON into an AI-enabled smart manufacturing business.

Corporate Social Responsibility

As part of our ongoing effort to develop sustainable governance, increase our influence in the industry and achieve environmental sustainability, LITE-ON created the Corporate Sustainability Committee in 2019. The committee reports directly to the board of directors and serves to strengthen the sustainable governance mechanisms. Other responsibilities of the committee include optimization of key supplier criteria and improvement of the quality of sustainable supply chain management and the value of products. LITE-ON was one of the winners of the "Most Prestigious Sustainability Awards - Top Ten Domestic Corporates" by Taiwan Corporate Sustainability Awards (TCSA) in 2019. We were also a winner of the Corporate Sustainability Report Platinum Award and the Climate Leadership Award. LITE-ON has recently been rated "A" by the Carbon Disclosure Project (CDP 2019) at the beginning of 2020. The rating makes LITE-ON one of the leading companies worldwide in terms of information transparency and action to fight climate change. LITE-ON has been listed as a member of the Dow Jones Sustainability Index (DJSI) for nine years in a row since 2011, and has had a place on the MSCI ESG Leaders Index for six years in a row. In Taiwan, LITE-ON was ranked top 5% in the 2019 Corporate Governance Evaluation Survey jointly implemented by the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEX); listed as a constituent stock in the FTSE4Good TIP Taiwan ESG Index; awarded Commonwealth Magazine's Corporate Citizen Award in the large enterprise category for the 13th time; and named a winner in the electronics technology category of the Global Views Monthly Corporate Social Responsibility Survey 2019.

Future Outlook

Going forward, many uncertainties remain in the global economy, while the COVID-19 outbreak creates new ones for business operations. In addition to staying alert to changes and keeping flexibility in production capacity to meet the global demand, LITE-ON continues to focus on cloud computing, 5G, AIoT and other new applications in the medium to long term. We will invest and build up the company to become a competitive smart manufacturer that is always up to date with current developments. The goals include Industry 4.0 and Lighthouses. We will strive to put down strong roots and grow into a centenarian corporation. LITE-ON's investments in techniques, information communication technologies, digital transformation, and global human resources are intended to facilitate the development of new businesses. All employees are encouraged to share with open minds and keep learning, growing, and creating new things. Employees are also encouraged to acquire new skills such as digitization and supply chain management in smart manufacturing. We pay attention to details and do not take shortcuts so that we may take the company to the next level and be one of the best and most agile in the business. We would like to thank our shareholders for your long-term support and recognition. We look forward to having you by our side in 2020 as LITE-ON continues the progress toward becoming a centenarian corporation.



Raymond Soong
LITE-ON Chairman



Warren Chen
LITE-ON Vice Chairman & Group CEO

2. Company Profile

2.1 Date of Incorporation: March 17, 1989

2.2 Company History:

1975

- LITE-ON Electronics was established with a capital of NT\$1 million, and its first LED plant was set up in Zhonghe, Taiwan.

1978

- Silitek Corp. was established to manufacture rubber products.

1983

- LITE-ON Electronics received SFC approval for initial public offering. The company was given the stock code 2301 and became the first technology company on the Taiwan Stock Exchange.

1989

- The LITE-ON Corporate Identify System (CIS) was introduced.
- LITE-ON Electronics (Thailand) was established in Bangkok to manufacture optoelectronic products. This is the first overseas production facility for LITE-ON affiliates.
- LITE-ON Technology Corp. was established to manufacture color monitors.

1990

- LITE-ON Electronics set up LITE-ON Malaysia Plant in Penang, Malaysia to manufacture power supply units.
- Silitek Corp acquired Maxi Switch, the third largest U.S. keyboard manufacturer, to create more added value in the product lines.

1991

- LITE-ON Electronics Inc. acquired the switching power supply plant of NPE UK, and started operating the plant under the name of LITE-ON Ltd.

1992

- LITE-ON Electronics Inc. implemented IECQ/ISO 9000 certification.
- LITE-ON Technology Corp. established the subsidiary, LITE-ON (Germany) GmbH, in Kiel City, Germany.
- Silitek Corp. established the branch, LITE-ON Peripherals Ireland Ltd., in Limerick City, United Kingdom.

1994

- LITE-ON Technology Corp. established the subsidiary, LITE-ON Technology International Inc., in California, United States.

1995

- LITE-ON Technology Corp. received SFC approval for listing on the Taiwan Stock Exchange under the stock code 2346.

1996

- LITE-ON Technology Corp set up a holding company and a product development center in Singapore and started building plants in China.

1997

- Silitek Corp's "wireless keyboard" received a gold award at the 5th National Awards of Excellence.
- Five new construction projects started and the number of manufacturing facilities worldwide rose to 38 in order to provide services globally in a more timely manner.

1998

- LITE-ON Electronics Tianjin Plant and LITE-ON Technology Corp. Shijie Plant started operations in June.

1999

- LITE-ON Technology Corp spun off its optoelectronics business into an independent company, LITE-ON IT Corp.
- LITE-ON Group acquired GVC Corporation.
- The LITE-ON Building received a building permit. The groundbreaking ceremony was held on September 22.
- LITE-ON Group donated more than NT\$31 million to the victims of the 921 earthquake.

2000

- LITE-ON Electronics, Silitek Corp., LITE-ON IT Corp., and LITE-ON Enclosure entered a joint venture to invest in the Guangzhou Science Park in China.
- LITE-ON Group donated NT\$24 million to establish a Taiwanese elementary school in Dongguan, China to provide a good learning environment for the children of LITE-ON employees on expatriate assignments.

2001

- LITE-ON Electronics received a gold award at the Global Business Excellence Awards hosted by the Ministry of Economic Affairs.
- LITE-ON Technology Corp. acquired LITE-ON Communications Corp., whose operations were allocated to the System Business Unit and the Networking Business Unit.
- Silitek Corp. developed successfully a 3-in-1 multi-function printer (MFP).
- LITE-ON IT Corp. received SFC approval for Class II stock listing on the GreTai Securities Market under the stock code 8008.
- Silitech Technology Corporation was established to manufacture mobile phone keypad products.
- The first LITE-ON Awards attracted more than 500 university and college students, and served to encourage academic and industry research and innovation.

2002

- Silitek Corp. and Silitech Technology Corp. signed a split-up plan and agreed that Silitech would assume all liabilities of Silitek Corp.
- Four listed companies in the LITE-ON Group merged on November 4. LITE-ON Electronics, Silitek Corp., LITE-ON Technology Corp. and GVC merged with LITE-ON Technology Corp. as the surviving company. The company continued to trade under the stock code 2301, the symbol of LITE-ON Technology Corp's pioneering ambitions as Taiwan's first listed technology company.

2003

- Ranked 61st on IT 100 by Business Week of the United States.
- Ranked 6th in the Computer Sector of 2003 Commonwealth Magazine Most Admired Companies in Taiwan.
- Received HP Best Supplier Award.
- Chairman Raymond Soong was named one of 2002 Top 10 Excellence People of the Year by Excellence Magazine.
- LITE-ON moved its business headquarters to the LITE-ON Building in the Neihu Science Park in Taipei.
- The 3rd LITE-ON Awards extended eligibility to overseas Chinese candidates.

2004

- Ranked 21st on IT 100 by Business Week of the United States.

- Ranked 1st in the Optoelectronics Sector of 2003 Taiwan Top 1000 Manufacturers by Business Weekly and 10th on the Largest Public Companies.
- Ranked 3rd in the Computer Peripherals and Components Sector of 2003 Taiwan Top 1000 Manufacturers by Commonwealth Magazine.
- Ranked 6th in the Computer Sector of 2004 Commonwealth Magazine Most Admired Companies in Taiwan.
- LITE-ON Technology acquired LITE-ON Enclosure Inc.
- LITE-ON Technology entered into a white LED patent cross-licensing agreement with Osram of Germany.
- Winner of Best Supplier Award from Inventec.
- The affiliate, LITE-ON IT Corp., received SFC approval for moving from Class II stock listing to TWSE listing under the stock code 8008.
- The affiliate, Silitech Technology Corp., received SFC approval for listing on the Taiwan Stock Exchange under the stock code 3311.

2005

- Named one of Forbes Asia's Fabulous 50 for the first time.
- Named one of IT 100 by Business Week of the United States.
- Ranked 2nd in the Optoelectronics Sector of 2004 Taiwan Top 1000 Manufacturers by Business Weekly.
- Ranked 2nd in the Computer Peripherals and Components Sector of 2004 Taiwan Top 1000 Manufacturers by Commonwealth Magazine.
- Ranked 6th in the Computer Sector of 2005 Commonwealth Magazine Most Admired Companies in Taiwan.
- Received 1st prize in Tech Group A of 1st Corporate Social Responsibility Award from Global Views Magazine.
- The indefinite suspension of the handset assembly business was announced as part of the strategy to pursue profitable growth.
- The investment in DragonJet Corporation was made to strengthen technical capabilities in key parts and components.
- LITE-ON Automotive International Co., Ltd. was established as a wholly owned subsidiary.

2006

- Named one of Forbes Asia's Fabulous 50.
- Ranked 24th of companies from Taiwan on Forbes Global 2000.

- Named one of IT 100 by Business Week of the United States.
- Ranked 10th in the Manufacturing Sector of 2005 Taiwan Top 1000 Listed Companies by Business Weekly.
- Ranked 1st in the Computer Peripherals and Components Sector of 2005 Taiwan Top 1000 Manufacturers by CommonWealth Magazine.
- Ranked 5th in the Computer Sector of 2006 CommonWealth Magazine Most Admired Companies in Taiwan.
- Winner of 2nd Corporate Social Responsibility Award by Global Views Magazine.
- The LITE-ON Building, winner of the General Design Honor Award from American Society of Landscape Architects, was the only building in Taiwan to receive the award.
- LITE-ON IT Corp. acquired BenQ Corporation's optical storage OEM and manufacturing business, including product and production related technologies and patents and licenses, to become the world's second largest optical disc drive manufacturer. The scope of collaboration with Philips was extended into the in-vehicle disc drive market.
- LITE-ON Technology acquired a 100% stake in LITE-ON Automotive Corp. as part of the expansion into automotive electronics.

2007

- Named one of Forbes Global 2000.
- Ranked 2nd in the Computer Peripherals and Components Sector of Taiwan Top 1000 Manufacturers by CommonWealth Magazine.
- Received DELL Best Quality Award.
- Winner of 3rd Corporate Social Responsibility Award by Global Views Magazine.
- A special shareholders' meeting approved a capital reduction by cash of NT\$8.73 billion, or 30.34%, that would return NT\$3 per share to shareholders.
- A special shareholders' meeting approved the acquisition of a 100% stake in Li Shin International Enterprise Corporation by stock swap. The acquisition was an aggressive step towards integration of power supply product resources to enable quick entry into LCD TV power supply units and other new products.
- LITE-ON completed a tender offer for the world's largest handset casing maker, Perlos, to create a more developed mobile phone supply chain that would provide one-stop shopping for mobile phone parts and components.

2008

- The Digital Display Business Unit was sold to keep the focus on core businesses such as optoelectronics and green technologies.
- Named one of Forbes Global 2000.
- Winner of 4th Corporate Social Responsibility Award by Global Views Magazine.
- Ranked 4th and was recognized as company with largest improvement at the 2nd Corporate Citizen Award by CommonWealth Magazine.
- Ranked 1st in the Computer Peripherals and Components Sector of 2007 Taiwan Top 1000 Manufacturers by CommonWealth Magazine.
- Named one of Top 50 on 2007 Top 1000 Companies in Greater China by Business Weekly.
- The LITE-ON Cultural Foundation received the Social Education Public Service Award and the Outstanding Family Education Campaigner Award from the Ministry of Education, the Outstanding Social Education Campaigner Award from the Education Department of Taipei County Government, the Excellent Contribution to Social Welfare Award from the Taoyuan County Government, and the gold award at the 12th Outstanding Volunteer Award by the Taipei City Government.
- The Council of Indigenous Peoples of Executive Yuan presented the 1st Angel Customer Award to LITE-ON in recognition of the company's support for development of tourism in indigenous tribes.

2009

- LITE-ON Technology opened officially the East China Regional Headquarters in Wujin, Changzhou. The headquarters would be a significant contributor to better supply chain management and higher cost efficiency.
- Named one of Forbes Global 2000.
- Winner of 5th Corporate Social Responsibility Award by Global Views Magazine.
- Ranked 4th at the 3rd Corporate Citizen Award by CommonWealth Magazine.
- Ranked 1st in the Electronics Sector of 2008 Taiwan Top 1000 Manufacturers by CommonWealth Magazine.
- Ranked 1st in Electronic Parts and Components on 2008 Top 1000 Companies in Greater China by Business Weekly.
- LITE-ON Technology was recognized for invention and creativity at the 2009 National Invention and Creation Award. It received a contribution award for "excellent value-oriented patent strategy and performance" and an invention award for the slim MFP patent.

- Received the 8th National Public Service Award.

2010

- The "LITE-ON Hall," funded by LITE-ON's donations, opened at National Chiao Tung University.
- The AGM approved the distribution of a NT\$2.3 dividend per common share with a 72% payout ratio.
- LITE-ON Technology successfully built Asia's first environmental-friendly high-power solar-electric power system for commercial sightseeing boats on the Love River in Kaohsiung.
- Received 5-Star award in Listed Tech Companies Group A of 6th Corporate Social Responsibility Award from Global Views Magazine.
- Recognized at the Corporate Citizen Award by Commonwealth Magazine for 4th consecutive year, and ranked 1st in the Electronics Sector of 2009 Taiwan Top 1000 Manufacturers by Commonwealth Magazine.
- LITE-ON Mobile/Perlos and Young Fast Optoelectronics entered a joint venture into touch panel modules.
- LITE-ON completed the Fritz Walter World Cup Football Stadium PV Roof Project, which had the world's largest solar power capacity.
- The investment in Epyon Power, a supplier of intelligent fast-charging solutions, gave LITE-ON a technological advantage.
- The LITE-ON CSR Report was prepared in compliance with GRI G3 and received SGS Taiwan GRI G3 Application Level A+, effectively validating the company's implementation of international CSR standards.
- LITE-ON Technology completed the world's first Optoelectronic Semiconductor Product Carbon Footprint Declaration and Type III Environmental Product Declaration.
- LITE-ON's annual sales reached NT\$230.05 billion with a 24% YOY growth. The EPS after taxes hit another historic high at NT\$4.05.

2011

- LITE-ON Changan Plant received 11 Product Liability Insurance AAA certifications by ACE.
- Ranked 1st in the Electronics Sector of Taiwan Top 1000 Manufacturers by Commonwealth Magazine for third consecutive year and 2nd in large companies of Corporate Citizen Award by Commonwealth Magazine for fifth consecutive year.
- Included in the Dow Jones Sustainability Index (DJSI) for the first time, and pushed immediately to the top of the

global electronic components and equipment category.

- Received the Best CSR Report Disclosure by Listed Companies Award from TWSE.
- Received silver award at the 2011 Taiwan CSR Report Awards by Taiwan Institute for Sustainable Energy.
- Ranked 2nd in the Electronics Sector of the Most Admired Company Survey by Commonwealth Magazine for third consecutive year.
- LITE-ON was ahead of its peers in completing the world's first Product Category Rules for Circuit Boards.

2012

- LITE-ON Technology joined force with National Taiwan University of Science and Technology in setting up the LITE-ON & NTUST Power Electronics Center.
- Received first prize in overall performance and named Exemplar of the Year in education at the 8th Global Views Magazine CSR Award 2012.
- Included in the Dow Jones Sustainability Index (DJSI) for second consecutive year, and remained at the top of the global electronic components and equipment category.
- Ranked 3rd in large companies of Corporate Citizen Award by Commonwealth Magazine for sixth consecutive year.
- Ranked 1st in the Electronics Sector of Taiwan Top 1000 Manufacturers by Commonwealth Magazine for fourth consecutive year.

2013

- The board of directors approved a tender offer for LITE-ON IT Corporation. As of December 31, 2013, the company held directly 456,618,114, or 99.13%, of LITE-ON IT Corporation's shares.
- The acquisition of Power Innovations of the United States strengthened core competencies in cloud applications and power management solutions.
- Included in the Dow Jones Sustainability Index (DJSI) for third consecutive year, and named the Global Industry Leader of Computer Hardware.
- Recognized at Corporate Citizen Award by Commonwealth Magazine for seventh consecutive year.
- Named Exemplar of the Year in education again at the 9th Global Views Magazine CSR Award 2013.
- Received Product Liability Insurance AAA Certification from ACE of the United States. LITE-ON received the honor for different plants for three consecutive years.

2014

- LITE-ON launched the One LITE-ON campaign and continued to integrate wholly owned subsidiaries, including LITE-ON IT, Leotek, Li Shin, LITE-ON Clean Energy Technology, and LITE-ON Mobile as well as Pionstep Electronic Technology and SCH Electronics in Dongguan, China, into eight business segments.
- The board of directors approved the acquisition of a 100% stake in LarView Technologies as part of an ongoing effort to strengthen core competencies in high-end camera modules.
- The board of directors approved the short-form merger with LITE-ON Automotive Corp. as part of an ongoing effort to strengthen the group's presence in the automotive market.
- Skyla®, a LITE-ON biomedicine brand, introduced its first clinical chemistry analyzer into the global biomedicine market, and donated advanced medical equipment and services to six cities in Taiwan.
- LITE-ON Group donated NT\$5 million to victims of the Kaohsiung gas explosion, and installed LED streetlights to facilitate the recovery effort.
- Recognized at 2014 Corporate Citizen Award by Commonwealth Magazine for eighth consecutive year.
- Included in the Dow Jones Sustainability Index (DJSI) as an industry leader for fourth consecutive year.
- With the largest LED streetlight market share in Taiwan, LITE-ON was ranked 1st in the New Taipei City's Invitation for Private Sector Participation in Installation and Maintenance of Energy Saving Streetlights, and undertook the project to install and maintain more than 100,000 LED streetlights in South District of New Taipei City.
- Named one of Taiwan Top 10 Sustainable Companies and received gold award in the Large Electronics Companies Group II of 2014 Taiwan Top 50 CSR Reports from Taiwan Institute for Sustainable Energy.
- Included in the MSCI Global Sustainability Indexes.
- In 2014, LITE-ON was selected as part of the Climate Disclosure Leadership Index in the Carbon Disclosure Project.

2015

- Received Product Liability Insurance AAA Certification from ACE of the United States at 12 plants over six consecutive years between 2010 and 2015.
- Rated A++ for second consecutive year by the Securities and Futures Institute at the 12th Information Disclosure Evaluation.
- Winner of 2015 Corporate Social Responsibility Award from Global Views Magazine for 8th time.

- Recognized at 2015 Corporate Citizen Award by Commonwealth Magazine for 9th consecutive year.
- National Tsing Hua University and LITE-ON Group established a joint R&D center to explore new blue sea strategies in knowledge.
- Named a leading company in the Climate Disclosure Leadership Index (CDLI) for second consecutive year.
- Included in the Dow Jones Sustainability Index (DJSI) for fifth consecutive year.
- Received gold award in the electronics and IT manufacturing sector at the Taiwan CSR Report Awards by Taiwan Institute for Sustainable Energy.
- Named one of Top 20 Asian companies in Channel NewsAsia Sustainability Ranking.

2016

- LITE-ON Group donated NT\$10 million to victims of the earthquake in Southern Taiwan.
- LITE-ON Group biomedicine established the Biomedical Research and Development Centre in Singapore.
- Ranked in Top 5% listed companies in the 2nd Corporate Governance Evaluation by Taiwan Stock Exchange.
- Announced to set up an operation center in Kaohsiung, opening new facility in the Nanzih Export Processing Zone.
- Recognized at 2016 Corporate Citizen Award by Commonwealth Magazine for 10th consecutive year.
- Included in the Dow Jones Sustainability Index (DJSI) for sixth consecutive year.
- Included in the MSCI Global Sustainability Indexes for third consecutive year.
- Ranked Taiwan's 1st and Asia's 3rd in Channel NewsAsia Sustainability Ranking.
- LITE-ON Technology received Gold Award at the Taiwan Corporate Sustainability Awards.

2017

- Recognized at Corporate Citizen Award by Commonwealth Magazine for 11th consecutive year.
- Included in the Dow Jones Sustainability Index (DJSI) for seventh consecutive year.
- Included in the MSCI Global Sustainability Indexes for fourth consecutive year.
- Received Gold Award in the electronics and IT manufacturing sector at the 2017 Taiwan CSR Report Awards by Taiwan Institute for Sustainable Energy.

2018

- Honored by Thomson Reuters with inclusion in 2018 Top 100 Global Technology Leaders.
- The transfer of mobile camera module business and the share sale of mobile mechanical business would facilitate more efficient business and profit models, thereby increasing long term gains for shareholders, customers, and employees.
- Received Platinum Award Winner in 2018 Corporate Sustainability Report Awards from TCSA.
- Included in the Dow Jones Sustainability Index (DJSI) for eighth consecutive year.
- Awarded Corporate Citizen Award by CommonWealth Magazine for 12th consecutive year.
- Ranked Top 5% in 2018 Corporate Governance Evaluation Survey by Taiwan Stock Exchange.
- Included in the FTSE4Good Index.

2019

- Received 2019 Corporate Social Responsibility Award from Global Views Magazine.
- Acquired 100% of LOJ through tender offer to integrate group resources and synergies.
- Extraordinary General Meeting of Shareholders approved the spin off Solid State Storage Business Unit to "SOLID STATE STORAGE CORPORATION."
- Recognized at Corporate Citizenship Award by CommonWealth Magazine for 13th straight year.
- Selected as a member of 2019 DJSI for 9 consecutive years.
- Awarded the Most Prestigious Sustainability-Top 10 Domestic Corporates, Climate Leadership and Corporate Sustainability Report Platinum Awards by TCSA.
- Received 2019 CSR Organization of Excellent Governance Award from SGS.

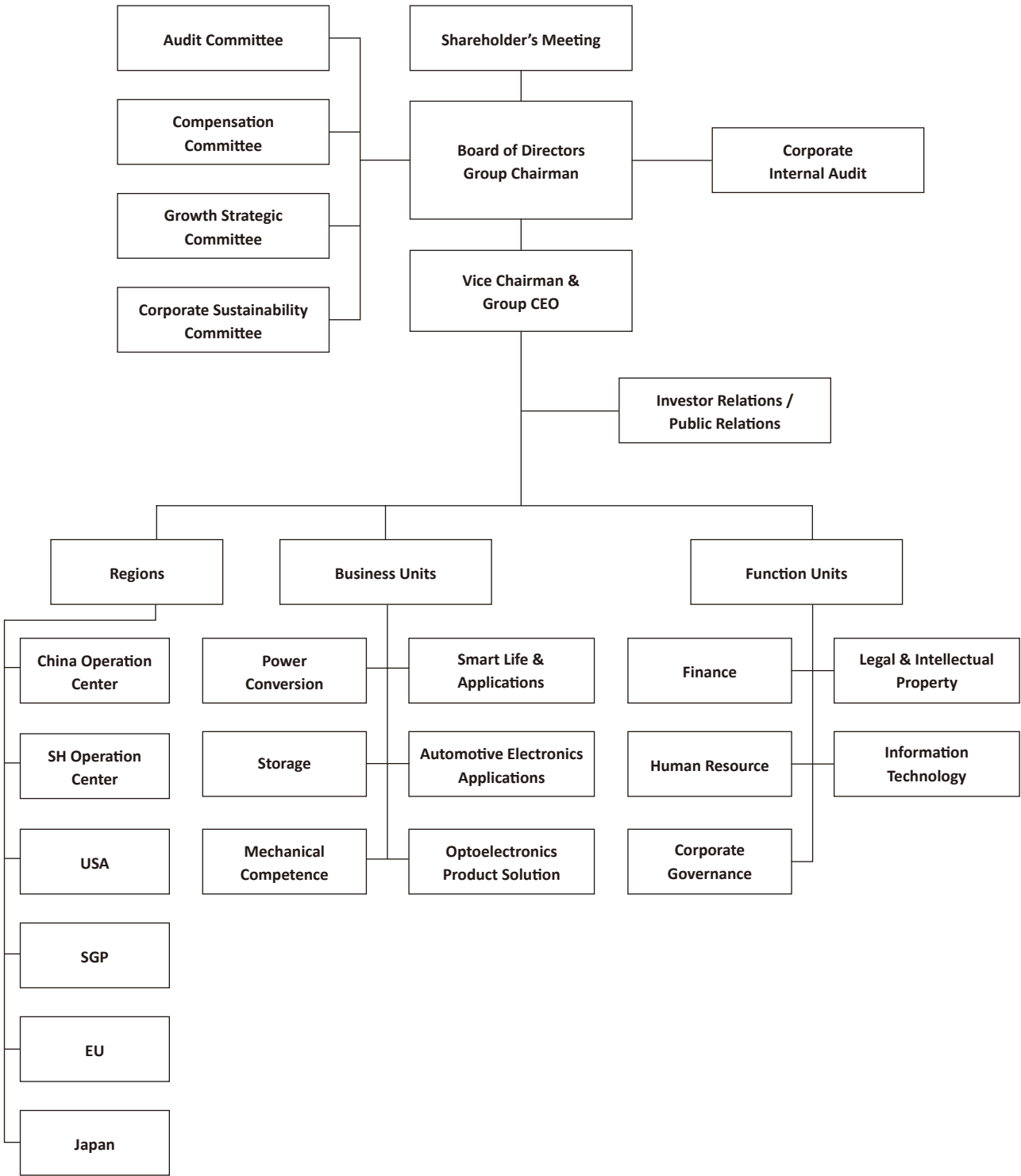
2020

- Named on CDP 'A List,' the highest rank for leading effort against climate change.

3. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Departments	Responsibilities and Functions
Corporate Internal Audit	To facilitate the board of directors and the management to check and evaluate the effectiveness of internal controls; to provide timely recommendations for improvement to help the company achieve internal control targets; to ensure the continuity of implementation; and to provide a basis for review and modification of the internal controls system. In addition, the report investigation task force reports investigation results directly to the Audit Committee on a regular basis. The system prevents internal fraud and eliminates unethical behaviors to ensure an effective ethical management policy.
Investor Relations/ Public Relations	To connect the company with investors, the media, and the stakeholders, and effectively convey the company's business philosophy, latest development, and information on its CSR practice to external parties. To keep stakeholders abreast with the material information regarding the company's finances and operations, that reinforces a positive corporate image.
Finance	To provide professional finance services to enhance profit growth for business divisions, to establish rigorous risk controls, to increase transparency of the company's operations in good faith, and to effectively execute the finance plans in order to protect the shareholders' rights.
Human Resources	To, as part of the company's strategic development, plan and execute strategies for the organization and human resources to facilitate continuing improvement and training for the company's human assets and to ensure sustainable development. To establish performance management and training policies and regulations to enhance the organization's performance and core competencies. To design labor health and safety policies to provide employee services and to create a better employer-employee relationship.
Corporate Governance	• Formulating company policies and an appropriate organizational structure to facilitate independence of the board of directors, transparency of the company, and effective implementation of compliance, internal audit and internal control. • Reporting to the board of directors, directors, and the functional committees on the status of corporate governance practices in the company, and checking if shareholders meetings and board meetings are called in compliance with the applicable regulations and corporate governance principles. • Inspecting the disclosure of material information passed by the board of directors after a board meeting or shareholders meeting in order to ensure the legality and accuracy of said material information and protect parity of investor information. • Create yearly study plans or enroll in courses based on the characteristics of the company's business activities and the education and experience of respective directors.

Departments	Responsibilities and Functions
Legal & Intellectual Property	• To be responsible for handling contracts, disputes, litigation, mergers and acquisitions, and intellectual property rights related legal affairs and to manage legal risks. To provide compliance guidelines and risk management measures to facilitate business decisions and to direct and coordinate external attorneys, when necessary, in order to ensure the company's compliance and build up the company's business advantages in the legal aspects of the business. • To be responsible for application and maintenance of patents, trademarks and other intellectual property rights and to make plans for and utilization of the company's intellectual property rights. To increase the value of the company's intangible assets and to strengthen the company's commercial status through strategic management of intellectual property rights.
Information Technology	To plan, construct, maintain, and operate the company's information management systems and satisfy the user demand for system implementation in order to ensure maximized returns on information related investments and reduce information and operating risks for the company while making the company more competitive. Key tasks include: • To achieve full conversion to digital operations. • To provide accurate business management information in real-time. • To develop the network infrastructure and information security management. • To achieve the company's vision of smart manufacturing and digital transformation.

3.2 Board Members and Management Team

3.2.1 Information Regarding Board Members

3.2.1.1 Board Members

2020/03/31

Title/Name	Nationality	Gender	Date of appointment (office)	Tenure (year)	Date of initial appointment	Proportion of shareholding at the time of appointment		Proportion of shareholding at present		Proportion of shareholding by spouse and underage children		Proportion of shareholding under the title of a third party		Important experience (education)	Other positions of the company or other companies	member of the Board of Directors had a spouse or relative within two degrees of consanguinity serving as a manager or director at LITE-ON.	Note 1
						Quantity	%	Quantity	%	Quantity	%	Quantity	%				
Chairman Raymond Soong	R.O.C.	Male	2019.06.21	three	1992.05.20	79,302,560	3.37%	79,302,560	3.37%	14,966,064	0.64%	0	0%	Honorary PhD in Management, National Chiao Tung University Fellow, Industrial Technology Research Institution Chairman & Founder of Lite-On Group/Lite-On Cultural Foundation Member of Board of Councilors, the Doctorate College of Technology, South California (USC) Chief Engineer, Texas Instruments Taiwan Ltd.	Note 2	Tom Soong, Chairman & Vice Chairman Special Assistant, father-child relationship	N.A.
Vice Chairman Warren Chen	R.O.C.	Male	2019.06.21	three	1998.05.19	7,349,116	0.31%	7,349,116	0.31%	4,631,218	0.20%	0	0%	Chemical Engineering, Chinese Culture University CEO of Lite-On Group and CEO of Lite-On Technology Corp. President, Lite-On Electronic Co. Manufacturing Super-Intendant, Texas Instrument	Note 3	None	N.A.
Director Tom Soong	R.O.C.	Male	2019.06.21	three	2017.10.19	5,420,287	0.23%	5,420,287	0.23%	15,708	0%	0	0%	University of Southern California/Electrical Engineering NTU EMBA International Business Attendance (NTU-FUDAN EMBA Program) SLA BG CEO, Lite-on Technology Corp. General manager, Lite-on Technology (Shanghai) Co., Ltd. Business Group CEO, New Mechanical Competence SBG, Lite-On Technology Corporation Representative, Lite-On Technology(China) Inc. Beijing Representative Office VP, Lite-On Electronics H.K. Limited and China Bridge Express Trading Co., Ltd.	Note 4	Raymond Soong, Chairman, father-child relationship	N.A.
Director Ta-Sung Investment Co., Ltd. Representative: Keh-Shew Lu	R.O.C.	Male	2019.06.21	three	1998.05.19 2002.09.01	47,088,399 0	2.00% 0%	47,088,399 0	2.00% 0%	0 0	0% 0%	0 0	0% 0%	Bachelor, EE, National Cheng Kung University Master, EE, Texas Institute of Technology PhD, EE, Texas Institute of Technology Asian Regional President, Senior VP, Texas Instruments Director, Varmour Corp. Ltd. Chairman, LedEngn	Note 5	None	N.A.
Director Ta-Sung Investment Co., Ltd. Representative : CH Chen	R.O.C.	Male	2019.06.21	three	1998.05.19 2004.06.15	47,088,399 0	2.00% 0%	47,088,399 0	2.00% 0%	0 0	0% 0%	0 0	0% 0%	Bachelor, Dept of Mechanical Engineering, National Taiwan University Vice CEO, Texas Instruments Taiwan Ltd. Chairman, Co-tech Copper Foil Corporation Chairman, On-Bright Electronics Incorporated Co., Ltd. Director, Actron Technology Corporation	Note 6	None	N.A.

Title/Name	Nationality	Gender	Date of appointment (office)	Tenure (year)	Date of initial appointment	Proportion of shareholding at the time of appointment		Proportion of shareholding at present		Proportion of shareholding by spouse and underage children		Proportion of shareholding under the title of a third party		Important experience (education)	Other positions of the company or other companies	member of the Board of Directors had a spouse or relative within two degrees of consanguinity serving as a manager or director at LITE-ON.	Note 1
						Quantity	%	Quantity	%	Quantity	%	Quantity	%				
Independent Director Harvey Chang	R.O.C.	Male	2019.06.21	three	2007.6.21	0	0%	0	0%	0	0%	0	0%	MBA, The Wharton School, Pennsylvania State University; Bachelor, Dept of Geology, National Taiwan University; President and CEO, Taiwan Mobile; Senior VP and CFO, TSMC; Chairman, China Securities Investment Trust Corp. President, China Development Trust Co. Ltd. ; President, GrandCathay Securities; Manager, Trust Dept, International Dept, Chiao Tung Bank; Manager, Banking Dept, Morgan Bank Taipei Branch; Associate Manager, Multinational Corporation Dept, Citibank Taipei.	Note 7	None	N.A.
Independent Director Edward Yang	U.S.	Male	2019.06.21	three	2007.6.21	0	0%	0	0%	0	0%	0	0%	Stanford Executive Program (SEP), Stanford University, USA; Master of EE, Oregon State University, USA; Bachelor of EE, National Cheng Kung University; Independent Director, Focal Tech. Independent Director, Silicon Storage Technology Independent Director, Pericom Semiconductor Commissioner, Advanced Research Advisory Committee, ITRI Commissioner, Research & Development Advisory committee, Institute for Information Industry Commissioner, Advisory Committee of Engineer Department, San Jose State University. VP and CTO, Personal System Product Division, HP Corporation; VP and CTO, Corporate System Product Division, HP Corporation; President, Singapore Network and Telecommunications Business Unit, HP Corporation; Managing Director, Monte Jade Science and Technology Association Managing Director, China Institute of Engineering; Managing Director, Information Service Association of R.O.C. Director, U-System Inc.	Note 8	None	N.A.

Title/Name	Nationality	Gender	Date of appointment (office)	Tenure (year)	Date of initial appointment	Proportion of shareholding at the time of appointment		Proportion of shareholding at present		Proportion of shareholding by spouse and underage children		Proportion of shareholding under the title of a third party		Important experience (education)	Other positions of the company or other companies	member of the Board of Directors had a spouse or relative within two degrees of consanguinity serving as a manager or director at LITE-ON.	Note 1
						Quantity	%	Quantity	%	Quantity	%	Quantity	%				
Independent Director Albert Hsueh	R.O.C.	Male	2019.06.21	three	2016.6.24	0	0%	0	0%	0	0%	0	0%	MBA, Bloomsburg University, Pennsylvania, U.S.A. Master of Accounting, Soochow University Chairman of PricewaterhouseCoopers Taiwan Director, Corporate Governance Association in Taiwan Member of the Committee in charge of the examination affairs and qualification screening for professional and technologies, Examination Yuan Professor, National Tsinghua University of College of Technology Management Professor, National Taiwan University of Science and Technology, School of Management	Note 9	None	N.A.
Independent Director Mike Yang	R.O.C.	Male	2019.06.21	three	2019.06.21	0	0%	0	0%	0	0%	0	0%	Arizona State University Master of Science Associate Vice President, ADI Corp. Procurement Dept.	Note 10	None	N.A.

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto(e.g. increasing the number of independent directors provided there be a majority of the members of the board of directors who are not employees or managers).

Below notes of other positions of the company or other companies only display public offering companies and important subsidiaries.

Note 2:

- Chairman, Lite-On Technology Corp., Lite-On Semiconductor Corp., DIODES, INC., Lite-On semi (Wuxi) Ltd. and Lite-On Semi Electronics (Wuxi) Co., Ltd.
- Chairman, representative of Silitech Technology Corp., Co-tech Copper Foil Corporation and Lite-On Electronics Co., Ltd.(HK)
- Director, DYNA International Holding Co., Ltd., DYNA International Co., Ltd. and Lite-On Semiconductor(HK)LTD.
- Director, representative of Lite-On China Holding Co. Ltd., Lite-On International Holding Co., Ltd.(BVI), Silitech (BVI) Holding Ltd., Silitech Technology Corp. Ltd., and Xurong Electroinc (Shenzhen) Co., Ltd.

Note 3:

- Vice Chairman, Lite-On Technology Corp.
- Vice Chairman, representative of Silitech Technology Corp.
- Director, representative of Lite-On Semiconductor Corp., Lite-On China Holding Co., Ltd., Lite-On Electronics Co., Ltd.(HK), Lite-On International Holding Co., Ltd.(BVI), Silitech (BVI) Holding Ltd., Silitech (Bermuda) Holding Ltd., Silitech Technology Corp. Ltd., Silitech Technology Corp. Sdn. Bhd., Silitech (Hong Kong) Holding Ltd. and Xurong Electroinc (Shenzhen) Co., Ltd.
- GCEO of Lite-On Technology Corp.

Note 4:

- Director, Lite-On Technology Corp.

Note 5:

- Director, representative of Lite-On Technology Corp. and Nuvo-ton Technology Corp.

- Director, President and CEO of Diodes Incorporated Co., Ltd.

Note 6:

- Vice Chairman, DIODES, INC. and Lite-On Semiconductor Corp.
- Director, DYNA International Holding Co., Ltd., DYNA International Co., Ltd., Lite-On semiconductor (HK) Ltd, Lite-On semi (Wuxi) Ltd. and Lite-On Semi Electronics (Wuxi) Co., Ltd.
- Director, representative of Lite-On Technology Corp. and Kwong Lung Enterprise Co, Ltd.

Note 7:

- Independent Director, Lite-On Technology Corp.

Note 8:

- Independent Director, Lite-On Technology Corp.
- Chairman, GVT fund
- Director, Sifotonics Technologies, Bandwidth 10, Neurostim OAB, Optovue Inc
- Partner, iD Ventures America, LLC

Note 9:

- Independent Director, Lite-On Technology Corp., Yunta Financial Holding Co., Ltd. and Yunta Bank, Walsin Lihwa Corp. and TTY Biopharmaceutical Manufacturers Association

Note 10:

- Independent Director, Lite-On Technology Corp.

3.2.1.2 Major Shareholders of the Institutional Shareholders

2020/3/31	
Name of Institutional Shareholders	Major Shareholders
Ta-Sung Investment Co., Ltd.	Tom Soong (31.27%), Alice Soong (21.2%), Katy Soong (21.2%) Raymond Soong (13.33%), Soong Juan, Feng-Ing(13%)

3.2.1.3 Major Shareholders of the Company’s major Institutional Shareholders: Not Applicable.

3.2.1.4 Professional qualifications and independence analysis of Directors

2020/03/31

Name	Qualification	With at least 5 years of working experience and the following professional designations			Eligibility of independent status (Note)												Also a director to other companies (number of firms)
		A lecturer of private or public institutions of higher education specialized in business, legal affairs, finance, accounting, or the expertise required by the business of the Company	A judge, district attorney, lawyer, certified public accountant, or professional or technician who has passed relevant national examination and properly licensed.	Work experience in business, legal affairs, finance, accounting, or in an area required by the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Raymond Soong				Yes	V	-	-	-	-	V	-	-	-	-	V	V	0
Warren Chen				Yes	-	-	V	-	V	V	-	-	-	V	V	V	0
Tom Soong				Yes	-	-	V	-	-	V	-	-	-	-	V	V	0
Representative of Ta Sung Investment Co., Ltd.: Keh Shew Lu				Yes	V	-	V	V	V	V	V	-	-	V	V	-	0
Representative of Ta Sung Investment Co., Ltd.: CH Chen				Yes	V	-	V	V	V	V	-	-	-	V	V	-	0
Harvey Chang				Yes	V	V	V	V	V	V	V	V	V	V	V	V	0
Edward Yang				Yes	V	V	V	V	V	V	V	V	V	V	V	V	0
Albert Hsueh	Yes	Yes	Yes	Yes	V	V	V	V	V	V	V	V	V	V	V	V	3
Mike Yang				Yes	V	V	V	V	V	V	V	V	V	V	V	V	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office:

- (1) Not an employee of the Company or the affiliates of the Company.
- (2) Not a director or supervisor of the Company or the affiliates of the Company (Except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the provisions herein.).
- (3) The person, the spouse, and underage children, who hold more than 1% of the shares or hold more than 1% of the shares under the title of a third party, or who is among the top-10 natural person shareholders.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).
- (5) Not a director, supervisor or employee of an institutional shareholder holding directly 5% or more of the company's shares, being one of the top five shareholders, or being appointed a director or supervisor of the company pursuant to Article 27, Paragraph 1 or 2 of the Company Act. (Except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the provisions herein.)
- (6) Not a director, supervisor or employee of another company that has same directors as the company or is controlled by the same person that has more than half of the voting power in the company. (Except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the provisions herein.)
- (7) Not a director, supervisor or employee of another company or institution that has the same chairman, president, or the equivalent or a spouse in one of the roles as the company. (Except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the provisions herein.)
- (8) Not a director (trustee), supervisor (monitor), or manager of specific company or institution that has financial or business transactions with the Company, or a shareholder holding more than 5% of the shares of such company or institution. (Except where the specific company or institution holds 20% or more but no more than 50% of the company's outstanding shares and the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the provisions herein.)
- (9) Not a professional who provides audit or receives no more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates. However, exception applies to members of a remuneration committee, a public tender review committee, or a special committee for merger, consolidation and acquisition exercising their authority pursuant to the Securities and Exchange Act or the Business Mergers And Acquisitions Act.
- (10) Not a spouse to or kindred within the 2nd tier under the Civil Code to another director.
- (11) None of the provisions in Article 30 of the Company Law is applicable.
- (12) Not being elected as the government, institution of their representative as stated in Article 27 of the Company Law.

3.2.1.5 Diversity Status of the composition of Directors

LITE-ON has a well designed director election system in which board composition and diversity standards are considered with care. All directors are elected through a fair, open and just process that complies with the LITE-ON Articles of Incorporation, the Director Election Rules, and the Corporate Governance Best Practice Principles. The board is diverse, and individual members are equipped with various core competencies. They are assisted by independent directors from various professional backgrounds to ensure they fulfill their duties effectively. These members have been given the duty to exercise proper governance of the board of directors, to supervise/appoint/instruct the management, and to oversee the company's financial, social, and environmental performance in ways that maximize stakeholders' interests.

- (1) Board diversity is achieved through education and work experience as well as training and related backgrounds of board members as follows:

Diversity Items Name	Diversity Status									
	Gender	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead	Ability to make policy decisions	Risk Management
Raymond Soong	Male	V		V	V	V	V	V	V	V
Warren Chen	Male	V		V	V	V	V	V	V	V
Tom Soong	Male	V		V	V	V	V	V	V	V
Representative of Ta-Sung Investment Co., Ltd.: Keh-Shew Lu	Male	V		V	V	V	V	V	V	V
Representative of Ta-Sung Investment Co., Ltd.: CH Chen	Male	V		V		V		V	V	V
Harvey Chang	Male	V	V	V	V		V	V	V	V
Edward Yang	Male	V		V	V	V	V	V	V	V
Albert Hsueh	Male	V	V	V	V			V	V	V
Mike Yang	Male	V		V	V	V	V	V	V	V

- (2) The independent directors possess training in accounting and audit, corporate governance, strategy, information technology, and information security:

Albert Hsueh is an independent director and the convener of the Audit Committee who is trained in financial accounting and corporate governance and has extensive experience in corporate governance and management as well as skills in financial statement analysis and application.

Harvey Chang is an independent director who is an expert in finance and corporate management and has plenty of experience in salary and performance management, corporate development and related investments, all of which contribute to the company's expansion and financial planning activities.

Edward Yang is an independent director who has the strategic planning know-how and practical experience in the company's business, and is able to give forward-looking insights and analysis on the industry's future, which provide strategic guidance in development of new products and expansion planning for new markets for the company.

Mike Yang is an independent director who has an extensive background in IT and infosec. As the director of a Quanta operation center, Mike Yang has at least 30 years of practical management experience in overseeing computer system design and development, production management planning and implementation, global business expansion, innovative technology integration and application, worldwide branch establishment, international process management, and threat analysis and risk assessment for international trade and public opinion. Mike Yang is in charge of devising and promoting Internet service security and digital data protection measures to counter issues arising from innovation and quality change of business operations. Mike Yang has plenty of experience in leading and managing a team to build a management framework inside the organization, develop a safety culture, handle risk management, and propose solutions.

- (3) 22% of the directors are employees of the company; and 44% are independent directors of the directors. 2 independent directors have been in office for no more than 9 years.

Of the directors, 1 is aged 40-50, 5 aged 61-70, and 3 aged 71-80.

3.2.2 Information Regarding Management Team

2020/3/31

Title	Nation-ality	Name	Gender	Date of appointment (office)	Proportion of shareholding		Proportion of shareholding by spouse and underage children		Proportion of shareholding under the title of a third party		Major Background Information	Other positions of other companies	Manager who is the spouse or kin within the 2 nd tier of the Civil Code			Remarks (Note)
					shares	%	shares	%	shares	%			Title	Name	Relation-ship	
Vice Chairman/ GCEO	R.O.C.	Warren Chen	Male	2002.11.04	7,349,116	0.31%	4,631,218	0.20%	0	0%	Refer to the profiles of directors for detail		None	None	None	None
SBG President	R.O.C.	Shlung Chiang	Male	2002.11.04	538,647	0.02%	373,006	0.02%	0	0%	MBA, University of Pittsburgh; President, Computer Business Division, Digital Corporation.	None	None	None	None	None
General Manager	R.O.C.	Albert Chang	Male	2002.11.04	530,756	0.02%	340,321	0%	0	0%	Master of Industrial Management, National Cheng Kung University; ABIT U.S. Branch President. General Manager, HR Dept., Lite-On Technology Corporation.	Director, LITE-ON CHINA HOLDING CO. LTD.	None	None	None	None
SBG CEO	R.O.C.	Rex Chuang	Male	2002.11.04	693,894	0.03%	679,128	0.03%	0	0%	Electronic Engineering, Hsin Pu Industrial Vocational School; VP of production, Lite-On Electronics Corp.; SBG President, Lite-On Technology Corporation.	None	None	None	None	None
SBG CEO	R.O.C.	Anson Chiu	Male	2013.08.19	275,020	0.01%	0	0%	0	0%	Department of Industrial Management, Lunghwa University of Science and Technology; Procurement Specialist, Crownpro Technology Inc. SBG President, Lite-On Technology Corporation.	Director, Silitech Technology Corp. Director, Dragonjet Corp.	None	None	None	None
SBG CEO	R.O.C.	Charlie Tseng	Male	2014.08.12	0	0%	0	0%	0	0%	EMBA, National Chiao Tung University; CEO, Lite-On IT Corporation	None	None	None	None	None
SBU General Manager	R.O.C.	Taylor Yang	Male	2019.08.05	0	0%	0	0%	0	0%	Master of Electrical Engineering Institute & EMBA, NTU; Chief Strategy Officer of Smart Life and Application SBG, Lite-On Technology Corporation	None	None	None	None	None
Chief Audit Officer	R.O.C.	Lando Lin	Male	2014.10.01	220,101	0.01%	724	0%	0	0%	Department of Accounting, Feng Chia University; Special Assistant, Lite-On Technology Corporation.	None	None	None	None	None
Chief Finance and Accounting Officer Finance General Manager	R.O.C.	Brownson Chu	Male	2004.10.22	829,378	0.04%	588	0%	0	0%	Department of Accounting, Feng Chia University; CFO, Finance Dept, Lite-On IT Corporation	Director, Dragonjet Corp.	None	None	None	None

Title	Nation- ality	Name	Gender	Date of appointment (office)	Proportion of shareholding		Proportion of shareholding by spouse and underage children		Proportion of shareholding under the title of a third party		Major Background Information	Other positions of other companies	Manager who is the spouse or kin within the 2 nd tier of the Civil Code			Remarks (Note)
					shares	%	shares	%	shares	%			Title	Name	Relation- ship	
HR VP	R.O.C.	Crystal Liu	Female	2018.10.01	0	0%	0	0%	0	0%	EMBA, NTU; VP, Human Resources Division, HTC Corporation.	None	None	None	None	None
VP/ Corporate Governance Officer/ Board Secretariat	R.O.C.	Jean Hong	Female	2015.09.07	0	0%	0	0%	0	0%	MBA, Preston University; AVP, Finance Dept., Lite-On Technology Corporation.	None	None	None	None	None
Legal & IP AVP	R.O.C.	May Chiu	Female	2019.11.04	236	0%	0	0%	0	0%	EMBA, NTU & Fudan University; General Counsel, Lite-On IT Corporation	None	None	None	None	None
IT AVP	R.O.C.	Lear Lee	Male	2019.11.04	0	0%	30,000	0%	0	0%	Master of Industrial Engineering, National Ching Hua University; Director, Delta Electronics, Inc.	None	None	None	None	None

This table of other positions of the company or other company only displays public offering companies and important subsidiaries.

Note: When the general manager or equivalent (the highest manager) is the same person as the chairman, is a spouse or a relative of each other, the reasons, rationality, necessity, and corresponding measures (such as increasing the number of independent directors, and should have more than half of the directors did not concurrently serve as employees or managers).

3.3 Remuneration Paid during the Most Recent Fiscal Year to Directors and Management Team

3.3.1 Remuneration of Directors, Independent Directors, President, and Vice Presidents

3.3.1.1 Remuneration of Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Remuneration (Note 1)					Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or from the Parent Company (Note 2)			
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)		The company	From All Consolidated Entities	
		The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	Cash	Stock	Cash				Stock
Chairman	Raymond Soong																	
Vice Chairman	LITE-ON Capital Inc. Representative: Warren Chen (Note 3)																	
Director	Dorcas Investment Co., Ltd. Representative: Joseph Lin (Note 3)																	
Director	Ta-Sung Investment Co., Ltd. Representative: Keh-Shew Lu																	
Director	Ta-Sung Investment Co., Ltd. Representative: Tom Soong/ CH Chen (Note 4)	0	1,359	0	0	577,736	57,736	1,815	1,815	20,108	20,108	0	0	104,749	0	1.97%	1.98%	
Director	Yuan Pao Development & Investment Co., Ltd. Representative: CH Chen (Note 3)																	
Director	Yuan Pao Development & Investment Co., Ltd. Representative: David Lee (Note 3)																	
Vice Chairman	Warren Chen (Note 5)																	
Director	Tom Soong (Note 5)																	
Independent Director	Harvey Chang																	
Independent Director	Edward Yang	0	0	0	0	21,951	21,951	1,050	1,050	0	0	0	0	0	0	0.25%	0.25%	
Independent Director	Albert Hsueh																	
Independent Director	Mike Yang (Note 6)																	

1. Please describe the policy, system, standard, and structure of independent director remuneration, and describe the factors, including responsibilities, risks, and time invested, and their links to amounts of remuneration:
According to Article 20-1 of the LITE-ON Articles of Incorporation, remuneration of directors of the company is determined by the board of directors by accepting the Remuneration Committee's recommendations and taking into account of each director's participation in management of the company and contribution as well as the industry standards worldwide. Moreover, Article 23 of the LITE-ON Articles of Incorporation requires that the company pay a director bonus at no more than 1.5% of the profit before tax and employee and director remuneration for the current year. Therefore, the amounts of remuneration for the company's independent directors, being based on personal performance and the company's business results and linked to future operational risks, may be considered reasonable.

2. Remuneration paid to directors for their services to all consolidated entities except the above-mentioned figures: None.

1. Please describe the policy, system, standard, and structure of independent director remuneration, and describe the factors, including responsibilities, risks, and time invested, and their links to amounts of remuneration:
According to Article 20-1 of the LITE-ON Articles of Incorporation, remuneration of directors of the company is determined by the board of directors by accepting the Remuneration Committee's recommendations and taking into account of each director's participation in management of the company and contribution as well as the industry standards worldwide. Moreover, Article 23 of the LITE-ON Articles of Incorporation requires that the company pay a director bonus at no more than 1.5% of the profit before tax and employee and director remuneration for the current year. Therefore, the amounts of remuneration for the company's independent directors, being based on personal performance and the company's business results and linked to future operational risks, may be considered reasonable.

2. Remuneration paid to directors for their services to all consolidated entities except the above-mentioned figures: None.

Range of Remuneration to directors

Range of Remuneration	Name of Directors				
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)		
	The company	From All Consolidated Entities (H)	The company	From All Consolidated Entities and Invested Companies (I)	
NT\$0 ~ NT\$999,999					
NT\$1,000,000 ~ NT\$1,999,999				CH Chen	
NT\$2,000,000 ~ NT\$3,499,999	Dorcas Investment Co. Ltd. (Representative: Joseph Lin), Yuan Pao Development & Investment Co., Ltd. (Representative: CH Chen and David Lee), Tom Soong, Mike Yang	Dorcas Investment Co. Ltd. (Representative: Joseph Lin), Yuan Pao Development & Investment Co., Ltd. (Representative: CH Chen and David Lee), Tom Soong, Mike Yang	Dorcas Investment Co. Ltd. (Representative: Joseph Lin), Yuan Pao Development & Investment Co., Ltd. (Representative: CH Chen and David Lee), Mike Yang	Dorcas Investment Co. Ltd. (Representative: Joseph Lin), Yuan Pao Development & Investment Co., Ltd. (Representative: CH Chen and David Lee), Mike Yang	
NT\$3,500,000 ~ NT\$4,999,999	LITE-ON Capital Inc. (Representative: Warren Chen)	LITE-ON Capital Inc. (Representative: Warren Chen)	LITE-ON Capital Inc. (Representative: Warren Chen)		
NT\$5,000,000 ~ NT\$9,999,999	Ta-Sung Investment Co., Ltd. (Representative: Keh-Shew Lu and Tom Soong/ CH Chen), Warren Chen, Harvey Chang, Edward Yang, Albert Hsueh	Ta-Sung Investment Co., Ltd. (Representative: Keh-Shew Lu and Tom Soong/ CH Chen), Warren Chen, Harvey Chang, Edward Yang, Albert Hsueh	Ta-Sung Investment Co., Ltd. (Representative: Keh-Shew Lu and Tom Soong/ CH Chen), Harvey Chang, Edward Yang, Albert Hsueh	LITE-ON Capital Inc. (Representative: Warren Chen), Ta-Sung Investment Co., Ltd. (Representative: Keh-Shew Lu and Tom Soong/ CH Chen), Harvey Chang, Edward Yang, Albert Hsueh	
NT\$10,000,000 ~ NT\$14,999,999				David Lee	
NT\$15,000,000 ~ NT\$29,999,999	Raymond Soong	Raymond Soong	Raymond Soong, Tom Soong	Tom Soong	
NT\$30,000,000 ~ NT\$49,999,999				Raymond Soong	
NT\$50,000,000 ~ NT\$99,999,999					
Over NT\$100,000,000			Warren Chen	Warren Chen	
Total (Note 7)	9	9	9		9

Note1: Please refer to the LITE-ON TECHNOLOGY CORP.'s official site for The Rules for Evaluating Board of Directors and Functional Committee Performance.

Note2: The Compensation Paid to Directors are from LITE-ON SEMICONDUCTOR CORP.

Note3: The tenure of LITE-ON Capital Inc. (Representative: Warren Chen), Dorcas Investment Co., Ltd. (Representative: Joseph Lin), and Yuan Pao Development & Investment Co., Ltd. (Representative: CH Chen and David Lee) expired on June 21, 2019 because they were not re-elected at the 2019 Annual Shareholders' Meeting.

Note 4: Tom Soong, the Representative of Ta-Sung Investment Co., Ltd.'s tenure expired, and was replaced by CH Chen after the Director re-election at 2019 Annual Shareholders' meeting on June 21, 2019.

Note 5: Warren Chen and Tom Soong were elected as the directors at 2019 Annual Shareholders' meeting on June 21, 2019.

Note 6: Mike Yang was elected as the independent director at 2019 Annual Shareholders' meeting on June 21, 2019.

Note 7: The board consists of 9 members. The table discloses all the Remuneration paid to the directors in 2019.

3.3.1.2 Remuneration of Supervisors

Not applicable. The company has established the Audit Committee on June 21, 2007.

3.3.1.3 Compensation Paid to GCEO, SBG CEO, GM, SBG President and Vice Presidents

Unit: New Taiwan Dollar

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employees' Profit Sharing Bonus (D)				Total Compensation (A+B+C+D) as a % of Net Income (%)		Compensation Received from Non-consolidated Affiliates or Parent Company
		Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Stock	Cash	Stock	Stand-alone	Consolidated	
Vice Chairman/GCEO	Warren Chen													
SBG President	Shihlung Chiang													
General Manager	Albert Chang													
SBG CEO	Rex Chuang													
SBG CEO	Anson Chiu													
SBG CEO	Charlie Tseng													
SBG General Manager	Taylor Yang													
SBU Audit Officer	Lando Lin													
Chief Finance and Accounting Officer	Brownson Chu													
Finance General Manager														
HR VP	Crystal Liu													
VP/Corporate Governance Officer/Board Secretariat	Jean Hong													
Legal & IP AVP	May Chiu (Note 1)													
IT AVP	Lear Lee (Note 1)													
VP	Henry Chen (Note 2)													
VP	Wing Eng (Note 2)													
VP	HY Lee (Note 2)													
VP	Victor Hsu (Note 2)													
VP	Joseph SK Chen (Note 2)													
VP	Johnson Wang (Note 2)													
VP	BC Liao (Note 2)													
VP	Jerry Hsu (Note 2)													
VP	CY Chung (Note 2)													
VP	David Yeh (Note 2)													
VP	Hai Huang (Note 2)													
VP	Allen Hsu (Note 2)													
SBG CEO	Tom Soong (Note 2)													
VP	Steven Liao (Note 2)													
VP	John Chang (Note 2)													
VP	Paul Yu (Note 2)													
VP	CHOW JOSEPH TSO YI (Note 2)													
SBG CEO	Danny Liao (Retired on March 01, 2019)													
VP	Michael Wang (Retired on November 01, 2019)													
VP	Tsung Cheng Wang (Retired on November 01, 2019)													
VP	Chino Chen (Retired on February 01, 2019)													
VP	YC Lee (Resigned on June 01, 2019)													

Note 1: On November 04, 2019, the board of directors approved the transfer to the position of manager.

Note 2: On November 04, 2019, the board of directors approved the transfer to a non-manager position.

Range of compensation to management executives

Range of compensation to management executives	Name of management executives	
	On a stand-alone basis	On a consolidated basis
NT\$0 ~ NT\$ 999,999	CHOW JOSEPH TSO YI	CHOW JOSEPH TSO YI
NT\$1,000,000 ~ NT\$1,999,999	Taylor Yang	Taylor Yang
NT\$2,000,000 ~ NT\$3,499,999	Lear Lee, Allen Hsu, Tsung Cheng Wang, YC Lee, David Yeh	Lear Lee, Allen Hsu, Tsung Cheng Wang, YC Lee, David Yeh
NT\$3,500,000 ~ NT\$4,999,999	Paul Yu, Chino Chen, May Chiu	Paul Yu, Chino Chen, May Chiu
NT\$5,000,000 ~ NT\$9,999,999	BC Liao, Hai Huang, Michael Wang, Crystal Liu, HY Lee, Victor Hsu, Wing Eng, Lando Lin	BC Liao, Hai Huang, Michael Wang, Crystal Liu, HY Lee, Victor Hsu, Wing Eng, Lando Lin
NT\$10,000,000 ~ NT\$14,999,999	Joseph SK Chen, Henry Chen, John Chang, Johnson Wang, Jean Hong, CY Chung, Steven Liao, Brownson Chu	Joseph SK Chen, Henry Chen, John Chang, Johnson Wang, Jean Hong, CY Chung, Steven Liao, Brownson Chu
NT\$15,000,000 ~ NT\$29,999,999	Jerry Hsu, Tom Soong, Danny Liao, Shilung Chiang, Albert Chang, Charlie Tseng, Rex Chuang, Anson Chiu	Jerry Hsu, Tom Soong, Danny Liao, Shilung Chiang, Albert Chang, Charlie Tseng, Rex Chuang, Anson Chiu
NT\$30,000,000 ~ NT\$49,999,999		
NT\$50,000,000 ~ NT\$99,999,999		
Over NT\$100,000,000	Warren Chen	Warren Chen
Total	35	35

* The definition of remuneration disclosed in this table is not identical to that of income under the Income Tax Act. Hence, this table is intended for disclosure purpose only, and should not be used for tax returns.

3.3.1.4 Employees' Profit Sharing Bonus Paid to Management Team

As of March 31, 2020

Title	Name	Stock bonus	Cash bonus	Total	As a % of net profit
Vice Chairman/GCEO	Warren Chen	0	292,798,990	292,798,990	3.12%
SBG President	Shilung Chiang				
General Manager	Albert Chang				
SBG CEO	Rex Chuang				
SBG CEO	Anson Chiu				
SBG CEO	Charlie Tseng				
SBU General Manager	Taylor Yang				
Chief Audit Officer	Lando Lin				
Chief Finance and Accounting Officer Finance General Manager	Brownson Chu				
HR VP	Crystal Liu				
VP/ Corporate Governance Officer/ Board Secretariat	Jean Hong				
Legal & IP AVP	May Chiu (Note 1)				
IT AVP	Lear Lee (Note 1)				
VP	Henry Chen (Note 2)				
VP	Wing Eng (Note 2)				
VP	HY Lee (Note 2)				
VP	Victor Hsu (Note 2)				
VP	Joseph SK Chen (Note 2)				
VP	Johnson Wang (Note 2)				
VP	BC Liao (Note 2)				
VP	Jerry Hsu (Note 2)				
VP	CY Chung (Note 2)				
VP	David Yeh (Note 2)				
VP	Hai Huang (Note 2)				
VP	Allen Hsu (Note 2)				
SBG CEO	Tom Soong (Note 2)				
VP	Steven Liao (Note 2)				
VP	John Chang (Note 2)				
VP	Paul Yu (Note 2)				
VP	CHOW JOSEPH TSO YI (Note 2)				
SBG CEO	Danny Liao (Retired on March 01, 2019)				
VP	Michael Wang (Retired on November 01, 2019)				
VP	Tsung Cheng Wang (Retired on November 01, 2019)				
VP	Chino Chen (Retired on February 01, 2019)				
VP	YC Lee (Resigned on June 01, 2019)				

Note 1: On November 04, 2019, the board of directors approved the transfer to the position of manager.

Note 2: On November 04, 2019, the board of directors approved the transfer to a non-manager position.

3.3.1.5. The Individual Remuneration Paid to each of its Top Five Management Personnel (listed individually by name and payment type): Not Applicable.

3.3.2 Analysis Results for the Ratio of Total Remuneration to the Net Income

Describe and compare the analysis results for total remunerations paid to the directors, general managers, and vice presidents in the last two years as a percentage of the net income; and describe the relevance between the remuneration policy, standards and combinations, remuneration setting procedures, and business performance:

1. Analysis results for total remunerations paid to the directors, general managers, and vice presidents in the last two years as a percentage of the net income and the relevance to business performance:

Item	Total remunerations as a percentage of the net income			
	2018		2019	
	Stand-alone	Consolidated	Stand-alone	Consolidated
Directors	0.89%	0.90%	0.88%	0.90%
General managers and vice presidents	6.03%	6.04%	4.82%	4.82%

2. Relevance between remuneration policy for LITE-ON directors and management team and business performance and future risks:

Remuneration for LITE-ON directors is governed by Article 20-1 and Article 23 of the Articles of Incorporation and shall not exceed 1.5% of the current year profit. A reasonable amount based on the company's business performance and the contribution of individual directors to the business results should be made for the current year's remuneration for directors.

The policy of remuneration of management team follows the LITE-ON Compensation Management Guidelines. Remuneration is based on the average level of pay offered by competition for the same position, the authority and responsibility of the position, and the contribution to the company's business targets.

The procedure of setting remuneration is based on evaluation criteria in the LITE-ON "Rules for Evaluating Board of Directors and Functional Committee Performance" and the "Performance Management Guidelines". In addition to the company's overall business results and future operating risks and trends in the industry, the personal target completion rate and contribution to the company' business results are also taken into consideration in the calculation of a reasonable payment. Related performance evaluation and pay reasonableness is reviewed by the Compensation Committee and the board of directors. The remuneration system is reviewed as needed to reflect actual business performance and regulations and to maintain the balance between sustainable development and risk management.

3. Remuneration of supervisors: Not applicable. The Company has established the Audit Committee on June 21, 2007.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

3.4.1.1 Board Meetings Attendance

The Board held 8 meetings (A) in the recent period of time (from January 1st, 2019 to March 31st, 2020) with the attendance of the directors specified as below:

Title	Name	Attend (sit in) in person (B)	Attend by proxy	Attendance rate (%) 【B / A】	Note
Chairman	Raymond Soong	8	0	100	
Vice Chairman	Warren Chen	5	0	100	Elected as a natural person on June 21, 2019
Director	Tom Soong	3	2	60	Elected as a natural person on June 21, 2019
Director	Ta Sung Investment Co., Ltd. Representative: Keh S hew Lu	5	3	63	
Director	Ta Sung Investment Co., Ltd. Representative: Tom Soong / CH Chen	8	0	100	Representative reassigned on June 21, 2019
Independent Director	Harvey Chang	7	1	88	
Independent Director	Edward Yang	8	0	100	
Independent Director	Albert Hsueh	8	0	100	
Independent Director	Mike Yang	5	0	100	Newly appointed on June 21, 2019
Director	Lite On Capital Inc. Representative: Warren Chen	3	0	100	Tenure expired on June 21, 2019
Director	Yuan Pao Development & Investment Co., Ltd. Representat ive: CH Chen	3	0	100	Tenure expired on June 21, 2019

3.4.1.2 Annotations:

(1) Securities and Exchange Act §14-3 resolutions, and others

Minutes of Board meetings where Article 14-3 of the Securities and Exchange Act is applicable and contained information on the objection or qualified opinions of the independent directors on record or in writing: none.

(2) The Board Meeting Attendance Status of Independent Director

⊙ : Attend (sit in) in person Δ : Attend by proxy

Board	Harvey Chang	Edward Yang	Albert Hsueh	Mike Yang
In the 10th session of the 26th Board Meeting on Feb. 26, 2019	⊙	⊙	⊙	-
In the 10th session of the 27th Board Meeting on Apr. 26, 2019	⊙	⊙	⊙	-
In the 10th session of the 28th Board Meeting on Jun. 03, 2019	⊙	⊙	⊙	-
In the 11th session of the 1st Board Meeting on Jun. 21, 2019	Δ	⊙	⊙	⊙
In the 11th session of the 2nd Board Meeting on Jul. 31, 2019	⊙	⊙	⊙	⊙
In the 11th session of the 3rd Board Meeting on Aug. 30, 2019	⊙	⊙	⊙	⊙
In the 11th session of the 4th Board Meeting on Nov. 04, 2019	⊙	⊙	⊙	⊙
In the 11th session of the 5th Board Meeting on Feb. 26, 2020	⊙	⊙	⊙	⊙

Note. Independent Director Mike Yang is Newly appointed on June 21, 2019.

(3) Recusals of Directors due to conflicts of interests: Five occasions

1. In the 10th session of the 26th Board Meeting, Director Mr. Raymond Soong, Mr. Warren Chen, Mr. CH Chen, Mr. David Lee, Mr. Tom Soong and Mr. Joseph Lin avoided the discussion and did not vote the motion of donation to Lite-On Cultural Foundation.
2. In the 10th session of the 28th Board Meeting, Director Mr. Raymond Soong, Mr. Warren Chen, Mr. CH Chen and Mr. Tom Soong avoided the discussion and did not vote the motion of acquiring all of the outstanding ordinary shares of Lite-On Japan Ltd. through a tender offer.
3. In the 11th session of the 3rd Board Meeting, Director Mr. Raymond Soong and Mr. Warren Chen avoided the discussion and did not vote the motion of spin-off SSD business.
4. In the 11th session of the 3rd Board Meeting, Director Mr. Raymond Soong, Mr. Warren Chen, Mr. CH Chen, Mr. Keh-Shew Lu and Mr. Tom Soong avoided the discussion and did not vote the motion of disposing all of the shares of Lite-On Semiconductor Corp. directly and indirectly owned.
5. In the 11th session of the 5th Board Meeting, Director Mr. Raymond Soong, Mr. Warren Chen, Mr. CH Chen, and Mr. Tom Soong avoided the discussion and did not vote the motion of donation to Lite-On Cultural Foundation.

(4) Implementation of the performance evaluation of the board of directors and functional committees:

Evaluation Cycle	Period of Evaluation	Scope of Evaluation	Method of Evaluation	Evaluation Content
Performed once a year	Jan. 01, 2019 to Dec. 31, 2019	Board Performance Evaluation	Internal evaluation of the board	A. Participation in the operation of the company. B. Improvement of the quality of the board of directors' decision making. C. Composition and structure of the board of directors. D. Election and continuing education of the directors. E. Internal control.
		The evaluation of individual directors	Self-evaluation by individual board members	A. Familiarity with the goals and missions of the company. B. Awareness of the duties of a director. C. Participation in the operation of the company. D. Management of internal relationship and communication. E. The director's professionalism and continuing education. F. Internal control.
		Evaluation of the performance of functional committees (Audit Committee/ Compensation Committee/ Growth Strategy Committee / Corporate Sustainability Committee)	The internal evaluation of functional committees	A. Participation in the operation of the company; B. Awareness of the duties of the functional committee; C. Improvement of quality of decisions made by the functional committee; D. Makeup of the functional committee and election of its members E. Internal control.

1. The indexes of 2019 board and functional committees performance evaluation are determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the company, subject to reviews of the Compensation Committee.
2. When electing or nominating members of the board of directors, the Company base its election on the evaluation results of the performance of the board and base its determination of an individual director's remuneration on the evaluation results of his or her performance.
3. The Company reported the evaluation results in the first quarter board meeting (Feb.26, 2020), the results will be a reference for enhancing the professional competence of the Board of Directors and had been announced on the company website for investors' reference.

(5) Measures taken to strengthen the functionality of the Board Targets and performance of the board's functions for last year and most recent year:

1. For strengthening and accelerating the growth strategy of the Company and the whole business group, the Company has established the Growth Strategy Committee in 2010. The Committee is authorized by Board of Directors to direct and review the Company and the Group's overall growth strategies, and to preview the important investment projects, and periodically reports the resolutions to the Board of Directors.
2. The Company will continue to pursue sound corporate governance and the transparency, timeliness, and fairness of financial information disclosure. In 2015, Lite-On was rated A++ by the Securities and Futures Institute during its 12th Information Disclosure Evaluation. Meanwhile, LITE-ON was rated top 5% of listing company in 2nd session, 6%~20% in 3rd session and top 5% in 4th to 6th sessions of Corporate Governance Evaluation arranged by Taiwan Stock Exchange (TWSE).
3. To be in accordance with the international trend of sustainable governance, LITE-ON had passed the proposal to set up the CSR committee that directly report to the Board. The committee is responsible for scheming up sustainable development policy, extended determination and supervision. Two functional groups are comprised in the committee and in charge of the promotion and practice of the work in RBA, social involvement, supply

chain management, environmental sustainability, green design, public relations, risk management, ethical operation and information security aspect according to the authority.

4. The Company formulated the "Risk Management Policy and Procedures" in February 2020 in view of strengthening corporate governance and improving the Company's management and control of risk; wherein it established risk management mechanisms which include early identification, accurate measurement, effective supervision, and rigorous controls. Within the scope of bearable risk, it prevents possible losses and continuously adjusts and improves best risk management practices based on changes in the internal and external environments, thus protecting the interests of employees, shareholders, partners, and clients, increasing the value of the Company, and achieving the principle of optimizing allocation of company resources.

3.4.2 The Operation of the Audit Committee

3.4.2.1 Audit Committee Meeting Status

The main function of the Audit Committee is to supervise the following matters:

- A. Fair presentation of the financial reports of Lite-On Technology Corporation.
- B. The hiring (and dismissal), independence, and performance of certificated public accountants of Lite-On Technology Corporation.
- C. The effective implementation of the internal control system of Lite-On Technology Corporation.
- D. Compliance with relevant laws and regulations by Lite-On Technology Corporation.
- E. Management of the existing or potential risks of Lite-On Technology Corporation.

The Audit Committee is responsible for reviewing the following:

- A. The adoption of or amendments to the internal control system.
- B. Assessment of the effectiveness of the internal control system.
- C. The adoption or amendment, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- D. Matters in which a director is an interested party.
- E. Asset transactions or derivatives trading of a material nature.
- F. Loans of funds, endorsements, or provision of guarantees of a material nature.
- G. The offering, issuance, or private placement of equity-type securities.
- H. The hiring or dismissal of a certified public accountant, or their compensation.
- I. The appointment or discharge of a financial, accounting, or internal audit officer.
- J. Annual financial reports which are signed or sealed by the chairperson, managerial officer, and accounting officer.
- K. Proposals regarding business reports and profit distribution or loss replenishment.
- L. Other material matters as may be required by this Corporation or by the competent authority.

The Audit Committee held 8 meetings (A) in the recent period of time (from January 1, 2019 to March 31, 2020) with the attendance of the independence directors specified below:

Title	Name	Attend (sit in) in person (B)	Attend by proxy	Attendance rate (%) 【B / A】	Note
Independent Director	Albert Hsueh	8	0	100	
Independent Director	Harvey Chang	7	1	88	
Independent Director	Edward Yang	8	0	100	
Independent Director	Mike Yang	5	0	100	Newly appointed on June 21, 2019

3.4.2.2 Annotations:

(1) Resolutions related to Securities and Exchange Act §14-5, and others

1. Issues stated in Article 14-5 of the Securities and Exchange Act of the ROC passed by the Audit Committee:

Board Meeting	Content of motion	Article 14-5 of the Securities and Exchange Act of the ROC	Minutes of Audit Committee	Company reaction base on the opinion of Audit Committee
In the 10th session of the 26th Board Meeting on Feb. 26, 2019	1. Lite-On Technology Corp. announced the results of it's operations for Fiscal Year 2018 2. Board of Directors Resolution for dividend distribution 3. 2018 Business Report. 4. Amendment to "Procedures for the Acquisition and Disposal of Assets", "Accounting System" and "Regulations governing the preparation of financial statements". 5. Amendment to "Articles of Incorporation" 6. Approving 2018 Statement of Internal Control System 7. Amendment to "Internal Control Systems" and "Internal Audit Implementation Rules".	V V V V V V	All attendees of Independent Directors have no objection	All attendees of Directors have no objection
In the 10th session of the 27th Board Meeting on Apr. 26, 2019	1. Amendment to "Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees". 2. Amending the "Regulations of the Internal Control System for Administration of Shareholder Services" 3. Amendment to "Articles of Incorporation" 4. Amendment to "Audit Committee Organizational Rules"	V V V		
In the 10th session of the 28th Board Meeting on Jun. 03, 2019	Acquire all of the outstanding ordinary shares of Lite-On Japan Ltd. through a tender offer.	V		
In the 11th session of the 1st Board Meeting on Jun. 21, 2019	Change of members of Audit Committee			
In the 11th session of the 2nd Board Meeting on Jul. 31, 2019	1. Dividend distribution of 2019 2Q. 2. To increase LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. capital through capitalization of retained earnings.	V V		
In the 11th session of the 3rd Board Meeting on Aug. 30, 2019	1. To spin-off SSD business. 2. The share sale of subsidiaries SOLID STATE TECHNOLOGY CORP. , LITE-ON sales & distribution Inc. and CNEX Labs Inc.. 3. To dispose all of the shares of Lite-On Semiconductor Corp. directly and indirectly owned.	V V V		

Board Meeting	Content of motion	Article 14-5 of the Securities and Exchange Act of the ROC	Minutes of Audit Committee	Company reaction base on the opinion of Audit Committee
In the 11th session of the 4th Board Meeting on Nov. 04, 2019	1. Dividend distribution of 2019 3Q. 2. To make the certified public accountants' evaluation of independent and competency to the successor. 3. Disposal of 100% indirect holding of 100% equity of the subsidiary LITE-ON MOBILE INDIA PRIVATE LIMITED. 4. The change authorizes the convener of the audit committee of the company to represent the company in handling subsequent matters related to spin-off SSD business. 5. Amendment to "Audit Committee Organizational Rules". 6. The 2020 internal audit plan.	V V	All attendees of Independent Directors have no objection	All attendees of Directors have no objection
In the 11th session of the 5th Board Meeting on Feb. 26, 2020	1. The results of it's operations for Fiscal Year 2019. 2. Dividend distribution. 3. 2019 Business Report. 4. Approving 2019 Statement of Internal Control System. 5. Define the company's "Risk Management Policies and Procedures".	V V V		

2. Other issues not passed by the Audit Committee but resolved by more than two-thirds of the directors: none.

(2) Recusals of Independent Directors due to conflicts of interests

The act of the avoidance of the conflict of interest by the independent director: none.

(3) The communications between the independent directors, Chief Audit Officer and the certified public accountants:

1. Communications are established through Audit Committee or individually with independent directors via meetings or e-mails.
 - i. The Chief Audit Officer reported to the Audit Committee on the establishment and amendment to the internal control system.
 - ii. The Chief Audit Officer reported to the Audit Committee on the annual self- assessment of the implementation and results on the internal control systems annually.
 - iii. The Chief Audit Officer reported to the Audit Committee on the annual audit plan and the implementation of the plan quarterly.
 - iv. The Chief Audit Officer reported to the Chairman of Audit Committee on audit projects quarterly.
 - v. The Chief Audit Officer reported to the Audit Committee on the findings of each audit and the tracking of corrective actions and preventive actions.
 - vi. The Chief Audit Officer provided information on the addition or amendment of laws governing securities and exchange to the Audit Committee.
 - vii. The Chief Audit Officer presented to the Audit Committee the report on the conduct of special audits prescribed by the committee and the findings.
 - viii. The certified public accountants reported to the Audit Committee the findings of their quarterly/annually review or audits on the Company's financial results, and also the communication of the relevant law and regulation or any other modified issues.

2. The communication channel between the independent directors and the Chief Audit Officer functioned well. The communication between independent directors and the internal auditors are listed in the table below.

a. Communication through the Audit Committee

Meeting Dates	Communication matters
Feb. 26, 2019	1. Reviewing the internal auditor's report for the fourth quarter of 2018 (include reviewing regulatory developments). 2. Reviewing report on self- assessment results for the year 2018. 3. Reviewing the fraud audit report for the second half of 2018. There are no comments at this meeting.
Apr. 26, 2019	Reviewing the internal auditor's report for the first quarter of 2019 (include reviewing regulatory developments). The internal auditors had followed the instructions and reported to the Audit Committee.
Jul. 31, 2019	1. Reviewing the internal auditor's report for the second quarter of 2019 (include reviewing regulatory developments). 2. Reviewing the fraud audit report for the first half of 2019. The internal auditors had followed the instructions and reported to the Audit Committee.
Nov. 04, 2019	1. Reviewing the internal auditor's report for the third quarter of 2019 (include reviewing regulatory developments). 2. Reviewing and approving the 2020 internal audit plan. The internal auditors had followed the instructions and reported to the Audit Committee.
Feb. 26, 2020	1. Reviewing the internal auditor's report for the fourth quarter of 2019 (include reviewing regulatory developments). 2. Reviewing report on self- assessment results for the year 2019. 3. Reviewing the fraud audit report for the second half of 2019. There are no comments at this meeting.

b. Project meeting between Chief Audit Officer and Chairman of Audit Committee

Date/Quarter	Communication matters
Feb.12, 2019 the first quarter of 2019	1. Reviewing the environmental protection risk of China plants for the year of 2018. 2. Reviewing the information security project progress. 3. Reviewing the audit of stakeholders' feedback. The internal auditors had followed the instructions and reported to the Audit Committee for the following tracking issues: 1. (1) ADM need to strengthen access control management; (2) IT need to disable the USB ports of employees' computers; (3) IT need to study if any technology could prevent the capture of computer screens via mobile phones. 2. The internal auditors need to improve the procedure of ethic hotline feedback, make a user-friendly website for stakeholders , and improve the way of semiannual report to Audit Committee.
May.27, 2019 the second quarter of 2019	1. Illustrating action plans per competent authority requests which related to environmental protection project in China plants. 2. Reviewing the status of audit findings improvement for the year of 2018, which with high proportion of "Continuous Improvement" status. 3. Reviewing the fraud audit report. 4. Reviewing the management of fraud. The internal auditors had followed the instructions and reported to the Audit Committee for the following tracking issues: 1. The internal auditors should share the appropriate control programs to related Business Units. 2. The internal auditors need to feedback the status of audit findings improvement for the year of 2018 to Audit Committee in the end of this year.
Aug.27, 2019 the third quarter of 2019	1. Reviewing the status of audit findings improvement for the year of 2018. The internal auditors had followed the instructions and reported in the regular Audit Committee for the fourth quarter of 2019 for the following tracking issues: 1. The internal auditors need to checking the compliance with confidentiality procedures and public disclosures in M&A procedures of Lite-On Semiconductor Corp. and Lite-On (Japan).
Dec.25, 2019 the fourth quarter of 2019	1. Reviewing the status of audit findings improvement for the year of 2018. 2. Reviewing the audit status of M&A procedures of Lite-On Semiconductor Corp. and Lite-On (Japan). There are no comments at this meeting.

Date/Quarter	Communication matters
Feb.03, 2020 the first quarter of 2020	Reviewing the connection between Business Units' Audit Finding Ranking which evaluated by Auditing Office and Business Units' Performances. Reviewing the management of information security. There are no comments at this meeting.

c. Audit reports and follow-up reports review

Period	Communication matters
Jan.01, 2019 ~ Dec.31, 2019	During 2019, the internal auditors have sent the audit reports and follow-up reports to the Audit Committee 61 times. The Chairman of the Audit Committee has commented on each audit report. The internal auditors have followed the instructions and reported to the Audit Committee.
Jan.01, 2020 ~ Mar.31, 2020	During Jan 1 to Mar. 31, 2020, the internal auditors have sent the audit reports and follow-up reports to the Audit Committee 16 times. The Chairman of the Audit Committee has commented on each audit report. The internal auditors have followed the instructions and reported to the Audit Committee.

3. The communication channel between the independent directors and the certified public accountants functioned well. The communication between independent directors and the certified public accountants are listed in the table below.

The Audit Committee consists entirely of independent directors. The certified public accountants reported to the Audit Committee on the major matters and financial results of their quarterly reviews/annual audits, and also the communication of the updated regulations relating to the company's operation and finance.

Meeting Dates	Communication matters	Results
Feb.26, 2019	1. The certified public accountants reported to the Audit Committee on the results, key audit matters and the major issues of consolidated and standalone financial reports of 2018. 2. The certified public accountants introduced the International Financial Reporting Standards (IFRS 16 Leases) for 2019. 3. The certified public accountants reported to the Audit Committee the annual service contents and compensation of 2019.	Consolidated and standalone financial reports of 2018 were reported to the Board of Directors after being approved by the Audit Committee, and was publicly announced and reported to the authority as scheduled.
Apr.26, 2019	1. The certified public accountants reported to the Audit Committee on the results and major issues of 2019 Q1 consolidated financial report. 2. The certified public accountants introduced the newly tax draft law.	Consolidated financial report of 2019Q1 was reported to the Board of Directors after being reported by the Audit Committee, and was publicly announced and reported to the authority as scheduled.
Jul.31, 2019	1. The certified public accountants reported to the Audit Committee on the results and major review matters of 2019 Q2 consolidated financial report. 2. The certified public accountants introduced the newly amended law: the Securities and Exchange Act and the Statute for Industrial Innovation.	Consolidated financial reports of 2019Q2 was reported to the Board of Directors after being approved by the Audit Committee, and was publicly announced and reported to the authority as scheduled.
Nov.04, 2019	1. The certified public accountants reported to the Audit Committee on the results and major review matters of 2019 Q3 consolidated financial report. 2. The certified public accountants reported to the Audit Committee on the planning key audit matters of 2019 Q4 and auditing planning of each period of 2020. 3. The certified public accountants reported to the Audit Committee on the execution of audit fee for 2019.	Consolidated financial report of 2019Q3 was reported to the Board of Directors after being reported by the Audit Committee, and was publicly announced and reported to the authority as scheduled.
Feb.26, 2020	1. The certified public accountants reported to the Audit Committee on the results and the major matters of consolidated and standalone financial reports of 2019. 2. The certified public accountants introduced the updated regulation. 3. The certified public accountants reported to the Audit Committee the annual service contents and compensation of 2020.	Consolidated and standalone financial reports of 2019 were reported to the Board of Directors after being approved by the Audit Committee, and was publicly announced and reported to the authority as scheduled.

3.4.2.3 Attendance of Supervisors at Board Meetings:

The Company has established the Audit Committee on June 21 2007 to perform the functions of the supervisors as required by law.

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	V		The company has established the LITE-ON Technology Corporation Corporate Governance Best Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies. The Company's Best Practice Principles have been passed and implemented by resolution of a board of directors meeting, and disclosed and made the principles available for download on the company website. In addition to compliance with the laws and regulations, the company's corporate governance practices are built within an effective corporate governance framework to protect the shareholders' rights, strengthen the board's functions, ensure respect for stakeholders' rights, and increase transparency.	In compliance with the Best Practice Principles
2. Shareholding Structure & Shareholders' Rights				In compliance with the Best Practice Principles
(1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1) The company has appointed a spokesperson, a deputy spokesperson, and representatives of the legal, shareholder service administration and related departments to handle shareholder suggestions or disputes. General shareholder services are handled by the shareholder service administration department; and questions specifically targeting the company are to be answered by the spokesperson.	
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(2) The company is able to track shareholding by principal shareholders who hold 10% or more of the company's shares. The company also files the information with the authority as required.	
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	V		(3) The company has established the Subsidiary Management Guidelines and the Operating Procedures for Management, Business, and Financial Interactions between Affiliates to keep risks between the company and its affiliates under adequate control and create a sufficient firewall.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) a. The company has implemented “the Material Insider Information Procedures” (including major data processing, transmission, confidentiality, preservation, disclosure mechanisms and insider transaction prevention, laws and regulations, etc.), expressly stipulating that directors, managers and employees must not disclose Known internal material information to others, not to inquire or collect from companies who have knowledge of the company's internal material information. Company's undisclosed internal material information that is not related to his or her position, and to know the company's undisclosed internal material information for non-execution of business. It must not be disclosed to others. b. The “Material Insider Information Procedures” is listed as an annual compulsory education and training for all colleagues (including new recruits). It is aimed at the major violations of the company's internal major information (such as insider trading), the huge impact that the behavior may have on the company, and the law Disciplinary regulations and other propaganda were conducted to guide colleagues to review the attitudes and legal procedures that should be followed when handling important information within the company. Course briefings and video files are placed in the internal staff system throughout the year, providing a variety of learning channels for all colleagues.	
3. Composition and Responsibilities of the Board of Directors				In compliance with the Best Practice Principles
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) The company has stated explicitly its board diversity policy in the Corporate Governance Best Practice Principles. The company considers the industry and professional background and the field of work and experience of individuals and selects candidates with the knowledge, skills, and disposition necessary to perform the duties to be its directors. The company's business operations and its overall development can derive benefits from the approach. And implement the specific management objectives of directors concurrently serving as company officers not exceed one-third of the total number of the board members.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(2) Does the company voluntarily establish other functional committees in addition to the Compensation Committee and the Audit Committee?	V		(2) In addition to establishing the Compensation Committee and the Audit Committee as required by law, the company has created the Growth Strategy Committee and CSR Committee. a. The Growth Strategy committee is authorized by board of directors to direct and review the company and the Group's overall growth strategies and to preview the important investment projects. b. To be in accordance with the international trend of sustainable governance, LITE-ON had passed the proposal to set up the CSR committee that directly report to the Board. The committee is responsible for scheming up sustainable development policy, extended determination and supervision. Two functional groups are comprised in the committee and in charge of the promotion and practice of the work in RBA, social involvement, supply chain management, environmental sustainability, green design, public relations, risk management, ethical operation and information security aspect according to the authority.	
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis and submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term?	V		(3) The company has implemented the Rules for Evaluating Board of Directors and Functional Committee Performance, and has been performing board performance evaluation every year. The methods of evaluation include the internal evaluation of the board, self-evaluation by individual board members, and internal evaluation of the functional committee. External professional institutions or teams of experts and scholars are hired to perform evaluation every three years. The performance evaluation results of Board of Directors and Functional Committees of the Company for the year 2019 are used as a reference when electing or nominating members of the board of directors, and base its determination of an individual director's remuneration on the evaluation results of his or her performance. The Company reported the evaluation results in the first quarter board meeting (Feb.26, 2020), the results will be a reference for enhancing the professional competence of the Board of Directors and had been announced on the company website for investors' reference.	
(4) Does the Company regularly evaluate its external auditors' independence?	V		(4) The Audit Committee evaluates the independence and competency of the company's certified public accountants and require the certified public accountants provide "declarations of impartiality and independence" every year. The company has confirmed that apart from the certification and finance and tax related handling charges between the accountants and the company, there exist no financial interest or business relationship between any of the accountants and the company, and none of the accounts' family members is in violation of the independence requirement. The recent year's evaluation result of the accountants' dependence was approved by the board of directors on November 4, 2019.	
4. Does the TWSE/TPEx listed company have in place an adequate number of qualified corporate governance officers and appoint a corporate governance supervisor to be responsible for corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with the laws, organizing board meetings and annual general meetings as required by law, and compiling minutes of board meetings and annual general meetings)?	V		Through a company resolution passed by the board of directors meeting on February 26, 2019, the company appoints Jean Hong, vice president of the Finance Department and Board Secretariat, as the corporate governance officer responsible for protecting the shareholders' rights and making the board function more effectively. Ms. Jean Hong has a minimum of ten-year experience in conducting financial operations and business meetings in a management capacity in listed companies. The main duties are the following: 1. Formulating an appropriate corporate system and organizational structure to facilitate independence of the board of directors, transparency of the company, and effective implementation of compliance, internal audit and internal control. 2. Updating the board of directors, directors, and functional committees on the status of corporate governance practices in the company, and checking if shareholders meetings and board meetings are called in compliance with the applicable regulations and corporate governance principles.	In compliance with the Best Practice Principles

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			3. Inviting suggestions from directors prior to a board meeting to facilitate preparation of the meeting agenda; and giving a minimum of 7-day notice to all directors to attend a meeting and providing sufficient materials for the directors to familiarize themselves with the items. Giving prior notice to the individuals involved in the presence of items that involve stakeholder interest and require recusal, the minutes of the board meeting will be produced after the meeting. 4. Registering the date of shareholders meeting and preparing and filing with the authority the shareholders meeting notice, agenda, and minutes by the statutory deadline every year; and completing the procedures after an amendment of the Articles of Incorporation or an election of directors. 5. Inspecting the disclosure of material information passed after a board meeting or shareholders meeting in order to ensure the legality and accuracy of said material information and protect parity of investor information. 6. Keeping members of the board informed of latest changes and developments in laws and regulations regarding corporate governance and management to facilitate director compliance. 7. Assist independent directors and other directors in creating study plans or enrolling in courses based on the characteristics of the company's business activities and the education and experience of respective directors. 8. Providing the directors with necessary company information; and maintaining an open communication channel between the directors and the business managers. 9. Providing assistance to arrange communication between the independent directors and the Chief Audit Officer and the certified public accountants to facilitate understanding of the company's financial operations. 10. Other duties pursuant to the Articles of Incorporation or other contracts. In compliance with the Best Practice Principles 2019 Corporate Governance Operating Status: 1. Reported to the board of directors, directors, and the functional committees on the status of corporate governance practices in the Company, and ensured that shareholders meetings and board meetings are called in compliance with applicable regulations and corporate governance principles. 2. Formulated the annual work plan and meeting agenda for the board of directors and functional committees, and prepared the materials for proceedings. Invited suggestions from directors prior to a board meeting to facilitate preparation of the meeting agenda. Gave a minimum of 7-day notice to all directors to attend a meeting and providing sufficient materials for the directors to familiarize themselves with relevant issues. Gave prior notice to the individuals involved where there were items involving stakeholder interest and requiring recusal. Held 7 board meetings, 7 audit committee meetings, 2 growth strategy committee meetings, and 3 compensation committee meetings in 2019. The details of the above meetings are on the Company's website. 3. Inspected the disclosure of material information passed by the board of directors after a board meeting or shareholders meeting in order to ensure the legality and accuracy of said material information and protect the parity of investor information. 4. Kept members of the board informed of the latest changes and developments in laws and regulations regarding corporate governance. 5. Provided the directors with necessary company information; and maintained an open communication channel between the directors and the business managers. 6. Registered the shareholder meeting date within the period stipulated by law (2019 shareholder meeting was held on June 21) and assisted in running the meeting. 7. Arranged 6 hours of educational training for the directors on "global economic trends and technological developments" and "insider trading related topics".	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			8. Arranged communication between independent directors and internal auditors/certified public accountants during audit committee meetings. Details can be found on the Company's website. 9. Arranged an integrity management team to report on the Company's implementation status and plans in promoting integrity management to the board of directors on November 4, 2019, and thus ensured the implementation of the Ethical Management Policy.	
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate social responsibilities?	V		The company has always placed a great emphasis on maintaining a balance relationship with and open communication with stakeholders, including shareholders, employees, customers, and suppliers. 1. Shareholders: In addition to annual shareholders meetings, the company has an Investors and Shareholders section on the company website for information disclosure. It also offers an email address, LITEONTech.IR@liteon.com, for comments. 2. Employees: (1) In terms of organization, an employee relations unit and HR representatives have been assigned the responsibility of improving employer-employee communication and interaction. (2) In terms of execution, the company holds two-way forums for senior managers and employees to encourage employee loyalty and identification with the company. An internal e-Bulletin and website, publications, and an employee hotline are in place to as means of open communication by delivering information on the company and related events while gathering feedback from employees. 3. Customers: In addition to day-to-day communication channels and regular meetings, the company utilizes the RBA Online platform to disclose RBA self-assessment results from the factories to customers. 4. Suppliers: In addition to day-to-day communication channels and regular meetings, the company hosts annual supplier conventions to convey the company's business performance and goals. 5. Furthermore, the company organizes training on topics such as corporate social responsibility, the RBA code, and greenhouse gas emission as needed. The company has created the LITE-ON CSR and Investors section on the company website to provide information for stakeholders. It also offers an email address, Corporate Sustainability Committee & CSR Office: liteontech.csr@liteon.com, for comments.	In compliance with the Best Practice Principles
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?		V	The company is equipped with a full-time shareholder services department to handle shareholder services and ensure shareholders meetings are held legally, effectively, and safely.	In compliance with the Best Practice Principles
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1) The company has made full disclosure of product information, financial data, CSR reports, human resources and the company's latest news both in Chinese and English on the company website which are available for shareholders and stakeholders.	In compliance with the Best Practice Principles
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(2) The company has the finance department as well as the investor and public relations department in charge of gathering and disclosing information related to shareholders, legislations, investments, and markets. Meanwhile, the company has installed a spokesperson system to which it adheres. Presentations and videos from analyst meetings are also available on the website as reference for shareholders and stakeholders.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Does the company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating statements for each month before the specified deadline?	V		(3) The Company published and reported the annual consolidated and standalone financial report within two months after the end of a fiscal year. And the Company published and reported the financial reports for the first, second and third quarters as well as the operating statements for each month before the specified deadline.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		1. The company shares its profits with employees and provide benefits to encourage a balanced life. Employees are considered the company's most important partners. The company works to create a "passionate, motivating, innovative, and growing" work environment for its employees. A portion of the profit is allocated to be shared with the employees every year. The company takes an active approach to supporting healthy activities and employee care programs. The aim is to create a work-life balance in the workplace and develop team spirit so that employees are able to create more value at work and at home. 2. The company upholds the principle of equal opportunity. The recruitment process is open to all and does not discriminate against race, gender, age, religion, nationality, or political stance. Employees are assigned to positions according to their skills. Diversity is valued in the workplace. LITE-ON prohibits strictly any form of discrimination, inequality, or sexual harassment in the workplace. There are guidelines and complaint hotlines in place to maintain a friendly, healthy work environment. 3. The company respects all customers and suppliers and treat them with fairness, respect, and dignity. The company also helps raise awareness of ethics and code of conduct among its employees/suppliers/customers. 4. All of the company's directors and independent directors have expert knowledge and practical experience in the industry. The company organizes seminars and provides information on relevant regulations as needed. Some directors take the initiative to complete corporate governance courses, and ask the company to report their training online. Records of training completed by the directors are shown in 3.4.14.1(P.62) Director Education and Training of the annual report. 5. Directors and independent directors attend board meetings and give opinions on governance oversight and business decisions to achieve professional governance. The company has completed online filing of details and attendance for meetings of the board and the Audit Committee. 6. Board meetings are conducted in compliance with the Company Act and related regulations regarding conflict of interest and recusal. 7. The company has purchased liability insurance for the company's directors, independent directors, and key persons. 8. The company's risk management policy is to define each risk in accordance with the company's overall operating policy, establish a risk management mechanism to identify early, measure accurately, monitor effectively and control strictly, to prevent possible losses within the range of affordable risks. Based on changes in the internal and external environment, the Company will continue to adjust and improve the best risk management practices to protect the interests of employees, shareholders, partners and customers, increase the value of the company, and achieve the principle of optimizing the allocation of company resources.	In compliance with the Best Practice Principles
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures. The company has started taking actions and implementing measures according to the internal best-practice principles in response to the results of the Corporate Governance Evaluation.				

3.4.4 Compensation Committee

The Compensation Committee was established in 2009 to strengthen corporate governance and align the company with international practices. The Compensation Committee deliberates the company's compensation policies. It was the first Compensation Committee in Taiwan to be granted powers second only to those of the board of directors among publicly-listed companies at that time, something which soon became the norm for all local companies.

Duties of the Compensation Committee extend beyond employees' incentives and bonuses, to cover performance appraisals and remuneration of directors and executive managers as well. LITE-ON's Compensation Committee consists of four members; all of whom are chosen from independent directors to ensure objectivity, professionalism and fairness of the committee, while avoiding any conflicts of interest those members may have with the company.

The Compensation Committee reviews the company's remuneration policies and plans for a regular basis to ensure that they sufficient to attract, motivate and retain talent. The committee reviews the performance and remuneration of directors, and managers, and evaluates employee bonuses on a yearly basis. To ensure that its compensation packages are reasonable and competitive as a whole, the company regularly invites professional consultants to conduct overall comparison and analysis of the company's compensation packages and market rates. The results are duly submitted to the Compensation Committee.

Remuneration of directors, LITE-ON's highest level of the governing body, is distributed according to the duties and the independence of the directors and the duties associated with serving concurrently as the committee chairman. The members of this committee shall not participate in the discussion and voting on the decision of individual remuneration. Furthermore, the total amount paid to the directors is linked to business performance by a percentage, and there is a limit on the amount of money. The amount will be reviewed by the Compensation Committee, and may not be implemented without the board's approval.

According to LITE-ON'S "Compensation Committee Organizational Rules", the Compensation Committee convenes at least twice every year. A total of five Compensation Committee meetings were held in 2019.

3.4.4.1 Compensation Committee Members' Professional Qualifications and Independent Analysis

Identity	Qualification Name	With at least 5 years of working experience and the following professional designations			Eligibility of independent status (Note)										Also Compensation Committee to other companies (number of firms)	Note
		A lecturer of private or public institutions of higher education specialized in business, legal affairs, finance, accounting, or the expertise required by the business of the Company	A judge, district attorney, lawyer, certified public accountant, or professional or technician who has passed relevant national examination and properly licensed.	Work experience in business, legal affairs, finance, accounting, or in an area required by the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Harvey Chang			V	V	V	V	V	V	V	V	V	V	V	0	None
Independent Director	Edward Yang			V	V	V	V	V	V	V	V	V	V	V	0	None
Independent Director	Albert Hsueh	V	V	V	V	V	V	V	V	V	V	V	V	V	4	None
Independent Director	Mike Yang			V	V	V	V	V	V	V	V	V	V	V	0	None

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office:

1. Not an employee of the Company or the affiliates of the Company.
2. Not a director or supervisor of the company or any of its affiliates. (Except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the provisions herein.)
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).
5. Not a director, supervisor or employee of an institutional shareholder holding directly 5% or more of the company's shares, being one of the top five shareholders, or being appointed a director or supervisor of the company pursuant to Article 27, Paragraph 1 or 2 of the Company Act. (Except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the provisions herein.)
6. Not a director, supervisor or employee of another company that has the same directors as the company or is controlled by the same person that has more than half of the voting power in the company. (Except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the provisions herein.)

7. Not a director, supervisor or employee of another company or institution that has the same chairman, president, or the equivalent or a spouse in one of the roles as the company. Except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the provisions herein.
8. Not a director (trustee), supervisor (monitor), or manager of specific company or institution that has financial or business transactions with the Company, or a shareholder holding more than 5% of the shares of such company or institution. (Except where the specific company or institution holds 20% or more but no more than 50% of the company's outstanding shares and the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the provisions herein.)
9. Not a professional who provides audit or receives no more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates. However, exception applies to members of a remuneration committee, a public tender review committee, or a special committee for merger, consolidation and acquisition exercising their authority pursuant to the Securities and Exchange Act or the Business Mergers And Acquisitions Act.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

3.4.4.2 Compensation Committee Meeting Status

(1) The Compensation Committee consists of four members.

(2) Tenure of the Compensation Committee: June 21, 2019 to June 20, 2022. The committee convened five times in 2019. (A)

Title	Name	Attendance in person (B)	By proxy	Attendance ratio (%) (B / A)	Remarks
Chairperson Independent Director	Harvey Chang	5	0	100%	1. Date Elected on Jun 21, 2019
Independent Director	Edward Yang	5	0	100%	2. Mike Yang was elected as a member of the Compensation Committee on June 21, 2019
Independent Director	Albert Hsueh	5	0	100%	
Independent Director	Mike Yang	3	0	100%	

Annotations:

1. There was no recommendation of the Compensation Committee which was not adopted or was modified by the Board of Directors in 2019.
2. There were no written or otherwise recorded resolutions on which a member of the Compensation Committee had a dissenting opinion or qualified opinion.

3.4.4.3 2019 Main Points of Discussion by the Compensation Committee up to March 31, 2020

Date of the meeting	Main Points of Discussion	Resolution	Company reaction base on the opinion of Compensation Committee
8th meeting of 5th committee Feb.25.2019	1. Reported 2019 proposal regarding distribution of 2018 remuneration for directors and 2018 employees' compensation followed by the discussion and decision making by Compensation Committee. 2. Proposal of recommended changes to the distribution schedule for employees' compensation (bonuses) followed by the discussion and decision making by Compensation Committee.	Passed by a unanimous vote	Presented by the chairperson of the Compensation Committee to the board of directors
9th meeting of 5th committee Apr.01.2019	1. Reported 2019 proposal regarding distribution of 2018 employees' compensation for Management Team followed by the discussion and decision making by Compensation Committee. 2. Reported 2019 proposal regarding distribution of 2018 remuneration for directors followed by the discussion and decision making by Compensation Committee.	Passed by a unanimous vote	Presented by the chairperson of the Compensation Committee to the board of directors
1th meeting of 6th committee Jul.01.2019	1. Elected the chair of 6th Compensation Committee for the 1th meeting. 2. Elected the convener for the sixth Compensation Committee.	Passed by a unanimous vote	Presented by the chairperson of the Compensation Committee to the board of directors
2th meeting of 6th committee Oct.07.2019	Willis Towers Watson reported remuneration competitiveness of LITE-ON and the analysis on the market trend for 2019.	Not applicable	Not applicable
3th meeting of 6th committee Nov.04.2019	Review the Rules for Evaluating Board of Directors and Functional Committee Performance followed by the discussion and decision making by Compensation Committee.	Passed by a unanimous vote	Presented by the chairperson of the Compensation Committee to the board of directors
4th meeting of 6th committee Jan.03.2020	Review the Rules for manager's remuneration followed by the discussion and decision making by Compensation Committee.	Passed by a unanimous vote	Presented by the chairperson of the Compensation Committee to the board of directors
5th meeting of 6th committee Feb.25.2020	Reported 2020 proposal regarding distribution of 2019 remuneration for directors and 2019 employees' compensation followed by the discussion and decision making by Compensation Committee.	Passed by a unanimous vote	Presented by the chairperson of the Compensation Committee to the board of directors
6th meeting of 6th committee Mar.12.2020	1. Revise the Organizational Rules for the Compensation Committee followed by the discussion and decision making by Compensation Committee. 2. Reported 2020 proposal regarding distribution of 2019 employees' compensation for Management Team followed by the discussion and decision making by Compensation Committee. 3. Reported 2020 proposal regarding distribution of 2019 remuneration for directors followed by the discussion and decision making by Compensation Committee.	Passed by a unanimous vote	Presented by the chairperson of the Compensation Committee to the board of directors

3.4.5 The State of the Company's Performance of Social Responsibilities, Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and the Reason for Any Such Variance

Assessment Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
1. Does the company conduct risk assessments of environmental, social and corporate governance issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		LITE-ON set up a Corporate Sustainability Committee (CSR Committee) under the Board, and Risk Management working group, a part of functional teams, under the CSR Committee. With clear functions and liabilities, LITE-ON has developed a clear and complete risk classification framework to ensure that the risk identification process includes various types of risk at different levels. Therefore, LITE-ON's risk management working group divides risks into 8 major categories based on economic (including corporate governance), environmental, social, and other aspects, including market risk, operation risk, investment risk, legal and regulatory risk, environmental risk, working hazards risks, human resource risks, and other risks. In addition, LITE-ON's risk management policy defines each risk in accordance with the company's overall operating policy, establishes a risk management mechanism to identify early, measure accurately, monitor effectively and control strictly, to prevent possible losses within the range of affordable risks. Based on changes in the internal and external environment, LITE-ON will continue to adjust and improve the best risk management practices to protect the interests of employees, shareholders, partners and customers, increase the value of the company, and achieve the principle of optimizing the allocation of company resources. LITE-ON Risk Management Policy and Procedures have been reviewed and implemented by the Board of Directors.
2. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	V		In April 2019, the board of directors of LITE-ON passed the resolution to set up the Corporate Sustainability Committee (hereinafter "the Committee") directly under the board, as the highest designated unit to guide the sustainable governance of the Company. The Committee is chaired by GCEO, who leads LITE-ON's executive management in implementing management practices, and consists of two functional task-forces named "Corporate Social Responsibility" and "Sustainability Governance and Ethical Management" for planning and developing sustainability strategies and operations covering governance, environment, and society(ESG). The Committee convenes at least twice per year to fulfill our corporate social responsibility through effective implementation of corporate governance, development of a sustainable environment, ongoing support of public interest, and improved information disclosure. What's more, we publish the corporate social responsibility report annually to improve the effectiveness of stakeholder engagement.

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary	
3. Environmental Issues (1) Has the Company set an Environmental management system designed to industry characteristics?	V		(1) LITE-ON has been committed to the sustainable development of the environment. We establish a clear management mechanism in accordance with the environmental management system, by establishing the dedicated office, actively improving the efficiency of resource utilization, and researching on as well as using the low footprint recycled materials on the environment to mitigate operations impact. For specific industries condition, LITE-ON designs and produces products that protect the global environment by the management from the manufacturing process and the supply chain. For different demands on management, LITE-ON has set up dedicated units and personnel including environmental management systems, occupational safety, and health management systems, energy management systems, hazardous substance management systems, etc., while regularly monitoring and reviewing target the progress.	None
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(2) LITE-ON promotes the efficiency enhancement on resource utilization including that of energy, product, water and material to reduce the environmental impact and practice responsible production.	
(3) Has the company evaluated the potential risk and opportunity induced by climate change and deploy possible solutions to face the problem?	V		(3) LITE-ON regards climate change as a significant risk and important opportunity. We have set up climate change working group and committed to supporting Task Force on Climate-Related Financial Disclosures (TCFD) then follow the guideline to disclose climate change-related information as well as risk and opportunity that may bring so as to take part in a CDP and We Mean Business Coalition co-launched initiative, Commit to Action. On the topic of climate change mitigation, LITE-ON autonomously set up a science-based carbon emission reduction target and obtained the certification from Science-Based Targets initiative (SBTi) in 2019 April. We are the first two in Taiwan and the first fifty in Asia to obtain this international certification. LITE-ON is going to apply two main strategies "Green Operation: Reduce the impact" and "Low Carbon Product: Enhance capability on green design and creativity" to fulfill the target of a company of sustainable development.	
(4) Did the company collect the data of the past two years on GHG emission, water consumption and the weight of waste as well as set up related environmental impact reduction policy?	V		(4) LITE-ON applied ISO 14064 assurance and AA1000AS standard then entrusted the fair-third-party verification agency to conduct an audit on GHG emission, water consumption and waste generation for managing the environmental impact from the company operation and practicing responsible production., meanwhile, the related information would be provided on LITE-ON CSR report and the website.	

Assessment Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
4. Social Issues			
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		The company's approach to maintaining fairness in the social good, including for employees, customers (and consumers), suppliers, and communities, is described as follows: (1) LITE-ON respects and supports internationally recognized human rights standards and principles, including the "Universal Declaration of Human Rights", the "United Nations Global Compact", and the "Declaration of Fundamental Principles and Rights at Work" of the International Labor Organization, and complies with local laws and regulations. According to the "UN Guiding Principles on Business and Human Rights", LITE-ON formulates our internal human right policy. LITE-ON builds up policies and regulations and executes the internal audit regularly and adopts the Code of Conduct of RBA (Responsible Business Alliance) as management framework. According to the RBA audit process, internal and external audit are performed regularly.
(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		(2) Employees are the most important partners for LITE-ON sustainable development. In addition to protecting employees' work rights, we also provide market-competitive compensation and benefits. Lite-On adopts competitive salary and benefits policies in all major operating locations. The company uses salary surveys every year to measure the market's salary level and overall economic indicators, and make appropriate adjustments to colleagues' salaries to motivate employees. Various incentive bonuses and R & D reward systems to reward excellent performance. Performance bonuses are also issued every year based on operating conditions and individual performance to reward employees for their contributions and to encourage employees to continue their efforts. Holidays are better than the Labor Standards Law. In addition to enjoying various leave in accordance with the law, there are also group vacations. The other welfare measures are explained as follows, please see "V. Operational Highlights" of this Annual Report, which provides information on "Labor Relations" : (I) On-site Services and Amenities LITE-ON provides staff restaurants, health centers and fitness centers. In addition to health professionals available daily to provide assistance, doctors on site visit the health center monthly to provide face-to-face medical consultations for employees. The center is also equipped with first-aid supplies and equipment for various emergencies. And the fitness center contains a variety of weight training equipment and treadmills. The company has hired an external sports consultant to supply personal trainers who provide services and instructions. In addition to professional fitness advice, the personal trainers offer regular sports courses that will help employees relieve stress and get fit.

Assessment Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		(II) Health Management Programs LITE-ON organizes employee health check-ups every year, and promotes health promotion activities, such as Health and charity campaign - Weight loss course, blood donation, as well as mental and health seminars to raise personal health awareness. In addition, employees will be divided into three classes, low, medium, and high risk, depending on the degree of deviation from the standard values. The hospitals will perform the first follow-up on high risk employees in three months, and the nurses on site will perform the second follow-up afterward. An employee may direct any question regarding his/her checkup to the family doctor stationed at the same plant so to get a better understanding of his/her own physical conditions. (III) Employee Assistance Programs LITE-ON has been introducing Employee Assistance Programs (EAPs) that provided every employee with free, 24-hour professional, multi-lateral and highly confidential consultation services in five main areas: mental health, business administration, legal affairs, health care and finance advice. In addition, each employee at LITE-ON has an EAP card that contains EAP contact information through which employees may obtain the most timely and professional assistance in an emergency situation. (IV) Employee Welfare Programs LITE-ON organizes a variety of employee activities in 2019, including 67 clubs, 19 seminars, annual party, family day, ball competition, regular hikes, day trips and other recreational activities. Furthermore, LITE-ON provides the benefits including: stationed physicians, commendation for long-time service, commendation for excellence, group insurance, wedding subsidy, child subsidy, education subsidy, hospitalization subsidy, funeral subsidy, birthday, and festive gifts etc. The company also provides employees with personal travel subsidies that they can use to plan trips for the family. (3) A healthy and safe work environment is provided. Regarding health and safety, LITE-ON observes the applicable occupational health and safety regulations. We provide new and in-service employees' safety and health education training courses, health checkups and health management. Furthermore, we supports Taipei City's Smoke Free Workplace certification, Best Breastfeeding Facility certification and related campaigns. The company has been building toward a healthy, enjoyable workplace. It has won many awards, including being rated "Excellent", "Outstanding", and "Unique" in the "Healthy Workplace" competition.
			None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary	
(4) Has the Company established effective career development training plans?	V		(4) LITE-ON's learning structure is founded on the organization's strategy, vision and values. Through comprehensive curriculum planning, 12 modules of learning roadmaps have been established and based on new employee orientation, specialized training, strata training, and self-development. Details can be found on the content of labor relations of this annual report.	None
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		(5) LITE-ON continues to build on the cradle to grave approach in product life cycle thinking. The company approaches green product design by applying the concept of reduce, reuse, and recycle to product design, raw material procurement, production, distribution and shipping, product application, and waste recycling. The process considers the effects of products on the safety of the human body and of the environment. In addition to adhering strictly to the applicable international regulations and guidelines, LITE-ON actively seeks to obtain safety certification for its products to provide safe, reliable products for its customers and users while expecting to carry out the circular economy. On the other hand, the company strengthens information security management systems and implements effective personal data and privacy protection. Meanwhile, InfoSec tools and ongoing improvements are being introduced to maintain effective information security and privacy protection. Customer satisfaction is one of LITE-ON's core values. All the business units have cross-function teams (CFTs) providing targeted services to individual customers. These teams are responsible for sales, product R&D and manufacturing, quality, delivery, cost, and after-sales service. The CFTs can quickly propose response methods and overall solutions based on problems and feedback reported by customers. Furthermore, all LITE-ON business units have installed customer and consumer complaint channels to ensure consumer rights are protected.	
(6) Does the company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and the implementation?	V		(6) LITE-ON commits to improve our supply chain management capabilities on sustainability with the goal of sustainable development. Therefore, we implement effective supply chain management procedures and policies and introduce RBA rules as one of our supplier's assessment indicators. We ask suppliers to sign the RBA rule and follow the Business Management Commitment or Supplier Executive Certification of Compliance and conduct regular auditing of "A. Labor, B. Health and Safety, C. the Environment, D. Ethic, and E. Management System" to ensure all of our qualified suppliers well manage their CSR. For details, please refer to https://www.liteon.com/en-us/globalcitizenship/289	

Assessment Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
5. Does the company prepare corporate social responsibility reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third party assurance or certification for the reports above?	V		LITE-ON has been publishing corporate social responsibility reports since 2007. The sustainability issues as well as strategies, goals and practices of the 2019 CSR Report are drafted based on GRI Standards 2016 published by Global Reporting Initiative while responding to Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, Sustainable Development Goals (SDGs) and ISO 26000 Guidance on Social Responsibility. Moreover, the contents of this report have been discussed and categorized using AA1000 APS-compliant procedures. An independent third party has been engaged to provide assurance for AA1000AS (2008) type-2, high-level accountability and GRI Standard disclosure in accordance with Comprehensive Option. To learn more of LITE-ON's CSR Reports, please visit https://www.liteon.com/zh-tw/globalcitizenship/365
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: No deviations.			
7. Other important information to facilitate a better understanding of the company's implementation of corporate social responsibility:	(1) International/Domestic CSR Ratings (I) Dow Jones Sustainability Indices (DJSI) Selected in the DJSI emerging market Index for 9 consecutive years since 2011, which reflects LITE-ON's success in adopting international sustainability management standards and its strength in innovation and sustainability MEMBER OF Dow Jones Sustainability Indices  In collaboration with  2019 Constituent MSCI ESG Leaders Indexes (II) Inclusion in the MSCI Global Sustainability Indexes in 2019 (III) Inclusion in the FTSE4Good Emerging Index in 2019 / FTSE4Good TIP Taiwan ESG Index in 2018 		

Assessment Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
Corporate ESG Performance RATED BY ISS ESG Prime (IV) Awarded the “Prime Status” in ISS-oekom ESG Rating (V) Made the 2019 Carbon Disclosure Project (CDP) A List (VI) Inclusion in the Thomson Reuters Top 100 Global Technology Leaders (VII) Honored at the International Innovation Awards 2019 in Service & Solution category by Enterprise Asia (VIII) Recipient of the Commonwealth Corporate Citizen Award by the Commonwealth magazine since 2007 for 13 consecutive years. (IX) Received Corporate Social Responsibility & Social Enterprise Award by Global Views Magazine in 2019 (X) Awarded “The Most Prestige Sustainability Awards-Top 10 Domestic Corporates,” CSR Report Platinum Awards and Climate Leadership Awards in 2019 Taiwan Corporate Sustainability Awards (TCSA) (2) CSR Related Certifications (I) Reports are based on GRI and assured by third parties to meet the GRI Standards. (II) Emission reduction targets approved by Science Based Targets Initiative(SBTi) (III) ISO 14001 environmental management system certification (IV) OHSAS 18001 occupational health and safety certification (V) ISO 14064-1 GHG inventory (reasonable level of assurance) (VI) ISO 50001 Energy Management certification (VII) QC 080000 hazardous substance process management certification (VIII) RoHS testing services and CNAS accreditation (IX) A total of 20 factories received Product Liability Insurance AAA Certification (X) Setting international standards for the industry: Completing Product Category Rules (PCR) for optoelectronic semiconductors, circuit board assembly, personal computers and Mobile communication product enclosure. (XI) “Taiwan I Sports” certification by Sports Administration, Ministry of Education			

Assessment Item	Implementation Status		Non-implementa- tion and Its Reason(s)
	Yes	No	
(3) Product inspection and certification			
(I) ENERGY STAR energy efficiency label			
(II) Minimum Energy Performance Standard (MEPS)			
(III) 80 PLUS energy efficiency label			
(IV) China Energy Conservation Program (CECP certification)			
(V) LITE-ON's PC product G558L07B has been obtained the environmental footprint certification of ISO 14040 and ISO 14025 standard, and been audited by a third party.			
(VI) Guangzhou Site has obtained the IATF16949 certification of mobile industry quality management system.			

3.4.6 The State of the Company's Performance in the Area of Ethical Corporate Management, Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance

Assessment Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
1. Establishment of ethical corporate management policies and programs (1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		(1) LITE-ON has stated in the LITE-ON Ethical Corporate Management Best Practice Principles approved by the board of directors (the "Ethics Code") that it abides by the operational philosophy of honesty, transparency and responsibility, bases policies on the principle of good faith and establishes good corporate governance and risk management mechanisms so to create a business environment for sustainable development. LITE-ON has also stated in the same document the commitment of the board of directors and the management team to thorough implementation of the above policies and to carrying out the policies in internal management and in business activities.
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		(2) The Company's integrity management team regularly holds annual review meetings each year. Each team reports on the implementation plan and the improvement results thereof as well as analyzes and assesses the business activities at risk from unethical conduct. Preventive measures are separately established in accordance with the subparagraphs under Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and other operating activities that are within the scope of operations that entail higher risk from unethical conduct.
(3) Does the company clearly set out the operating procedures, behavior guidelines, punishment and appeal system for violations in the plan to prevent unethical conduct, implement it, and regularly review and revise the plan?	V		(3) LITE-ON has detailed ethical management practices and measures to prevent unethical behaviors in the Ethics Code, the Employee Handbook, and Code of Ethics for Practitioners. These practices and measures include operating procedures, code of conduct, education and training, whistleblowing procedures, and grievance and disciplinary procedures as well as their implementation. Meanwhile, regulations are regularly reviewed and amended through the integrity management team operating mechanism.

Assessment Item	Implementation Status		Non-implementation and its Reason(s)
	Yes	No	
2. Ethic Management Practice			Compliant with the Ethical Corporate Management Best Practice Principles.
(1) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(1) Aside from the "Ethical Corporate Management Best Practice Principles", LITE-ON has announce the "Supplier Code of Conduct" and require all business activities of suppliers shall comply with such code of conduct. The suppliers are forbidden to offer or accept any improper benefits and to violate any ethical rules, regulations and laws. Meanwhile, we have put the relevant ethical clauses in the contracts as applicable or have signed the statement of good faith with the counterparty
(2) Does the company set up a dedicated unit to promote ethical corporate management under the board of directors, and regularly (at least once a year) report to the board of directors on its ethical corporate management policy and plans to prevent unethical conduct and monitor implementation?	V		(2) LITE-ON has created integrity management team, which is responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The HR Head is appointed the convener, and all business units work to ensure the Ethical Corporate Management Best Practice Principles are implemented effectively in their respective areas of business. The convener delivers a status report to the board of directors in the fourth quarter every year. To ensure effective oversight on ethical management practices, LITE-ON has created various groups and channels under the board of directors. They include the Audit Committee, the Compensation Committee, the Growth Strategic Committee, and the Corporate Internal Audit. In addition, the Corporate Internal Audit delivers regular updates to the board of directors. The general managers and chief finance and accounting officers are overseen by the board of directors and must ensure the financial and accounting information filed by LITE-ON with the securities authorities or disclosed to external parties is complete, fair, accurate, up to date, and easy to understand.
(3) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) Article 15 of the Board of Directors Meeting Rules establishes the conflict of interest policy for directors. It states that if a director or an entity represented by a director has an interest in one of the items on the agenda and the interest is likely to prejudice LITE-ON's interest, the director should explain the important content of his interest to the board of directors, and may not participate in the discussion and voting, and shall recuse him/herself from the discussion and voting process and not exercise voting rights as a proxy for another director when the matter may harm the interests of the company. LITE-ON has established Code of Ethics for Practitioners to help employees understand the rules to observe when performing their duties and to prevent unethical behaviors. The code states the standards and commitments for employees to follow while performing business activities and the procedures for handling conflict of interest.
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct or hire outside accountants to perform the audits?	V		(4) To ensure effective ethical management practices, LITE-ON has implemented a sound accounting system and internal controls. The Corporate Internal Audit follows the results of risk assessments to devise audit plans, and regularly reviews compliance with the procedures above to fulfill the ethical corporate management policy. In addition, accountants audit the performance of LITE-ON's internal controls every year.

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		(5) To ensure the practices are exactly followed, the company's orientation training has included the Ethics Code in the compulsory course content and frequently mentioned in meetings. It will be further included in the annual compulsory course content for all employees from Year 2019. For the complete course information, please refer to "Labor Relations", which provides information on "Employee education and training and implementation".	
3. Implementation of Complaint Procedures				
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) LITE-ON has established the Corruption Reporting Guidelines and the Rewards and Violation Management Guidelines to govern related standard operating procedures for investigating, handling of investigating results, and disciplinary actions. There is a business unit created specifically to handle such matters by following the appropriate rules and procedures.	Compliant with the Ethical Corporate Management Best Practice Principles.
(2) Does the company establish standard operation procedures for investigating the complaints received, follow-up measures taken after investigating and ensuring such complaints are handled in a confidential manner?	V		(2) Violation of business integrity by the company or any of its employees or involvement in illegal activity can be reported as follows: The principle of integrity requires the person filing a complaint or report to provide his/her real name and contact information for the company to accept the complaint or report. The company guarantees that the person filing a complaint or report and the information that he/she provides will be kept strictly confidential pursuant to the Personal Information Protection Act. Contact information: Mailbox: PO Box 156-21, Jiangnan Post Office, Neihu District, Taipei City 11499 Office of Chairman Reporting Mailbox By email: ethic.hotline@liteon.com Telephone: +886-2-8793 6833	
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) The company has a dedicated person to handle complaints or report cases to ensure that the whistleblower is protected during the prosecution process and will not be punished for reporting.	

Assessment Item	Implementation Status		Non-implementation and its Reason(s)
	Yes	No	
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies as well as the results of its implementation on its website and Market Observation Post System ("MOPS")?	V		Information regarding business activities, organizational structures, and financial standing and performance is disclosed according to the applicable regulations and generally accepted industry conventions. LITE-ON follows the ethical management principles and discloses the measures it adopts and their performance on the company website and in the annual reports and prospectuses. The ethical management principles are also disclosed on the company website.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: No deviations			
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): (1) LITE-ON builds its ethical management practices on compliance with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, and regulations governing TWSE listed companies or other business activities. (2) The Board of Directors Meeting Rules establishes the conflict of interest policy for directors. It states that if a director or an entity represented by a director has an interest in one of the items on the agenda and the interest is likely to prejudice LITE-ON's interest, the director should explain the important content of his interest to the board of directors, and may not participate in the discussion and voting, and shall recuse him/herself from the discussion and voting process and not exercise voting rights as a proxy for another director when the matter may harm the interests of the company. (3) LITE-ON has implemented the Material Insider Information Procedures. The procedures require explicitly that directors, managers and employees not disclose material insider information in their knowledge to other people; inquire or collect from persons with material insider information any undisclosed information unrelated to their duties; and not disclose to other people any undisclosed material insider information acquired not through performance of their duties.			

3.4.7 If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:

Regarding information disclosure on the company website, the "Investors - Corporate Governance" section contains rules and regulations available for inquiry and download. The contents include Corporate Governance Best Practice Principles, Major Resolutions of Board Meetings, and Procedures for Handling Material Inside Information. The website URL is <https://www.liteon.com/zh-tw/investor/corporategovernance>. The "Procedures for Handling Material Inside Information" above and subsequent amendments will be announced, and the latest version will be published on the corporate intranet to be available to the employees. In addition, LITE-ON makes the "Procedures for Handling Material Inside Information" part of the orientation programs and e-learning courses on insider trading prevention to raise awareness.

3.4.8 Other Important Information Regarding Corporate Governance

3.4.8.1 Plan for Succession of Important Management-level Leadership

The selection and training of successors is of material concern to the sustainable operations of the company. The Plan for Succession of Important Management-level Leadership (hereinafter "the Plan") is formulated to keep pace with the operations of the Company, while also ensuring the bench strength of management-level leadership and providing the necessary manpower for the sustainable operations of the Company. In the Plan, LITE-ON especially emphasizes that the succession pipeline should possess extraordinary executive ability in addition to values and character that are in concordance with the expectations of the Company. This includes fidelity, creativity, and earning the satisfaction of clients. High-quality personnel continue to be rotated among different business units, regions, and functional organizations to test their adaptability and extraordinary performance. And we also implement a comprehensive layout at each level of the training of successors:

(I) Development project for professionals in senior executive management:

Senior management executives of the business units (including Operation Discipline senior management) and the senior management executives of the functional units were selected by the Company in 2016 for the jointly organized and operated LEAD Program (Liteon Executive Accelerating & Development Program). The program conducted entrepreneurial management training and especially invited senior faculty from the National Taiwan University School of Management, who conducted "educational courses" and "action projects" in tandem. They arranged purposeful, systematic, organized, and concrete training courses that broadened the perspectives and raised the level of leadership of the participants, creating an outstanding leadership pipeline. The training model for the program was divided into four sub-modules: leadership development, strategic innovation, organizational integration and entrepreneurship, and cultural value shaping. Training was conducted in cross-business-unit and cross-functional-unit teams, who were able to form cohesive and emotionally invested teams, form leadership pipelines, establish a common management language, shape a high-quality organizational culture, and strengthen the foundations for sustainable operations.

(II) Regular review of goals and in-depth, one-on-one meetings:

The senior executives of the succession pipeline, in dealing with the tasks of the businesses they are responsible for, must possess the ability for strategic thinking in operations. And to urge engagement with those responsibilities and effectively produce operational results, the Company conducts meetings with the senior leadership and operations team in which they deliberate and provide opinions on the setting of annual goals, the three-year strategy, and the development strategy for organizational talent. In addition, operation performance inspections are conducted monthly and quarterly. The succession pipeline regularly has in-depth, one-on-one meetings with the senior management of the Company. The team is taught with instructor-based training, in which the senior executives of the succession pipeline are given intensive guidance in making personal breakthroughs and are inspired to set extraordinary goals. At the same time, the persons of highest quality and potential are selected from the senior executive leadership team. In addition, we hire high-quality senior management from outside of the Company to stimulate creativity within the original team and make up for deficiencies in the required bench strength of successors.

(III) Job rotation to develop leadership talent:

Multiple strategic positions for the headquarters' functional units, business operating units, and overseas operating bases have been established, with the aim of enabling successors in the Company to expand the dimensions of

management, increase international experience, and undertake significant responsibilities in the future. Also, high-level talent positions are rotated with the aim of providing more comprehensive perspectives in the respective businesses and operations. Responding to constant changes in the business environment, successors of senior executive positions accumulate practical experience in business operations and management, which improves their strategic thinking and practical competence on a global level.

3.4.8.2 Other Important Information

To strengthen corporate governance practices, LITE-ON has created an audit committee that consists of 4 independent directors. Furthermore, in response to new or amended regulations promulgated by the securities governing authority and taking into consideration of the company's actual business needs, LITE-ON has completed establishment or amendment of the "Corporate Governance Best Practice Principles", the "Code of Conduct", the "Ethics Code", the "LITE-ON CSR Guidelines", the "Procedures for the Acquisition and Disposal of Assets", the "Derivative and Accounting Standard Operation Procedure", the "Risk Management Policy and Procedures", the "Regulation and Procedure for Board of Directors Meetings", the "Rules Governing the Election of Directors", the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees", the "Audit Committee Organizational Rules", and the "Rules and Procedures of Shareholders' Meeting". These rules and procedures are also disclosed and available for download on the company website.

3.4.9 Internal Control System Execution Status

3.4.9.1 Statement of Internal Control System

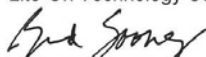
Lite-On Technology Corporation Statement of Internal Control System

Date: February 26, 2020

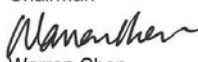
Based on the findings of a self-assessment, Lite-On Technology Corporation (LOT) states the following with regard to its internal control system during the year 2019:

1. LOT is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. LOT has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of LOT contains self-monitoring mechanisms, and LOT takes corrective actions as soon as a deficiency is identified.
3. LOT evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein referred to as "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. LOT has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, LOT believes that as at December 31, 2019, its internal control system (including its supervision and management of subsidiaries), which encompasses internal controls for the knowledge of the degree of achieving operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws, regulations, and bylaws, was effectively designed and operated and reasonably assured the achievement of the above-stated objectives.
6. This Statement will form an integral part of LOT's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the LOT Board of Directors' Meeting on February 26, 2020, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of this Statement.

Lite-On Technology Corporation


Raymond Soong

Chairman


Warren Chen
CEO

3.4.9.2 If CPA was engaged to conduct a special audit of internal control system, provide its audit report: None.

3.4.10 Reprimands on the Company and its Staff

If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

3.4.11.1 Major Resolutions of Shareholders' Meeting and Implementation Status

The Company held a regular session of the General Meeting of 2019 on June 21, 2019 at the International Conference Center of Lite-On Technology Building located at 1F, No. 392, Ruey Kuang Road, Neihu, Taipei. Major resolutions and the status of execution are shown below:

Item	Major resolutions	status of execution
1	Adoption of 2018 Financial Statements	The resolution had exceeded legal requirement of the voting numbers and been approved in the AGM.
2	Adoption of the Proposal for Appropriation of 2018 Earnings	The resolution had exceeded legal requirement of the voting numbers and been approved in the AGM. Ex-rights (ex-dividend) record date: Jul. 28, 2019 Dividend distribution date: Aug. 21, 2019 (Cash dividends NT\$ 2.92 per share)
3	Amendment to "Articles of Incorporation"	The resolution had exceeded legal requirement of the voting numbers and been approved in the AGM. Company Change Registration had been approved by Ministry of Economic Affairs, R.O.C. on July 19, 2019. The latest "Articles of Incorporation" was announced through company website.
4	Amendment to "Procedures for the Acquisition and Disposal of Assets"	The resolution had exceeded legal requirement of the voting numbers and been approved in the AGM. The revised version of "Procedures for the Acquisition and Disposal of Assets" was implemented and announced on the Company website.
5	Amendment to "Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees"	The resolution had exceeded legal requirement of the voting numbers and been approved in the AGM. The revised version of "Procedures for the Acquisition and Disposal of Assets" was implemented and announced on the Company website.
6	Amendment to "Rules for Election of Directors"	The resolution had exceeded legal requirement of the voting numbers and been approved in the AGM. The revised version of "Procedures for the Acquisition and Disposal of Assets" was implemented and announced on the Company website.
7	Election of the Board of Directors of the 11th Term.	The resolution had exceeded legal requirement of the voting numbers and been approved in the AGM. List of Directors Elected: (1) Raymond Soong (2) Warren Chen (3) Tom Soong (4) Ta-Sung Investment Co., Ltd. Representative: Keh-Shew Lu (5) Ta-Sung Investment Co., Ltd. Representative: C.H.Chen List of Independent Directors Elected: (1) Harvey Chang (2) Edward Yang (3) Albert Hsueh (4) Mike Yang The Company Change Registration had been approved by Ministry of Economic Affairs, R.O.C. on July 19, 2019. The nomination and voting method and election results of the 11th term of the board of directors of the Company has been announced on the Company website.

Item	Major resolutions	status of execution
8	Proposal of release of directors from non-competition restrictions	The resolution had exceeded legal requirement of the voting numbers and been approved in the AGM. Announce the related resolution after AGM on June 21, 2019.

3.4.11.2 Major Resolutions of Board Meeting

2019	Major Resolutions
Feb. 26	1. The results of it's operations for Fiscal Year 2018. 2. Dividend distribution. 3. Donation to Lite-On Culture Foundation. 4. The appointment of Corporate Governance Officer. 5. The schedule and agenda of year 2019 shareholders' meeting.
Apr. 26	The schedule and agenda of year 2019 shareholders' meeting(Agenda new added).
Jun. 03	To acquire all of the outstanding ordinary shares of Lite-On Japan Ltd. through a tender offer.
Jun. 21	1. Election of the Chairman and Vice Chairman of the 11th Board of Directors of the Company. 2. Change of members of Compensation Committee.
Jul. 31	1. Dividend distribution of 2019 2Q. 2. To increase LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. capital through capitalization of retained earnings. 3. To release the managerial officer from the non-competition restrictions.
Aug. 30	1. To spin-off SSD business. 2. To convene 2019 1st special shareholders' meeting. 3. The share sale of subsidiaries SOLID STATE TECHNOLOGY CORP., LITE-ON sales & distribution Inc., and CNEX Labs Inc. 4. To dispose all of the shares of Lite-On Semiconductor Corp. directly and indirectly owned.
Nov. 04	1. No interim dividend distribution of 2019 3Q. 2. Disposal of 100% indirect holding of 100% equity of the subsidiary LITE-ON MOBILE INDIA PRIVATE LIMITED.
2020	Major Resolutions
Feb.26	1. The results of it's operations for Fiscal Year 2019. 2. Dividend distribution. 3. Donation to Lite-On Culture Foundation. 4. The schedule and agenda of year 2020 shareholders' meeting.

3.4.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors during 2019 and as of the Date of this Annual Report: None.

3.4.13 Resignation or Dismissal of the Company’s Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D:

2020/3/31

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
SBG CEO	Danny Liao	2013/06/19	2019/03/01	Retirement

3.4.14 Continuing Education/Training

3.4.14.1 Continuing Education/Training of Directors

Title	Name	Date		Organizer	Course name	Hours	Total hours
		Start date	End date				
1	Chairman Raymond Soong	Apr.26, 2019	Apr.26, 2019	Taiwan Corporate Governance Association	Important Topics for Businesses: Global economic trends and technological developments	3.0	6.0
		Oct. 22, 2019	Oct. 22, 2019	Taiwan Corporate Governance Association	How do Inspectors View Corporate Governance? Discussion of Cases Related to Securities in Violation of the Law	3.0	
2	Vice Chairman Warren Chen	Apr.26, 2019	Apr.26, 2019	Taiwan Corporate Governance Association	Important Topics for Businesses: Global economic trends and technological developments	3.0	9.0
		Oct. 22, 2019	Oct. 22, 2019	Taiwan Corporate Governance Association	How do Inspectors View Corporate Governance? Discussion of Cases Related to Securities in Violation of the Law	3.0	
3	Director Tom Soong	Dec. 04, 2019	Dec. 04, 2019	Taiwan Corporate Governance Association	Performance of Duty and Important Notes for Directors and Managers	3.0	6.0
		Apr.26, 2019	Apr.26, 2019	Taiwan Corporate Governance Association	Important Topics for Businesses: Global economic trends and technological developments	3.0	
4	Director Keh-Shew Lu	Oct. 22, 2019	Oct. 22, 2019	Taiwan Corporate Governance Association	How do Inspectors View Corporate Governance? Discussion of Cases Related to Securities in Violation of the Law	3.0	9.0
		Dec. 04, 2019	Dec. 04, 2019	Taiwan Corporate Governance Association	Performance of Duty and Important Notes for Directors and Managers	3.0	
5	Director CH Chen	Apr.26, 2019	Apr.26, 2019	Taiwan Corporate Governance Association	Important Topics for Businesses: Global economic trends and technological developments	3.0	6.0
		Oct. 22, 2019	Oct. 22, 2019	Taiwan Corporate Governance Association	How do Inspectors View Corporate Governance? Discussion of Cases Related to Securities in Violation of the Law	3.0	
6	Independent Director Harvey Chang	Apr.26, 2019	Apr.26, 2019	Taiwan Corporate Governance Association	Important Topics for Businesses: Global economic trends and technological developments	3.0	6.0
		Oct. 22, 2019	Oct. 22, 2019	Taiwan Corporate Governance Association	How do Inspectors View Corporate Governance? Discussion of Cases Related to Securities in Violation of the Law	3.0	
7	Independent Director Edward Yang	Apr.26, 2019	Apr.26, 2019	Taiwan Corporate Governance Association	Important Topics for Businesses: Global economic trends and technological developments	3.0	6.0
		Oct. 22, 2019	Oct. 22, 2019	Taiwan Corporate Governance Association	How do Inspectors View Corporate Governance? Discussion of Cases Related to Securities in Violation of the Law	3.0	
8	Independent Director Albert Hsueh	Feb. 19, 2019	Feb. 19, 2019	Taiwan Corporate Governance Association	2019 Global Trend Analysis - Risks and Opportunities	1.0	23.0
		Apr. 09, 2019	Apr. 09, 2019	Taiwan Corporate Governance Association	Digital Decision - board products business model as an example	3.0	
		Apr.26, 2019	Apr.26, 2019	Taiwan Corporate Governance Association	Important Topics for Businesses: Global economic trends and technological developments	3.0	
		May 08, 2019	May 08, 2019	Taiwan Corporate Governance Association	The importance of integrating environmental, social and corporate governance (ESG) factors in investment - Aberdeen standard investment management perspective	1.0	
		Aug. 05, 2019	Aug. 05, 2019	Taiwan Securities Association	Case Analysis of Money Laundering and Insider Trading Prevention	3.0	
		Oct. 22, 2019	Oct. 22, 2019	Taiwan Corporate Governance Association	How do Inspectors View Corporate Governance? Discussion of Cases Related to Securities in Violation of the Law	3.0	
		Nov. 01, 2019	Nov. 01, 2019	Taiwan Corporate Governance Association	Multinational Management and Sustainable Operation	3.0	
		Nov. 25, 2019	Nov. 25, 2019	Taiwan Corporate Governance Association	Global Risk and Corporate Social Responsibility	3.0	
		Dec. 04, 2019	Dec. 04, 2019	Taiwan Corporate Governance Association	Performance of Duty and Important Notes for Directors and Managers	3.0	
		Jun. 04, 2019	Jun. 04, 2019	Taiwan Corporate Governance Association	Key Information and Analysis of Responsibility in the Annual Reports: Perspective of Directors and Supervisors	3.0	
9	Independent Director Mike Yang	Oct. 22, 2019	Oct. 22, 2019	Taiwan Corporate Governance Association	How do Inspectors View Corporate Governance? Discussion of Cases Related to Securities in Violation of the Law	3.0	12.0
		Nov. 27, 2019	Nov. 27, 2019	Taiwan Corporate Governance Association	The 15th Corporate Governance Forum	6.0	

3.4.14.2 Continuing Education/Training of Management

Title	Name	Date	Course name	Hours
Chief Finance and Accounting Officer Finance General Manager	Brownson Chu	2019/11/18	Annual budget compilation and difference analysis practice, the latest practical development of insider trading and the corresponding measures of corporate prevention, and practice seminar on the preparation of consolidated statements	12
		2019/11/19		
		2019/12/04	Exercise of Directors and Managers' Powers and Attentions	3
		2019/12/16	New amendments to the 2020 law should pay attention to key labor-related issues	2
Chief Audit Officer	Lando Lin	2019/09/05	Competent authorities require companies to set up auditing compliance with "independent directors" and "audit committees"	6
		2019/10/04	Analysis of "Audit Transformation" and "Data Analysis" Practice Cases under Emerging Technology	6
		2019/12/16	New amendments to the 2020 law should pay attention to key labor-related issues	2
VP/ Corporate Governance Officer/ Board Secretariat	Jean Hong	2019/03/22	Causes of Corporate Fraud and Legal Responsibilities of Directors and Supervisors - Case Study	3
		2019/04/26	Important Topics for Businesses: Global economic trends and technological developments	3
		2019/05/17	Transnational Management and Sustainable Management	3
		2019/06/25	Reforms and New Situations of Company Limited by Company Law	3
		2019/08/02	Implement corporate governance to a higher level! Talking about the roles and responsibilities of corporate governance executives	3
		2019/10/22	How to Look at Corporate Governance from the Perspective of Prosecution	3
		2019/12/04	Exercise of Directors and Managers' Powers and Attentions	3
		2020/03/10	Coping strategies for company change	3

3.4.15 Intellectual Property Strategy, Management, and Outcome Application

1. Intellectual property strategy and goals

We actively encourage innovation and independent research and development. The priorities in our intellectual property strategy are focusing on core technologies and developing high quality patents. Meanwhile, we continue to promote the concept of a "patent portfolio", and employ highly promising technologies to drive the creation of good quality patents. We are also constantly managing risks to reduce the infringement risk. Furthermore, we are moving toward strengthening R&D outcome commoditization and enhancing brand images by creating added value from intellectual property. We aim to operate in all areas of our business and maximize the value of intellectual property while managing and utilizing effectively our patents, trademarks, trade secrets, and copyrights.

2. Intellectual property management system

As part of our ongoing commitment to intellectual property, we have implemented the Intellectual Property Management Procedure to regulate and manage the grant of the right, maintenance, and utilization of patents, trademarks, copyrights, trade secrets and other forms of intellectual property. The procedure serves to help the company compete in the market and protect the rights of itself and its shareholders.

In addition, we have implemented the Patent Incentive Award Procedure so to have well-established systems and processes to encourage our employees to turn R&D outcomes into protected intellectual property (including patent application, trade secret, or thesis publication). The effort will generate momentum for R&D and innovation in products and technologies. We also try to file good patents to build up powerful patent portfolio for the company as a whole and pave the way for the company to compete more effectively in the tech industry.

We have also implemented the Engineering Notebook Management Procedure. It serves the purpose of effectively protecting the company's R&D outcomes and intellectual property rights. It requires R&D personnel record in writing outcomes of their work in detail so to facilitate viewing and long term preservation and help the company accumulate intellectual property and become more competitive.

Our Trade Secret Management Procedure sets the rules for the categorization, classification, and labeling of

confidential information in the company. We also take appropriate confidentiality measures to prevent the theft, alteration, damage, destruction, or leakage of confidential information. There are also controls in place to manage access to view confidential information.

Moreover, for the purpose of protecting the company's intellectual property, employees joining the company are required to sign related employment agreements to agree, in addition to making their inventions created on the job as required by law of the intellectual property of the company, to undertake the duty to safeguard the confidentiality of the company's intellectual property rights and trade secrets and other obligations for the duration of employment and after termination of employment.

We perform regular internal audits of the R&D cycle every year in order to ensure the acquisition, maintenance, and utilization of the intellectual property comply with the company's regulations.

3. Intellectual property outcomes

As of the end of 2019, the company has a total of 3,000 patent applications and 2,300 granted patents, including 1,800 utility patents. These patents are spread across a number of major markets and countries, and cover primary places of manufacture and sale for related products. In particular, the technical field covers our core products, including LEDs, power supply units, servers and network communication parts and components, multifunction machines, keyboards and chassis, and automotive electronic parts and components. The focus is on core technologies, including opto-electronics, cloud computing, AI (industrial automation), smart home, network communication, storage, smart lighting, consumer electronics and game consoles, onboard parts and components, and imaging. A huge amount of patent data are handled systematically entirely by the LITE-ON patent database. The system makes it easier to track the status of patent applications and issued patents and subsequent maintenance and operations.

We have also implemented the Trademark Management Procedure to govern the application, evaluation, acquisition, and maintenance of trademarks. So far the company has more than two hundred granted trademarks. **LITEON®** is majorly marketing trademark and spread across ten categories and registered in more than forty countries in order to ensure they can be used for the company's products, including opto-electronics, information, automotive, lighting, and storage products. Meanwhile, to enhance the brand image and recognition, we not only place our trademarks on the products and the exterior packaging and on business documents, such as product catalogs and income certificates, but also use it throughout international business activities and exhibitions. In addition, we organize internal education and training sessions as needed to raise awareness of the correct way of using trademarks.

We also work with well-known universities around the world in various cooperation programs, such as the R&D center established jointly with National Tsing Hua University. These programs help us secure technologies and patents for key technologies in the business. In addition, more than a hundred theses have been published on domestic and international journals under these programs. The internships offered to students of the universities attract outstanding talent to work at LITE-ON.

To encourage technical innovation and creativity, we have created the Innovell Creativity Center (ICC) to handle the development and overall design of innovative products. The range of ICC services include innovative product design, green design, packaging design, and mobile app design. The adoption of digital technologies and environmental policies in recent years extends the range further to include augmented reality (AR) application and green packaging design. For example, the keyboard packaging transforms into a marine debris table card game, and the mouse packaging box converts into a card storage box. Using the exciting game education to raise the next generation's focus on marine debris issue. Furthermore, LITE-ON's NM-Dial Remote Control is based on the Smart Life concept, and uses a dial to control louvers in homes. It can also be used with a mobile phone to operate windows remotely. The creative ideas above won international industrial design awards in 2019 and 2020, including the iF Design Award, the Red Dot Product Award and the Reddot Brands & Communication Design.

Furthermore, as part of our commitment to our corporate social responsibility and drive innovation in Taiwan, LITE-ON Award each year hold contests, campus seminars and international forums to push forward advance technologies and innovative designs in global Chinese community. It provides young creative teams with a platform where they are able to exchange ideas with international top-notch corporate, academic, technical experts and social resources in Taiwan.

4. Purposes of intellectual property and contributions to business activities

We work hard to invigorate and manage the existing intellectual property, such as receiving royalty from licensee, cross license, purchase, sale or trust of intellectual property, and anti-counterfeiting efforts. We sometimes use

patents as weapons to open doors and form strategic alliances to create win-win situations. There have been many successes with invigorating intellectual property to create profits for the company, improving the brand image, increasing market shares for specific products, and winning clients' trust. Meanwhile, we continue to innovate and develop new products and technologies. Through the coordination among different entities in the LITE-ON Group, we can establish an intellectual property wall which increases Lite-On's advantage and competitiveness.

5. Countermeasures against intellectual property related risks

We take an active approach to facing and handling intellectual property disputes as appropriate with priority given to protecting the company's market, products, technologies, and clients. We do not seek out fights, nor do we shy from challenges. Besides following the dispute resolution mechanisms to perform technical, legal, and industrial analyses and formulate dispute resolution strategies, we utilize various models to erect technical barriers to trade for competitors, thereby acquiring protection of intellectual property rights or avoiding infringement on patents of others.

For example, we have introduced the disclosure digging and monitoring procedure into the Design Development Management Procedure in order to ensure outcomes of intellectual property rights and minimize the potential infringement risk. In addition, we take different legal actions as needed to maximize the company's interest in potential intellectual property right disputes.

We organize a number of training sessions every year to communicate the importance of intellectual property and risk management to our employees. Topics include gaining the first-mover advantage by immediately applying for patents, use and management of confidential technical information, and monitoring of products and technologies in the market. We have also certain guidelines in place for employees to follow so to enable them to respond as appropriate in the event of a patent risk incident.

To ensure LITE-ON's information assets are adequately protected while following the trend of going paperless and electronic transmission, we have implemented an ISO 27001:2013 compliant information security policy. To prevent hacker attacks and theft of the company's confidential information, we have installed information security monitoring systems and implemented Microsoft Azure Information Protection (AIP). Digital cloud tools, such as Microsoft Office 365, and encryption, identification and authorization rules are utilized to protect confidential business documents. Furthermore, in terms of security in the real world, all of our employees and external parties (including clients, consultants, partners and suppliers) are inside the scope of this policy.

3.5 Information on CPA Professional Fees

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	CHEN-TSAI, TSAI MENG-CHIEH, CHIU	27,940	-	17	-	4,289	4,306	01/01/2019 - 12/31/2019	Fees for other non-audit services were mainly for finance, tax, and investment-related consultation services.

Note 1: Non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and to any affiliated enterprise of such accounting firm are not over one quarter or more of the audit fees paid thereto.

Note 2: When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Not Applicable.

Note 3: When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons therefor shall be disclosed: None.

3.6 Information on Replacement of CPA: Not Applicable.

3.7 Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2019.

3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2019		As of March 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Raymond Soong	0	0	0	0
Vice Chairman/GCEO	Warren Chen	0	0	0	0
Director	Tom Soong	0	0	0	0
Director	Ta-Sung Investment Co., Ltd.	0	0	0	0
	Representative: Keh-Shew Lu	0	0	0	0
Director	Ta-Sung Investment Co., Ltd	0	0	0	0
	Representative: CH Chen	0	0	0	0
Independent Director	Harvey Chang	0	0	0	0
Independent Director	Edward Yang	0	0	0	0
Independent Director	Albert Hsueh	0	0	0	0
Independent Director	Mike Yang	0	0	0	0
Director	Lite-ON Capital Inc. (Tenure expired on June 21, 2019)	0	0	0	0
Director	Dorcas Investment Co., Ltd. (Tenure expired on June 21, 2019)	0	0	0	0
	Representative: Joseph Lin (Tenure expired on June 21, 2019)	0	0	0	0
Director	Yuan Pao Development & Investment Co. Ltd. (Tenure expired on June 21, 2019)	0	0	0	0
Director	Yuan Pao Development & Investment Co. Ltd. (Tenure expired on June 21, 2019)	0	0	0	0
	Representative: David Lee (Tenure expired on June 21, 2019)	0	0	0	0
Vice Chairman/GCEO	Warren Chen	0	0	0	0
SBG President	Shilung Chiang	0	0	0	0
General Manager	Albert Chang	(50,113)	0	0	0
SBG CEO	Rex Chuang	(210,000)	0	0	0
SBG CEO	Anson Chiu	0	0	0	0
SBG CEO	Charlie Tseng	(30,733)	0	0	0
SBU General Manager	Taylor Yang (On board on August 05, 2019)	0	0	0	0
Chief Audit Officer	Lando Lin	0	0	0	0
Chief Finance and Accounting Officer Finance General Manager	Brownson Chu	0	0	0	0
HR VP	Crystal Liu	0	0	0	0
VP/ Corporate Governance Officer/ Board Secretariat	Jean Hong	0	0	0	0
Legal & IP AVP	May Chiu (Note 1)	0	0	0	0
IT AVP	Lear Lee (Note 1)	0	0	0	0
VP	Henry Chen (Note 2)	0	0	0	0
VP	Wing Eng (Note 2)	0	0	0	0
VP	HY Lee (Note 2)	(27,000)	0	0	0
VP	Victor Hsu (Note 2)	0	0	0	0
VP	Joseph SK Chen (Note 2)	0	0	0	0
VP	Johnson Wang (Note 2)	0	0	0	0
VP	BC Liao (Note 2)	0	0	0	0
VP	Jerry Hsu (Note 2)	0	0	0	0
VP	CY Chung (Note 2)	0	0	0	0
VP	David Yeh (Note 2)	0	0	0	0
VP	Hai Huang (Note 2)	0	0	0	0

Title	Name	2019		As of March 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
VP	Allen Hsu (Note 2)	0	0	0	0
SBG CEO	Tom Soong (Note 2)	0	0	0	0
VP	Steven Liao (Note 2)	0	0	0	0
VP	John Chang (Note 2)	0	0	0	0
VP	Paul Yu (Note 2)	0	0	0	0
VP	CHOW JOSEPH TSO YI (Note 2)	0	0	0	0
VP	Michael Wang (Retired on November 01, 2019)	0	0	0	0
VP	Tsung Cheng Wang (Retired on November 01, 2019)	0	0	0	0
VP	YC Lee (Resigned on June 01, 2019)	0	0	0	0

Note 1: On November 04, 2019, the board of directors approved the transfer to the position of manager.

Note 2: On November 04, 2019, the board of directors approved the transfer to a non-manager position.

3.8.1 Shares Trading with Related Parties

March 31, 2020

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
Albert Chang	Gift	2019.06.27	Chuan Yun Chang	father and son	50,113	0

3.8.2 Shares Pledge with Related Parties: None

3.9 Relationship among the Top Ten Shareholders

Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.

As of September 26, 2019

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Title (or name)	Relationship
Ta-Rong Investment Co., Ltd.	85,402,698	3.63%	0	0%	0	0%	Shu Yan Tsai	Chairman
Ta-Rong Investment Co., Ltd. Chairman: Shu-Yan Tsai	29,454	0%	0	0%	0	0%	Ming-Hsing / Ta-Sung/ Yuan- Pao Development (Investment Co., Ltd.)	Chairman
Raymond Soong	79,302,560	3.37%	14,966,064	0.64%	0	0%	None	None
Silchester International Investors International Value Equity Trust	50,546,857	2.15%	0	0%	0	0%	None	None
Hermes Investment Funds Public Limited Company	49,645,000	2.11%	0	0%	0	0%	None	None
Ming-Hsing Investment Co., Ltd.	47,326,330	2.01%	0	0%	0	0%	Shu Yan Tsai	Chairman
Ming-Hsing Investment Co., Ltd. Chairman: Shu-Yan Tsai	29,454	0%	0	0%	0	0%	Ta-Rong / Ta-Sung/ Yuan Pao Development (Investment Co., Ltd.)	Chairman
FUBON LIFE INSURANCE CO.,LTD	47,139,000	2.01%	0	0%	0	0%	None	None
FUBON LIFE INSURANCE CO.,LTD Chairman: Ming-Hsiung Tsai	0	0%	0	0%	0	0%	None	None
Ta-Sung Investment Co., Ltd.	47,088,399	2.00%	0	0%	0	0%	Shu-Yan Tsai	Chairman
Ta-Sung Investment Co., Ltd. Representative: Keh-Shew Lu	0	0%	0	0%	0	0%	None	None
Ta-Sung Investment Co., Ltd. Representative: CH Chen	0	0%	0	0%	0	0%	None	None
Yuan Pao Development & Investment Co. Ltd.	39,473,599	1.68%	0	0%	0	0%	Shu Yan Tsai	Chairman
Yuan Pao Development & Investment Co. Ltd. Chairman : Shu-Yan Tsai	29,454	0%	0	0%	0	0%	Ta-Rong / MING-Hsing /Ta-Sung(Investment Co., Ltd.)	Chairman
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	34,674,459	1.47%	0	0%	0	0%	None	None
Labor Pension fund	33,737,413	1.44%	0	0%	0	0%	None	None

3.10 Ownership of Shares in Affiliated Enterprises

The shareholding of the same invested company by the Company, the directors, the supervisors, the managers or another business that is controlled by the Company directly or indirectly

As of December 31, 2019
Unit: shares; %

Invested businesses (Note 1)	The Company's investment		Investment of director, supervisor, management, and the business controlled by the Company directly or indirectly		Total Ownership	
	Shares	Share-holding ratio %	Shares	Share-holding ratio %	Shares	Share-holding ratio %
Silitech Technology Corporation	20,322,003	33.87	385,545	0.64	20,707,548	34.51
Lite-On Integrated Service Inc.	3,400,000	100.00	-	-	3,400,000	100.00
DragonJet Corporation	21,968,856	29.62	-	-	21,968,856	29.62
Lite-On Capital Corporation.	209,545,089	100.00	-	-	209,545,089	100.00
LITE-ON ELECTRONICS H.K. LIMITED	17,865,367	100.00	-	-	17,865,367	100.00
Lite-On Electronics (Thailand) Co., Ltd.	6,049,844	100.00	-	-	6,049,844	100.00
LITE-ON SINGAPORE PTE. LTD.	51,776,500	100.00	-	-	51,776,500	100.00
Lite-On Japan Ltd.	12,451,058	100.00	-	-	12,451,058	100.00
LITE-ON TECHNOLOGY USA, INC.	470,239	100.00	-	-	470,239	100.00
Lite-On International Holding Co., Ltd.	363,725,483	100.00	-	-	363,725,483	100.00
LTC GROUP LTD.	32,915,855	100.00	-	-	32,915,855	100.00
LITE-ON ELECTRONICS (EUROPE) LIMITED	300,000	100.00	-	-	300,000	100.00
Lite-On Technology (Europe) B.V.	330,896	54.00	281,875	46.00	612,771	100.00
Lite-On Overseas Trading Co., Ltd.	5,142,962	100.00	-	-	5,142,962	100.00
Lite-On Semiconductor Corp.	57,203,784	18.31	13,939,207	4.46	71,142,991	22.77
LITE-ON VIETNAM CO., LTD.	-	100.00	-	-	-	100.00
LITE-ON MOBILE PTE. LTD.	403,045,338	100.00	-	-	403,045,338	100.00
LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	294,825	99.00	2,978	1.00	297,803	100.00
EAGLE ROCK INVESTMENT LTD.	10,000	100.00	-	-	10,000	100.00

Invested businesses (Note 1)	The Company's investment		Investment of director, supervisor, management, and the business controlled by the Company directly or indirectly		Total Ownership	
	Shares	Share-holding ratio %	Shares	Share-holding ratio %	Shares	Share-holding ratio %
LET (HK) LIMITED	62,059,600	100.00	-	-	62,059,600	100.00
HIGH YIELD GROUP CO., LTD.	68,138,000	100.00	-	-	68,138,000	100.00
Lite-On Information Technology B.V.	11,018,000	100.00	-	-	11,018,000	100.00
Philips & Lite-On Digital Solutions Corporation	17,150,000	49.00	-	-	17,150,000	49.00
Lite-Space Technology Company Limited	5,600,000	46.67	-	-	5,600,000	46.67
Lite-On Automotive International (Cayman) Co., Ltd.	11,967,300	100.00	-	-	11,967,300	100.00
LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	102,374,058	99.00	1,034,082	1.00	103,408,140	100.00
KBW-LEOTEK Jordan Private Shareholding Limited	49,000	49.00	-	-	49,000	49.00
KBW-LITEON Jordan Private Shareholding Limited	36,056,974	99.86	-	-	36,056,974	99.86
SKYLA CORPORATION	20,000,000	64.94	-	-	20,000,000	64.94
SUZHOU LITE-ON STORAGE CO., LTD.	-	45.00	-	-	-	45.00
SOLID STATE STORAGE TECHNOLOGY CORPORATION	448,245,400	100.00	-	-	448,245,400	100.00

Note 1: Long-term equity investment of the Company calculated according to the equity method.

4. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

4.1.1.1 Capitalization

As of March 31, 2020

Month/ Year	Issued Price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (K)	Amount (NT\$ thousands)	Shares (K)	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Others
09/2016	10	3,500,000	35,000,000	2,350,867	23,508,670	Shares dividends \$116,746 thousand	-	09/14/2016 No. 10501224160 issued by the Ministry of Economic Affairs, R.O.C.

4.1.1.2 Type of Stock

Unit: shares

Type of Stock	Authorized Share Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	2,350,867,032	1,149,132,968	3,500,000,000	Listed Stock

4.1.1.3 Information for Shelf Registration: Not applicable

4.1.2 Status of Shareholders

As of September 26, 2019

	Governmental Organizations	Financial Institutions	Other Institutional Investors	Individuals	Foreign Institutional Shareholders and Individuals	The People's Republic of China Individuals	Total
Numbers of Shareholders	6	25	288	127,689	1,043	0	129,051
Holding Shares	87	160,506,574	459,231,483	455,104,906	1,276,023,982	0	2,350,867,032
Holding Stake	0%	6.83%	19.53%	19.36%	54.28%	0	100%

4.1.3 Shareholding Distribution Status

4.1.3.1 Common Shares

As of September 26, 2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1~ 999	80,270	18,450,366	0.79%
1,000~ 5,000	36,523	75,964,435	3.23%
5,001~ 10,000	6,195	43,328,642	1.84%
10,001~ 15,000	2,027	24,219,758	1.03%
15,001~ 20,000	951	16,598,409	0.71%
20,001~ 30,000	922	22,120,474	0.94%
30,001~ 50,000	678	26,067,622	1.11%
50,001~ 100,000	500	34,815,467	1.48%
100,001~ 200,000	284	39,666,278	1.69%
200,001~ 400,000	234	67,217,003	2.86%
400,001~ 600,000	98	47,789,169	2.03%
600,001~ 800,000	58	40,042,784	1.70%
800,001~1,000,000	45	40,050,386	1.70%
1,000,001 or over	266	1,854,536,239	78.89%
Total	129,051	2,350,867,032	100%

4.1.3.2 Preferred Shares: Not applicable

4.1.4 List of Major Shareholders

As of September 26, 2019

Shareholder's Name	Shareholding	
	Shares	Percentage
Ta-Rong Investment Co., Ltd.	85,402,698	3.63%
Raymond Soong	79,302,560	3.37%
Silchester International Investors International Value Equity Trust	50,546,857	2.15%
Hermes Investment Funds Public Limited Company	49,645,000	2.11%
Ming-Hsing Investment Co., Ltd.	47,326,330	2.01%
FUBON LIFE INSURANCE CO.,LTD	47,139,000	2.01%
Ta-Sung Investment Co., Ltd.	47,088,399	2.00%
Yuan Pao Development & Investment Co. Ltd.	39,473,599	1.68%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	34,674,459	1.47%
Labor Pension fund	33,737,413	1.44%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: K shares, NT\$

Item \ Year		2018	2019	Current year to March 31, 2020 (Note 5)
Market Price Per Share	Highest	44.30	51.50	50.2
	Lowest	32.80	40.05	37.7
	Average	38.88	46.50	43.71
Net worth per Share	Before distribution	30.34	30.83	-
	After distribution	27.42	27.63 (Note1)	-
Earnings per Share	Weighted average shares (1,000 shares)		2,324,026	2,323,968
	Earnings per share	Before adjustment	3.42	4.03
		After adjustment	3.42	4.03
Dividends per Share	Cash Dividend		2.92	3.2 (Note1)
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	-	-
		Stock Dividends Appropriated from Capital Reserve	-	-
	Accumulated Undistributed Dividends		-	-
Return on Investment	Price/Earnings Ratio (Note 2)		11.37	11.54
	Price/Dividend Ratio (Note 3)		13.32	14.53 (Note1)
	Cash Dividend Yield Rate (Note 4)		7.51	6.88 (Note1)

Note 1: The cash dividends for 2019 were approved by the Board of Directors on February 26, 2020.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash dividend Yield Rate= Cash Dividends per Share / Average Market Price

Note 5: As of the date of publication of the annual report, there is no financial report of 2020Q1 has been reviewed by certified public accountant.

4.1.6 Dividend Policy and Implementation Status

4.1.6.1 Dividend Policy

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 amounts reach 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.

Where the Company distributes preceding surplus earning, legal reserve and capital reserve in the form of cash, such distribution is authorized to be made after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting; if such distribution is in the form of new shares to be issued, it shall be approved by shareholders meetings according to the regulations.

In consideration of business development plan, investing environment, demand for funds, global competitiveness and the shareholders' interest, the Dividend Policy of the Company is the distribution to shareholders with the appropriation of the amount which shall be no less than 70% of the net profit after income tax under the circumstance that there is no cumulated loss in prior years. The distribution may be executed in cash dividend and/or share dividend, and the cash dividend shall be no less than 90% of the total distributed dividends.

In case there are no earnings for distribution in a certain year, or the earnings of a certain year are significantly less than the earnings actually distributed by the Company in the previous year, or considering the financial, business or operational factors of the Company, the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

The Company may distribute the surplus earnings or off-set losses at the close of each quarter in accordance with the Company Act. While distributing surplus earning, the Company shall estimate and reserve the taxes and duties to be paid, the losses to be covered, the legal reserve to be set aside, and the special surplus reserve to be raised or revolved. Where such legal reserve amounts reach to the total paid-in capital, this provision shall not apply. If the Company distribute surplus earning in the form of cash, it shall be approved by a meeting of the board of directors; if such surplus earning is distributed in the form of new shares to be issued, it shall be approved by shareholders meetings according to the regulations.

4.1.6.2 Proposed Distribution of Dividend

- (1) The dividend distribution of NT\$7,521,296,102 out of 2019 earnings has been approved by the Board of Directors meeting held on February 26, 2020. NT\$3.2 per share in cash dividends will be paid based on the shareholder list and the number of shares they held on the baseline date.
- (2) In the event of repurchase of the Company's shares, transfer, conversion or annulment of treasury stocks, and exercise of employees' stock options, leading to a change in the number of outstanding shares and a consequent change in dividend yield, it is proposed that the Board of Directors are authorized to duly adjust cash payout rates.

4.1.6.3 If a material change in dividend policy is expected, provide an explanation: None

4.1.7 Effect Upon Business Performance and EPS Resulting of Stock Dividend Distribution Proposed at the Shareholders' Meeting:

The dividend distribution proposal to be submitted to the shareholders' meeting proposes cash dividends only and does not involve stock dividends. In addition, according to the Regulations Governing the Publication of Financial Forecasts of Public Companies, LITE-ON does not have to disclose the financial forecasts for 2020. Therefore, the effect on business performances, earnings per share and shareholder ROI does not apply.

4.1.8 Compensation of Directors and Employees

1. Percentages or ranges of remuneration of employees and directors under the Articles of Incorporation:

The Company shall allocate the following compensation from the profit of each fiscal year (The “profit” means “profit before income tax and employees’ and directors’ compensation”), however, the Company shall have reserved a sufficient amount from such profit to offset its accumulated losses (including unappropriated earnings adjustment if any):

1. Employees’ compensation: no less than 1%

2. Directors’ compensation: no more than 1.5%

The employees’ compensation under the preceding paragraph will be distributed by shares or cash. The employees of parents or subsidiaries of the Company meeting certain specific requirements may also be entitled to such compensation. The Board of Directors is authorized with full powers to determine the terms and methods of appropriation and the Directors’ compensation may only be distributed by cash.

The Company shall, upon a resolution of the Board of Directors, distribute employees’ and director’s compensation in the preceding two paragraphs, and report to the shareholders’ meeting for such distribution. While the Company distributes surplus earnings at the close of each quarter in accordance with the Article 24 paragraph 5, the Company shall estimate and reserve the employees’ compensation and directors’ compensation according to the preceding paragraph. If the Company has accumulated losses, the Company shall estimate and reserve the accumulated losses to be made up first before estimating and reserving the employees’ compensation and directors’ compensation.

Qualification requirement of employees in the preceding second paragraph shall comply with the provisions otherwise prescribed by the competent authority in charge of securities affairs.

2. The Basis for estimating the amount of remuneration of employees and directors, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period.

(1) Basis for estimating the amount of remuneration of employees and directors in current year Estimates are made at a certain percentage in the range specified in the Articles of Incorporation.

(2) Basis for calculating the number of shares to be distributed as employee remuneration. The calculation is based on the closing price on the preceding business day according to the board of directors. Distributions of employee shares that amount to less than one full share will be made in cash.

(3) Should there be any significant changes to the amounts resolved by the board of directors after the current financial period has ended, this discrepancy shall be adjusted to the expenses of the year in which the estimates are made. If a different amount is resolved, the differences are recognized as a change in accounting estimate and will be adjusted in the following year.

3. Remuneration approved by the board of directors

(1) The remuneration for employees and directors of the company in 2019 was approved by the board of directors on February 26, 2020. The amount of employee cash remuneration was NT\$1,326,548,195, and the amount of director remuneration was NT\$79,686,641. The amount of remuneration of employees and directors approved by the board of directors had no material difference from the figures estimated in the 2019 financial statements.

(2) The amount of employee bonus to be paid in stocks out of the current company-level financial report in terms of the sum of net profit after tax and employee bonus: Not applicable.

4. Distribution of remuneration of employees and directors in previous year

(1) The actual amount of employee remuneration paid in cash in 2018 was NT\$1,125,892,616 and the director remuneration NT\$67,633,125.

(2) The amount of remuneration of employees and directors paid had no material difference from the figures estimated in the 2018 financial statements.

4.1.9 Buyback of Common Stock:

As of March 31, 2020

Treasury stocks: Batch Order	2019 first batch
Purpose of buy-back	Buyback shares of dissenting shareholder who filed an objection opinion on Lite-On SSD business spinoff proposal pursuant article 12 of Taiwan Business Mergers and Acquisitions Act.
Timeframe of buy-back	2019.10.25 ~ 2019.11.14
Price range	NT\$48.9 per share
Class, quantity of shares bought back	Common share 462,000 shares
Value of shares bought-back (in NT\$ thousands)	NT\$22,591
Percentage of shares bought back compare to share buy back plan	N/A
Shares sold/transferred	0 share
Accumulated number of company shares held	462,000
Percentage of total company shares held (%)	0.02

4.2 Bonds

4.2.1 Corporate Bonds: None

4.2.2 Convertible Bonds: None

4.2.3 Exchangeable Bonds: None

4.2.4 Shelf Registration for Issuing Bonds: None

4.2.5 Corporate Bonds with Warrants: None

4.3 Preferred Shares

4.3.1 Preferred Shares: None

4.3.2 Preferred Shares with Warrants: None

4.4 Global Depositary Receipts

Item \ Issuance (Processing) date			September 25, 1996
Issuance (Processing) date			September 25, 1996
Place of issuance and trading			London Stock Exchange
Total Amount			US\$71,295,000
Issue price per unit			US\$14.55
Total number of units issued			4,900,000 units (Note)
Source of securities represented			Rights issue
Amount of securities represented			49,000,000 shares of common stock
Depositary receipt holder rights and obligations			are same as those of common stockholders
Trustee			CitiBank US
Depositary institution			CitiBank US
Custodian institution			CitiBank Taiwan
Balance not yet redeemed			2019.12.31: 1,437,173 units 2020.03.31: 633,270 units
Allocation of costs of issuance and throughout duration			To be borne by LITE-ON
Important terms and conditions on depositary receipt and custodian agreements			None-
Market price per unit	2019	Highest	US\$14.5
		Lowest	US\$14.5
		Average	US\$14.5
	Current year up to March 31, 2020	Highest	US\$14.5
		Lowest	US\$14.5
		Average	US\$14.5

Note: GVC, acquired by LITE-ON by consolidation merger, issued 5,000,000 units of global depositary receipts, representing 25,000,000 shares of common stock on the London Stock Exchange on April 3, 1995. The issuance was followed by more later. A total of 7,627,000 units, representing 38,136,000 shares of common stock of GVC, had been issued up to the baseline date (November 4, 2002). Following the share exchange ratio, these depositary receipts were replaced by 1,478,000 units of depositary receipts representing 14,781,000 shares of common stock of LITE-ON.

4.5 Employee Stock Options: None

4.6 New Restricted Employee Shares: None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.8 Financing Plans and Implementation: Not applicable

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

5.1.1.1 Business Activities and Revenue Breakdown

Department	Key Business Activities	Product	2019 Revenue Breakdown
Optoelectronics Department	Design, R&D, production, and sales of optoelectronic parts and components.	LED packaging and LED lighting applications Auto electronic parts and components Camera modules	16%
Information Technologies Department	Design, R&D, production, and sales of applications for laptops, desktops, tablets, servers and network communication equipment.	Power supply Server and network communication parts and components All-in-one office machines Computer keyboards and cases	67%
Storage Products Department	Design, R&D, production, and sales of storage parts and components.	Solid state drives Optical disc drives	12%
Others Department	Other products not yet reaching quantitative thresholds	Other products not yet reaching quantitative thresholds	5%

5.1.1.2. New products under development

- (1) High power LED streetlights
- (2) Automotive LED lighting modules
- (3) High efficiency power supply management modules
- (4) Wireless communications modules
- (5) High-end camera modules and auto camera modules

5.1.2 Industry Overview

1. Macroeconomic conditions

Following the complex influences in the year of 2018, including geographic and political risks, unclear trade policies, oil price fluctuations, conservative investments and etc, World Bank reported a soft 2019 global economy growth forecast at 2.4%.

Looking forward to 2020, most economists worldwide originally expected global economy growth a gradual recovery at 2.9%-3.4%, slightly better than 2019. Nevertheless, as coronavirus (COVID-19) outbreak getting more intensive in the first quarter, the Organisation for Economic Co-operation and Development (OECD) trimmed their estimation in March, indicating that the 2020 global economy growth might be the lowest since 2009. If the situation becomes viral, causing longer suspension of business operations and weaker consumer spending, the picture might be even worse.

2. Industry overview and outlook

Most of the company's products in 2019 can be divided into three categories, optoelectronic products, IT products, and storage products. In particular, most optoelectronic products were LED components and outdoor lighting, while most IT products were power supply and most storage products were ODDs and SSDs. Hence, the industry overview is described as follows with respect to these product categories.

(1) Optoelectronics - LED

Light-emitting diodes (LEDs) are being used in more and more places over the last few years. Since 2000, improved brightness and efficiency of high brightness LED led to widespread use of white light LEDs for screen or keyboard backlighting in portable products (e.g. laptops and mobile phones) and LCD displays. Growth of the portable product market makes portable products the largest market for LED applications and contributes to the forward momentum in the LED market. LITE-ON started manufacturing LEDs in 1975. LITE-ON's line of optoelectronic semiconductors contains visible and invisible LED components as well as outdoor lighting modules.

The range of LED components covers a full line of visible and invisible LED products. Visible LED products include high performance white light LED, white SMD LED, surface mounted LED (SMD LED), high power visible LED, and LED display. Products satisfy needs ranging from spot, line, to area lighting. They can also be found in IT products, consumer electronics and various other areas and are widely used by leading brands in the market. High performance, energy efficient UV LED have been developed in recent years for special lighting use in various lighting products. Invisible LED products cover ambient light sensors, high speed photocouplers, optical encoders, and infrared components, widely used in power supply, touchscreens, high-resolution printers, industrial automation, high speed optical transmission, biometric recognition, and recognized for excellence by leading brands. Meanwhile, outdoor lighting modules encompass street lamps, signal lights and other outdoor lighting applications. LITE-ON products can be found worldwide as the company is the LED street lamp supplier with the largest market share in North America and in Taiwan. Automotive lighting and other high efficiency LED products have been delivering excellence results in recent years. The list of customers includes top brands in Europe and the Americas.

Upstream - Components/Materials

Upstream supply chain includes semiconductors, plastics, and phosphor powder. For semiconductors, major suppliers include some in Japan and some Taiwanese suppliers that have been selected as strategic partners for excellent quality and steady supply. Meanwhile, plastics and phosphor powder are sourced from a sufficiently large range of suppliers to remove the threat of supply shortage.

Midstream - Packaging service providers

The majority of international packaging service providers are Japanese suppliers. Taiwanese suppliers include LITE-ON, Everlight Electronics, and Unity Opto.

Downstream - Products and applications

A growing awareness of energy conservation is leading to an extensive range of downstream applications, including panels, mobile phones, electronic billboards, traffic lights, street lamps, household appliances, indoor lighting, and automotive lighting.

(2) IT products - Power supply units (SPS)

Power supply units are used primarily to convert external power supply to a stable current as needed

to be used by electronic products. The products are divided into four categories by current conversion method. The categories are AC/DC, DC/DC, AC/AC, and DC/AC. AC/DC consists of SPS, adapter, and open frame. DC/DC is mainly used for communication converter. AC/AC is UPS. DC/AC is found in inverters. Of the four, AC/DC is the most common application.

The company merged with Li Shin International Enterprise in 2007. Now more than 20% of the power supply manufactured are high-end power management systems used in network communication, servers and other high-end enterprise cloud computing products. Given slowing growth in the PC market, LITE-ON will continue to explore opportunities in consumer electronics, high-end network communication and servers and other non-PC power supply markets. With fast rising demand in handset electronic devices and in the cloud computing industry, the company develops power sources specifically for mobile phones and tablets, such as wireless chargers and quick chargers as well as high-end network communication server power management systems to enhance the product portfolio. LITE-ON will start exploring opportunities in special industry grade power systems and positioning itself as a provider of power management solutions in the future in order to continue the revenue growth momentum in power supply units.

Upstream - Components/Materials

Upstream raw materials for SPS consist mainly of transformers, capacitors, control IC, switches, diodes, wave filters, resistors, and PCB.

- Most key parts have to be imported. Taiwan is one of the major AC/DC SPS manufacturers in the world. There are a large number of suppliers of transformers, resistors, capacitors, wave filters, and PCB in the country. However, given Taiwanese suppliers provide mostly AC/DC SPS for desktop and laptop computers, most suppliers of parts and components have only the capability to manufacture mid- and low-end products. High-end capacitors and transformers have to be imported. Furthermore, Taiwanese semiconductor manufacturers pay less attention to high power electric or electronic modules or power supply control IC and module design. As a result, semiconductor components such as control IC and diodes have to be imported.

- The history of SPS development is more than 30 years old and it continues to show steady progress every year. There is a stable global supply of all key components/materials required in production. Apart from the local supply, Taiwanese manufacturers rely on high-end parts and components imported from the U.S. and Japan.

Midstream - SPS suppliers

There are more than a hundred SPS manufacturers in Taiwan. However, most of them produce AC/DC SPS products. Large manufacturers, such as LITE-ON and Delta Electronics, have AC/DC and DC/DC in their product lineups.

Downstream - Products and applications

The range of products and applications covers IT, communication, consumer electronics, industry and measurement, and defense and aviation. Being global in nature, these industries make SPS a widely used global product. Given its advanced IT industry, Taiwan plays a key role in the international market, and provides support and the main driver for SPS development in Taiwan.

(3) Storage products - solid state drives (SSD) and optical disk drives (ODD)

With the advantages of low power consumption, noiselessness, shock proof, and low operating temperature, SSD is gradually replacing traditional hard disk drives (HDD). LITE-ON started developing SSD products in late 2008 with a strong technical team. SSD can currently be found in desktop and laptop computers, industrial computers, automotive applications as well as enterprise SSDs for servers, workstations, and data centers.

In terms of ODD, LITE-ON maintains global leadership position in optical disk solution for years. The Company provides full range of ODDs from design to manufacturing with stable products and services. Clients include global top PC brand names as well as consumer products such as game consoles.

LITE-ON has approved the sale of SSD business to KIOXIA Corporation in the second quarter of 2020, while the ODD business remains.

Upstream - Components/Materials

The key parts of SSD include NAND flash, control chip, firmware, and DRAM. Given the major suppliers

are strategic partners with LITE-ON, there is no threat of parts shortage.

Midstream - Module manufacturers

The majority of SSD module design manufacturers include LITE-ON, South Korean manufacturers, and Japanese manufacturers.

Downstream - Products and applications

Products and applications are found in desktop and laptop computers, handset devices (mobile phones and tablets), gaming consoles, automotive applications, servers, industrial/ military grade computers, and aviation.

3. Product Trends

(1) Optoelectronics - LED

Owing to the growing environmental awareness, countries around the world are starting to ban the use of traditional incandescent light bulbs. Improvement of LED chips and packaging technology and optimization of LED lighting cost are consistently driving the global LED demand up and replacing the demand for traditional lighting applications. Besides indoor/ outdoor lighting applications such as traffic lights and street lamps, LED is being developed for portable consumer electronics such as mobile phone backlighting, keypad buttons, camera flash, tablets and laptops, LCD displays, LED television sets, and automotive electronics. Meanwhile, LED is being used heavily in automotive electronics and starting to replace traditional automotive lighting at a faster pace. The range of applications is expanding from in-vehicle lighting to exterior lights such as taillight, turn signal light, and headlight. LITE-ON entered the LED market in 1975. After more than 40 years in the business, the company has built a well-balanced product portfolio. LITE-ON's ongoing investment in optoelectronics in the future will include R&D plans for ceramic packaging with lenses, AC LED lighting, high efficiency multichip packaging, high reliability LED lighting components, low heat resistant packaging, smart lighting, IR LED components for biometric uses, and LED environmental sensors.

(2) IT products - power supply

Switch mode power supply units are gaining popularity with the rise of PC, mobile communication, and the Internet. Its growing popularity is fueling a steady growth in the SPS demand. LITE-ON has introduced high density network communication power supply units. The company continues to expand the product line. Consumers have become much more environmentally conscious in recent years. LITE-ON has incorporated environmental awareness into its product lines. The company is first to complete new products such as high efficiency energy saving power supply units and smart power supply units. The development of power supply products will move in the direction of high density power supply for cloud equipment and high efficiency power supply for data centers. Regarding power supply for servers and network communication products, the increasing demand for cloud database is leading to more rigorous requirements for high efficiency power supply systems. LITE-ON has the advantages of a technology leader and expects to continue to grow with an increasing market demand.

(3) Storage products

LITE-ON has approved the sale of SSD business to KIOXIA Corporation in the second quarter of 2020, while the ODD business remains.

LITE-ON has a leading position in global ODD market. Even though ODD market continues to be soft over the years, LITE-ON focuses on high-end applications and new markets, improving efficiency and cost structure.

4. Product competitors

Product	Company
Optoelectronics- LED	Everlight Electronics, Harvatek Corp, Bright LED Electronics, Unity Opto Technology, etc.
IT products- power supply units	Delta Electronics, AcBel Polytech, Chicony Power, etc.
Storage products – SSD and ODD	Samsung Electronics, Micron Technology, Intel, Toshiba, LG, etc.

5.1.3 Research and Development

5.1.3.1 Research and development expenses in the past two years

Unit: NT\$ thousands

Items/Year	2018	2019	For the Three Months Ended March 31, 2020
Research and development expenses	6,348,444	6,083,478	1,301,568
As a % of total revenue	3.07%	3.42%	4.00%

5.1.3.2 R&D Accomplishments in 2019

All business sectors of the Lite-On Group are committed to designing products in accordance with its green policies that encompass resource conservation, higher energy efficiency, carbon reduction, reduction of environmental toxicity, and recyclability of materials and resources. With green design incorporated into all stages of the product life cycle, LITE-ON continues to develop new products and technologies for customers. Technologies and products successfully developed in the past year are described as follows:

Power conversion

A number of high-performance power conversion technologies and products were developed. For example:

- (1) Power supply for medical equipment meeting medical level criterion on thermal, acoustic and safety requirements.
- (2) Server power supply supports firmware live update. Power supply firmware can be updated seamlessly while main output is still supplied.
- (3) High-efficient (~97%) 3kW power supply for supporting GPU applications.
- (4) 3kW high power density (63W/in³) power supply with air cooling (Fan) solution supports to work up to 55°C ambient temperature.
- (5) Developed an integrated dual-AC-input 18kW power shelf with battery backup units included. This is a power shelf designed for hyper-scale cloud data centers.
- (6) Developed an electric vehicle AC Travel Cord with a stylish appearance that can be carried on the vehicle and supports the functions of mobile APP settings and monitoring.
- (7) Design and develop a combined electric vehicle AC charge point, which can choose different functional combinations such as three-phase or single-phase, charging gun or charging so according to customer needs.
- (8) Battery back unit (BBU) for desktop PC power: Achieving cost competitive BBU with smaller size comparing with conventional UPS through the implementation of lithium battery, high efficiency power converting technique, and the integration with desktop PC power.
- (9) Energy Star external notebook power supply: Develop a highly integrated controller, reduce the number of electronic parts, and achieve the social responsibility of green energy and carbon reduction. And all can meet Energy Star Level 6 certification, EPEAT label and ErP Lot 7 requirements to meet the growing demand for green electronics purchases from the US, EU government and large organizations.
- (10) Miniaturization of 230W high-power external power supply, which reduces the appearance volume of existing products by 30%.
- (11) 65W high-power density (13W/in³) QC charger was switched to MP stage in Sep. 2019Y, eventually its average efficiency is at 90% level, 2% increasing from 88% to 90% owing to EMI performance compromise.
- (12) Executing the program control, optimizing production structure, saving the DL efficiency and increasing the equipment rate (from 85% to 92%).
- (13) 2.5kW hybrid electric vehicle 48V bidirectional DC converter, the power is 13% higher than the previous generation 2.2kW, and its maximum efficiency is 97%.

Optoelectronic semiconductors and LEDs

The product development of LED components is worked on improving light extraction efficiency, product reliability, and total quality management. Optical controlling technique and precision mechanical controlling technique were combined to improve color temperature uniformity and control radiation patterns so to meet customers' requirements for both of high color uniformity and optical design, eventually taking photos with high saturation colors at the end users' application. The developed UV products have high efficiency and high reliability and are used in sterilization, air purification, phototherapy, and water treatment. The development of LED components also aggressively involved in the fields of smart home appliances, wearable devices, automotive electronics, smart sensing, etc., in order to become the best business partner for global customers in the development of photovoltaic energy-saving and smart technology innovation applications. Meanwhile, the product development of LED components also followed a green design policy to develop green products to meet the challenges of climate change and their effects.

Lighting

- (1) In terms of LED outdoor lighting products, stay on top of current market trends and complete product development, integrate materials and optical related technologies, and lead the launch of low-glare and high-efficiency lighting products (corresponding patent portfolio) to meet the North American market human factors lighting demand.
- (2) For the external SPS products, in response to the specific needs of the Taiwan market, the organization and the related technology of optical lenses have been integrated to develop lightweight and high-efficiency luminaire, which comply with CNS regulations and can meet the market demand for traditional luminaire replacement.
- (3) In terms of smart lighting systems, the integration of smart light pole design and the introduction of various sensors and interactive display devices can be optimized for multiple conditions such as communication, energy saving, air quality, and transportation to meet customer needs.

Image input/output

- (1) The new A3 duplex scanner project has been authorized for development by Fuji Xerox at the end of 2019. It is the first A3 product officially launched. This product is expected to be completed by end of 2020 and mass production starts at Q1 of 2021. Lite-On's A3 scanner module provides a cost advantage and it is also an important starting point for becoming an ODM supplier of Fuji Xerox's commercial large size scanners.
- (2) IMG is now joint-developing a high-speed sheet-feed scanner with UNIS. The main customer base will be focus on government, education units, and financial institutions. China is promoting China-Localization printers, scanners and multi-function printers. UNIS has high expectations on this new machine and hopes to start mass production by the end of 2020, this task is highly valued by China.
- (3) IMG has launched a new generation Printer/MFP with Lenovo in Q3. The new scanner module Lite-On provided has features including slim, light weight, eco-friendly, innovated design, and cost-effectiveness. Also the new sheet-feeding mechanism design breaks through the existing design concept of small-size MFP. Now it is applying for new patent in mainland China.

Human input solutions

Input devices refer to accessories such as desktop keyboards, keypads, keyboard modules for laptops, mice, and intelligent remote controls. In the desktop keyboard category, LITE-ON produced conventional as well as Bluetooth keyboards and gaming mice that featured new mechanisms and materials. In development of new products, the company continued to work on multi-mode wireless transmission technology, wireless low-power consumption mouse and laptop keyboard modules with new ultra-slim mechanisms and materials, ultrathin laptop keyboard, magnetic laptop keyboard, anti-noise keyboard. The above technologies have related patent layouts and devices including high-end Bluetooth tablet keyboard, backlight module, and multi touch keyboard and mouse.

Enclosures

By closely joining development with customers to provide optimized designs, and increasing manufacturing efficiency, we continue to enhance our competitiveness in enterprise server enclosures. And in response to the needs of North American data center customers, we have also completed the development and supply of peripherals mechanical parts other than chassis and established non-Chinese production options. In addition, the high-end gaming chassis joining development with domestic leading gaming brand has completed mass production and shipment and got high evaluation by the market.

In terms of automation production line, there also has significant progress. It has been achieved that 80% stamping

capacity is produced by automated stamping line. The efficiency of the existed fully automatic HDD carrier assembly line has been improved. And completed the introduction of automatic optical inspection. The chassis automatic assembly and more flexible next-generation fully automatic HDD carrier assembly line are our next development target.

Networking

LITE-ON is one of the leading suppliers of design and manufacturing in the ethernet market. The company is dedicated primarily to development of wired network products and solutions as well as high performance data center and enterprise network applications.

By providing the latest communication technologies and the best high performance products with added values, LITE-ON will continue to invest in R&D in the network market that will give customers the best network products with the latest network technologies and solutions.

- (1) Luxury house ethernet switch: complete developing low noise access switches with port range from 12 to 44 ports with LITEON NOS included.
- (2) Cloud Firewall/SDWAN: complete developing low port to high port count firewall and SDWAN products.
- (3) Versatile CPU: Provide multiple CPU vendors and models to customer. Customer can base on their application to select the best CPU for their product.

System solutions

By observing market trends, we have decided on data center, AI computing center, and customized IPC as the products (IPC) to which we would shift our resources. Unlike other PCs and desktops in the market. IPC is one of the few customized products with a high gross margin. The company has obtained a customer's (Qbic Technology) Point Of Sale's(POS) main board & LED board & COM board design and system production. Production and shipping are expected to begin in September 2020.

Automotive electronics

- (1) In the automotive lighting module category, LITE-ON kept good partnership with global leading automotive lamp makers and provided a wide variety of exterior and interior LED modules. Due to more requirements for stylish and personalized recognition, sequential lighting effects became quite popular. This function was integrated in both head lamps and rear lamps. Several designs went into mass production in 2019. Since intelligent headlights penetration rate increased gradually and were not limited to luxury cars only, we developed related lighting pattern control and optical measurement techniques accordingly. More and more high-power / multi-chip LED applications in intelligent headlights also indicated more and more demanding thermal design challenges. Another important trend is the standardized / modular design. Through automation assembly technology development, we enhanced the production efficiency and the yield rate significantly.
- (2) In the field of automotive visual safety, get business from major international manufacturers; the wide-angle two-megapixel camera module for surround view display systems has been officially mass-produced at the end of 2019 and has been successfully developed. The megapixel image sensor module for vehicle interiors combined with infrared light sources is used to enhance the safety of vehicle interior drivers and passengers. The newly designed infrared megapixel image sensor module in the interior of the car has also been adopted by world-leading self-driving car brand manufacturers and is expected to be mass-produced in the first quarter of 2021.
- (3) In the body control system category, development continued in the core motor driving technology for anti-pinch sunroof and power window modules. The modules were put to mass production and introduced into large Chinese manufacturers and integrated into controller area network (CAN)/local interconnect network (LIN) as well as remote door lock/sensor control technology. High power anti-pinch power tailgate modules were also being developed to give users a tailgate system that offered both comfort and safety. In the future, LITE-ON will continue to develop Ripple count function for Panoramic sunroof controller.

Industrial automation

- (1) We got already positive achievements for the released general-purposed high-end, mid-end and simplified inverters, the related higher power rating products were also released as the enhancement, the specialized inverters were released to related customers successfully. Continuous development and enhancement was planned for matching more customers' demand and getting more market share.
- (2) New generation servo drive with higher performance and field bus support, first generation of motion controller product were released in 2019 successfully, and were launched in 2019 SH industrial exhibition with system solution

(Motion controller + Servo/inverter drive), which is a very important milestone for IA from separate products to whole system solution.

- (3) For enlarging the servo drive product portfolio and related application/market, getting more servo drive customers, the new servo drive platform was also started and planned to be released step by step in 2020/2021, which will bring more achievements to IA business.
- (4) The first generation IIoT product was released to the market, and was used in our OPS smart factory application. The products are successfully installed and used in OPS TJ and CZ factory, and started also for Thailand factory, getting already quite positive feedback.

Storage

- (1) The product development of ODD is keeping to provide premium and value-added services to particular customer, such as :
 - (a) Big data storage equipment : Develop customized big data storage equipment in the BD archiving framework.
 - (b) Premium ODD for Duplicator : Based on continuous burning with fixed media for long time in Duplicator, LITE-ON cooperated with disc manufacturer and copy tower vendor to develop stable burning quality and long burning life ODD for Duplicator customer.
 - (c) Premium ODD for judicial surveillance equipment : Based on real-time low speed and high burning quality demand in judicial surveillance equipment, LITE-ON enhance low speed servo control stability and burning quality for judicial customer.
- (2) The replacement of traditional HDD by SSD is now the mainstream. SSD is widely used in laptops and tablets. In addition to supplying SSDs for use in PC/NB and tablets through friendly partnerships with existing customers, the company will seek to expand in servers and other PC markets and start supplying retail products through various channels. In response to the big data era, the original transmission interface rate has been insufficient, and the new specification has been upgraded to PCIe Gen4. And expand to cloud-type application storage devices and industrial storage devices, develop new technologies to allow SSDs to reach a wider range of operating temperatures.

Internet communication module

- (1) 802.11ah (Wi-Fi HaLow[™]) communication module: LITE-ON developed a Wi-Fi HaLow[™] communication module that complies with the Wi-Fi Alliance[®] IEEE 802.11ah technology, compared to 2.4G / 5G WI-FI, 802.11ah communication technology running at the frequency band below 1GHz helps WIFI CERTIFIED[™] products to achieve longer distances connection in lower power consumption, the insufficient of 802.11ac and 802.11ad wireless technology at transmission distance and mobility but 802.11ah's advantage will cover it.
- (2) LoRa communication module & LoRa gateway card: LITE-ON developed high power LoRa communication module and Lora Gateway Card to support customers quickly to implement low power wide area private network communication system.
- (3) SigFox communication module: LITE-ON developed full zone Sigfox Module and pass SigFox Verified certification (RC1 ~ RC6 Monarch). With SigFox base stations deployed in various countries around the world, customer devices can directly upload data to the SigFox cloud system and achieve cross-region roaming by Monarch feature enable, realize Global One Network's communication system.
- (4) NB-IOT communication module & tracker device: For 3GPP standardized LPWAN solutions, LITE-ON developed the NB-IOT wireless communication module (R14 Specification) to help customers quickly design NB-IOT devices that could be effectively connected to telecom's base stations, also cooperate with telecommunications operators developing NB-IOT tracker device to help customer establishing NB-IOT services system.

Video surveillance

- (1) City Surveillance IP Camera: LITE-ON provides One Stop Shopping service to local government, including networking communication, street illumination, environmental monitoring, and video surveillance devices. Aside from reliable and weather resistance hardware, our cameras have remote control (Auto Focus) lens and support triple power source (AC/DC/PoE). By using LITE-ON smart city cameras, the installation time and maintenance expense could be dramatically reduced.
- (2) Enterprise Vertical IP Camera: Networking customers require their cameras with both wired (PoE) and wireless (Wi-Fi) communication capabilities to fulfill the demand of enterprise clients. Leveraging the product development experience in smart city segment, LITE-ON provides various types of camera for indoor, outdoor, office and facility monitoring application. Furthermore, specific software and hardware are implemented onto the cameras

- to prevent hacker intrusion and guarantee cyber security in the field.
- (3) Smart Home IP Camera: Video intelligent surveillance has replaced traditional intrusion detection and becomes No.1 in home security service. Edge video analytics and wire-free are “Must” in new generation of Smart Home. LITE-ON’s smart home cameras have equipped with high computing power SoC, well transmission/reception antenna, and energy saving circuit to meet the demand. Together with own development video analytic algorithm, we help our smart home customers to deliver best-in-class cameras to the market.
 - (4) Our Business focuses on the following segments:
 - (a) Technology: Maintain RF design and image tuning in leading position.
 - (b) Channel: Focus on Tier 1 telecom companies, service providers and system integrators.
 - (c) Production: Apply automatic image and function tests for all cameras; phase in robot assembly in the long run to ensure product quality and enhance throughput.

Smart vehicle applications

- (1) In the ADAS category, the company developed a head-up display (HUD). In addition to solutions for vehicles of various sizes, LITE-ON developed HUDs with different fields of view (FOV) and image depths. Design also shifted toward a modular approach that used shared components to shorten design hours and make products more competitive. In compliance with ISO26262 functional safety standard, the HUD product is developed in AUTOSAR software architecture, and has been adopted by international car OEM companies. LITE-ON will proceed to develop AR HUDs in the future. Traffic updates will be built in to provide driver assistance information and a safer, more comfortable driving experience.
- (2) In the In-vehicle infotainment category, LITE-ON developed a wireless charger module compatible with the latest Qi-standard of WPC. This solution equipped a free-of-position feature for phone sitting and foreign object detection (FOD). With a patented Comb type shielding, it can avoid electromagnetic interference. In addition to CAN or LIN network communication, this wireless charger embedded NFC function for WIFI or blue tooth pairing or data transferring with phone. The 1st generation (5W solution) has been adopted by a leading international car OEM company for years, and the 2nd generation (15W solution) is expected to mass production in 2020.

Connected Vehicle and Application

- (1) In the internet of Vehicle category, LITE-ON succeeded in developing a telematics box, which integrates CAN (Controller Area Network) / LIN (Local Internet Connection Network) and other car body network systems. And through wireless technologies 4G, GNSS and WIFI to realize vehicle information collection, remote diagnosis, remote control, e-Call and other functions. Company also invested the advanced driver assistance systems (ADAS) with map and navigation function.
- (2) On-Board Diagnostics-II(OBD-II) dongle, LITE-ON succeeded in developing a OBD-II dongle, which integrates CAN / K-LINE and other car body network systems. And through wireless technologies 4G, GNSS and WIFI/BT to realize vehicle information collection and driving behavior analysis.

Smart Connected Solution

- (1) In Smart Home category, LITE-ON successfully enriches the portfolio by providing products in lighting, energy conservation and smart controllers. Comprehensive support for the Internet of Things technologies enables various products to connect to the intelligent cloud. With highly interacting through customize cloud applications, the solutions create more intelligent user experience and provide users a convenient, comfortable and energy-saving life.
- (2) In Home Security category, LITE-ON successfully entries smart security solution by a variety of sensing technologies combined with a variety of wireless communication protocols and integration of various sensory detection algorithms. The sensing technology to be key feature and will provide home users with a comprehensive range of integrated services in security monitoring, environmental monitoring and disaster warning.
- (3) In Tracker category, LITE-ON works closely with top technology providers to design and develop a series of low-power long-range commercial trackers. This series of tracking devices have been successfully introduced into the B2B field market and have been practically used in large-scale world-class exhibition activities. With the cloud platform, it provides users with a diverse product portfolio in personnel positioning, asset tracking, and logistics management.

5.1.3.3 Future R&D Plans

The company and its subsidiaries plan to hold the R&D budget steady at 3% of the revenue. The categories above and new businesses will continue to be given equal weight in R&D projects so to meet customer expectations and market demand. Flagship R&D projects can be found in Chapter 7. Review of Financial Conditions, Financial Performance, and Risk Management under the Analysis of Risk Management.

5.1.4 Long-term and Short-term Development

The short-, medium-, and long-term business development plans of LITE-ON can be approached from product prospects and market prospects as follows.

1. Product prospects

Short term

Continue to work on improving product quality and learning new product specifications and structures in order to ensure product specifications are up to date and applicable, shorten the cycle from product design and order acceptance to delivery, create more flexibility in international delivery, satisfy customer demand for products and services, and become mutually supportive partners with customers to maintain a steady stream of orders.

Medium term

Focus investing R&D resources into enhancing the product portfolio, and continue to develop new zero-pollution, high-performance products and improve the production process for higher production efficiency. Work closely with customers by supplying reliable, advanced products and develop steady long-term customer relationships.

Long term

Raise the standards for R&D and invest more in patent applications, develop a complete product line, and improve the production process to increase product yield and quality. Look toward trends in technologies and extend the product reach into new fields and applications. Move forward from supplying parts and components to offering system integration that satisfies the global demand for total solutions in key markets. Take products to the next tech level while building a global logistics management and delegation system to establish by integration a stable, permanent international marketing network. Create more financial administration functions overseas and improve the performance of overseas sales centers as part of the ongoing effort to strengthen core competencies. Use open communication channels and management systems to connect the business units and facilitate cooperation to make efficient use of group resources and maximize synergy.

2. Market prospects

Short term

Maintain the quality of existing products as well as invest aggressively in the development of new high-end products. Stay highly competitive by providing complete products and services that customers and the market need.

Medium term

Enhance customer services on an ongoing basis, and provide total solutions in different end markets, thereby gaining a larger global market share in existing products.

Long term

Achieve higher economies of scale, actively explore sales opportunities around the world, and strengthen the global network for high-end products and services by diversifying markets to reduce the impact of any one market or changes in the economic outlook.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Main product distribution regions

LITE-ON is a global leading manufacturer of optoelectronic parts and components. In particular, main products including optoelectronic products, IT products, and storage products accounted for more than 90% of LITE-ON's revenue in 2019. The distribution regions are shown by product as follows:

Unit: NTD '000, %

Region/Year		2019	
		Sales	Percentage (%)
Domestic Sales		1,920,894	1.08
Exports	Americas	39,370,373	22.12
	Europe	21,404,220	12.03
	Asia	114,984,143	64.62
	Other	274,536	0.15
Total		177,954,166	100.0

2. Market shares

The market shares for LITE-ON's main products are as follows:

Main product	Global market share in 2019 (%)
Optoelectronics products - LED	4.5%
IT products - power supply	12.0%
Storage products - PC and server solid state drives	2%

3. Future market supply and demand and growth potential

Based on reports from the Photonics Industry & Technology Development Association and other market research institutions and research department reports from securities dealers, the company has made future market size and growth estimates for its main products as follows:

Main product	Estimated market size in 2020	Estimated CAGR (%) in upcoming 2 to 3 years
Optoelectronics - LED	approx. US\$ 19.0 bn	1%~3%
IT products - Power supply	approx. US\$ 16.3 bn	0.5%~0.6%
Storage products – PC and server solid state drives	approx. US\$ 39.5 bn	14%~15%

(1) Optoelectronics products - LED supply and demand

Impacted by weaker end demand and unclear international trade policy in 2018, although LED market encountered the challenge of oversupply, it still posted a gradual recovery in 2019. Even with the impact of coronavirus (COVID-19), LED for niche applications still shows a positive outlook in a longer term.

In the lighting applications market, growth is fueled by LED outdoor lighting applications. 2018-2019 global car sales declined, while penetration of vehicle lighting has increased. LEDinside projected that the total production value of global automotive LED will reach 4.21 billion USD by 2023. Special applications such as infrared LED of invisible LED can be expected to show visible growth. TrendForce estimated that 3D sensing LED for VCSEL in handset market may post a 30% growth in 2020.

(2) IT products - supply and demand of power supply

According to IDC Research, the global PC market performed comparatively well with a shipments growth of

2.7% YoY, ending the continuous decline for seven years. Nevertheless, IDC pointed out that PC market is still full of challenge. On top of that, the impact of coronavirus (COVID-19) outbreak intensifies the uncertainty. The global PC market is expected to shrink by 7.1% in 2020, therefore, is expected of the total shipment of PC related power supply. Regarding power supply for servers and networking products, the rising demand for cloud computing and the fast growing number of cloud databases will continue to fuel the demand for high-end power supply. Meanwhile, consumer electronics such as smartphones, game consoles, LED TVs, and AI Smart Home are expected to drive the demand for power supply units in the market.

(3) Storage products - supply and demand of solid state drives

Solid state drive (SSD) offers advantages such as high performance, drop/shock resistance, power efficiency, and less noise. As SSD penetration rising significantly, SSD is now accepted as one of the mainstream storage products.

LITE-ON started developing SSD products in late 2008. The R&D team developed in-house firmware that could be integrated with the hardware to give SSD products speed as well as durability and stability, receiving much positive feedback.

Nevertheless, considering that SSD market is close related to material (NAND Flash) price, LITE-ON has approved the sale of SSD business to KIOXIA Corporation in the second quarter of 2020, while the ODD business remains.

4. Favorable and unfavorable factors to long-term development and countermeasures:

(1) Favorable factors

LITE-ON is equipped with excellent R&D and design capabilities. The company is able to provide customers with a complete range of total integrated solutions (excluding channel marketing) in parts and components, mobile phones, IT, imaging, network, automobiles, and other peripherals as well as one-stop services. In addition to having an integrated supply chain, the company invests extensively in R&D on an ongoing basis, and utilizes its abundant resources to improve product quality and develop new products. LITE-ON works to differentiate itself from traditional EMS/ODMs and make itself the first choice supplier for customers.

(2) Unfavorable factors and countermeasures

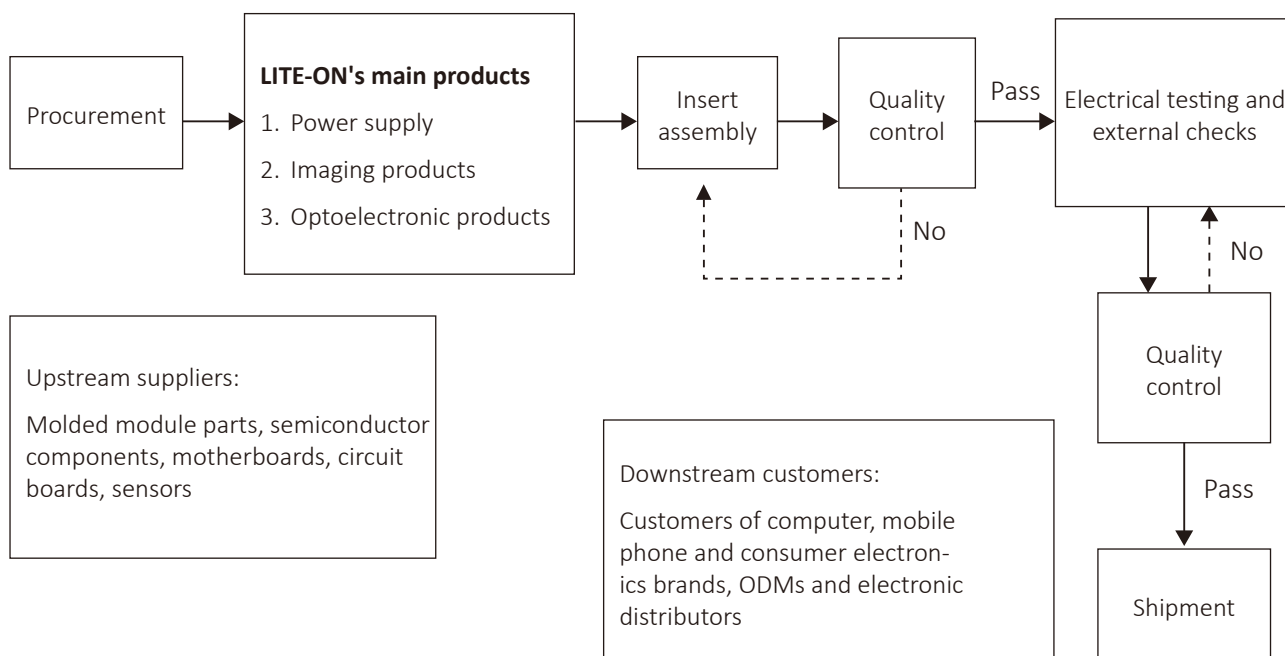
Unfavorable factor	Countermeasure
Impact of changes in global economic outlook	Find new customers, develop new products, and increase technical capabilities to counter changes in the global economic outlook.
Impact of exchange rate changes on profit	A complete set of foreign exchange hedging measures are already in place to counter changes in exchange rates.
Volatility in prices of oil and raw materials	Enter long term agreements with suppliers to provide a steady supply at stable prices to counter volatility in raw material prices.

5.2.2 Production Procedures of Main Products

1. Important Applications of main products

Main product	Applications
Optoelectronics products - LED	Communication network applications and products, computers and peripherals, consumer electronics, automated equipment, health care products, LED lighting, traffic lights and industrial indicator lights, optoelectronic switches, indoor/outdoor display panels, automotive panels, stereos, automotive lamps, and wireless data transmission products.
IT products - power supply	Power supply in corporate and personal computers, communications, network communications, servers, and automated facilities.
Storage products - solid state drives	SSD products used in PC/NB as well as in servers and retailing products through the channels.

2. Production process for main products



5.2.3 Supply Status of Main Materials

All LITE-ON factories around the world have stable long-term relationships with their affiliated factories and raw material suppliers. Therefore, suppliers are able to supply at the most competitive prices and forms. It allows LITE-ON to maintain a long-term advantage in product cost and to provide the best services for its customers.

5.2.4 Major Suppliers and Customers

5.2.4.1 Major Suppliers

Not applicable as the Company's procurement from a single supplier does not exceed 10% of its total procurement in the last two calendar years.

5.2.4.2 Major Customers

Not applicable as no single customer contributed 10% or more of the company's net revenue in the last two calendar years.

5.2.5 Production in the Last Two Years

Unit: Capacity/Output (K port, K set); Amount (NT\$ thousands)

Output Major Products	Year	2019			2018		
		Capacity	Output	Amount	Capacity	Output	Amount
Optoelectronics		25,235,674	22,304,866	30,308,518	25,164,000	23,131,132	44,934,159
Information technologies		1,524,010	1,147,098	121,488,027	1,102,727	930,739	121,260,654
Storage		148,771	80,584	21,604,327	296,670	163,494	33,243,005
Others		279,515	271,399	4,228,233	756,980	751,306	6,665,470
Total		27,187,970	23,803,947	177,629,105	27,320,377	24,976,671	206,103,288

Note 1: Capacity refers to the company's quantities that can be produced using existing production facilities in normal operations, after consideration of necessary suspensions of operations, holidays and other such factors.

Note 2: This form is based on the parent company's global consolidated statistics.

5.2.6 Shipments and Sales in the Last Two Years

Unit: Shipments (thousand sets) / Net Revenue (NT\$ thousands)

Shipments and Sales Major Products	Year	2019				2018			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Optoelectronics		2,561	342,147	19,582	27,972,238	2,563	483,941	26,968	43,003,721
Information technologies		3,663	736,313	349,206	118,370,624	3,014	530,508	352,369	118,830,484
Storage		Note 1	354,523	Note 1	21,225,313	Note 1	314,065	Note 1	32,913,557
Others		3,834	487,911	5,287,019	8,465,097	3,420	229,667	5,581,382	10,803,145
Total		10,058	1,920,894	5,655,807	176,033,272	8,997	1,558,181	5,960,719	205,550,907

Note 1: The relevant information will not be disclosed publicly subject to the Non-Disclosure Agreement.

5.3 Human Resources

Employee statistics in the past two years up to publication date.

As of March 31, 2020

Year		2018	2019	2020 (as of March 31)
Number of employees	Managers/Professionals/Clerical	12,688	12,071	12,789
	Technician/Operator	29,113	26,605	26,788
	Total	41,801	38,676	39,577
Average Age		29.0	31.0	31.5
Average Years of Service		3.0	4.1	3.9
Education	Ph.D.	0.2%	0.2%	0.2%
	Masters	5.0%	5.2%	5.2%
	Bachelor's Degree	20.9%	22.9%	22.4%
	Senior High School	19.0%	18.0%	17.2%
	Below Senior High School	54.9%	53.7%	55.0%

Note: The above information does not include outsourcing labor.

5.4 Environmental Protection Expenditure

5.4.1 Loss due to environmental pollution in 2019 up to publication date in 2020:

In the last year and as of the date of publication, no loss for the significant environmental violation.

5.4.2 Countermeasures:

LITE-ON commits to designing and manufacturing products that are friendly to the environment and to educating employees on the importance of environmental protection in order to implement responsible production and effectively control air pollution, hazardous waste, energy use and noise generated during the design and manufacturing process. In addition, LITE-ON continually improves our environmental management system to define operational procedures for environmental control and to monitor the progress of its implementation. Last but not least, we have set up the carbon emission reduction and waste reduction goals beyond the regulation and in coordination with international trends. We enforced the company's governance capacity on environment-related risks to minimize the influence on the environment in the enterprise operation, and practice the corporate's sustainable development.

5.5 Labor Relations

5.5.1 Employees are the Group's most important partner in achieving sustainable development. To ensure employees' rights are protected, the Group has installed open two-way communication channels and complaint hotlines aimed to protect employees and their rights. The Group also provides complete career development plans and a friendly workplace. It supports a variety of activities and employee care programs to build a work environment of "passionate, motivating, innovative, and growing". The employee benefits, continuing education, training, retirement systems and their implementation as well as employer-employee agreements and various measures to protect employees' rights are described below.

1. Employee benefits and implementation

The ongoing investment in employee benefits are aimed at employees' needs in work and life as well as health and safety. In addition to wages and salaries, employees receive a range of non-work-related allowances and benefits for themselves and their families. These programs encourage employee loyalty and team spirit in the Group. The company provides the following benefits and mental/physical health promotion programs:

- (1) An employee remuneration system is in place for the company to share its success with its employees.
- (2) The Employee Welfare Committee has been established according to the law for the purpose of working to enhance employee benefits and emergency assistance programs.
- (3) The group insurance plan provides an additional layer of protection for employees.
- (4) Worker safety, environmental protection, and health and safety education are part of the on-the-job training.
- (5) Tokens of appreciation are given out on the Chinese New Year, Labor Day, the Dragon Boat Festival, the Mid-Autumn Festival, and the yearend dinners in addition to individual birthday gifts.
- (6) An annual allowance for incentive trips and support for employees to form different social clubs are available to encourage a work-life balance.
- (7) An continuing education allowance is available every year to encourage employees to seek self-improvement and upgrade skills in all areas of life.
- (8) The Employee Assistance Programs offers counseling as well as management, legal, health care, and finance advice.
- (9) The Health and Charity campaign continues to help employees get fit. The campaign turns weight loss results into real benefits for elementary schools and students for whom LITE-ON has been a long term supporter.
- (10) Health-, management-, or charity-themed seminars are organized every year for employees to expand their horizons outside work.



2. Employee education and training and implementation

(1) LITE-ON Group's commitment to learning and development

Employees are LITE-ON's most important assets, and training is the key to ensuring growth of human capital. It has been stated as part of the Group's mission statement that "the purpose of training is to provide employees with the right management skills, professional knowledge and team work to help the organization thrive and maintain sustainable growth." As a result, learning and development receive the highest degree of emphasis at LITE-ON.

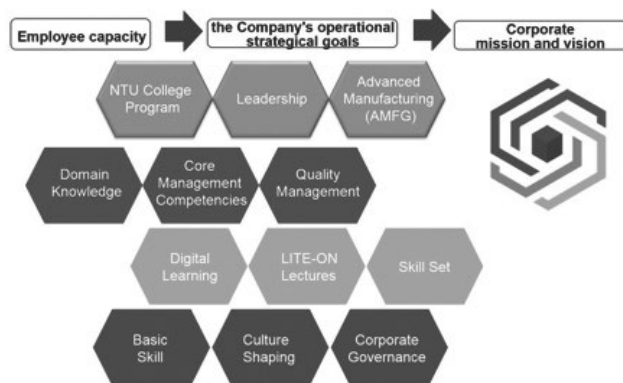
(2) LITE-ON Group's learning structure

LITE-ON's learning structure is founded on the organization's strategy, vision and values. Through comprehensive curriculum planning, 12 modules of learning roadmaps have been established and based on new employee orientation, specialized training, strata training, and self-development.

LITE-ON training's 12 modules include:

- Designed with new employees in mind, modules in: Basic skills; Culture shaping; and Corporate governance.
- Emphasizing employees' self-learning, modules for: Digital learning; LITE-ON Lectures; and Skill set.
- Enhancing professional competencies with modules about: Domain knowledge; Core management competencies; and Quality management.
- Modules designed for management in: NTU college program; Leadership; and Advanced Manufacturing (AMFG).

These allows employees at every level to set goals for self-development. Through positive training cycles, organizational capacity is increased. The Company's operational goals are furthermore achieved, thus realizing LITE-ON's mission and vision for sustainable operations.



LITE-ON training's 12 modules

(3) Training implementation

- In 2019, LITE-ON Group delivered 1,209,326 hours of training. On average, each employee attended 31.3 hours.

2019 RBA code of conduct course

Locations	Total of attendees	Percentage of total employee	Total training hours
Taiwan	4,045	87.2%	1,103
Mainland China	22,536	74.4%	91,850
Thailand	193	9.9%	1,578
Vietnam	711	100.0%	356
Other overseas	277	25.6%	780
Total	27,762	71.8%	95,666

2019 Anti-Corruption including material insider information, anti-trust and compliance courses

Locations	Total of attendees	Percentage of total employee	Total training hours
Taiwan	3,867	83.3%	3,710
Mainland China	22,467	74.2%	200,800
Vietnam	711	100.0%	356
Other overseas	78	7.2%	524
Total	27,123	70.1%	205,389

- Accumulated training expenses in 2019 were NT\$124.9 million which includes actual cost and opportunity cost (the payroll for attendees working hours).

3. Retirement and implementation

LITE-ON makes contributions to employees' pension funds according to local regulations, regardless of where it operates in the world. Today, 100% of its employees have joined a pension plan. In Taiwan, the pension policy complies with the Labor Standards Act where contributions are made regularly to employees' pension accounts; in China, employees are insured according to local regulations, and is fully funded to provide for employees' retirement needs in order to secure a comfortable lifestyle after retirement. For employees in Thailand, companies

establish pension policies and make employees' pension contributions in compliance with local regulations. The human resource department regularly reviews the list of soon-to-be-retiring employees, and will inquire about their plans for retirement and help them make career plans.

In Taiwan, employees' pension schemes are governed either by the Labor Standards Act (the old scheme) or the Labor Pension Act (the new scheme) of the Republic of China. Employees who came onboard on or before June 30, 2005, are entitled to carry forward their years of service from the old scheme to the new scheme. Under the old scheme, the company contributes 2% of employees' monthly salaries into a pension account held with the Central Trust of China. This reserve has accumulated to NT\$1.05 billion to date, and is fully funded to provide for employees' retirement needs. Under the new scheme, the company contributes 6% of employees' monthly salaries into their personal pension accounts. In addition to the monthly 6% contributions made by the employer, employees may also choose to contribute another 0%~6% of their salaries into their pension accounts.

4. Labor-management agreement status:

LITE-ON values the employer and employee relationship. The company works to strengthen communication between employees and their supervisors on work targets, skills and behaviors regarding their units and individuals. Large internal communication meetings are organized and hosted by senior managers to encourage employee loyalty and identification with the company. Regular employer-employee meetings take place to gather and deliver feedback and suggestions from employees and facilitate a friendly employer-employee relationship that unites the employer and employees toward the same goals. The company makes communication channels available to employees so that all employees are able to give their comments or suggestions at any time.

5. Protection of employee rights and implementation

The Group has created the Employee Welfare Committee, the Pension Supervision Commission, and the Health to regularly review contributions to and utilization of the Employee Welfare Fund, contributions to and utilization of the pension plan, and adoption of health and safety behaviors and habits. Internal education and training courses and the internal publication, "LITE-ON Magazine", as well as other regular and ad hoc communication meetings all serve to reiterate the company's policies, programs, and various benefits.

6. Employee code of conduct

The company uses its intranet website to convey clearly to its employees the benefits and programs implemented by the company over the years. The employee code of conduct is also stated clearly on the website. It is described as follows:

- (1) Company employees may not give or accept any gifts intended to improperly influence normal business or decisions.
- (2) Customers and company employees may engage in reasonable social activities within the course of the business contact in so far as such activities are clearly for business purposes and are respectable in tone.
- (3) Company employees shall avoid any improper actions, and under any circumstances, company employees shall not offer or accept any form of kickbacks or request improper benefits.
- (4) Duty of confidentiality: Employees, during employment and after termination of employment, may not disclose or give to any third party any trade secrets of LITE-ON (including its affiliates) or a third party that are developed or acquired during employment.
- (5) Intellectual property rights: All intellectual property or other related rights created or completed by employees performing their duties by use of LITE-ON's tangible or intangible resources shall be the exclusive property of LITE-ON or individuals designated by LITE-ON.

LITE-ON builds its success on its core values, "Customer Satisfaction," "Excellence in Execution," "Innovation," and "Integrity". The company leaves no stone unturned in its pursuit of a positive and friendly employer-employee relationship and a win-win situation for all parties involved.

7. Work environment and personal safety measures

LITE-ON adhere to the Labor Health and Safety requirements specified in local regulations whereby LITE-ON operate. We strive to enforce labor safety and health management. We provide pre-service health checkups and trainings to new employees on labor health and safety. Regular health checkups are freely provided for in-service employees annually. Special health examinations will be conducted for employees who may perform special health hazards work. These employees must also use appropriate personal protective equipment (PPE). The company follows Occupational Safety and Health Education and Training Rules and other relevant rules, and provides such education and training to new employees. The company regularly holds health and safety education and training classes, including classes on electrical safety, the use and management of hazardous chemicals, and first aid. For fire prevention and safety, the company conducts fire drills every six months to improve the employees' essential knowledge regarding disaster prevention.

In order to prevent occupational diseases and occupational accidents, all plants have established EHS promotion task forces, which work in conjunction with internal audits and external audits. These task forces oversee environmental health and safety, and improvement actions, throughout the company. A zero workplace accident scorecard is a key operations and management indicator.

5.5.2 In 2019 and in 2020 as of the date of this annual report, there have been no losses resulting from labor disputes.

5.6 Important Contracts

Nature of Contract	Contracting parties	Commencement date/expiration date	Content	Limitation clauses
Manufacturing and sales agreements	International corporations, including but not limited to 3C and IT industries.	June 2, 2003 till now	Design, manufacturing, and sales of LED packaging for lighting applications, automotive electronic parts and components, camera module, power supply units, server and network communication parts and components, multi-function peripherals (MFP), computer keyboards and casing, optical disc drives, solid-state drives and other related parts or components of the said product.	Confidentiality clauses
Licensing agreements	Several owners or Licensors of patented (including but not limited to optoelectronics, IT, media playback, keyboard and the related technical fields)	January 20, 2004 till now	License and the payment or collection of royalty	Confidentiality clauses

6. Financial Highlights and Analysis

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Statement of Comprehensive Income

6.1.1.1 Condensed Balance Sheet (Consolidated)

Unit: NT\$ thousands

Year		Financial Summary for The Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		150,313,451	157,924,039	145,063,307	157,984,918	146,852,680
Property, Plant and Equipment		33,389,439	27,826,214	22,490,411	20,484,992	19,171,374
Intangible assets		15,938,232	15,209,734	9,828,658	5,914,084	5,947,819
Other assets		10,012,741	9,896,801	12,613,381	12,752,075	14,660,630
Total assets		209,653,863	210,856,788	189,995,757	197,136,069	186,632,503
Current liabilities	Before distribution	109,830,689	116,321,118	114,596,707	120,612,081	109,397,843
	After distribution	114,944,182	123,185,650	121,461,238	127,476,613	(Note 2)
Non-current liabilities		20,139,581	15,255,234	1,631,621	1,845,587	2,593,270
Total liabilities	Before distribution	129,970,270	131,576,352	116,228,328	122,457,668	111,991,113
	After distribution	135,083,763	138,440,884	123,092,859	129,322,200	(Note 2)
Equity attributable to owners of the parent company		75,988,511	75,931,535	70,511,478	71,323,756	72,459,775
Share Capital		23,349,283	23,508,670	23,508,670	23,508,670	23,508,670
Capital surplus	Before distribution	27,326,434	27,497,719	27,575,950	21,745,417	21,819,350
	After distribution	27,326,434	27,497,719	21,675,274	21,745,417	(Note 2)
Retained earnings	Before distribution	23,366,328	27,496,140	23,219,598	30,545,001	33,120,165
	After distribution	18,136,089	20,631,608	22,255,743	23,680,469	(Note 2)
Other equity		3,195,188	(1,322,272)	(2,544,018)	(3,226,610)	(4,717,096)
Treasury shares		(1,248,722)	(1,248,722)	(1,248,722)	(1,248,722)	(1,271,314)
Non-controlling interests		3,695,082	3,348,901	3,255,951	3,354,645	2,181,615
Total equity	Before distribution	79,683,593	79,280,436	73,767,429	74,678,401	74,641,390
	After distribution	74,570,100	72,415,904	66,902,898	67,813,869	(Note 2)

Note 1: The financial statements have been audited by independent auditors.

Note 2: The appropriation amount for 2019 still has to be approved at the AGM.

6.1.1.2 Condensed Statement of Comprehensive Income (Consolidated)

Unit: NT\$ thousands (Except EPS: NT\$)

Year Item	Financial Summary for The Last Five Years (Note 1)				
	2015	2016	2017	2018	2019
Operating Revenue	216,928,734	229,571,758	214,564,322	207,109,088	177,954,166
Gross Profit	28,141,217	31,258,268	27,709,817	27,102,249	27,337,664
Operating Income	8,652,823	12,709,260	8,343,964	7,485,813	9,345,222
Non-operating Income and Expenses	1,353,818	(66,233)	(4,972,370)	3,298,308	3,018,616
Profit Before Income Tax	10,006,641	12,643,027	3,371,594	10,784,121	12,363,838
Net Profit	7,312,832	9,372,564	2,631,131	7,967,084	9,405,517
Other Comprehensive Income (Loss) for the period, Net of Income Tax	(1,195,235)	(4,785,986)	(1,312,761)	(348,578)	(1,432,532)
Total Comprehensive Income	6,117,597	4,586,578	1,318,370	7,618,506	7,972,985
Net Profit Attributable to Owners of the Parent Company	7,222,899	9,416,351	2,629,334	7,956,838	9,374,899
Net Income (Loss) Attributable to Non-controlling Interests	89,933	(43,787)	1,797	10,246	30,618
Total Comprehensive Income Attributable to Owners of the Parent Company	6,080,431	4,845,911	1,366,244	7,602,588	7,973,221
Total Comprehensive Income Attributable to Non-controlling Interests	37,166	(259,333)	(47,874)	15,918	(236)
Earnings Per Share(Note 2)	3.1	4.05	1.13	3.42	4.03

Note 1: The financial statements have been audited by independent auditors.

Note 2: Earnings per share was calculated basis on weighted average number of ordinary shares outstanding. Earnings per share computation was adjusted retroactively for earnings and capital surplus transferred to capital and share capital split.

6.1.1.3 Condensed Balance Sheet (Standalone)

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		49,511,854	60,508,979	56,494,254	58,140,030	49,081,132
Property, Plant and Equipment		6,879,323	6,425,996	6,654,089	7,640,678	7,885,540
Intangible assets		6,742,250	6,177,890	5,995,675	5,496,986	5,528,836
Other assets		83,560,563	82,889,824	69,604,651	78,236,087	83,518,030
Total assets		146,693,990	156,002,689	138,748,669	149,513,781	146,013,538
Current liabilities	Before distribution	57,325,502	69,926,269	66,901,647	76,696,521	71,902,318
	After distribution	62,438,995	76,790,801	73,766,178	83,561,053	(Note 2)
Non-current liabilities		13,379,977	10,144,885	1,335,544	1,493,504	1,651,445
Total liabilities	Before distribution	70,705,479	80,071,154	68,237,191	78,190,025	73,553,763
	After distribution	75,818,972	86,935,686	75,101,722	85,054,557	(Note 2)
Total equity		75,988,511	75,931,535	70,511,478	71,323,756	72,459,775
Share Capital		23,349,283	23,508,670	23,508,670	23,508,670	23,508,670
Capital surplus	Before distribution	27,326,434	27,497,719	27,575,950	21,745,417	21,819,350
	After distribution	27,326,434	27,497,719	21,675,274	21,745,417	(Note 2)
Retained earnings	Before distribution	23,366,328	27,496,140	23,219,598	30,545,001	33,120,165
	After distribution	18,136,089	20,631,608	22,255,743	23,680,469	(Note 2)
Other equity		3,195,188	(1,322,272)	(2,544,018)	(3,226,610)	(4,717,096)
Treasury share		(1,248,722)	(1,248,722)	(1,248,722)	(1,248,722)	(1,271,314)
Total equity	Before distribution	75,988,511	75,931,535	70,511,478	71,323,756	72,459,775
	After distribution	70,875,018	69,067,003	63,646,947	64,459,224	(Note 2)

Note 1: All financial statements have been audited by independent auditors.

Note 2: The appropriation amount for 2019 still has to be approved at the AGM.

6.1.1.4 Condensed Statement of Comprehensive Income (Standalone)

Unit: NT\$ thousands (Except EPS: NT\$)

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2015	2016	2017	2018	2019
Operating Revenue	124,629,248	148,726,192	139,242,604	137,169,390	120,871,430
Gross Profit	14,077,312	15,454,669	14,878,079	12,248,189	13,137,573
Operating Income	2,930,331	4,985,008	3,430,505	835,868	2,537,949
Non-operating Income and Expenses	5,402,120	5,999,090	(2,010,899)	7,793,329	8,021,488
Profit before Income Tax	8,332,451	10,984,098	1,419,606	8,629,197	10,559,437
Net Profit	7,222,899	9,416,351	2,629,334	7,956,838	9,374,899
Other Comprehensive Income (Loss) for the period, Net of Income Tax	(1,142,468)	(4,573,760)	(1,263,090)	(354,250)	(1,401,678)
Total Comprehensive Income	6,080,431	4,842,591	1,366,244	7,602,588	7,973,221
Earnings Per Share (Note 2)	3.1	4.05	1.13	3.42	4.03

Note 1: The financial data have been duly audited by independent auditors.

Note 2: Earnings per share was calculated basis on weighted average number of ordinary shares outstanding. Earnings per share computation was adjusted retroactively for earning and capital surplus transferred to capital and share capital split.

6.1.2 Significant Commitment Affect Financial Analysis Consistency and Influence of Financial Statement: None

6.1.3 Auditors' Opinions from 2015 to 2019

(1) Independent auditors' names and their audit opinions for the past five years

Year	CPA firm	Name of CPA	Audit Opinion
2015	Deloitte & Touche	Jr-Shian Ke, Ching-Fu Chang	An Unqualified Opinion
2016	Deloitte & Touche	Jr-Shian Ke, Ching-Fu Chang	An Unqualified Opinion
2017	Deloitte & Touche	Meng-Chieh Chiu, Cheng-Tsai Tsai	An Unqualified Opinion
2018	Deloitte & Touche	Meng-Chieh Chiu, Cheng-Tsai Tsai	An Unqualified Opinion
2019	Deloitte & Touche	Cheng-Tsai Tsai, Meng-Chieh Chiu	An Unqualified Opinion

(2) The reasons and explanations for replacement of the certified public accountant:

The original CPAs of the Company were Jr-Shian Ke and Ching-Fu Chang. Due to relevant regulatory requirements on rotation at Deloitte & Touche, the CPAs of the Company were changed to Meng-Chieh Chiu and Cheng-Tsai Tsai, beginning from October 1, 2017.

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item \ Year		Financial Analysis for the Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	61.99	62.40	61.17	62.12	60.01
	Ratio of long-term capital to property, plant and equipment	298.97	339.74	335.25	373.56	402.86
Solvency (%)	Current ratio	136.86	135.77	126.59	130.99	134.24
	Quick ratio	108.42	111.10	99.78	103.38	111.51
	Interest earned ratio (times)	18.29	23.71	6.58	13.32	15.65
Operating performance	Trade receivable turnover (times)	4.23	4.09	3.75	4.17	4.19
	Average collection period	86.28	89.24	97.33	87.52	87.11
	Inventory turnover (times)	5.96	6.61	6.22	5.48	5.06
	Trade payable turnover (times)	3.09	3.19	3.06	3.27	3.07
	Average days in sales	61.24	55.21	58.68	66.60	72.13
	Property, plant and equipment turnover (times)	6.50	8.25	8.53	9.64	8.97
	Total assets turnover (times)	1.03	1.09	1.07	1.07	0.93
Profitability	Return on total assets (%)	3.66	4.68	1.56	4.48	5.24
	Return on stockholders' equity (%) (Note2)	9.57	12.40	3.59	11.22	13.04
	Pre-tax income to paid-in capital (%)	42.86	53.78	14.34	45.87	52.59
	Profit ratio (%)	3.37	4.08	1.23	3.85	5.29
	Earnings per share (NT\$) (Note3)	3.10	4.05	1.13	3.42	4.03
Cash flow	Cash flow ratio (%)	14.16	12.48	9.73	11.18	18.06
	Cash flow adequacy ratio (%)	105.35	115.35	110.93	103.32	121.73
	Cash reinvestment ratio (%)	8.09	7.44	3.82	6.11	11.88
Leverage	Operating leverage	1.84	1.54	1.73	1.67	1.49
	Financial leverage	1.07	1.05	1.08	1.13	1.10

Note 1: The financial information were audited by the independent accountants.

Note 2: Equity attributable to owners of the Parent company.

Note 3: Earnings per share was calculated basis on weighted average number of ordinary shares outstanding. Earnings per share computation was adjusted retrospectively for earnings and capital surplus transferred to capital.

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%):

- (1) Increase in Profit ratio: Due to the improvement of product design, product-mix and operational efficiency, which make the increase in net profit for this year.
- (2) Increase in Cash flow ratio and Cash reinvestment ratio: Due to the increase in net cash generated from operating activities.

6.2.2 Stand-Alone Financial Analysis

Item \ Year		Financial Analysis for the Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	48.20	51.33	49.18	52.30	50.37
	Ratio of long-term capital to property, plant and equipment	1,299.09	1,339.50	1,079.74	953.02	939.84
Solvency	Current ratio (%)	86.37	86.53	84.44	75.81	68.26
	Quick ratio (%)	66.72	72.89	71.96	62.39	57.99
	Interest earned ratio (times)	25.43	36.65	4.67	20.14	23.86
Operating performance	Trade receivables turnover (times)	3.73	3.95	3.38	3.48	3.47
	Average collection period	97.85	92.40	107.98	104.88	105.18
	Inventory turnover (times)	10.35	12.23	13.47	13.29	12.29
	Trade payables turnover (times)	4.10	3.96	3.29	3.23	2.82
	Average days in sales	35.26	29.84	27.09	27.46	29.69
	Property, plant and equipment turnover (times)	18.12	23.14	21.29	19.19	15.57
	Total assets turnover (times)	0.85	0.95	0.94	0.95	0.82
Profitability	Return on total assets (%)	5.17	6.39	2.00	5.77	6.59
	Return on stockholders' equity (%)	9.57	12.40	3.59	11.22	13.04
	Pre-tax income to paid-in capital (%)	35.69	46.72	6.04	36.71	44.92
	Profit ratio (%)	5.80	6.33	1.89	5.80	7.76
	Earnings per share (NT\$) (Note 2)	3.10	4.05	1.13	3.42	4.03
Cash flow	Cash flow ratio (%)	9.85	18.20	3.69	11.24	10.01
	Cash flow adequacy ratio (%)	60.54	75.77	73.22	78.47	93.06
	Cash reinvestment ratio (%)	1.17	8.85	-6.06	2.37	0.45
Leverage	Operating leverage	1.40	1.23	1.31	2.05	1.36
	Financial leverage	1.13	1.07	1.13	2.17	1.22

Note 1: The financial information were audited by the independent accountants.

Note 2: Earnings per share was calculated basis on weighted average number of ordinary shares outstanding. Earnings per share computation was adjusted retrospectively for earnings and capital surplus transferred to capital.

Analysis of Deviation over 20% for the last two years:

- (1) Increase in Pre-tax income to paid-in capital and Profit ratio:
The increase was mainly due to the improvement of product design, product-mix and operational efficiency, which make the increase in net profit for this year.
- (2) Decrease in Cash reinvestment ratio:
The decrease was mainly due to the decrease in net cash generated from operating activities.
- (3) Decrease in operating leverage and financial leverage:
The decrease was mainly due to increase in operating income.

*** Glossary**

- 1. Financial Structure
 - (1) Debt Ratio = Total Liabilities / Total Assets
 - (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
- 2. Solvency
 - (1) Current Ratio = Current Assets / Current Liabilities
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
 - (3) Interest Earned Ratio = Earnings before Interest and Taxes / Interest Expenses
- 3. Operating Performance
 - (1) Trade receivables turnover (times) = Net Sales / Average Trade Receivables
 - (2) Average collection period = 365 / Trade receivables turnover
 - (3) Inventory Turnover = Cost of Sales / Average Inventory
 - (4) Trade Payment Turnover = Cost of Sales / Average Trade Payables
 - (5) Average Days in sales = 365 / Average Inventory Turnover
 - (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
 - (7) Total Assets Turnover = Net Sales / Average Total Assets
- 4. Profitability Analysis
 - (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
 - (2) Return on Equity Attributable to Shareholders of the Parent = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent
 - (3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
 - (4) Net Margin = Net Income / Net Sales
 - (5) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
- 5. Cash Flow
 - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
 - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)
- 6. Leverage
 - (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
 - (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee's Report for the Most Recent Year

AUDIT COMMITTEE REPORT

To: Shareholders' Annual General Meeting for Year 2020, Lite-On Technology Corporation

The Board of Directors has prepared and submitted to the undersigned, Audit Committee of Lite-On Technology Corporation the 2019 Business Report, Financial Statements and the proposal of distribution of earnings. The Financial Statements have been duly audited by Certified Public Accountants Tsai-Cheng Tsai and Meng-Chieh Chiu of Deloitte Touche Tohmatsu International Taiwan. The above Business Report, Financial Statements and the proposal of distribution of earnings have been examined and determined to be correct by the undersigned. This Report is duly submitted in accordance with Article 14-4 of Securities and Exchange Law and Article 219 of the Company Law.

The Audit Committee, Chairman:

薛明玲



Mr. Albert Hsueh
February 26 2020

6.4 Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

Please refer to the attachment on page 134-237 of this Annual Report.

6.5 Standalone Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

Please refer to the attachment on page 238-317 of this Annual Report.

6.6 Financial Difficulties for the Company and its Affiliates

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2019 and as of the date of this Annual Report: None.

7. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Financial Status

Unit: NT\$ thousands

Item \ Year	2018	2019	Difference	
			Amount	%
Current Assets	157,984,918	146,852,680	(11,132,238)	(7)
Property, Plant and Equipment	20,484,992	19,171,374	(1,313,618)	(6)
Intangible Assets	5,914,084	5,947,819	33,735	1
Total Assets	197,136,069	186,632,503	(10,503,566)	(5)
Current Liabilities	120,612,081	109,397,843	(11,214,238)	(9)
Non-current Liabilities	1,845,587	2,593,270	747,683	41
Total Liabilities	122,457,668	111,991,113	(10,466,555)	(9)
Share Capital	23,508,670	23,508,670	-	-
Capital Surplus	21,745,417	21,819,350	73,933	-
Retained Earnings	30,545,001	33,120,165	2,575,164	8
Total Equity	74,678,401	74,641,390	(37,011)	-

Effect of changes on the company's financial condition (deviation over 20% and difference amount over NT\$10 million) and future response actions.

Due to the company adopted IFRS 16 Leases and recognized lease liabilities in 2019, the Non-current Liabilities increased.

7.2 Financial Performance

7.2.1 Analysis of Financial Performance

Unit: NT\$ thousands, %

Item \ Year	2018	2019	Difference	%
Operating Revenue	207,109,088	177,954,166	(29,154,922)	(14)
Cost of Goods Sold	180,006,839	150,616,502	(29,390,337)	(16)
Gross Profit	27,102,249	27,337,664	235,415	1
Operating Expenses	19,616,436	17,992,442	(1,623,994)	(8)
Operating Income	7,485,813	9,345,222	1,859,409	25
Non-operating Income	3,298,308	3,018,616	(279,692)	(8)
Profit Before Income Tax	10,784,121	12,363,838	1,579,717	15
Income Tax Expense	2,817,037	2,958,321	141,284	5
Net Profit for the Year	7,967,084	9,405,517	1,438,433	18

7.2.1.1 Analysis of Deviation over 20% for the last two years:

The increase in Operating Income was mainly due to the improvement of product design, product-mix and operational efficiency.

7.2.1.2 Major Impact on Financial Performance and Future Plan on Financial Performance:

Not applicable.

7.2.2 Sales Volume Forecast and Related Information

- Based on reports from the Photonics Industry & Technology Development Association and other market research institutions and research department reports from securities dealers, the company has made future market size and growth estimates for its major products/services as follows:

Major products	Estimated market size in 2020	Estimated CAGR (%) in upcoming 2 to 3 years
Optoelectronics- LED	approx. US\$19.0 bn	1%~3%
IT products- power supply	approx. US\$16.3 bn	0.5%~0.6%
Storage products- PC and server solid state drives	approx. US\$39.5 bn	14%~15%

- Competitive niches and long-term outlook

The company is equipped with excellent R&D and design capabilities and able to provide total integrated solutions and products in mobile phones, imaging, and parts and components for network and peripherals. The company also has the advantage of an integrated supply chain and extensive R&D experience. The focus remains on developing new products and providing customers with the best services so to distinctly differentiate the company from traditional EMS/ODMs. The company's efficient, sophisticated management team operates globally and can be relied on to increase the competitive advantages.

7.3 Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Cash Balance 01/01/2019 (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
63,285,301	19,761,747	15,407,992	67,639,056	None	None

- (1) NT\$19,761,747 thousands net cash generated by operating activities: mainly from net income, depreciation expenses and changes in other account payables.
- (2) NT\$3,837,988 thousands net cash used in investing activities: primarily for net purchase of property, plant and equipment.
- (3) NT\$7,623,818 thousands net cash used in financing activities: primarily for cash dividend payment.
- (4) Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies: NT\$1,808,492 thousands.
- (5) Effects of business group for sale on the balance of cash and cash equivalents: NT\$2,137,694 thousands.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2018	2019	Variance (%)
Cash Flow Ratio (%)	11.18	18.06	61.54
Cash Flow Adequacy Ratio (%)	103.32	121.73	17.82
Cash Reinvestment Ratio (%)	6.11	11.88	94.44

Analysis of financial ratio change:

- (1) Cash Flow Ratio raised: The raise mainly due to the increase in net cash generated by operating activities in 2019 compared to 2018.
- (2) Cash Reinvestment Ratio raised: The same as above.
- (3) Plans to improve negative liquidity: Not applicable

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash Balance 01/01/2019 (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
67,639,056	4,517,479	3,648,485	68,508,050	None	None

- (1) NT\$4,517,479 thousands Estimated Net Cash Flow from Operating Activities: mainly from net income for the coming year.
- (2) NT\$1,148,008 thousands Estimated Net Cash Inflow from Investing Activities: mainly from disposal of subsidiaries and long term investment and net purchase of property, plant and equipment.
- (3) NT\$4,796,493 thousands Estimated Cash Outflow from Financing Activities: primarily for increasing of short term loan and cash dividend payment.
- (4) Remedial Actions for Cash deficit and Liquidity Shortfall: As a result of positive operating cash flows and cash on-hand, remedial actions are not required.

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT\$ thousands

Project	Actual or Planned Source of Capital	Total Capital	Actual or Expected Capital Expenditure				
			2018	2019	2020	2021	2022
Production Equipment and Facilities	operating cash inflows	6,843,669	2,174,711	1,800,752	2,868,206	-	-
R&D equipment	operating cash inflows	2,412,070	545,057	727,197	1,139,816	-	-
IT equipment and expansion	operating cash inflows	806,157	265,409	330,350	210,398	-	-
Building	operating cash inflows	3,718,381	430,490	2,972,874	315,017	-	-
Others	operating cash inflows	84,929	46,182	22,345	16,402	-	-
Total		13,865,206	3,461,849	5,853,518	4,549,839	-	-

7.4.2 Expected Benefits: Not applicable

7.5 Long-term Investment Policy and Results

Investment Policy in Last year, Main Causes for Profits or Losses, Improvement Plans and the investment Plans for the Coming Year:
Lite-on will continue focusing on core businesses growth. The investment will also follow core development strategy of the company and dispose non-core investment on suitable timing.

7.6 Analysis of Risk Management

7.6.1 Risk Management Framework

Finance:

1. Cash security and interest rate risk prevention

Cash management includes debt and risk control, fund utilization control, and investment size control.

- (1) Global cash inventory is performed regularly and any abnormality is followed up. The objective is to increase return on cash, improve profitability, and prevent loss of assets due to external disasters.
- (2) Calculate AR/AP estimates on a monthly basis to facilitate cash planning.
- (3) Levels of authorization are established in accordance with the SOPs, and payments are ERP encrypted and then paid via electronic banking services to ensure more secure payments.
- (4) Optimal cash and asset structures are reviewed regularly for cash planning purpose and to achieve optimal cash size.

2. Exchange rate risk prevention

- (1) The company monitors foreign currency denominated positions, revenue target completion rate, and inventory changes on a daily basis.
- (2) Current month YTD and month end foreign exchange gains and losses are calculated on a daily basis.
- (3) Financial forecast models are created for foreign exchange positions to enable real-time hedging.
- (4) Differences in position forecast and reasons for foreign exchange gains and losses are examined on a monthly basis. The objective is to keep track of the net balance after offsetting of foreign currency denominated assets and liabilities and reduce operational risks arising from exchange rate volatility.

3. Property Safety and Liability Risk Prevention

- (1) Arrange feasible insurance to all the property and transfer the risk to insurance company.
- (2) Regular insurance training classes and seminars are held to address the property risk, cargo transportation risk, product liability and the other risk. The objective is to ensure the related departments and factories are fully aware the risk and able to eliminate the risk and reduce potential risk in advance.
- (3) Routine Cargo transportation Survey, Hub Safety Survey, Product Liability (AAA) Survey, Property Safety Survey and Infrared Thermography Survey to the factories.
- (4) Execute the Risk Grading to each factory by outside risk consultant and follow up the improvement.
- (5) Support the targeted factory to build its Business Continue Plan (BCP)

4. Reduction of the credit risks and the default payments from customers

- (1) Perform regular credit checks on customers and identify characteristics of their lines of business in order to facilitate credit rating management.
- (2) Perform regular reviews of customer credit lines and payment terms in order to reduce exposures and optimize payment periods.
- (3) Implement annual credit reviews to examine customers' business activities and changes in risk conditions and arrange credit insurance if necessary.
- (4) Control shipments over credit lines and monitor the payment schedule of account receivables in order to secure the timely recover of account receivables and reduce the credit risk of customers.
- (5) Organize regular trainings on the credit risks and enhance the awareness of risk management cross all business units.

Operation Controlling:

Assist the business units carrying out long-term and annual business planning, and establish the internal operating information management system to help the management to effectively control the important operating key factors as well as operating performance risks while properly allocating and controlling resources for optimization of overall operating results according to the company's development strategy.

Information Technology:

Ensure high availability of the company's information systems, perform information security controls and protection measures for network and systems, provide accurate real-time management information to improve decision-making quality and reduce corporate operations and information security risks.

Legal:

Legal Department is responsible for assessing legal risks, including: identifying contract risks by reviewing contracts, offering advice to management strategy, providing legal consultation and advice regarding internal systems, compliance, dispute resolution, mergers and acquisitions, and intellectual property management, and overseeing production, utilization and disposal of the corporate seals in order to reduce the overall legal risks.

Auditor:

Formulate and implement the annual audit plan based on results of the risk assessments. Assess the effectiveness of the design and execution of internal control and assist the risk management organization and business units in designing risk management based on control processes.

Corporate Investment:

Based on LITE-ON Group's development strategy, industry trend and global economic dynamics and correspond with the Group's business tactic planning. Evaluate the synergies and potential returns of new investments, and keep monitoring the performance of existing investment and implement group management methodology to reduce investment risks.

Public/Investor Relations:

Act as the bridge that connects the company with investors, media and the general public. Effectively convey business-related information to external parties to ensure timely, accurate, and transparent disclosure in order to avoid operational risks caused by corporate image. Furthermore, enable investors to have full access to material information regarding to the company's business operations in an open, fair and just environment in order to reduce investors' risk.

Human Resources:

Responsible for human resources management and development; planning human resources policies and implementation; human capital plans development; design for employee development and training; design competitive compensation and package; localization & local talent development; employee's personal data protection and control in order to reduce the risk of human resources that may cause damage to the company.

Information Security:

1. Information Security Management

We value the security of various stakeholders, including internal employees, external parties (customers, suppliers, consultants, and partners, etc.), shareholders, and operation-related information assets. To ensure the confidentiality, integrity, availability, and lawfulness of information assets and avoid threats from internal or external intentions or accidents in accordance with the requirements of ISO 27001:2013 and the business needs, Lite-On ("the company") has established its own information security policy. As the basis for information security management, and implemented in the company's global base, while continuing to introduce information technology management tools and continuously strengthen the information security management mechanism to continuously and effectively operate the information security management mechanism.

2. Information Security Organization

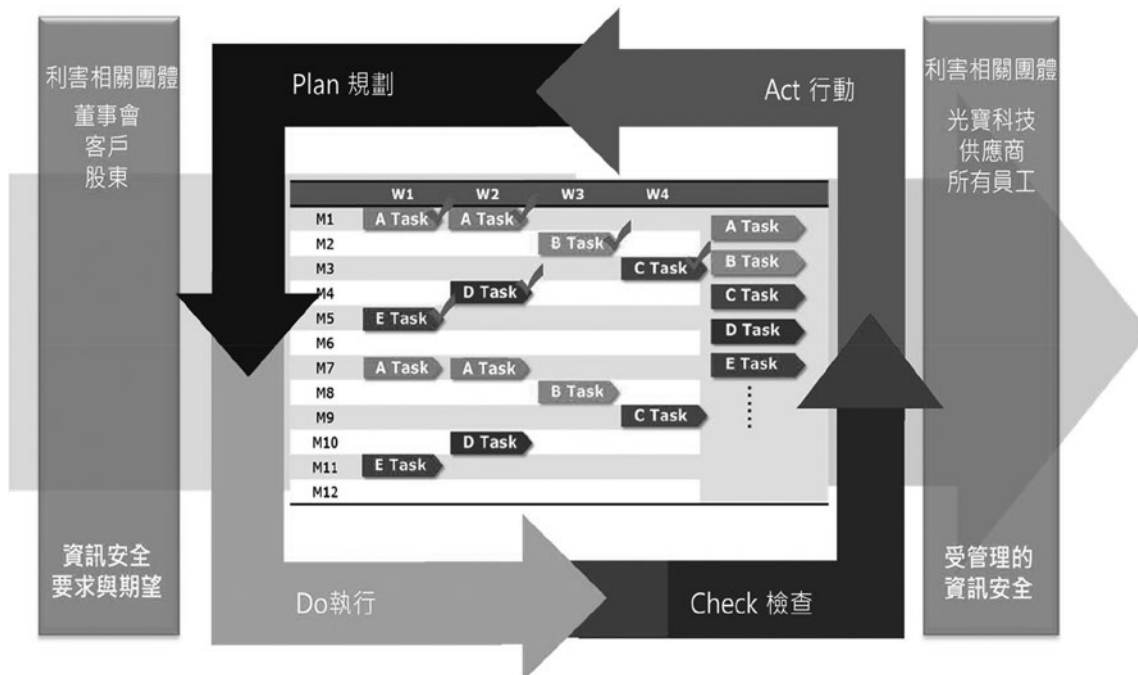
To fully introduce the information security system, the company established an information security technology control team at the end of 2017 and an information security policy implementation team in 2018 to ensure the operation of the information security management system, identify internal and external issues of the information security management system, and relevant groups have information security requirements and expectations of the company; at the same time, both teams regularly report to the Information Security Committee on the company's information security development status and the need for the committee's assistance and will continue to implement information security protection related work, information security incident response and resilience of information security incidents after the event to prevent the occurrence of information security incidents and reduce the loss of information security incidents.

3. Information security management and audit mechanism

To implement the information security management mechanism, the company establishes, implements, maintains, and improves the information security management system based on the cycle of PDCA operation model. At the

same time, we arrange the 2020 information security audit team to participate in the ISO / IEC 27001: 2013 Leader Auditor Course and obtain Leader Auditor certification.

Lite-On Information Security Management Mechanism Diagram



4. Information security technology control

By building an information security monitoring system and performing a system vulnerability scan to prevent hackers from invading and stealing company confidential data. Establish a complete information system security network, including management of computer rooms, network equipment, network connections, and personal information equipment (such as desktop computers, laptops, tablets, and smartphones) to implement employee personal data, company confidential information, customer and supplier data protection.



5. Information Security Education and Training

To improve the employees' awareness of information security, the company has established "personnel information security requirements and educational training management procedures" as a management basis.

- (1) Information security awareness and advocacy: In order to improve employees' information security awareness, timely announcement and publicity of information security-related information through various channels and meetings.

(2) Information security education and training:

- a. New employees shall sign the professional ethics service agreement and receive information security education and training, to understand the company's information security policies and requirements.
- b. The normal information security education and training of employees are performed every year. All employees shall participate in information security education for at least one hour per year. In addition, we plan different types of information security courses for different roles and functional personnel. In 2019, at least 6 information security education training courses have been conducted. Through continuous training, the company's employees' awareness of information security is internalized in various operations to implement the most secure and strict security guarantee.

7.6.2 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Impact of interest rate changes on the company's profit and response measures:

LITE-ON takes a safe and steady approach to the cash management policy. Apart from a safe level of working capital, LITE-ON holds idle funds as term deposits in the bank. LITE-ON, as of December 31, 2019, has NT\$37.21 billion, or 19.9% of the total assets, in bank loans. LITE-ON, given its commitment to improve its capital structure, boost medium- and long-term working capital, and reduce risks in interest rate changes, assesses regularly funds available in the market and interest rates offered by banks, and selects financing methods with caution. In addition to preferred interest rates, LITE-ON also undertakes interest rate swaps for hedging purpose at appropriate times. Therefore, interest rate volatility is not expected to have much impact on LITE-ON's business risks.

2. Impact of exchange rate changes on the company's profit and response measures:

A. Sources of exchange gains/losses:

LITE-ON's revenues and accounts payable and accounts receivable arising from purchases and sales are predominantly denominated in US Dollars. Foreign currency denominated assets and liabilities offset each other, thereby reducing significantly the exchange rate risk and creating a natural hedge. Furthermore, LITE-ON trades derivatives only for the purpose of hedging. Gains and losses generated by exchange rate changes are generally offset by gains and losses in the underlying assets. Therefore, exchange rate changes in the market do not have much impact on LITE-ON. Exchange gains and losses as a percentage of operating income and of operating profit as of December 31, 2019 are shown in the table below:

Unit: NT\$ thousand

Item\Year	2019
Net exchange gain/loss (A)	666,584
Operating income (B)	177,954,166
Percentage of operating income (A)/(B)	0.37%
Operating profit (C)	9,345,222
Percentage of operating profit (A)/(C)	7.13%

As shown in the table above, the exchange gains and losses were 0.37% and 7.13% of the operating income and the operating profit, respectively, in 2019. Neither is a large percentage.

B. Response measures to exchange rate volatility:

LITE-ON hedges its foreign currency assets and liabilities by spot, forward, or derivatives as needed according to the prevailing exchange rate trends. LITE-ON also performs careful and regular assessments in response to volatile exchange rates and makes adjustments as needed to mitigate the exchange rate risk. Given LITE-ON does not engage in any foreign exchange transactions unrelated to the core business or for trading purpose, all foreign exchange transactions are undertaken for hedging only, and exchange rate volatility has not had any significant effect on the company's profit.

3. Impact of inflation on the company's profit and response measures:

Taiwan's annual CPI increase is 0.56% in 2019. The inflation risk remains within tolerable limits. Moreover, given the close attention other central banks continue to pay to actively keep inflation under control and the proposed plan to postpone raising interest rates, it is expected that inflation will be effectively kept under control in the future and not be able to have much impact on LITE-ON's profit.

7.6.3 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Governing Loaning of Funds, Making of Endorsement / Guarantees, and Derivatives Transactions

7.6.3.1 The Company did not engage in any high-risk or high-leveraged investments.

7.6.3.2 Policies of Governing Loaning of Funds and Making of Endorsements/Guarantees

(1) Total amount of financing and limit for advance

- (a) The total amount of loans available by the Company in favor of all borrowers shall not exceed 40% of the net worth of the Company as stated in the most recent financial statement.
- (b) In financing a subsidiary where the Company holds less than 50% of its common shares directly or indirectly, the aggregate amount of loans and the maximum amount permitted to such a single subsidiary shall not exceed 5% of the net worth of the Company as stated in the most recent financial statement. For a subsidiary where the Company holds more than 50% of its common shares directly or indirectly, the aforementioned restriction shall not be applicable; however, the aggregate amount of loans and the maximum amount permitted to such a single subsidiary shall not exceed 40% of the net worth of the Company as stated in the most recent financial statement.
- (c) In financing a company or proprietor where the Company has business transactions, unless otherwise provided, the aggregate amount of loans and the maximum amount permitted to such a single company shall not exceed 5% of the Company's net worth as stated in the most recent financial statement, and the maximum amount permitted to such a single company shall not exceed the total amount of business transactions with such a borrower in one year.
- (d) In financing between the Company's 100% directly or indirectly owned foreign subsidiaries, or the Company's 100% directly or indirectly owned foreign subsidiaries finance to the Company, the aggregate amount of loans and the maximum amount permitted to such a company will not be subject to the limitation of 40% of the net worth of the lender as stated in the most recent financial statement, but still needs to establish a lending limit.

(2) Endorsements/ Guarantees Amount

Amount of an endorsements/ guarantees is subject to the following limits:

- (a) The total amount of endorsements / guarantees rendered by the Company shall not exceed 40% of the net worth shown on the Company's latest financial statements. The grand total amount of endorsements / guarantees rendered by the Company and its subsidiaries to the outside corporations shall not exceed 40% of the net worth shown on the Company's latest financial statements as well. The total amount of the endorsement/guarantee provided by the Company to any individual entity shall not exceed 30% of the Company's net worth.
- (b) In case of endorsements / guarantees by the Company to a firm where the Company holds over 50% of the voting power either directly or indirectly, or by the firm directly or indirectly holds more than 50% of the voting shares of the Company or endorsements / guarantees with companies where the Company holds over 90% of the voting power either directly or indirectly, the total amount of individual endorsements / guarantees shall not exceed 10% of the net worth shown through the Company's latest financial statements.
- (c) The total amount of individual endorsements/guarantees granted by the Company to a single company or among the Company and companies where the Company holds over 90% of the voting power either directly or indirectly shall not exceed 10% of the net worth shown through the Company's latest term financial statements. Where the Company grants endorsements / guarantees to a corporation where the Company maintains a business relationship, unless otherwise prescribed in other Regulations, the amount of individual endorsements / guarantees shall be confined to the total amount of business transaction accumulated over the past twelve months and shall not exceed 10% of the net worth shown through the Company's latest financial statements.

7.6.3.3 Policies of Governing Loaning of Funds and Making of Endorsements/Guarantees of Subsidiaries

When a subsidiary making loans to and endorsements/guarantees for others, the aggregate amount and the maximum amount permitted to such a single company is subject to the subsidiaries' own regulation.

7.6.3.4 No loss was occurred from making of endorsements/guarantees to others.

LITE-ON, as of December 31, 2019, no loss was occurred from making of endorsements/guarantees to 100% owned subsidiaries.

Making of endorsements/ guarantees to	Relationship	Actual Amount (NTD\$K)	Nature	Note
Lite-On Green Energy B.V.	100% owned subsidiaries	315,277	Contractual obligations	No loss occurred

7.6.3.5 Derivatives Transactions

- (1) The policies and response measures established by the company's Asset Acquisition or Disposal Procedures shall apply.
- (2) Hedges are based on the net position that is the residual difference between assets and liabilities. In addition, foreign exchange hedges take into account positions necessary to facilitate operating activities in the future.
- (3) The purpose of derivatives trading should be to ensure the company's operating profits and avoid risks arising from exchange rate or interest rate or asset value volatility. All foreign exchange transactions should be made for hedging purpose only. Non-hedging-related transactions will not be undertaken.

7.6.4 Summary of LITE-ON's Major Future R&D Projects and Corresponding Budget

The company and its subsidiaries plan to hold the R&D budget steady at 3% of the revenue in order to maintain steady growth. Additional funds will be allocated as needed to new industry investments or suitable new technologies, if any.

R&D projects and progress

No.	Latest R&D project	Progress	Additional budget required (NT\$ '000)	Expected time of mass production	Key factors for project success
1	Power supply with -48V DC input for Telecom & 5G applications	90%	15,000	2020	(1) Maturity of the topology. (2) Component pool/selection
2	Cost competitive design on high efficiency (>96%) and high density (60W/in ³) applications	90%	20,000	2020	(1) Maturity of material research (2) Dedicate RD resources (3) Maturity of topologies
3	>4kW high-efficient (>97.5%) power supply for data center	10%	30,000	2021	(1) Precise simulation and analysis on powertrain design (2) Research on new materials (3) Magnetics design
4	None air cooling design in server power supply with power density > 80W/in ³	10%	20,000	2021	(1) Simulation on heat conduction (2) Cold plate design concept (3) New power component placement study
5	30kW wide range DC output charging post (output voltage: 150Vdc~950Vdc)	70%	10,000	2021	(1) Technical threshold for circuitry design (2) Cooling design
6	New high-power AC Travel Cord	0%	10,000	2020	ID design, volume size and automotive norms
7	Development of Power supply for Gaming PC which meets the latest energy standard like E-Star 8.0, CEC, and the latest Intel guideline.	50%	3,000	2020	(1) IC controller with mechanism to improve efficiency at tiny load (2) Output voltage regulation technic to support CPU and GPU's high surge current requirement
8	AIO PC internal power supply with high switching frequency and compact size	40%	3,000	2020	(1) Technical threshold for high frequency circuitry design (2) The application of components fit with high switching frequency, including GaN and planar transformer (3) Cooling design
9	Miniaturized mainstream external NB adapter (New topology/new material research) (Note: Active Bridge / ASIC IC)	60%	30,000	2020	(1) Implementation of new power supply design topology (2) Highly integrated IC technology
10	Miniaturization of high-power NB external power supply	80%	5,000	2020	(1) High power efficiency technology (2) Modular design of new heat sink (patent application)

No.	Latest R&D project	Progress	Additional budget required (NT\$ '000)	Expected time of mass production	Key factors for project success
11	65W high power density QC charger (15W/in ³)	10%	5,000	2021	(1) Thermal treatment (2) Custom part development
12	Reliability analysis of data center power system network	30%	8,000	2021	Power system architecture design
13	Magnetics Winding Optimization	15%	5,000	2020	(1) Saving DL efficiency 23% (2) Production improvement
14	High power density OBC.	20%	30,000	2021	New technologies and semiconductors.
15	Second Generation 2.5kW 48V DCDC for MHV	60%	5,000	2020	Product reliability with power density
16	A3-size duplex scanner	20%	15,000	2020	Cost advantage for large size ME design
17	China localization high-speed sheet feed scanner	30%	15,000	2020	Entering China's government, education units, and financial institutions
18	ECO, slim and light weight scanner module	40%	10,000	2020	Miniaturized MFP with breaking through the existing design concept
19	Notebook Keyboard Improved noise technology	60%	8,000	2020	This technology can reduce Notebook Keyboard noise
20	3rd generation fully automated assembling line of server hard disk drive carrier modules	50%	15,000	2020	Process efficiency, quality consistency, and cost competitiveness
21	ALC 1U/2U server chassis development	10%	5,000	2020	System integration completeness, function flexibility, and cost competitiveness
22	DCS server rack development	80%	2,000	2020	Structure stability, process efficiency, and cost competitiveness
23	BD Archiving development	85%	20,000	2020	(1) BD DSD burning quality consistency (2) Data processing technology of system software (3) Cost competitiveness
24	Research on SSD high specification temperature application technology	10%	20,000	2020	Reduce costs while finding central applications in consumer electronics and industrial computers
25	LED lamp module auto assembly and advance optical measurement techniques	75%	30,000	2020	(1) Optical measurement techniques (2) Auto assembly technology
26	Intelligent headlamp LED Driving Module	10%	8,000	2020	(1) Thermal design (2) Optical measurement techniques (3) ECU communication technology
27	Automotive infrared 2 ~ 5 megapixel image sensor module	20%	10,000	2021	(1) High performance cooling structure design (2) EMC design (3) IR LED secondary optics (4) Cost and price competitiveness

No.	Latest R&D project	Progress	Additional budget required (NT\$ '000)	Expected time of mass production	Key factors for project success
28	Ripple count function for Panoramic sunroof controller	50%	6,000	2020	(1) Power noise (2) To fit the standard EC 74/60, FMVSS118-S5, GB 11552-2009
29	Low glare and high uniformity lighting module	20%	4,000	2021	(1) High uniformity level with reducing LED (2) Module design in mechanical structure
30	Economic street light with external SPS	40%	4,000	2020	(1) Optimize mechanical design for cost saving (2) Protection device for field application
31	Safe low voltage traffic signal lamp for Australia	50%	5,000	2020	(1) Development of power supply with dim by wire function. (2) Development of power supply with high specification electrical characteristics.
32	Mini LED component	30%	17,000	2021	Key technologies with know-how, Highly reliable sources of chip supply
33	High power short wavelength LED components	50%	10,000	2021	Key technologies with know-how, Highly reliable sources of chip supply
34	Wearable physical sensors & module	30%	12,000	2021	Interdisciplinary collaboration platform
35	Home Battery Powered Wi-Fi Camera	50%	10,000	2020	(1) PIR Motion Detection (2) System Power Consumption
36	Home Wi-Fi Camera	50%	10,000	2020	(1) Simplified Hardware Design (2) Production Optimization
37	Entry Level Wi-Fi Camera	30%	10,000	2020	(1) New Platform Development (2) Simplified Mechanical Design
38	4K/4Mp Enterprise Wi-Fi Camera	50%	15,000	2020	(1) New Platform Development (2) Thermal Solution
39	4K/5Mp Enterprise PoE + Wi-Fi Camera	50%	15,000	2020	(1) Wi-Fi Performance Tuning (2) Auto Focus Algorithm
40	802.11ah (Wi-Fi HaLow™) communication module	20%	4,000	2020	(1) Module design and production costs (2) Evaluation kit and sales kit developing (3) CE/FCC certification (4) 802.11ah qualification
41	LoRa communication module & LoRa gateway card	80%	3,000	2020	(1) Module & gateway card design and production costs (2) LoRa Firmware porting (3) Different region's RF certification
42	SigFox communication module	90%	2,000	2020	(1) Firmware porting (2) New RC SIGFOX Verified certification (3) Different region's RF certification

No.	Latest R&D project	Progress	Additional budget required (NT\$ '000)	Expected time of mass production	Key factors for project success
43	NB-IOT communication module & tracker device	70%	5,000	2020	(1) Tracker design and production costs (2) Firmware porting (3) Telecommunications service provider access certification (4) Customer Service Platform Connectivity
44	IPC-Point Of Sale (POS) Frameless touch panel design & customized module to meet different customer's demand	80%	28,000	2020	Frameless touch panel design & customized module to meet different customer's demand
45	Head Up Display	85%	30,000	2020	(1) Accuracy and calibration of optical systems (2) ISO 26262 Certification (3) ASPICE development process
46	Wireless Charger	90%	5,000	2020	(1) Charging efficiency and EMC design (2) NFC function (3) ASPICE development process
47	Telematics Box	70%	5,000	2020	(1) System integration and product quality (2) EMC, reliability and thermal design
48	OBD-II Dongle	10%	5,000	2020	(1) RF and antenna design capabilities (2) System integration with small form factor (3) Thermal and EMC design
49	Cloud management switch design	99%	10	2020	(1) Knowledge of key technologies (2) The maturity of cloud management platform
50	Wide temp. range switch	5%	9,000	2021	Knowledge of key technologies
51	Dimming light or plug built-in IOT device	10%	6,000	2020	(1) Build up key technologies (2) Thermal solution and safety of certification design (3) Add-on value application integration
52	Motion Sensing built-in IOT device	15%	6,000	2020	(1) Build up key technologies (2) Sensing technology design solution and build up validation methodology (3) Add-on value application integration and verification field construction
53	Tracker	30%	4,000	2020	(1) Build up key technologies (2) Build up wireless test equipment (3) Add-on value application integration, building up simulation test and building up field test

7.6.5 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

Since the amendment and implementation of General Data Protection Regulation, the Company and its external consultants have evaluated the daily operation of each business unit and provide it the relevant advice as reference to import General Data Protection Regulation into operating procedures.

7.6.6 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

Constant change and continuous innovation are the norm of competition in the tech industry. A firm grasp on product trends and key technologies, effective supply chain management, and collaboration with leading companies in different industries are vital to a company's long-term revenue growth and profitability.

To prevent sales of a few product lines from having a negative effect on revenues and profits, the company is investing more in developing a stronger position and implementing frequent strategy reviews and performance management measures aiming at maintaining sound revenues and profits for business groups/ units and ensuring steady sales and profit growth for the company.

The Group has always taken a solid and rigorous approach to global production, sales and inventory management. Meanwhile, the product development has advanced with time. Changes in technology and in the industry are creating opportunities that favor the Group over its competitors.

7.6.7 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company places a great emphasis on maintaining its reputation. It takes an active approach to protecting its image and supporting charitable causes. The Company has an emergency response team that handles any accidents with a potential impact on the Company's image. Emergency response plans encompass situation analysis, impact assessment, solutions to different situations, and adequate early warning measures that facilitate corporate crisis management and prevention.

7.6.8 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The selection of an investment target is based on the core development strategies of LITE-ON Group. Therefore given the investment has high correlation in products, markets, and channels with Lite-On will enable us to better manage the risks in investment returns, post-investment integration, and finance under a controllable situation.

7.6.9 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

In 2020, we expect to invest NT\$0.55 billion worldwide to expand production capacity in order to meet the growing demand for production capacity. The source of funding will be working capital. We have sufficient working capital and face no risk of insufficient fund.

7.6.10 Risks Relating to and Response to Excessive Supplier and Customer Concentration

LITE-ON has established the Supplier Management Guidelines for internal use. The guidelines specify buying from multiple suppliers to reduce the concentration risk in raw supply procurement and reviewing supplier qualifications regularly to ensure a steady supply of raw materials.

In 2019, none of the suppliers/ customers accounted for 10% or more of the purchases/ sales of the Company. There is no potential concentration risk in procurement or sales.

7.6.11 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None

7.6.12 Effects of, Risks Relating to and Response to the Changes in Management Rights: None

7.6.13 Litigation or Non-litigation Matters

- a. The Public Lighting Authority of Detroit had filed a lawsuit against a subsidiary, Leotek Electronics USA LLC. It had alleged that the LED lights sold by Leotek Electronics USA LLC were prematurely dimming and burning out within the warranty period. The Public Lighting Authority of Detroit claimed Leotek Electronics USA LLC's had breached the purchase agreement executed previously and demanded compensation for damages. The parties entered into a settlement agreement in December 2019. This lawsuit does not have a significant impact on the Group's operation and financial situation.
- b. Bench Walk Lighting, LLC has filed a lawsuit against LITE-ON TECHNOLOGY CORP. and LITE-ON TECHNOLOGY USA, INC. Bench Walk Lighting claims that the products manufactured and sold by LITE-ON TECHNOLOGY CORP. and LITE-ON TECHNOLOGY USA have infringed its pattern and demands royalty for such infringement. LITE-ON TECHNOLOGY CORP. and LITE-ON TECHNOLOGY USA have engaged lawyers to defend and respond regarding the said lawsuit. This lawsuit does not have a significant impact on the Group's operation and financial situation.
- c. Castlemorton Wireless, LLC, has filed a lawsuit against LITE-ON, INC. and LITE-ON TRADING USA, INC. Castlemorton Wireless, LLC. claims that the products manufactured and sold by LITE-ON, INC. and LITE-LITE-ON TRADING USA, INC. have infringed its pattern and demands royalty for such infringement. LITE-ON, INC. and LITE-LITE-ON TRADING USA, INC. have engaged lawyers to defend and respond regarding the said lawsuit. This lawsuit does not have a significant impact on the Group's operation and financial situation.

7.6.14 Other Major Risks: None

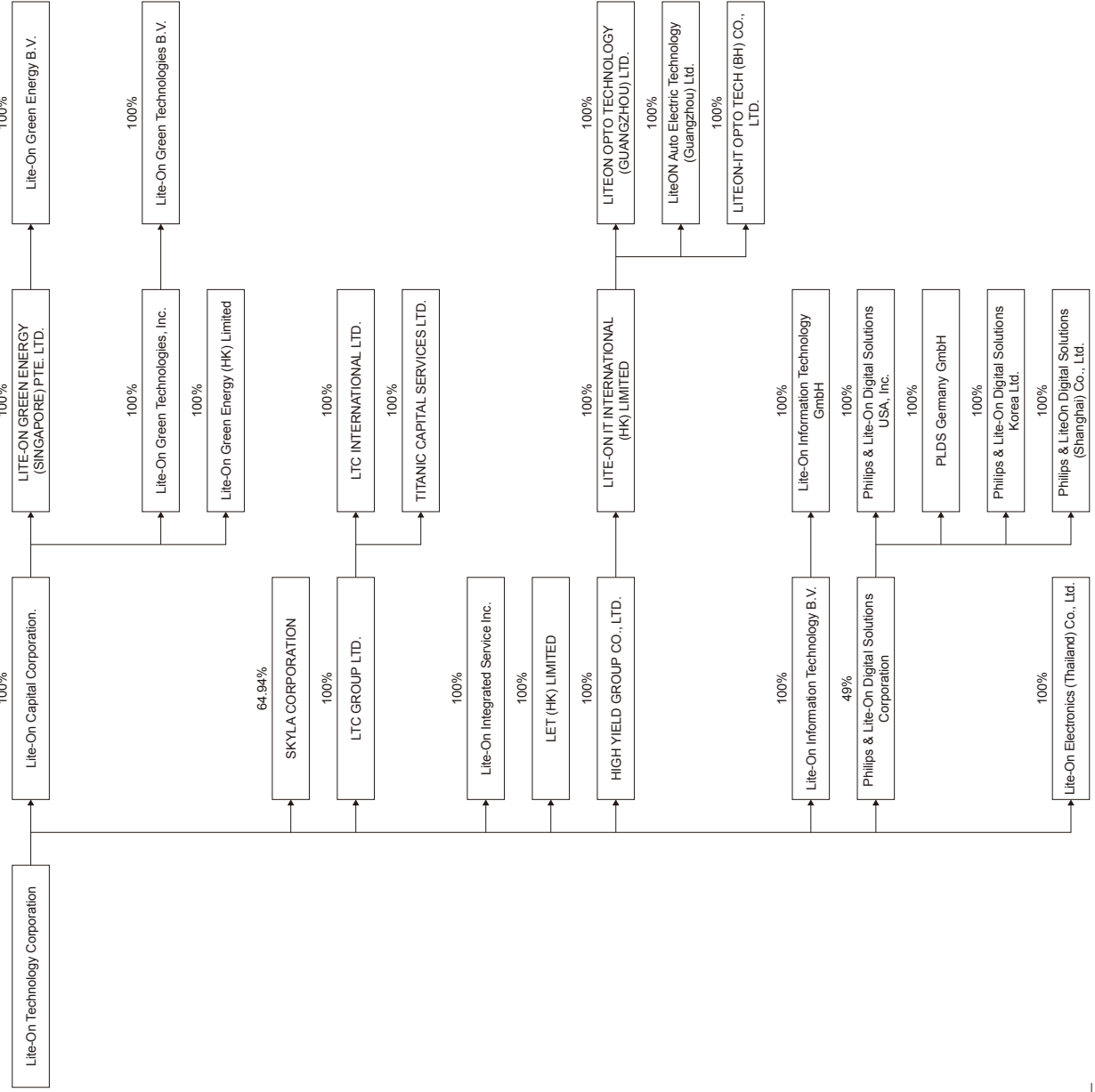
7.7 Other Important Issues: None

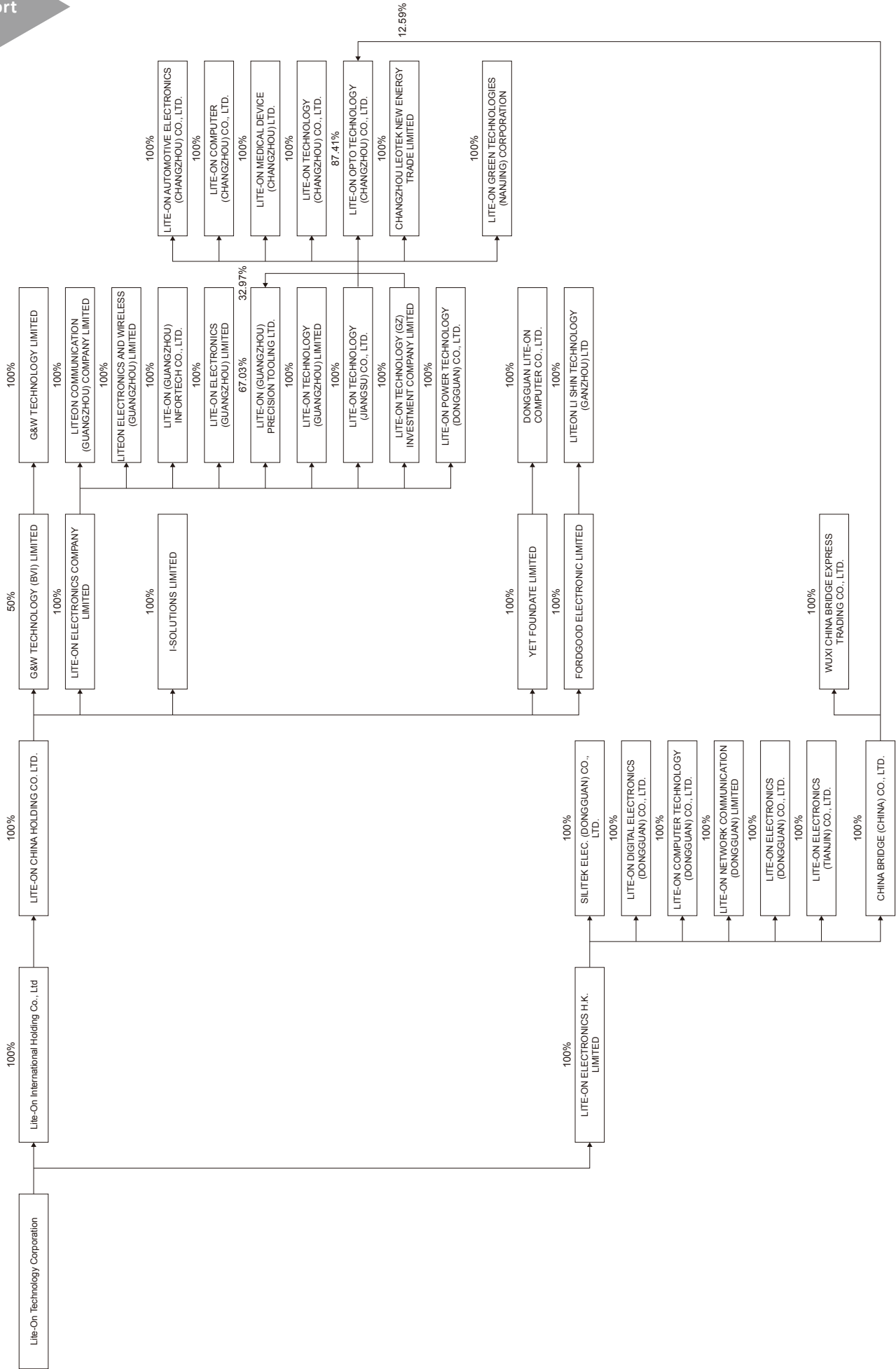
8. Special Disclosure

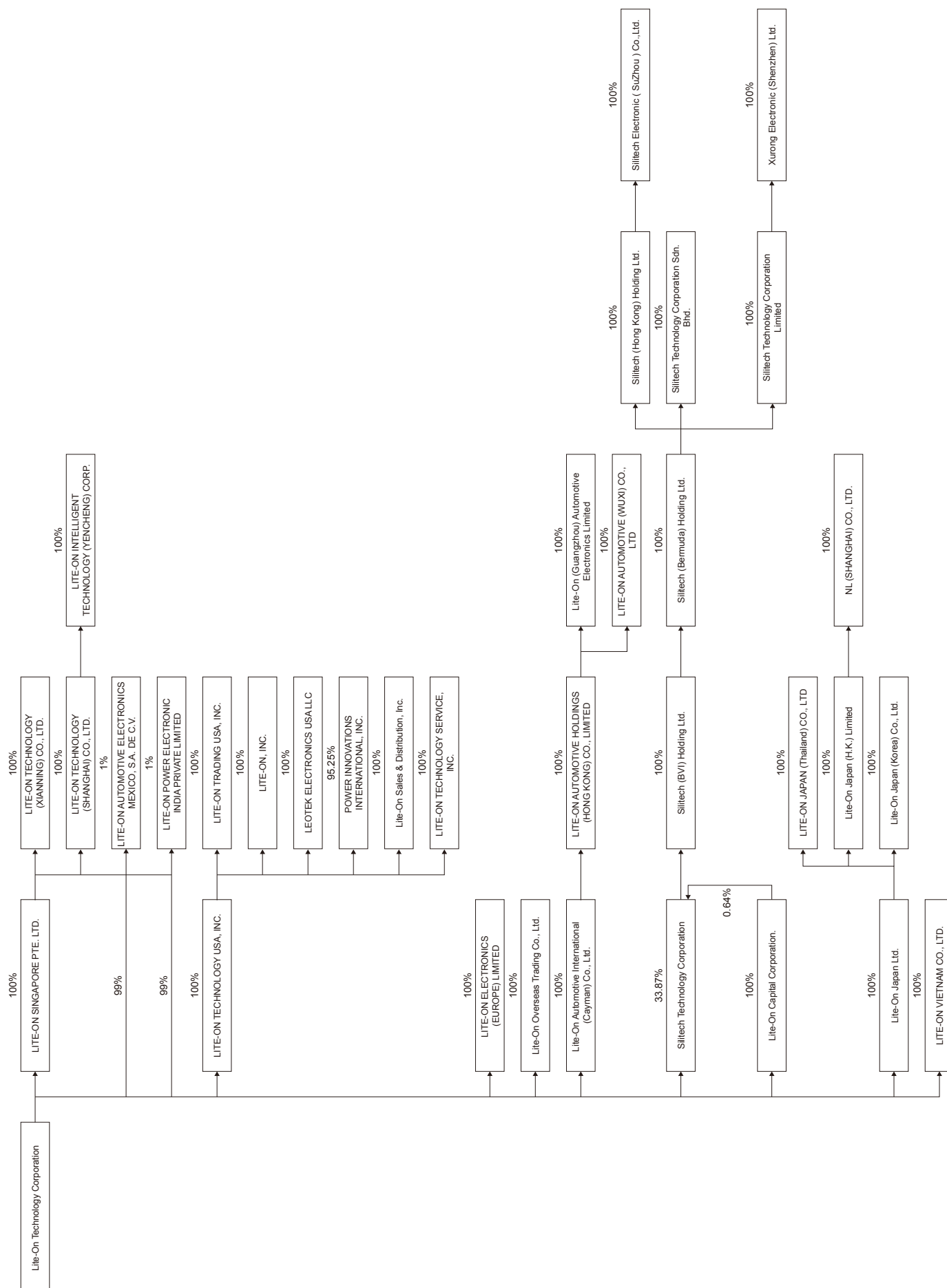
8.1 Summary of Affiliated Companies

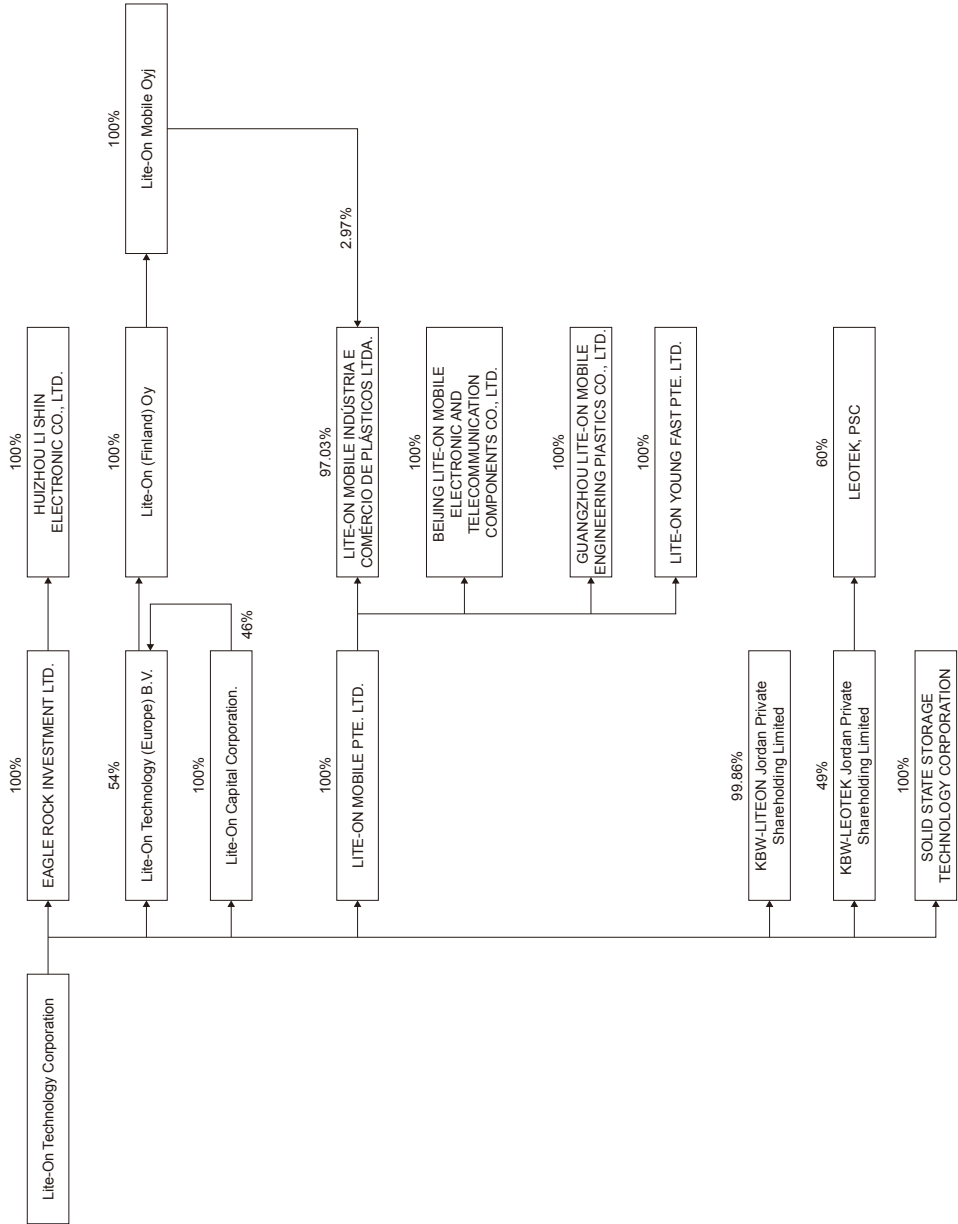
8.1.1 LITE-ON Subsidiaries Chart

As of December 31, 2019









8.1.2 Operational Highlights of LITE-ON Subsidiaries

Unit: NT\$ thousands, except EPS (NT\$)

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
Lite-On Technology Corporation	23,508,670	146,013,538	73,553,763	72,459,775	120,871,430	2,537,949	9,374,899	4.03
Skyla Corporation	308,000	454,106	129,509	324,597	281,456	6,792	6,821	0.22
Lite-On Integrated Service Inc.	34,000	75,143	20,361	54,782	81,907	10,331	11,929	3.51
Philips & Lite-On Digital Solutions Corporation	350,000	3,924,884	3,382,240	542,644	11,133,019	163,557	63,398	1.81
SOLID STATE STORAGE TECHNOLOGY CORPORATION	4,482,454	7,112,866	2,672,326	4,440,540	500,779	(50,228)	(41,914)	(0.09)
Lite-On Capital Corporation	2,095,451	2,309,799	8,867	2,300,932	-	(3,937)	52,301	0.25
Lite-On Green Technologies, Inc.	790,000	301,217	66,112	235,105	-	(2,611)	(2,474)	(0.03)
LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	2,202,689	3,549,657	370,048	3,179,609	1,707,938	126,939	167,854	NA
LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	1,506,964	7,055,102	2,888,907	4,166,195	18,357,190	563,567	568,027	NA
LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	2,534,813	4,934,372	2,074,356	2,860,016	4,864,392	49,402	120,222	NA
LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD	348,171	636,962	134,193	502,769	698,868	56,155	63,278	NA
Lite-On Automotive Electronics (CZ) Co.	963,224	1,161,999	234,725	927,274	307,414	(25,849)	(34,743)	NA
LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	240,753	730,096	502,455	227,641	1,318,132	23,470	(5,187)	NA
LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	4,253,048	15,249,628	10,929,421	4,320,207	23,889,208	468,527	564,462	NA
LITE-ON MEDICAL DEVICE (CHANGZHOU) LTD.	131,905	120,308	15,573	104,735	74,095	1,514	3,260	NA
LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	185,355	502,196	148,085	354,111	693,007	70,976	63,395	NA
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	1,883,653	5,133,182	2,881,121	2,252,061	6,687,199	(403,602)	(369,593)	NA
LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	83,634	187,436	80,949	106,487	(3,466)	(27,414)	(23,986)	NA
WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	156,032	1,601,846	1,091,996	509,850	2,775,230	70,678	68,910	NA
CHINA BRIDGE (CHINA) CO., LTD.	1,024,893	1,335,365	1,429	1,333,936	-	(49)	102,758	NA
LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	4,728,457	8,586,374	155,801	8,430,573	72,065	1,261	511,391	NA
DONGGUAN LITE-ON COMPUTER CO., LTD.	54,548	105,076	4,020	101,056	-	(136)	3,409	NA
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	1,168,394	4,672,286	1,914,349	2,757,937	15,151,383	127,605	148,748	NA
SILITEK ELEC. (DONGGUAN) CO., LTD.	166,402	6,020,298	2,173,929	3,846,369	11,547,139	825,028	847,917	NA
LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	442,007	1,346,431	338,302	1,008,129	1,332,655	170,491	162,245	NA

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
LITE-ON COMPUTER TECHNOLOGY (DONGGUAN) CO., LTD.	553,440	363,517	1,520	361,997	-	(19,461)	(12,245)	NA
LITE-ON ELECTRONICS H.K. LIMITED	6,867,983	18,479,625	1,362,697	17,116,928	3,753,498	64,910	1,894,963	106.07
LITE-ON ELECTRONICS COMPANY LIMITED	11,853,773	19,223,483	109,650	19,113,833	1,333,267	(3,262)	1,585,338	0.51
YET FOUNDATE LIMITED	315,211	556,429	1,224	555,205	-	(5,240)	10,485	0.15
CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	26,627	144,193	162,685	(18,492)	3,419	(20,778)	(22,041)	NA
I-SOLUTIONS LIMITED	44,895	45,486	590	44,896	93,284	(1,108)	1	-
HUIZHOU LI SHIN ELECTRONIC CO., LTD.	454,866	1,858,229	498,238	1,359,991	2,043,990	186,392	181,343	NA
FORDGOOD ELECTRONIC LIMITED	385,007	528,068	68	528,000	-	(1,716)	62,684	0.63
LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	4,370,883	19,692,180	10,494,330	9,197,850	26,515,385	594,519	905,007	NA
LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	2,142,242	538,223	2,205	536,018	-	(46)	42,527	NA
LITE-ON (GUANGZHOU) INFORTECH CO., LTD.	45,251	205,983	20,927	185,056	105,543	11,201	7,672	NA
LITE-ON IT INTERNATIONAL (HK) LIMITED	3,064,832	6,012,916	116	6,012,800	-	(149)	36,041	0.35
LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	1,513,352	2,339,255	524,967	1,814,288	1,276,209	(151,678)	(86,929)	NA
LiteON Auto Electric Technology (Guangzhou) Ltd.	66,555	225,427	144,389	81,038	484,462	25,309	(48,351)	NA
LITEON-IT OPTO TECH (BH) CO., LTD.	1,618,525	6,341,947	2,228,905	4,113,042	8,002,067	143,688	170,776	NA
LET (HK) LIMITED	238,576	53,765	1,078	52,687	-	7,454	13,695	0.22
Philips & LiteOn Digital Solutions (Shanghai) Co., Ltd.	32,770	513,119	64,206	448,913	153,423	(52,518)	(37,568)	NA
TITANIC CAPITAL SERVICES LTD.	259,051	42,391	25,302	17,089	-	(167)	(124)	(0.01)
LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	22,047	2,597	13,360	(10,763)	-	(717)	(1,096)	NA
Lite-on Green Energy (HK) Limited	92,783	6,474	244	6,230	-	(55)	(42)	(0.01)
LITE-ON DIGITAL ELECTRONICS (DONGGUAN) CO., LTD.	89,630	86,944	371	86,573	-	(49)	1,668	NA
Lite-On Electronics (Thailand) Co., Ltd.	601,778	3,156,471	1,073,635	2,082,836	3,265,058	129,258	118,873	19.65
LITE-ON VIETNAM CO., LTD.	628,530	1,346,660	682,671	663,989	276,473	52,854	51,006	NA
KBW-LEOTEK Jordan Pte. Shareholding Ltd.	4,227	1,881	1,877	4	-	(883)	248	2.48
Leotek, PSC	2,114	20,510	18,285	2,225	23,835	2,384	1,994	39.87
KBW-LITEON Jordan Private Shareholding Limited	1,527,363	2,249,876	395,274	1,854,602	23,515	(58,918)	58,248	1.61
LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	426,145	1,263,344	992,172	271,172	1,711,238	(17,189)	(83,586)	(0.81)

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
LITE-ON SINGAPORE PTE. LTD.	887,425	32,860,836	19,609,273	13,251,563	64,915,503	2,062,292	1,135,787	21.94
Philips & Lite-On Digital Solutions Korea Ltd.	2,308	38,098	5,066	33,032	4,036	367	501	28.13
LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	115,982	100,581	415	100,166	-	(707)	(1,041)	(0.30)
LITE-ON, INC.	89,790	347,516	157,952	189,564	925,928	12,888	16,926	5.64
POWER INNOVATIONS INTERNATIONAL, INC.	175,027	232,012	38,933	193,079	303,825	25,139	21,119	1.56
LITE-ON TRADING USA, INC.	942,795	5,719,758	4,563,649	1,156,109	13,636,137	59,634	57,450	182.38
LITE-ON TECHNOLOGY SERVICE, INC.	30	61,634	6,911	54,723	36,977	1,783	1,167	1,166.87
LITE-ON TECHNOLOGY USA, INC.	1,610,111	2,607,629	6,643	2,600,986	-	(4,512)	159,060	338.25
Lite-On International Holding Co., Ltd	10,886,304	20,378,603	20	20,378,583	-	(118)	1,897,628	5.22
LEOTEK ELECTRONICS USA LLC	212,503	662,228	251,162	411,066	1,555,505	39,123	34,891	NA
LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	238,704	428,528	198,618	229,910	436,954	86,275	55,090	184.98
Lite-On Sales & Distribution, Inc.	2,993	355,563	221,805	133,758	842,333	46,222	35,746	35,746.13
Philips & Lite-On Digital Solutions USA, Inc.	30	813,430	570,220	243,210	5,197,241	19,578	15,687	15,686.73
LTC INTERNATIONAL LTD.	452,542	403,606	39	403,567	-	(452)	(22,071)	(1.46)
LTC GROUP LTD.	985,172	516,584	9,968	506,616	-	(124)	(22,642)	(0.69)
LITE-ON ELECTRONICS (EUROPE) LIMITED	11,777	69,684	4,271	65,413	61,951	6,158	4,957	16.52
Lite-On Information Technology B.V.	18,479	16,625	67	16,558	-	(127)	1,081	0.10
Lite-On Information Technology GmbH	839	3,255	668	2,587	-	(295)	1,207	NA
PLDS Germany GmbH	251,569	1,137,433	215,085	922,348	721,308	13,681	5,903	NA
Lite-On Technology (Europe) B.V.	2,610,342	779,534	3,489	776,045	22,383	1,629	(21,102)	(34.44)
Lite-On (Finland) Oy	84	660,886	33	660,853	-	(14)	(22,491)	(8,996.58)
Lite-On Green Technologies B.V.	2,287	46,450	1,205	45,245	-	(1,787)	(1,787)	(0.26)
Lite-On Green Energy B.V.	21,460	21,199	445	20,754	-	(343)	(343)	(0.04)
EAGLE ROCK INVESTMENT LTD.	299	1,379,537	-	1,379,537	-	(77)	182,886	18,288.60
G&W TECHNOLOGY (BVI) LIMITED	233,454	291,087	42,311	248,776	-	(3,707)	6,183	0.79
G&W TECHNOLOGY LIMITED	1,931	170,904	165,101	5,803	28,964	13,020	8,755	17.51
HIGH YIELD GROUP CO., LTD.	2,039,370	6,013,191	98	6,013,093	-	(167)	35,874	0.53
Lite-On Overseas Trading Co., Ltd.	153,929	49,026,574	48,783,808	242,766	-	1,804	13,119	2.55
LITE-ON CHINA HOLDING CO. LTD.	12,790,332	20,407,803	78,354	20,329,449	-	(297)	1,897,745	4.44
Lite-On Mobile Oyj	2,683	748,874	95,661	653,213	15,988	(7,514)	(22,478)	(0.42)
LITE-ON AUTOMOTIVE (WUXI) CO., LTD	178,158	547,028	26,151	520,877	247,289	(60,541)	(51,903)	NA

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
Lite-On (Guangzhou) Automotive Electronics Limited	200,773	3,261,752	1,515,813	1,745,939	4,829,780	284,960	43,705	NA
Lite-On Automotive International (Cayman) Co., Ltd	358,181	2,282,637	10	2,282,627	-	(183)	(7,092)	(0.59)
LITE-ON AUTOMOTIVE HOLDINGS (HONG KONG) CO., LIMITED	389,236	2,269,009	63	2,268,946	-	(111)	(6,842)	(0.07)
LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	1,632,044	776,044	195,291	580,753	862,811	171,444	158,168	0.72
GUANGZHOU LITE-ON MOBILE EGNINEERING PLASTICS CO., LTD.	682,257	1,822,221	14,221	1,808,000	-	(47)	49,081	NA
BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	563,730	524,225	49,600	474,625	-	(57,775)	(50,089)	NA
LITE-ON MOBILE PTE. LTD.	8,357,031	5,132,607	1,264,085	3,868,522	862	(6,461)	(369,180)	(0.92)
LITE-ON YOUNG FAST PTE. LTD.	330,718	120,315	1,091	119,224	-	(437)	6	0.58
Lite-On Japan Ltd.	179,010	740,781	373,064	367,717	1,760,076	27,310	9,534	0.77
Lite-On Japan (H.K.) Pte. Limited	19,305	723,017	502,716	220,301	2,001,806	18,219	16,900	338.00
Lite-On Japan (Korea) Co., Ltd.	5,180	346	-	346	-	-	-	-
Lite-On Japan (Thailand) Co., Ltd.	19,894	235,578	90,073	145,505	406,133	16,936	16,631	83.15
NL (SHANGHAI) CO., LTD.	10,455	144,018	70,999	73,019	275,402	2,948	1,999	66.64
Silitech Technology Corporation	600,000	2,942,970	421,967	2,521,003	949,744	(127,397)	(30,495)	(0.24)
Xurong Electronic (Shenzhen) Ltd.	99,831	766,886	246,954	519,932	838,462	(85,169)	(62,602)	NA
Silitech (BVI) Holding Ltd.	1,561,805	2,080,932	5	2,080,927	-	(103)	94,703	1.81
Silitech (Bermuda) Holding Ltd.	1,560,309	2,063,445	-	2,063,445	-	(906)	78,775	1.51
Silitech Technology Corporation Limited	285,774	726,975	148,572	578,403	564,838	(331)	(60,250)	(0.97)
Silitech Technology Corp. Sdn. Bhd	156,987	798,059	304,861	493,198	1,098,642	138,704	118,311	5.53
Silitech Electronic (SuZhou) Co., Ltd.	930,747	93,476	-	93,476	-	(8,787)	(2,684)	NA
Silitech (Hong Kong) Holding Ltd.	873,845	159,484	905	158,579	-	(1,308)	2,738	0.11

Note: Foreign exchange rates for balance sheet amounts are valuation exchange rates of 2019/12/31.

Foreign exchange rates for income statement amounts are average exchange rates of 2019.

8.2 Private Placement of Company Shares: None

8.3 LITE-ON Shares Held / Sold by Subsidiaries

Unit: NT\$ thousands; Shares/ units; %

Name of Subsidiary	Stock Capital Collected	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount of Disposed	Investment Gain (Loss)	Shareholdings and Amount in Most Recent Year	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
Lite-On Capital Corporation.	2,095,451	None	100	2016/09/27	75,066 shares	-	-	15,115,869 shares 571,380 thousands	None	None	None
LITE-ON ELECTRONICS COMPANY LIMITED	11,853,773	None	100	2016/09/27	12,160 shares	-	-	2,450,370 shares 92,624 thousands	None	None	None
LTC INTERNATIONAL LTD	452,542	None	100	2016/09/27	34,776 shares	-	-	7,004,221 shares 264,760 thousands	None	None	None
YET FOUNDATE LIMITED	315,211	None	100	2016/09/27	11,270 shares	-	-	2,271,040 shares 85,845 thousands	None	None	None

8.4 Other Supplementary Information: None

9. Other Significant Events Affecting Shareholders’ Equity or
Stock Price: None

Other Significant Events Affecting
Shareholders’ Equity or Stock Price

Appendix A. Consolidated Financial Statements

Lite-On Technology Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

LITE-ON TECHNOLOGY CORPORATION

By



RAYMOND SOONG
Chairman

February 26, 2020



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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lite-On Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Lite-On Technology Corporation and its subsidiaries (collectively, the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and consolidated cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are as follows:

Allowance for Impairment Loss of Trade Receivables

The allowance for impairment loss of trade receivables reflects management's subjective evaluation and determination of the recoverable amount of overdue receivables containing credit risk. The key assumptions and inputs used in the evaluation process involve significant estimates by management. Hence, we focused on assessing the reasonableness of the management's estimates of allowance for impairment loss in our audit.

Refer to Note 4 to the consolidated financial statements for the summary of significant accounting policies. Refer to Note 11 to the consolidated financial statements for the carrying amount of trade receivables and impairment loss of trade receivables. In response to management's estimates mentioned above, we assessed the classification of client's credit rating, the reasonableness of expected credit loss rates, the calculation accuracy of allowance for impairment loss, and the recoverability of outstanding receivables via subsequent receipt testing.

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 policy for determining the allowance for inventory loss reflects the management's subjective evaluation. Hence, we focused on assessing the reasonableness of management's estimates of allowance for inventory valuation loss in our audit.

Refer to Note 4 to the consolidated financial statements for the summary of significant accounting policies. Refer to Note 12 to the consolidated financial statements for the carrying amount of inventory. In response to management's estimates mentioned above, we assessed the classification of inventory aging reports by business segment, the reasonableness of allowance for inventory valuation loss rates, the correctness of inventory aging classification and the allowance calculation via audit sampling, and the physical examination of inventory through year-end inventory count to determine whether inventory was outdated or obsolete.

Other Matter

We have also audited the parent company only financial statements of Lite-On Technology Corporation as of and for the years ended December 31, 2019 and 2018 to which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

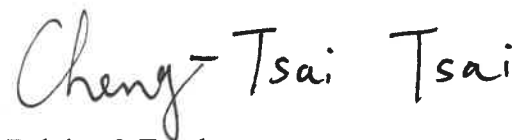
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 consolidated financial statements for the year ended December 31, 2019 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 Cheng-Tsai Tsai and Meng-Chieh Chiu.



Deloitte & Touche
Taipei, Taiwan
Republic of China



February 26, 2020

Notice to Readers

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

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

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 67,639,056	36	\$ 63,285,301	32
Financial assets at fair value through profit or loss (Note 7)	271,650	-	132,139	-
Financial assets at amortized cost (Note 9)	221,977	-	223,738	-
Contract assets	2,487,281	1	3,024,589	2
Notes receivable, net (Note 11)	245,525	-	697,671	-
Trade receivables, net (Note 11)	38,078,654	21	45,484,821	23
Trade receivables from related parties (Note 32)	73,542	-	90,095	-
Other receivables	5,171,354	3	10,910,806	6
Other receivables from related parties (Note 32)	21,743	-	4,417	-
Inventories, net (Note 12)	23,647,443	13	31,493,066	16
Disposal groups held for sale (Note 14)	7,025,272	4	-	-
Other current assets (Note 20)	1,969,183	1	2,638,275	1
Total current assets	146,852,680	79	157,984,918	80
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Note 7)	116,644	-	111,220	-
Financial assets at fair value through other comprehensive income (Note 8)	1,521,076	1	388,675	-
Financial assets at amortized cost (Note 9)	338,662	-	395,301	-
Investments accounted for using the equity method (Note 15)	4,729,554	3	4,972,609	3
Property, plant and equipment, net (Note 16)	19,171,374	10	20,484,992	10
Right-of-use assets, net (Notes 17 and 32)	1,602,478	1	-	-
Investment properties, net (Note 18)	1,282,267	1	1,178,393	1
Intangible assets, net (Note 19)	5,947,819	3	5,914,084	3
Deferred tax assets (Note 27)	4,577,757	2	4,333,202	2
Refundable deposits	347,658	-	499,984	-
Other non-current assets (Note 20)	144,534	-	872,691	1
Total non-current assets	39,779,823	21	39,151,151	20
TOTAL	\$ 186,632,503	100	\$ 197,136,069	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 21)	\$ 30,433,692	16	\$ 30,087,282	15
Financial liabilities at fair value through profit or loss (Note 7)	688,834	-	51,877	-
Notes payable	13,271	-	18,235	-
Trade payables	44,304,379	24	52,309,412	27
Trade payables to related parties (Note 32)	730,544	-	781,623	-
Other payables	21,018,773	12	29,388,957	15
Other payables to related parties (Note 32)	12,494	-	16,684	-
Current tax liabilities	5,693,989	3	4,986,079	3
Provisions (Note 23)	1,043,689	1	1,011,238	-
Liabilities directly associated with disposal groups held for sale (Note 14)	2,693,881	2	-	-
Lease liabilities (Notes 17 and 32)	306,405	-	-	-
Advance receipts	2,457,892	1	1,959,041	1
Current portion of long-term borrowings (Note 21)	-	-	184	-
Finance lease payables (Note 22)	-	-	1,469	-
Total current liabilities	109,397,843	59	120,612,081	61
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 27)	1,789,117	1	1,605,349	1
Lease liabilities (Notes 17 and 32)	648,341	-	-	-
Finance lease payables, net of current portion (Note 22)	-	-	351	-
Net defined benefit liabilities (Note 24)	68,123	-	160,997	-
Guarantee deposits	87,689	-	78,890	-
Total non-current liabilities	2,593,270	1	1,845,587	1
Total liabilities	111,991,113	60	122,457,668	62
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
Share capital				
Ordinary shares	23,508,670	13	23,508,670	12
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	3,471,812	2	3,471,812	2
Bond conversions	7,462,138	4	7,462,138	4
Treasury share transactions	548,884	-	477,697	-
Recognized changes in percentage of ownership interest in subsidiaries	48,298	-	47,209	-
Changes in equities of investments in associates accounted for using the equity method	273,024	-	271,367	-
Mergers	10,015,194	5	10,015,194	5
Total capital surplus	21,819,350	12	21,745,417	11
Retained earnings				
Legal reserve	12,845,584	7	12,049,900	6
Special reserve	3,388,768	2	2,705,954	2
Unappropriated earnings	16,885,813	9	15,789,147	8
Total retained earnings	33,120,165	18	30,545,001	16
Other equity				
Exchange differences on translating foreign operations	(4,390,226)	(2)	(2,779,863)	(2)
Unrealized loss of financial assets at fair value through other comprehensive income	(312,940)	-	(449,461)	-
Gain on hedging instruments	288	-	2,714	-
Equity directly associated with disposal groups held for sale	(14,218)	-	-	-
Total other equity	(4,717,096)	(3)	(3,226,610)	(2)
Treasury shares	(1,271,314)	(1)	(1,248,722)	(1)
Total equity attributable to owners of the Parent Company	72,459,775	39	71,323,756	36
NON-CONTROLLING INTERESTS	2,181,615	1	3,354,645	2
Total equity	74,641,390	40	74,678,401	38
TOTAL	\$ 186,632,503	100	\$ 197,136,069	100

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

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 26 and 32)	\$ 181,808,286	102	\$ 211,390,341	102
Less: Sales allowance	2,768,242	1	3,102,425	1
Sales returns	1,085,878	1	1,178,828	1
Total operating revenue	177,954,166	100	207,109,088	100
COST OF GOODS SOLD (Notes 12, 29 and 32)	150,616,502	85	180,006,839	87
GROSS PROFIT	27,337,664	15	27,102,249	13
OPERATING EXPENSES (Notes 29 and 32)				
Selling and marketing expenses	5,788,391	3	7,084,795	3
General and administrative expenses	6,143,633	4	6,116,248	3
Research and development expenses	6,083,478	3	6,348,444	3
Expected credit loss (gain) (Note 31)	(23,060)	-	66,949	-
Total operating expenses	17,992,442	10	19,616,436	9
OPERATING INCOME	9,345,222	5	7,485,813	4
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates accounted for using the equity method	60,069	-	178,863	-
Interest income	1,896,183	1	1,710,052	1
Dividend income	20,484	-	39,400	-
Other income (Notes 32 and 35)	1,722,808	1	5,265,003	2
Net gain on disposal of investments (Note 15)	261	-	86,603	-
Net gain (loss) on foreign currency exchange	666,584	-	(497,693)	-
Net gain on financial assets at fair value through profit or loss	228,483	-	1,338,423	1
Finance costs	(844,172)	-	(875,318)	(1)
Other expenses	(343,473)	-	(380,339)	-
Net loss on disposal of property, plant and equipment	(30,456)	-	(20,018)	-
Net loss on disposal of intangible asset	(15)	-	(6)	-
Impairment loss (Notes 16 and 19)	(358,140)	-	(3,546,662)	(2)
Total non-operating income and expenses	3,018,616	2	3,298,308	1
PROFIT BEFORE INCOME TAX	12,363,838	7	10,784,121	5
INCOME TAX EXPENSE (Note 27)	(2,958,321)	(2)	(2,817,037)	(1)
NET PROFIT FOR THE YEAR	9,405,517	5	7,967,084	4

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 24, 25 and 27)				
Items not reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (12,720)	-	\$ 3,041	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	247,171	-	(107,838)	-
Share of other comprehensive loss of associates accounted for using the equity method	(8,779)	-	(1,770)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(2,278)</u>	-	<u>4,441</u>	-
	<u>223,394</u>	-	<u>(102,126)</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(1,908,702)	(1)	(369,243)	-
Share of other comprehensive loss of associates accounted for using the equity method	(166,880)	-	(48,265)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>419,656</u>	-	<u>171,056</u>	-
	<u>(1,655,926)</u>	(1)	<u>(246,452)</u>	-
Other comprehensive loss for the year, net of income tax	<u>(1,432,532)</u>	(1)	<u>(348,578)</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,972,985</u>	<u>4</u>	<u>\$ 7,618,506</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Parent Company	\$ 9,374,899	5	\$ 7,956,838	4
Non-controlling interests	<u>30,618</u>	-	<u>10,246</u>	-
	<u>\$ 9,405,517</u>	<u>5</u>	<u>\$ 7,967,084</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Parent Company	\$ 7,973,221	4	\$ 7,602,588	4
Non-controlling interests	<u>(236)</u>	-	<u>15,918</u>	-
	<u>\$ 7,972,985</u>	<u>4</u>	<u>\$ 7,618,506</u>	<u>4</u>

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 28)				
From continuing operations				
Basic	<u>\$4.03</u>		<u>\$3.42</u>	
Diluted	<u>\$3.98</u>		<u>\$3.38</u>	

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

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 12,363,838	\$ 10,784,121
Adjustments for:		
Depreciation expenses	4,391,453	4,698,252
Amortization expenses	223,431	306,500
Expected credit loss (gain)	(23,060)	66,949
Net gain on fair value changes of financial assets as at fair value through profit or loss	(228,483)	(1,338,423)
Finance costs	844,172	875,318
Interest income	(1,896,183)	(1,710,052)
Dividend income	(20,484)	(39,400)
Share of profit of associates accounted for using the equity method	(60,069)	(178,863)
Net loss on disposal of property, plant and equipment	30,456	20,018
Net loss on disposal of intangible asset	15	6
Net gain on disposal of non-current assets held for sale	-	(162,819)
Net gain on disposal of investments	(261)	(86,603)
Impairment loss recognized (reversed) on non-financial assets	(887,297)	3,749,500
Unrealized net loss (gain) on foreign currency exchange	(792,299)	262,569
Net gain on disposal of subsidiaries	(226,034)	-
Recognition of provisions	300,722	429,650
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	730,141	1,230,565
Contract assets	588,627	(3,033,890)
Notes receivable	446,787	(419,737)
Trade receivables	5,252,094	8,831,029
Trade receivables from related parties	16,553	(10,807)
Other receivables	4,322,842	(9,800,729)
Other receivables from related parties	(17,325)	(1,611)
Inventories	6,185,308	(3,606,918)
Other current assets	603,977	696,139
Notes payable	(4,964)	(20,571)
Trade payables	(4,625,264)	(4,655,634)
Trade payables to related parties	(51,080)	(22,271)
Other payables	(6,782,557)	7,710,429
Other payables to related parties	(3,927)	(3,243)
Provisions	(264,988)	(285,733)
Advance receipts	546,307	(93,901)
Net defined benefit liabilities	(91,495)	(63,174)
Cash generated from operations	20,870,953	14,126,666
Interest received	1,902,531	1,662,673
Dividends received	20,484	39,400
Interest paid	(855,798)	(852,547)
Income tax paid	(2,176,423)	(1,492,648)
Net cash generated from operating activities	19,761,747	13,483,544

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of financial assets at fair value through other comprehensive income	\$ (11,500)	\$ (58,970)
Proceeds from disposal of financial assets at fair value through other comprehensive income	292,270	176,660
Purchases of financial assets at amortized cost	(658,270)	-
Proceeds from disposal of financial assets at amortized costs	720,192	868,455
Proceeds from disposal of investments accounted for using the equity method	3,997	2,849
Net cash inflow on disposal of subsidiaries	355,775	5,590
Proceeds from disposal of non-current assets held for sale	422,389	658,211
Purchases of property, plant and equipment	(5,174,012)	(5,646,424)
Proceeds from disposal of property, plant and equipment	193,894	3,444,871
Decrease in refundable deposits	144,006	140,857
Purchases of intangible assets	(282,196)	(166,322)
Proceeds from disposal of intangible assets	3,062	418,442
Decrease (increase) in other non-current assets	12,339	(80,403)
Dividend received from associates	140,066	101,714
Net cash used in investing activities	<u>(3,837,988)</u>	<u>(134,470)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	691,702	(476,153)
Repayments of long-term borrowings	(184)	(16,645)
Proceeds from (refunds of) guarantee deposits received	11,573	(1,345)
Decrease in finance lease payables	-	(1,617)
Repayments of the principal portion of lease liabilities	(332,362)	-
Cash dividends paid	(6,793,345)	(6,787,163)
Payments for buy-back of ordinary shares	(22,592)	-
Acquisition of subsidiaries	(364,239)	-
Changes in non-controlling interests	<u>(814,371)</u>	<u>(30,537)</u>
Net cash used in financing activities	<u>(7,623,818)</u>	<u>(7,313,460)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(1,808,492)</u>	<u>(534,173)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,491,449	5,501,441
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>63,285,301</u>	<u>57,783,860</u>
		(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	2019	2018
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u>69,776,750</u>	\$ <u>63,285,301</u>
CASH AND CASH EQUIVALENTS INCLUDED IN DISPOSAL GROUPS HELD FOR SALE (Note 14)	<u>(2,137,694)</u>	<u>-</u>
CASH AND CASH EQUIVALENT ON CONSOLIDATED BALANCE SHEET	\$ <u>67,639,056</u>	\$ <u>63,285,301</u>

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

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

The extraordinary shareholders’ meeting of the Parent Company resolved to spin-off its Solid State Storage’s business unit to 100% owned subsidiary, SOLID STATE STORAGE TECHNOLOGY CORPORATION, for the purpose of specialization under the Business Mergers and Acquisitions Act and related regulations in October 2019.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent Company’s board of directors on February 26, 2020.

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

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

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

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for right to use land in China and Vietnam were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at either an amount equal to the lease liabilities, or their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The Group as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Investments accounted for using the equity method	\$ 4,972,609	\$ (5,585)	\$ 4,967,024
Right-of-use assets - non-current	-	1,922,540	1,922,540
Prepayments for leases - non-current	<u>713,824</u>	<u>(713,824)</u>	<u>-</u>
Total effect on assets	<u>\$ 5,686,433</u>	<u>\$ 1,203,131</u>	<u>\$ 6,889,564</u>
Lease liabilities - current	\$ -	\$ 343,221	\$ 343,221
Lease liabilities - non-current	<u>-</u>	<u>880,401</u>	<u>880,401</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 1,223,622</u>	<u>\$ 1,223,622</u>
Retained earnings	\$ 30,545,001	\$ (10,730)	\$ 30,534,271
Non-controlling interests	<u>3,354,645</u>	<u>(9,761)</u>	<u>3,344,884</u>
Total effect on equity	<u>\$ 33,899,646</u>	<u>\$ (20,491)</u>	<u>\$ 33,879,155</u>

Upon initial application of IFRS 16, the Group restated comparative information and recognized the cumulative effect on retained earnings, resulted from recognizing the decrease in the subsidiary's retained earnings of \$5,145 thousand and the proportionate share of the decrease in the associate's retained earnings of \$5,585 thousand.

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

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

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

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

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

- 2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, 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 an 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 an asset or liability.

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

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- 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:

- Liabilities held primarily for the purpose of trading;
- 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 consolidated financial statements are authorized for issue; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

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

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

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

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of [financial assets at fair value through other comprehensive income/financial assets at fair value through profit or loss] or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

See Note 13 and Table 7 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

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

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

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

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

f. Foreign currencies

In preparing the Group's financial statements, transactions in currencies other than the Group's functional currency (i.e., 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 consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

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

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

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

g. Inventories

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

h. Investments accounted for using the equity method

An associate is an entity over which the Group has significant influence and which is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group uses the equity method to account for its investments in associates.

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

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

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

The entire carrying amount of an 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 not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

i. Property, plant and equipment

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

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

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

j. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Goodwill

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

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

n. Non-current assets held for sale

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

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale. However, such investment is still accounted for using the equity method.

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

o. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 issuance 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 ("FVTPL") are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets, held by the Group, are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at fair value through other comprehensive income ("FVTOCI").

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Refer to Note 31 for the determination of fair value of the financial assets.

ii. Financial assets at amortized cost

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Financial liabilities and equity instruments

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

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

Repurchase of the Group'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 Group's own equity instruments.

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

3) Derivative financial instruments

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

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

p. Provisions

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

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

q. Revenue recognition

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

1) Sale of goods

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

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

2) Rental revenue

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

3) Dividend and interest income

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

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

r. Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

1) The Group as lessor

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

2) The Group as lessee

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, 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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical Accounting Judgements

Business model assessment for financial assets

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

Key Sources of Estimation Uncertainty

a) Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions

as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b) Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 2,786	\$ 3,240
Checking accounts	1,125,503	975,772
Demand deposits	41,608,274	39,717,272
Time deposits	<u>24,902,493</u>	<u>22,589,017</u>
	<u>\$ 67,639,056</u>	<u>\$ 63,285,301</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Currency swaps	\$ 157,557	\$ 38,496
Forward exchange contracts	<u>114,093</u>	<u>93,643</u>
	<u>\$ 271,650</u>	<u>\$ 132,139</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 102,120	\$ 99,727
Domestic quoted shares	<u>14,524</u>	<u>11,493</u>
	<u>\$ 116,644</u>	<u>\$ 111,220</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	\$ 684,519	\$ 45,584
Currency swaps	<u>4,315</u>	<u>6,293</u>
	<u>\$ 688,834</u>	<u>\$ 51,877</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
The Parent Company			
Currency swaps	USD/NTD	2020.01.06- 2020.03.19	USD465,000/NTD14,022,525
Lite-On Overseas Trading Co., Ltd.			
Forward exchange contracts	USD/CNY	2020.01.09- 2020.04.07	USD209,000/CNY1,473,869
Currency swaps	USD/CNY	2020.01.09	USD60,000/CNY420,468
LITE-ON SINGAPORE PTE. LTD.			
Forward exchange contracts	USD/NTD	2020.01.10- 2020.11.16	USD1,328,000/NTD39,887,176
Forward exchange contracts	USD/INR	2020.01.10- 2020.06.16	USD35,000/INR2,519,329
Forward exchange contracts	EUR/USD	2020.01.07	EUR11,000/USD12,210
Forward exchange contracts	USD/CAD	2020.01.06	USD1,504/CAD2,000
Forward exchange contracts	USD/JPY	2020.01.07	USD919/JPY100,000
Forward exchange contracts	USD/BRL	2020.01.22	USD2,500/BRL10,166
Forward exchange contracts	USD/MXN	2020.01.07	USD2,600/MXN51,025
Forward exchange contracts	USD/CNY	2020.03.04- 2020.03.17	USD20,000/CNY140,540
Currency swaps	USD/CNY	2020.01.07- 2020.03.16	USD55,500/CNY389,881
Philip & Lite-On Digital Solutions Corporation			
Forward exchange contracts	EUR/USD	2020.01.06	USD3,866/EUR3,500
Currency swaps	USD/NTD	2020.01.30	USD20,000/NTD602,000
Silitech Technology Corporation			
Forward exchange contracts	USD/MYR	2020.01.07- 2020.03.06	USD1,940/MYR8,050
Forward exchange contracts	EUR/MYR	2020.01.10- 2020.03.17	EUR300/MYR1,405
Forward exchange contracts	CNY/MYR	2020.01.16	CNY1,000/MYR590
Forward exchange contracts	USD/CNY	2020.01.17- 2020.02.14	USD2,250/CNY15,803
<u>December 31, 2018</u>			
The Parent Company			
Currency swaps	USD/NTD	2019.01.09- 2019.05.06	USD120,000/NTD3,652,320
Lite-On Overseas Trading Co., Ltd.			
Forward exchange contracts	USD/CNY	2019.01.15- 2019.03.11	USD128,000/CNY885,336
Currency swaps	USD/CNY	2019.01.29	USD24,000/CNY167,338

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
LITE-ON SINGAPORE PTE. LTD.			
Forward exchange contracts	USD/NTD	2019.01.14- 2019.06.10	USD600,000/NTD18,199,954
Forward exchange contracts	USD/CNY	2019.01.24- 2019.03.06	USD35,000/CNY243,945
Forward exchange contracts	USD/MXN	2019.01.04	USD1,600/MXN32,384
Forward exchange contracts	EUR/USD	2019.01.04	EUR13,000/USD14,790
Forward exchange contracts	USD/JPY	2019.01.04	USD883/JPY100,000
Forward exchange contracts	USD/CAD	2019.01.03	USD984/CAD1,300
Forward exchange contracts	USD/BRL	2019.01.07	USD2,500/BRL9,587
Forward exchange contracts	USD/INR	2019.01.14	USD6,000/INR433,664
Currency swaps	USD/CNY	2019.01.09- 2019.03.13	USD53,000/CNY367,701
Philip & Lite-On Digital Solutions Corporation			
Forward exchange contracts	EUR/USD	2019.01.04	EUR3,500/USD3,980
Currency swaps	USD/NTD	2019.01.14	USD20,000/NTD614,900
Silitech Technology Corporation			
Forward exchange contracts	USD/MYR	2019.01.07- 2019.03.06	USD1,980/MYR8,267
Forward exchange contracts	EUR/MYR	2019.01.28- 2019.03.27	EUR310/MYR1,488
Forward exchange contracts	USD/CNY	2019.01.14- 2019.02.15	USD3,000/CNY20,758

(Concluded)

The Group entered into derivative contracts in 2019 and 2018 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Group did not meet the criteria for hedge accounting. Thus, the derivative contracts are classified as financial assets or financial liabilities at FVTPL. The financial risk management objectives of the Group were to minimize risks due to changes in fair value or cash flows.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2019	2018
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 258,493	\$ 199,825
Unlisted shares	51,352	40,998
Emerging market shares	-	99,844
	<u>309,845</u>	<u>340,667</u>
Foreign investments		
Unlisted shares	1,211,231	43,952
Listed shares	-	4,056
	<u>1,211,231</u>	<u>48,008</u>
	<u>\$ 1,521,076</u>	<u>\$ 388,675</u>

The above domestic and foreign investments in equity instruments are held for medium to long-term strategic purposes and expected to generate return over the long run. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as it believes that recognizing the short-term fluctuations of fair value in profit or loss would not be consistent with the Group's investment strategy.

9. FINANCIAL ASSETS AT AMORTIZED COSTS

	December 31	
	2019	2018
Pledged deposits	\$ 467,674	\$ 596,623
Wealth management products	<u>92,965</u>	<u>22,416</u>
	<u>\$ 560,639</u>	<u>\$ 619,039</u>
Current	\$ 221,977	\$ 223,738
Non-current	<u>338,662</u>	<u>395,301</u>
	<u>\$ 560,639</u>	<u>\$ 619,039</u>

- Wealth management products mainly refer to bank deposit products with minimum guaranteed returns held by subsidiaries and measured at amortized cost. The products shall not be paid or redeemed within the contract period.
- Refer to Note 10 for information related to credit risk management and impairment evaluation of financial assets at amortized cost.
- Refer to Note 33 for information related to investments in financial assets at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	December 31	
	2019	2018
<u>At amortized cost</u>		
Gross carrying amount	\$ 560,639	\$ 619,039
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Net carrying amount	<u>\$ 560,639</u>	<u>\$ 619,039</u>

In order to minimize credit risk, the Group has tasked its credit management committee with the development and maintenance of a credit risk grading framework for categorizing exposures according to the degree of the risk of default. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

11. NOTES AND TRADE RECEIVABLES, NET

	December 31	
	2019	2018
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>245,525</u>	\$ <u>697,671</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 38,220,925	\$ 45,703,661
Allowance for impairment loss	<u>(142,271)</u>	<u>(218,840)</u>
	\$ <u>38,078,654</u>	\$ <u>45,484,821</u>

a. Notes receivable

The aging of notes receivable was as follows:

	December 31	
	2019	2018
Not past due	\$ <u>245,525</u>	\$ <u>697,671</u>

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

b. Trade receivables

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

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

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

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

December 31, 2019

	Not Past Due	Less Than and Including 60 Days	61 to 210 Days	211 to 240 Days	More Than 240 Days	Total
Expected credit loss rate	0%	01%-5%	40%-70%	50%-100%	100%	
Gross carrying amount	\$ 37,776,076	\$ 281,476	\$ 50,801	\$ 948	\$ 111,624	\$ 38,220,925
Loss allowance	-	(3,939)	(26,130)	(578)	(111,624)	(142,271)
Amortized cost	<u>\$ 37,776,076</u>	<u>\$ 277,537</u>	<u>\$ 24,671</u>	<u>\$ 370</u>	<u>\$ -</u>	<u>\$ 38,078,654</u>

December 31, 2018

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

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 218,840	\$ 199,419
Amounts written off	(48,488)	(17,508)
Expected credit loss (gain)	(22,998)	55,148
Reclassified to non-current assets held for sale	(1,454)	-
Amounts recovered	-	927
Disposal of subsidiaries	-	(18,383)
Foreign exchange translation	<u>(3,629)</u>	<u>(763)</u>
Balance at December 31	<u>\$ 142,271</u>	<u>\$ 218,840</u>

12. INVENTORIES, NET

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Finished goods	\$ 16,343,107	\$ 19,718,524
Raw materials	4,876,849	8,462,033
Work in progress	1,929,297	2,650,114
Merchandise	255,967	462,346
Inventory in transit	<u>242,223</u>	<u>200,049</u>
	<u>\$ 23,647,443</u>	<u>\$ 31,493,066</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were \$150,616,502 thousand and \$180,006,839 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2019 included a reduction of cost of goods sold amounting to \$1,245,437 thousand due to an increase in inventory's net realizable value. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 included an increase in cost of goods sold amounting to \$202,838 thousand due to inventory write-downs to the net realizable value.

13. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2019	2018	
The Parent Company	Silitech Technology Corporation	Manufacture and sale of modules and plastic products	33.87	33.87	-
	Lite-On Integrated Service Inc.	Information outsourcing and system integration	100.00	100.00	-
	Lite-On Capital Corporation	Investment activities	100.00	100.00	-
	SKYLA CORPORATION	Manufacture and sale of medical equipment	69.94	69.94	-
	LITE-ON ELECTRONICS H.K. LIMITED	Sale of LED optical products	100.00	100.00	-
	Lite-On Electronics (Thailand) Co., Ltd.	Manufacture and sale of LED optical products	100.00	100.00	-
	Lite-On Japan Ltd.	Sale of LED optical products and power supplies	100.00	49.49	1)
	Lite-On International Holding Co., Ltd.	Investment activities	100.00	100.00	-
	LTC GROUP LTD.	Investment activities	100.00	100.00	-
	LITE-ON TECHNOLOGY USA, INC.	Investment activities	100.00	100.00	-
	LITE-ON ELECTRONICS (EUROPE) LIMITED	Manufacture and sale of power supplies	100.00	100.00	-
	Lite-On Technology (Europe) B.V.	Market research and after-sales service	54.00	54.00	-
	Lite-On Overseas Trading Co., Ltd.	Investment activities	100.00	100.00	-
	LITE-ON SINGAPORE PTE. LTD.	Manufacture and supply computer peripheral products	100.00	100.00	-
	LITE-ON VIETNAM CO., LTD.	Electronic contract manufacturing	100.00	100.00	-
	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Manufacture and sale of computer and appliance components	-	100.00	2)
	EAGLE ROCK INVESTMENT LTD.	Import and export and investment activities	100.00	100.00	-
	LITE-ON MOBILE PTE. LTD.	Manufacture and sale of mobile phone modules and design of assembly line	100.00	100.00	-
	HIGH YIELD GROUP CO., LTD.	Holding company	100.00	100.00	-
	Lite-On Information Technology B.V.	Market research and customer service	100.00	100.00	-
	Philips & Lite-On Digital Solutions Corporation	Sale of optical disc drives	49.00	49.00	-
	LET (HK) LIMITED	Sale of optical disc drives	100.00	100.00	-
	Lite-On Automotive International (Cayman) Co., Ltd.	Investment activities	100.00	100.00	-
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Production, manufacture, sale, import and export of photovoltaic device, key electronic components, telecommunications equipment, information technology equipment, semiconductor applications, general lighting, automotive electronics, renewable energy products and systems and maintenance within the automotive industry	99.00	99.00	-
The Parent Company	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	Manufacture and sale of phone chargers and power supplies	99.00	99.00	-
	KBW-LITEON Jordan Private Shareholding Limited	Production and manufacture of energy-saving lights and project construction and maintenance	99.86	99.77	-
	KBW-LEOTEK Jordan Private Shareholding Limited	Investment activities	49.00	49.00	-
	SOLID STATE STORAGE TECHNOLOGY CORPORATION	Manufacture and duplication of electronic components and data storage medium	100.00	-	3)
Lite-On Capital Corporation	Silitech Technology Corporation	Manufacture and sale of modules and plastic products	0.64	0.64	-
	Lite-On Green Technologies Inc.	Manufacture and wholesale of electronic components and energy technology services	100.00	100.00	-
Lite-On Green Technologies Inc.	Lite-On Green Energy (HK) Limited	Investment activities	100.00	100.00	-
	Lite-On Technology (Europe) B.V.	Market research and after-sales services	46.00	46.00	-
	LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Investment activities	100.00	100.00	-
	Lite-On Green Technologies B.V.	Solar energy engineering	100.00	100.00	-
LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Lite-On Green Technologies (HK) Limited	Solar energy engineering	-	100.00	4)
	Lite-On Green Energy B.V.	Investment activities	100.00	100.00	-

(Continued)

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2019	2018	
LITE-ON ELECTRONICS H.K. LIMITED	LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	ODM services	100.00	100.00	-
	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Manufacture and sale of IT products	100.00	100.00	-
	CHINA BRIDGE (CHINA) CO., LTD.	Investment activities and acting as a sales agent	100.00	100.00	-
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture of electronic components	100.00	100.00	-
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Manufacture and sale of keyboards	100.00	100.00	-
	LITE-ON COMPUTER TECHNOLOGY (DONGGUAN) CO., LTD.	Manufacture and sale of display device	100.00	100.00	-
	LITE-ON DIGITAL ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture and sale of computer peripheral products	100.00	100.00	-
	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Development, manufacture of new-type electronic components and provision technology consulting services, maintenance equipment and after-sales services	12.59	12.59	-
CHINA BRIDGE (CHINA) CO., LTD.	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Express and sale of power supplies, printers, display devices and scanners	100.00	100.00	-
	LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED	Manufacture and sale of mobile terminal equipment	100.00	100.00	-
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Manufacture and sale of printers and scanners	100.00	100.00	-
	LITE-ON (GUANGZHOU) INFORTECH CO., LTD.	Information outsourcing	100.00	100.00	-
	LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED	Manufacture and sale of mobile terminal equipment	100.00	100.00	-
	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	67.03	67.03	-
	LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED	Manufacture and sale of computer cases	100.00	100.00	-
	LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	Development, manufacture, sale and installation of power supplies and transformers and provision of technology consulting services, maintenance equipment and precision instruments	100.00	100.00	-
LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	Investment activities	100.00	100.00	-
	LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Development, manufacture and sale of electronic components, power supplies and provision of technology consulting services	100.00	100.00	-
	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	32.97	32.97	-
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Development, manufacture, sale and installation of power supplies and transformers and provision of technology consulting services, maintenance equipment and after-sales services	100.00	100.00	-
	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Development, manufacture and sale of new-type electronic components and LED and provision technology consulting services, maintenance equipment and after-sales services	87.41	87.41	-
	LITE-ON MEDICAL DEVICE (CHANGZHOU) LTD.	Manufacture and sale of medical equipment	100.00	100.00	-
	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	100.00	100.00	-
	LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	Design, development, manufacture and sale of computer laptop keyboard modules and components and provision of technology consulting services and after-sales services	100.00	100.00	-
YET FOUNDATE LIMITED	LITE-ON AUTOMOTIVE ELECTRONICS (CHANGZHOU) CO., LTD.	Manufacture, sale and processing of electronic products	100.00	100.00	-
	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Solar energy engineering	100.00	100.00	-
	DONGGUAN LITE-ON COMPUTER CO., LTD.	Manufacture and sale of computer hosts and components	100.00	100.00	-
	LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Manufacture and sale of electronic components	100.00	100.00	-
	YANTAI LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Development, design, manufacture, sale of phone case and components and provision of technical support, business management information consultation, goods and technology import and export.	-	100.00	5)
	LITE-ON TECHNOLOGY USA, INC.	Sales data processing of optoelectronic products and power supplies	100.00	100.00	-
	LITE-ON TRADING USA, INC.	Sale of optical products	100.00	100.00	-
	LEOTEK ELECTRONICS USA LLC.	Sale of LED products	100.00	100.00	-
FORDGOOD ELECTRONIC LIMITED	POWER INNOVATIONS INTERNATIONAL, INC.	Development, design and manufacture of power control and energy management	95.25	95.25	-
	Lite-On Sales & Distribution Inc.	Sale of optical disc drives	100.00	100.00	6)
	LITE-ON TECHNOLOGY SERVICE, INC.	After-sales service of optical products	100.00	100.00	-

(Continued)

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2019	2018	
Lite-On International Holding Co., Ltd.	LITE-ON CHINA HOLDING CO., LTD.	Manufacture and sale of computer cases	100.00	100.00	-
LITE-ON SINGAPORE PTE. LTD.	Lite-On Technology (Yingtan) Ltd.	Manufacture and sale of electronic components	-	100.00	7)
	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Manufacture and sale of electronic components	100.00	100.00	-
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Manufacture and sale of energy saving equipment	100.00	100.00	-
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Production, manufacture, sale, import and export of photovoltaic device, key electronic components, telecommunications equipment, information technology equipment, semiconductor applications, general lighting, automotive electronics, renewable energy products and systems and maintenance within the automotive industry	1.00	1.00	-
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	Manufacture and sale of phone chargers and power supplies	1.00	1.00	-
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	100.00	100.00	-
LTC GROUP LTD.	TITANIC CAPITAL SERVICES LTD.	Investment activities	100.00	100.00	-
	LTC INTERNATIONAL LTD.	Manufacture and sale of system products	100.00	100.00	-
Lite-On Technology (Europe) B.V.	Lite-On (Finland) Oy	Manufacture and sale of mobile phone modules and design for assembly lines	100.00	100.00	-
Lite-On (Finland) Oy	Lite-On Mobile Oyj	Manufacture and sale of mobile phone modules and design for assembly lines	100.00	100.00	-
LITE-ON CHINA HOLDING CO., LTD.	LITE-ON ELECTRONICS COMPANY LIMITED	Investment activities	100.00	100.00	-
	YET FOUNDATE LIMITED	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	I-SOLUTIONS LIMITED	Sale of specialized electronic products	100.00	100.00	-
	FORDGOOD ELECTRONIC LIMITED	Import and export and real estate	100.00	100.00	-
	G&W TECHNOLOGY (BVI) LIMITED	Real estate management	50.00	50.00	-
G&W TECHNOLOGY (BVI) LIMITED	G&W TECHNOLOGY LIMITED	Leasing	100.00	100.00	-
EAGLE ROCK INVESTMENT LTD.	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	100.00	100.00	-
	HUIZHOU FU TAI ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	-	100.00	8)
HIGH YIELD GROUP CO., LTD.	LITE-ON IT INTERNATIONAL (HK) LIMITED	Sale of optical disc drives	100.00	100.00	-
LITE-ON IT INTERNATIONAL (HK) LIMITED	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Manufacture and sale of optical disc drives	100.00	100.00	-
	LiteON Auto Electric Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	100.00	100.00	-
	LITEON-IT OPTO TECH (BH) CO., LTD.	Manufacture and sale of optical disc drives	100.00	100.00	-
Lite-On Information Technology B.V.	Lite-On Information Technology GmbH	Sale of optical disc drives	100.00	100.00	-
Philips & Lite-On Digital Solutions Corporation	PLDS Germany GmbH	Development and sale of modules of automotive recorders	100.00	100.00	-
	Philips & Lite-On Digital Solutions USA, Inc.	Sale of optical disc drives	100.00	100.00	-
	Philips & Lite-On Digital Solutions Korea Ltd.	Sale of optical disc drives	100.00	100.00	-
	PLDS Netherlands B.V.	Sale and design of optical disc drives	-	100.00	9)
	Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Sale of optical disc drives	100.00	100.00	-
Silitech Technology Corporation	Silitech (BVI) Holding Ltd.	Investment activities	100.00	100.00	-
	Lite-On Japan Ltd.	Sale of LED optical products and power supplies	-	7.87	1)
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Investment activities	100.00	100.00	-
Silitech (Bermuda) Holding Ltd.	Silitech Technology Corporation Limited	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	Silitech Technology Corp. Sdn. Bhd.	Manufacture of computer peripheral products	100.00	100.00	-
	Silitech (Hong Kong) Holding Ltd.	Investment activities	100.00	100.00	-
Silitech (Hong Kong) Holding Ltd.	Silitech Electronic (SuZhou) Co., Ltd.	Manufacture and sale of automotive parts, touch panels and plastic and rubber assembly	100.00	100.00	10)
Silitech Technology Corporation Limited	Xurong Electronic (Shenzhen) Ltd.	Manufacture of automotive parts, touch panels and plastic and rubber assembly	100.00	100.00	-
Lite-On Automotive International (Cayman) Co., Ltd	LITE-ON AUTOMOTIVE HOLDINGS (HONG KONG) CO., LIMITED	Investment activities	100.00	100.00	-
LITE-ON AUTOMOTIVE HOLDINGS (HONG KONG) CO., LIMITED	LITE-ON AUTOMOTIVE (WUXI) CO., LTD	Manufacture, sale and processing of electronic products	100.00	100.00	-
	Lite-On (Guangzhou) Automotive Electronics Limited	Manufacture, sale and processing of electronic products	100.00	100.00	-
Lite-On Japan Ltd.	L&K Industries Philippines, Inc.	Import and export of electronic components	35.00	100.00	11)
	Lite-On Japan (H.K.) Limited	Import and export of electronic components	100.00	100.00	-
	Lite-On Japan (Korea) Co., Ltd.	Import and export of electronic components	100.00	100.00	-
	LITE-ON JAPAN (Thailand) CO., LTD.	Import and export of electronic components	100.00	100.00	-
Lite-On Japan (H.K.) Limited	NL (SHANGHAI) CO., LTD.	Import and export of electronic components	100.00	100.00	-
Lite-On Mobile Oyj	Lite-On Mobile Sweden AB	Manufacture and sale of mobile phone modules and design for assembly line	-	100.00	2)
	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Manufacture and sale of mobile phone modules and design for assembly line	2.97	2.97	-
	LITE-ON MOBILE INDIA PRIVATE LIMITED	Manufacture and sale of mobile phone modules and design for assembly line	-	11.59	12)

(Continued)

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2019	2018	
LITE-ON MOBILE PTE. LTD.	GUANGZHOU LITE-ON MOBILE	Manufacture and sale of mobile phone	100.00	100.00	-
	ENGINEERING PLASTICS CO., LTD.	modules and design for assembly line			
	BEIJING LITE-ON MOBILE ELECTRONIC	Manufacture and sale of mobile phone	100.00	100.00	-
	AND TELECOMMUNICATION	modules and design for assembly line			
	COMPONENTS CO., LTD.				
LITE-ON MOBILE INDÚSTRIA E	COMÉRCIO DE PLÁSTICOS LTDA.	Manufacture and sale of mobile phone	97.03	97.03	-
		modules and design for assembly line			
	LITE-ON MOBILE INDIA PRIVATE	Manufacture and sale of mobile phone	-	88.41	12)
	LIMITED	modules and design for assembly line			
KBW-LEOTEK Jordan Private	LITE-ON YOUNG FAST PTE. LTD.	Investment activities	100.00	100.00	-
	Shareholding Limited	Production and manufacture of energy-saving	60.00	60.00	-
	LEOTEK, PSC	lights			

(Concluded)

Remark:

- 1) Acquired all the outstanding shares of the subsidiaries in August 2019.
- 2) Liquidated in June 2019.
- 3) Established in April 2019 and is expected to be disposed in April 2020. Refer to Note 14 for further information.
- 4) Liquidated in December 2019.
- 5) Liquidated in November 2019.
- 6) Expected to be disposed in April 2020. Refer to Note 14 for further information.
- 7) Liquidated in August 2019.
- 8) Dissolved upon merging with HUIZHOU LI SHIN ELECTRONIC CO., LTD. in October 2019.
- 9) Liquidated in September 2019.
- 10) Silitech Technology Corporation, a subsidiary, has resolved to liquidate the investee in April 2019. The liquidation was finalized in January 2020.
- 11) Partially sold the equity interests in September 2019 and consequently ceased to have control over the investee. The investee is reclassified as an associate for subsequent measurement.
- 12) Sold in December 2019.
- b. Subsidiaries excluded from consolidated financial statements: None.
- c. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31	
	2019	2018
Silitech Technology Corporation	65.49%	65.49%

See Table 7 “Names, Locations, and Related Information on Investees” and Table 8 “Information of Investment in Mainland China” for the information on place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2019	2018	2019	2018
Silitech Technology Corporation	\$ (19,970)	\$ (22,145)	\$ 1,650,939	\$ 2,464,676
Others	<u>50,588</u>	<u>32,391</u>	<u>530,676</u>	<u>889,969</u>
	<u>\$ 30,618</u>	<u>\$ 10,246</u>	<u>\$ 2,181,615</u>	<u>\$ 3,354,645</u>

The summarized financial information below represents amounts before intragroup eliminations.

Silitech Technology Corporation and Silitech Technology Corporation's subsidiaries:

	December 31	
	2019	2018
Current assets	\$ 2,665,563	\$ 3,972,433
Non-current assets	679,836	771,549
Current liabilities	(714,824)	(881,038)
Non-current liabilities	<u>(109,572)</u>	<u>(99,356)</u>
Equity	<u>\$ 2,521,003</u>	<u>\$ 3,763,588</u>
Equity attributable to:		
The Parent Company	\$ 870,064	\$ 1,298,912
Non-controlling interests of Silitech Technology Corporation	<u>1,650,939</u>	<u>2,464,676</u>
	<u>\$ 2,521,003</u>	<u>\$ 3,763,588</u>
	For the Year Ended December 31	
	2019	2018
Revenue	<u>\$ 2,295,774</u>	<u>\$ 2,251,044</u>
Net loss for the year	\$ 30,495	\$ 33,816
Other comprehensive loss for the year	<u>6,191</u>	<u>4,603</u>
Total comprehensive loss for the year	<u>\$ 36,686</u>	<u>\$ 38,419</u>
Net loss attributable to:		
The Parent Company	\$ 10,525	\$ 11,671
Non-controlling interests of Silitech Technology Corporation	<u>19,970</u>	<u>22,145</u>
	<u>\$ 30,495</u>	<u>\$ 33,816</u>

(Continued)

	For the Year Ended December 31	
	2019	2018
Total comprehensive income (loss) attributable to:		
The Parent Company	\$ (12,661)	\$ (13,278)
Non-controlling interests of Silitech Technology Corporation	(24,025)	(25,196)
Non-controlling interests of Silitech Technology Corporation's subsidiaries	<u>-</u>	<u>55</u>
	<u>\$ (36,686)</u>	<u>\$ (38,419)</u>
Net cash flow from:		
Operating activities	\$ 91,871	\$ (299,674)
Investing activities	347,075	1,249,483
Financing activities	(1,254,522)	(1,238)
Foreign exchange translation	<u>5,131</u>	<u>(406)</u>
Net cash inflow (outflow)	<u>\$ (810,445)</u>	<u>\$ 948,165</u> (Concluded)

14. DISPOSAL GROUPS HELD FOR SALE

The board of directors of the Parent Company resolved to dispose the outstanding shares of directly and indirectly owned subsidiaries - SOLID STATE STORAGE TECHNOLOGY CORPORATION and Lite-On Sales & Distribution Inc. - and the marketable securities of CNEX LABS Inc., held by LITE-ON TECHNOLOGY USA, INC. A buyer has been sought and the sale is expected to be completed in April, 2020. The consolidated assets and liabilities were reclassified as disposal groups held for sale as of December 31, 2019. The net proceeds of disposal were expected to exceed the carrying amount of the related net assets, and accordingly, no impairment loss was recognized while reclassifying the corresponding assets and liabilities to disposal groups held for sale. The major classes of assets, liabilities and equity related to disposal groups held for sale were as follows:

	December 31, 2019
<u>Disposal groups held for sale</u>	
Cash and cash equivalents	\$ 2,137,694
Trade and other receivables	1,717,796
Inventories, net	2,403,594
Other current assets	25,346
Other non-current assets	<u>740,842</u>
	<u>\$ 7,025,272</u>
<u>Liabilities directly associated with disposal groups held for sale</u>	
Trade and other payables	\$ 2,629,725
Other current liabilities	34,079
Other non-current liabilities	<u>30,077</u>
	<u>\$ 2,693,881</u>
<u>Equity directly associated with disposal groups held for sale</u>	<u>\$ (14,218)</u>

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2019	2018
Associates that are not individually material	\$ 4,729,554	\$ 4,972,609

Aggregate Information of Associates That Are Not Individually Material

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
Profit for the year	\$ 60,069	\$ 178,863
Other comprehensive loss for the year	<u>(164,085)</u>	<u>(50,035)</u>
Total comprehensive income (loss) for the year	\$ <u>(104,016)</u>	\$ <u>128,828</u>

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

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

16. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
Cost									
January 1, 2019	\$ 2,327,976	\$ 18,155,108	\$ 27,419,920	\$ 2,108,806	\$ 56,075	\$ 2,126,243	\$ -	\$ 7,244,205	\$ 59,438,333
Additions	-	996,935	1,812,295	101,551	3,949	126,737	-	1,403,914	4,445,381
Disposals	(4,744)	(810,200)	(2,153,971)	(128,057)	(10,982)	(155,182)	-	(110,727)	(3,373,863)
Reclassification	-	1,302,438	(733,237)	18,550	(48)	(6,545)	-	(2,602,901)	(2,021,743)
Effect of foreign currency exchange differences	(297)	(440,284)	(765,037)	(43,651)	(803)	(39,526)	-	(166,289)	(1,455,887)
December 31, 2019	\$ <u>2,322,935</u>	\$ <u>19,203,997</u>	\$ <u>25,579,970</u>	\$ <u>2,057,199</u>	\$ <u>48,191</u>	\$ <u>2,051,777</u>	\$ -	\$ <u>5,768,202</u>	\$ <u>57,032,221</u>
Accumulated depreciation									
January 1, 2019	\$ -	\$ 9,307,631	\$ 21,216,394	\$ 1,929,615	\$ 51,927	\$ 1,800,224	\$ -	\$ 3,896,868	\$ 38,202,659
Additions	-	712,783	2,633,995	123,562	2,437	196,086	-	288,734	3,957,597
Disposals	-	(330,998)	(2,069,945)	(127,759)	(12,743)	(137,143)	-	(130,351)	(2,808,939)
Reclassification	-	(104,189)	(1,001,401)	(70)	106	(41,950)	-	(15,228)	(1,162,732)
Effect of foreign currency exchange differences	-	(257,705)	(590,580)	(40,161)	(454)	(35,487)	-	(109,613)	(1,034,000)
December 31, 2019	\$ -	\$ <u>9,327,522</u>	\$ <u>20,188,463</u>	\$ <u>1,885,187</u>	\$ <u>41,273</u>	\$ <u>1,781,730</u>	\$ -	\$ <u>3,930,410</u>	\$ <u>37,154,585</u>

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
Accumulated impairment									
January 1, 2019	\$ -	\$ 317,594	\$ 290,431	\$ 19,446	\$ 153	\$ 4,970	\$ -	\$ 118,088	\$ 750,682
Additions	-	24,553	306,321	-	408	15	-	25,811	357,108
Disposals	-	(306,742)	(32,441)	-	-	(262)	-	(1,129)	(340,574)
Reclassification	-	-	(35,623)	-	(153)	(2,029)	-	(18,305)	(56,110)
Effect of foreign currency exchange differences	-	(399)	(1,142)	(422)	(4)	(57)	-	(5,104)	(4,844)
December 31, 2019	<u>\$ -</u>	<u>\$ 35,006</u>	<u>\$ 529,830</u>	<u>\$ 19,024</u>	<u>\$ 404</u>	<u>\$ 2,637</u>	<u>\$ -</u>	<u>\$ 119,361</u>	<u>\$ 706,262</u>
December 31, 2019, net	<u>\$ 2,322,935</u>	<u>\$ 9,841,469</u>	<u>\$ 4,861,677</u>	<u>\$ 152,988</u>	<u>\$ 6,514</u>	<u>\$ 267,360</u>	<u>\$ -</u>	<u>\$ 1,718,431</u>	<u>\$ 19,171,374</u>
Cost									
January 1, 2018	\$ 2,326,301	\$ 18,044,924	\$ 39,084,953	\$ 2,302,461	\$ 60,819	\$ 2,148,655	\$ 827,978	\$ 6,260,200	\$ 71,056,291
Additions	619	160,355	3,148,660	137,864	2,161	159,536	21,760	2,497,307	6,128,262
Disposals	-	(18,461)	(15,355,823)	(69,529)	(6,495)	(195,534)	(233,230)	(966,245)	(16,845,317)
Reclassification	-	231,250	839,888	(235,715)	(6)	24,717	(607,894)	(492,180)	(239,940)
Effect of foreign currency exchange differences	1,056	(262,960)	(297,758)	(26,275)	(404)	(11,131)	(8,614)	(54,877)	(660,963)
December 31, 2018	<u>\$ 2,327,976</u>	<u>\$ 18,155,108</u>	<u>\$ 27,419,920</u>	<u>\$ 2,108,806</u>	<u>\$ 56,075</u>	<u>\$ 2,126,243</u>	<u>\$ -</u>	<u>\$ 7,244,205</u>	<u>\$ 59,438,333</u>
Accumulated depreciation									
January 1, 2018	\$ -	\$ 8,835,336	\$ 28,402,680	\$ 2,138,079	\$ 55,513	\$ 1,788,779	\$ 607,728	\$ 4,205,896	\$ 46,034,011
Additions	-	664,151	3,316,541	136,406	2,865	190,923	30,951	328,550	4,670,387
Disposals	-	(9,277)	(10,238,666)	(71,316)	(6,145)	(168,084)	(232,102)	(756,855)	(11,482,445)
Reclassification	-	(55,435)	(26,170)	(248,757)	(4)	(4)	(398,538)	153,256	(575,652)
Effect of foreign currency exchange differences	-	(127,144)	(237,991)	(24,797)	(302)	(11,390)	(8,039)	(33,979)	(443,642)
December 31, 2018	<u>\$ -</u>	<u>\$ 9,307,631</u>	<u>\$ 21,216,394</u>	<u>\$ 1,929,615</u>	<u>\$ 51,927</u>	<u>\$ 1,800,224</u>	<u>\$ -</u>	<u>\$ 3,896,868</u>	<u>\$ 38,202,659</u>
Accumulated impairment									
January 1, 2018	\$ -	\$ 278,488	\$ 2,122,836	\$ 19,657	\$ -	\$ 2,711	\$ 38,067	\$ 70,110	\$ 2,531,869
Additions	-	51,963	86,219	-	155	2,476	18,380	2,145	161,338
Disposals	-	-	(1,897,807)	-	-	(167)	-	(9)	(1,897,983)
Reclassification	-	-	-	-	-	-	(55,426)	55,426	-
Effect of foreign currency exchange differences	-	(12,857)	(20,817)	(211)	(2)	(50)	(1,021)	(9,584)	(44,542)
December 31, 2018	<u>\$ -</u>	<u>\$ 317,594</u>	<u>\$ 290,431</u>	<u>\$ 19,446</u>	<u>\$ 153</u>	<u>\$ 4,970</u>	<u>\$ -</u>	<u>\$ 118,088</u>	<u>\$ 750,682</u>
December 31, 2018, net	<u>\$ 2,327,976</u>	<u>\$ 8,529,883</u>	<u>\$ 5,913,095</u>	<u>\$ 159,745</u>	<u>\$ 3,995</u>	<u>\$ 321,049</u>	<u>\$ -</u>	<u>\$ 3,229,249</u>	<u>\$ 20,484,992</u>

(Concluded)

Due to the decline in sales of the Group's products in the markets, the expected future cash flows generated by some machinery and tooling equipment used in the production decreased. Therefore, the recoverable amount was lower than the carrying amount. Consequently, the Group recognized impairment loss of \$357,108 thousand and \$161,338 thousand for the years ended December 31, 2019 and 2018, respectively. The impairment losses were recognized in the consolidated statements of comprehensive income. The Group determined the recoverable amount of the equipment on the basis of their fair value less costs of disposal. The fair value of the recoverable amount was categorized as a Level 1 measurement.

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

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

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31, 2019
<u>Carrying amounts</u>	
Land (including right to use land)	\$ 716,825
Buildings	788,373
Machinery	50,785
Transportation equipment	40,385
Other equipment	<u>6,110</u>
	<u>\$ 1,602,478</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 196,205</u>
Depreciation charge for right-of-use assets	
Land (including right to use land)	\$ 29,728
Buildings	322,416
Machinery	30,631
Office equipment	15,640
Transportation equipment	<u>2,085</u>
	<u>\$ 400,500</u>

No impairment assessment was performed for the year ended December 31, 2019 as there was no indication of impairment.

b. Lease liabilities

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 306,405</u>
Non-current	<u>\$ 648,341</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land (including right to use land)	1.79%
Buildings	0.70%-9.20%
Machinery	3.49%-4.75%
Transportation equipment	0.70%-3.8%
Other equipment	3.35%

18. INVESTMENT PROPERTIES, NET

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2019	\$ 1,239,935
Transfers from property, plant and equipment	202,421
Effects of foreign currency exchange differences	<u>(58,959)</u>
Balance at December 31, 2019	<u>\$ 1,383,397</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	\$ 61,542
Depreciation expenses	33,356
Transfers from property, plant and equipment	10,521
Effects of foreign currency exchange differences	<u>(4,289)</u>
Balance at December 31, 2019	<u>\$ 101,130</u>
Carrying amounts at December 31, 2019	<u>\$ 1,282,267</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 1,460,944
Additions	7,051
Transfers to property, plant and equipment	(204,424)
Effects of foreign currency exchange differences	<u>(23,636)</u>
Balance at December 31, 2018	<u>\$ 1,239,935</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2018	\$ 34,810
Depreciation expenses	27,865
Effects of foreign currency exchange differences	<u>(1,133)</u>
Balance at December 31, 2018	<u>\$ 61,542</u>
Carrying amounts at December 31, 2018	<u>\$ 1,178,393</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	20-50 years

As of December 31, 2019 and 2018, the management was unable to reliably measure the fair value of the Group's investment property located in Shanghai, because the market for comparable properties is inactive and alternative reliable measurements of fair value were not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

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

19. INTANGIBLE ASSETS, NET

	Goodwill	Patents	Patents Use Rights	Client Relationships	Software	Other Intangible Assets	Total
<u>Cost</u>							
January 1, 2019	\$ 15,053,072	\$ 51,364	\$ 2,695,878	\$ 163,819	\$ 1,165,487	\$ 1,509,808	\$ 20,639,428
Additions	16,660	55	-	-	241,038	2,175	259,928
Disposals	-	-	-	-	(51,582)	(62,787)	(114,369)
Reclassification	-	-	-	-	(18,420)	287	(18,133)
Effect of foreign currency exchange differences	(8,220)	(7)	-	-	(2,405)	(4,374)	(15,006)
December 31, 2019	<u>\$ 15,061,512</u>	<u>\$ 51,412</u>	<u>\$ 2,695,878</u>	<u>\$ 163,819</u>	<u>\$ 1,334,118</u>	<u>\$ 1,445,109</u>	<u>\$ 20,751,848</u>
<u>Accumulated amortization</u>							
January 1, 2019	\$ 77,234	\$ 50,224	\$ 2,695,878	\$ 163,819	\$ 889,054	\$ 1,503,848	\$ 5,380,057
Additions	-	622	-	-	222,499	310	223,431
Disposals	-	-	-	-	(51,797)	(59,707)	(111,504)
Reclassification	-	-	-	-	(28,376)	(110)	(28,486)
Effect of foreign currency exchange differences	-	-	-	-	(1,533)	(4,246)	(5,779)
December 31, 2019	<u>\$ 77,234</u>	<u>\$ 50,846</u>	<u>\$ 2,695,878</u>	<u>\$ 163,819</u>	<u>\$ 1,029,847</u>	<u>\$ 1,440,095</u>	<u>\$ 5,457,719</u>
<u>Accumulated impairment</u>							
January 1, 2019	\$ 9,345,267	\$ -	\$ -	\$ -	\$ 20	\$ -	\$ 9,345,287
Additions	-	-	-	-	1,032	-	1,032
Disposals	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	1	-	-	-	(10)	-	(9)
December 31, 2019	<u>\$ 9,345,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042</u>	<u>\$ -</u>	<u>\$ 9,346,310</u>
December 31, 2019, net	<u>\$ 5,639,010</u>	<u>\$ 566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,229</u>	<u>\$ 5,014</u>	<u>\$ 5,947,819</u>
<u>Cost</u>							
January 1, 2018	\$ 15,413,191	\$ 51,244	\$ 2,695,878	\$ 163,819	\$ 1,057,879	\$ 1,677,191	\$ 21,059,202
Additions	-	111	-	-	160,061	6,150	166,322
Disposals	(368,462)	-	-	-	(74,643)	(172,549)	(615,654)
Reclassification	-	-	-	-	21,648	-	21,648
Effect of foreign currency exchange differences	8,343	9	-	-	542	(984)	7,910
December 31, 2018	<u>\$ 15,053,072</u>	<u>\$ 51,364</u>	<u>\$ 2,695,878</u>	<u>\$ 163,819</u>	<u>\$ 1,165,487</u>	<u>\$ 1,509,808</u>	<u>\$ 20,639,428</u>
<u>Accumulated amortization</u>							
January 1, 2018	\$ 77,234	\$ 48,792	\$ 2,583,550	\$ 163,819	\$ 761,406	\$ 1,635,740	\$ 5,270,541
Additions	-	1,432	112,328	-	185,034	7,706	306,500
Disposals	-	-	-	-	(58,348)	(138,817)	(197,165)
Reclassification	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	-	-	962	(781)	181
December 31, 2018	<u>\$ 77,234</u>	<u>\$ 50,224</u>	<u>\$ 2,695,878</u>	<u>\$ 163,819</u>	<u>\$ 889,054</u>	<u>\$ 1,503,848</u>	<u>\$ 5,380,057</u>
<u>Accumulated impairment</u>							
January 1, 2018	\$ 5,959,943	\$ -	\$ -	\$ -	\$ 60	\$ -	\$ 5,960,003
Additions	3,385,324	-	-	-	-	-	3,385,324
Disposals	-	-	-	-	(40)	-	(40)
December 31, 2018	<u>\$ 9,345,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 9,345,287</u>
December 31, 2018, net	<u>\$ 5,630,571</u>	<u>\$ 1,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,413</u>	<u>\$ 5,960</u>	<u>\$ 5,914,084</u>

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

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

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

	December 31	
	2019	2018
Parent Company	\$ 5,248,746	\$ 5,248,746
POWER INNOVATIONS INTERNATIONAL, INC.	334,721	342,941
Others	<u>55,543</u>	<u>38,884</u>
	<u>\$ 5,639,010</u>	<u>\$ 5,630,571</u>

- 1) The Group has sold the major operations and assets of its portable mobile phones image business group during the six months ended June 30, 2018. As a result, the Group shall exclude the goodwill of that business group of \$368,462 thousand as a reduction of operating concession and premium earnings. (Refer to Note 35).
- 2) The Group tested the goodwill of a cash-generating unit, LITE-ON MOBILE PTE. LTD, for impairment. Upon evaluation, the recoverable amount of the cash-generating unit was less than its carrying amount. Thus, for the nine months ended September 30, 2018, the Group recognized impairment losses of \$3,385,324 thousand in the consolidated statement of comprehensive income. LITE-ON MOBILE PTE. LTD was classified under other reportable segments within the Group.
- 3) Goodwill is allocated to the Group's recoverable amount of cash-generating units. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a 5-year period.
- 4) Management determined gross margin based on past performance and future profits. The growth rate used is consistent with the forecasts included in industry reports. The discount rate used was 11.36% as of December 31, 2019 and 2018 and reflects specific risks relating to the relevant cash-generating units.

20. OTHER ASSETS

	December 31	
	2019	2018
Prepayments	\$ 1,217,644	\$ 1,800,430
Offsets against business tax payable	564,020	624,290
Prepayments for leases	99,710	839,816
Prepayments for equipment	9,467	17,631
Others	<u>222,876</u>	<u>228,799</u>
	<u>\$ 2,113,717</u>	<u>\$ 3,510,966</u>
Current	\$ 1,969,183	\$ 2,638,275
Non-current	<u>144,534</u>	<u>872,691</u>
	<u>\$ 2,113,717</u>	<u>\$ 3,510,966</u>

Prepayments for leases included the carrying amounts of \$526,949 and \$186,875 thousand as of December 31, 2018, for the rights to use land in mainland China and Vietnam, respectively.

21. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 30,433,692	\$ 30,087,282

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

	December 31	
	2019	2018
Short-term borrowings	0.73%-2.73%	2.48%-8.3%

b. Long-term borrowings

	December 31	
	2019	2018
<u>Secured borrowings</u>		
POWER INNOVATIONS INTERNATIONAL, INC.	\$ -	\$ 184
Current portion	-	(184)
	\$ -	\$ -

As of December 31, 2018, POWER INNOVATIONS INTERNATIONAL, INC., a subsidiary, had a long-term borrowing secured by machinery, with contract terms from March 28, 2013 to February 28, 2019, and an interest rate of 4.4%.

22. FINANCE LEASE PAYABLES

	December 31	
	2019	2018
<u>Minimum lease payments</u>		
Not later than one year	\$ -	\$ 1,473
Later than one year and not later than five years	-	354
	-	1,827
Future finance charges	-	(7)
	\$ -	\$ 1,820
<u>Present value of minimum lease payments</u>		
Not later than one year	\$ -	\$ 1,469
Later than one year and not later than five years	-	351
	\$ -	\$ 1,820

(Continued)

	December 31	
	2019	2018
Current	\$ -	\$ 1,469
Non-current	<u>-</u>	<u>351</u>
	<u>\$ -</u>	<u>\$ 1,820</u>
POWER INNOVATIONS INTERNATIONAL, INC.	\$ -	\$ 1,820
Current portion of long-term capital lease liabilities	<u>-</u>	<u>(1,469)</u>
	<u>\$ -</u>	<u>\$ 351</u>
		(Concluded)

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

23. PROVISIONS

	December 31	
	2019	2018
<u>Current</u>		
Warranties	<u>\$ 1,043,689</u>	<u>\$ 1,011,238</u>
Balance at January 1	\$ 1,011,238	\$ 866,119
Recognition of provisions	300,722	429,650
Usage	(264,988)	(285,733)
Effect of foreign currency exchange differences	<u>(3,283)</u>	<u>1,202</u>
Balance at December 31	<u>\$ 1,043,689</u>	<u>\$ 1,011,238</u>

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

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Parent Company and subsidiaries - Philips & Lite-On Digital Solutions Corporation, Silitech Technology Corporation and SKYLA CORPORATION - adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 2% to 6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 1,167,947	\$ 1,230,896
Fair value of plan assets	<u>(1,099,824)</u>	<u>(1,069,899)</u>
Net defined benefit liabilities	<u>\$ 68,123</u>	<u>\$ 160,997</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	<u>\$ 1,271,333</u>	<u>\$ (1,047,308)</u>	<u>\$ 224,025</u>
Service cost	7,371	-	7,371
Net interest expense (income)	<u>13,382</u>	<u>(10,389)</u>	<u>2,993</u>
Recognized in loss (profit)	<u>20,753</u>	<u>(10,389)</u>	<u>10,364</u>
Remeasurement			
Return on plan assets	-	(32,269)	(32,269)
Actuarial loss - changes in demographic assumptions	2,655	-	2,655
Actuarial loss - changes in financial assumptions	5,999	-	5,999
Actuarial loss - experience adjustments	<u>20,574</u>	<u>-</u>	<u>20,574</u>
Recognized in other comprehensive loss (gain)	<u>29,228</u>	<u>(32,269)</u>	<u>(3,041)</u>
Contributions from the employer	-	(38,211)	(38,211)
Benefits paid	(58,278)	58,278	-
Disposal of business units	(32,240)	-	(32,240)
Exchange differences on foreign plans	<u>100</u>	<u>-</u>	<u>100</u>
Balance at December 31, 2018	<u>\$ 1,230,896</u>	<u>\$ (1,069,899)</u>	<u>\$ 160,997</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	\$ 1,230,896	\$ (1,069,899)	\$ 160,997
Service cost	6,340	-	6,340
Net interest expense (income)	12,857	(10,137)	2,720
Recognized in loss (profit)	19,197	(10,137)	9,060
Remeasurement			
Return on plan assets	-	(39,316)	(39,316)
Actuarial loss - changes in demographic assumptions	1,523	-	1,523
Actuarial loss - changes in financial assumptions	25,012	-	25,012
Actuarial loss - experience adjustments	25,501	-	25,501
Recognized in other comprehensive loss (gain)	52,036	(39,316)	12,720
Contributions from the employer	-	(18,791)	(18,791)
Benefits paid	(46,093)	46,093	-
Spin-off	(87,866)	(7,774)	(95,640)
Exchange differences on foreign plans	(223)	-	(223)
Balance at December 31, 2019	\$ 1,167,947	\$ (1,099,824)	\$ 68,123 (Concluded)

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

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

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

	December 31	
	2019	2018
Discount rate(s)	0.70%-3.50%	0.95%-4.375%
Expected rate(s) of salary increase	3.00%-4.75%	3.00%-4.75%

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	
	2019	2018
Discount rate(s)		
0.25% increase	<u>\$ (15,641)</u>	<u>\$ (27,081)</u>
0.25% decrease	<u>\$ 32,369</u>	<u>\$ 28,007</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 31,196</u>	<u>\$ 26,800</u>
0.25% decrease	<u>\$ (14,642)</u>	<u>\$ (26,067)</u>

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 19,127</u>	<u>\$ 19,624</u>
The average duration of the defined benefit obligation	8.9-15.81 years	8.83-14.78 years

25. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>
Amount of shares authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,350,867</u>	<u>2,350,867</u>
Amount of shares issued	<u>\$ 23,508,670</u>	<u>\$ 23,508,670</u>

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

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

2) Issued global depositary receipts

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

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

As of December 31, 2019 and 2018, the outstanding GDRs were both 5,221 thousand units, representing 52,209 thousand ordinary shares of the Parent Company. The rights and obligation of security holders are the same as those of ordinary shareholders, except for voting rights. As of December 31, 2019 and 2018, the unredeemed GDRs amounted to 1,437 thousand units and 815 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 Parent Company has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (restricted to a certain percentage of the Parent Company's capital surplus).

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

c. Retained earnings and dividend policy

The shareholders' meeting was held on June 21, 2019 and passed the amendments to the Parent Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, the Parent Company may distribute the surplus earnings or off-set losses at the close of each quarter in accordance with the Company Act. While distributing surplus earning, the Parent Company shall estimate and reserve the taxes and duty to be paid, the losses to be covered, the legal reserve to be set aside, and the special surplus reserve to be raised or revolved. Where such legal reserve amounts reach to the total paid-in capital, this provision shall not apply. If the Parent Company distribute surplus earning in the form of cash, it shall be approved by a meeting of the board of directors; if such surplus earning is distributed in the form of new shares to be issued, it shall be approved by shareholders meetings according to the regulations.

If there is net profit after tax upon the final settlement of account of each fiscal year, the Parent Company shall first 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 Parent 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. Where the Parent Company distributes preceding surplus earning, legal reserve and capital reserve in the form of cash, such distribution is authorized by a special resolution; and in addition to a report of such distribution shall be submitted to the shareholders' meeting; if such distribution is in the form of new shares to be issued, it shall be approved by shareholders meetings according to the regulations.

Under the dividend policy as set forth in the Articles before the amendment, if there is net profit after tax upon the final settlement of account of each fiscal year, the Parent Company shall first 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 Parent 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 29(b) on employee benefits expense.

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

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

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

Under Rule No. 10802432410 issued by the Ministry of Economic Affairs, the basis of recognizing 10% legal reserve was modified from excluding items other than profit before income tax into unappropriated earnings to including items other than profit before income tax upon the 2019 appropriations of earnings.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Parent Company should appropriate or reverse a special reserve.

The appropriations of earnings for 2018 and 2017 that were approved in the shareholders' meetings on June 21, 2019 and June 22, 2018, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended	
	December 31	
	2018	2017
Legal reserve	\$ 795,684	\$ 262,933
Special reserve	682,814	1,367,076
Cash dividends	6,864,532	963,855
Cash dividends per share (NT\$)	2.92	0.41

On June 22, 2018, the shareholders resolved in the shareholders' meeting to issue cash dividends of \$5,900,676 thousand (\$2.51 per share) from the capital surplus.

The appropriation of earnings for 2019 was resolved by the Parent Company's board of directors on February 26, 2020. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2019
Legal reserve	\$ 943,970
Special reserve	1,343,307
Cash dividends	7,521,296
Cash dividends per share (NT\$)	3.20

d. Other equity items

Movements in other equity items were as follows:

	For the Year Ended December 31, 2019				
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Financial Assets at FVTOCI	Cash Flow Hedges	Equity Directly Associated with Disposal Groups Held for Sale	Total
Balance at January 1	\$ (2,779,863)	\$ (449,461)	\$ 2,714	\$ -	\$ (3,226,610)
Exchange differences on translating foreign operations	(1,879,043)	-	-	-	(1,879,043)
Unrealized gain on equity instruments designated as at FVTOCI	-	247,902	-	-	247,902
Share of associates accounted for using the equity method	(164,454)	(20)	(2,426)	-	(166,900)
Disposal of equity instruments at FVTOCI	-	(111,361)	-	-	(111,361)
Disposal of investments accounted for using the equity method	(665)	-	-	-	(665)
Income tax benefit	419,581	-	-	-	419,581
Reclassified to equity associated with disposal groups held for sale	<u>14,218</u>	<u>-</u>	<u>-</u>	<u>(14,218)</u>	<u>-</u>
Balance at December 31	<u>\$ (4,390,226)</u>	<u>\$ (312,940)</u>	<u>\$ 288</u>	<u>\$ (14,218)</u>	<u>\$ (4,717,096)</u>
	For the Year Ended December 31, 2018				
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available- for-sale Financial Assets	Unrealized Gain (Loss) from Financial Assets at FVTOCI	Cash Flow Hedges	Total
Balance at January 1	\$ (2,528,893)	\$ (18,497)	\$ -	\$ 3,372	\$ (2,544,018)
Adjustments on initial application of IFRS 9	<u>-</u>	<u>18,497</u>	<u>(298,266)</u>	<u>-</u>	<u>(279,769)</u>
Balance at January 1, 2018 per IFRS 9	(2,528,893)	-	(298,266)	3,372	(2,823,787)
Exchange differences on translating foreign operations	(374,226)	-	-	-	(374,226)

(Continued)

For the Year Ended December 31, 2018					
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available- for-sale Financial Assets	Unrealized Gain (Loss) from Financial Assets at FVTOCI	Cash Flow Hedges	Total
Unrealized loss on equity instruments designated as at FVTOCI	\$ -	\$ -	\$ (104,856)	\$ -	\$ (104,856)
Share of associates accounted for using the equity method	(47,607)	-	(3,157)	(658)	(51,422)
Disposal of equity instruments at FVTOCI	-	-	(43,182)	-	(43,182)
Disposal of associates accounted for using the equity method	4,078	-	-	-	4,078
Income tax benefit	<u>166,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,785</u>
Balance at December 31	<u>\$ (2,779,863)</u>	<u>\$ -</u>	<u>\$ (449,461)</u>	<u>\$ 2,714</u>	<u>\$ (3,226,610)</u> (Concluded)

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

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

e. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 3,354,645	\$ 3,255,951
Adjustments on initial application of IFRS (Note 3)	<u>(9,761)</u>	<u>-</u>
Balance at January 1 as restated	\$ 3,344,884	\$ 3,255,951
Attributable to non-controlling interests:		
Share of profit for the year	30,618	10,246
Exchange difference on translation foreign entities	(29,659)	4,983
Unrealized loss on equity investments designated at FVTOCI	(731)	(2,982)
Remeasurement on define benefit plans	(539)	(600)
Effect of change in tax rate	75	4,271
Increase (decrease) in non-controlling interests	<u>(1,163,033)</u>	<u>82,776</u>
Balance at December 31	<u>\$ 2,181,615</u>	<u>\$ 3,354,645</u>

The changes in non-controlling interests consist of the acquisition of remaining equity interests in non-100% owned subsidiaries, share issuance for cash by subsidiaries, non-proportional share subscription by the Parent Company, distribution of cash by subsidiaries that are not 100% held by the Group, and effects on non-controlling interests resulted from issuance of cash dividends.

f. 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
<u>For the year ended December 31, 2019</u>				
Shares held by its subsidiaries	26,841	-	-	26,841
Buyback of dissenting shareholders' shares in accordance with the Business Mergers and Acquisitions Act	-	462	-	462
	<u>26,841</u>	<u>462</u>	<u>-</u>	<u>27,303</u>

For the year ended December 31, 2018

Shares held by its subsidiaries	<u>26,841</u>	<u>-</u>	<u>-</u>	<u>26,841</u>

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

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2019</u>			
Lite-On Capital Corporation	15,116	\$ 718,857	\$ 745,212
LTC INTERNATIONAL LTD.	7,004	297,469	345,033
YET FOUNDATE LIMITED	2,271	126,881	111,768
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	<u>105,515</u>	<u>120,594</u>
		<u>\$ 1,248,722</u>	<u>\$ 1,322,607</u>
<u>December 31, 2018</u>			
Lite-On Capital Corporation	15,116	\$ 718,857	\$ 613,704
LTC INTERNATIONAL LTD.	7,004	297,469	284,068
YET FOUNDATE LIMITED	2,271	126,881	91,989
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	<u>105,515</u>	<u>99,253</u>
		<u>\$ 1,248,722</u>	<u>\$ 1,089,014</u>

The Parent Company repurchased the dissenting shareholders' shares at \$48.9 per share, totaled 462 thousand shares, upon the resolution at the shareholders' extraordinary general meeting in October 2019 stipulated the spin-off of Solid State Storage business unit to a subsidiary, SOLID STATE STORAGE TECHNOLOGY CORPORATION in accordance with the Business Mergers and Acquisitions Act.

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

26. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 177,863,982	\$ 207,019,842
Rental income from property	<u>90,184</u>	<u>89,246</u>
	<u>\$ 177,954,166</u>	<u>\$ 207,109,088</u>

Refer to Note 38 for segment revenue information.

27. INCOME TAX

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2019	2018
Current income tax expense		
In respect of the current year	\$ 2,658,946	\$ 3,164,455
Adjustments for prior year	<u>(2,675)</u>	<u>(82,794)</u>
	<u>2,656,271</u>	<u>3,081,661</u>
Deferred income tax expense (benefit)		
The recognition and reversal of temporary differences	302,050	(405,159)
Effect of change in tax rate	<u>-</u>	<u>140,535</u>
	<u>302,050</u>	<u>(264,624)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,958,321</u>	<u>\$ 2,817,037</u>

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

	For the Year Ended December 31	
	2019	2018
Income before Income tax	<u>\$ 12,363,838</u>	<u>\$ 10,784,121</u>
Income tax expense calculated at the statutory rate	\$ 2,957,430	\$ 2,814,656
Deductible (nondeductible) items in determining taxable income	(298,484)	349,799
The recognition and reversal of temporary differences	302,050	(264,624)
Adjustments for prior year	<u>(2,675)</u>	<u>(82,794)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,958,321</u>	<u>\$ 2,817,037</u>

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

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax expense (benefit) recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Income tax recognized in other comprehensive income		
Translation of foreign operations	\$ (420,073)	\$ (171,143)
Remeasurement on defined benefit plans	2,278	(4,441)
Share of other comprehensive loss of associates accounted for using the equity method	<u>417</u>	<u>87</u>
	<u>\$ (417,378)</u>	<u>\$ (175,497)</u>

c. Deferred income tax

The movements of deferred tax assets were as follows:

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Loss (Income)	Reclassified to Disposal Groups held for Sale	Exchange Differences	Closing Balance
<u>For the year ended December 31, 2019</u>						
Temporary differences						
Investment accounted for using the equity method	\$ 2,045,056	\$ (10,509)	\$ 419,656	\$ -	\$ -	\$ 2,454,203
Impairment loss on assets	1,104,664	34,799	-	-	(10)	1,139,453
Operating loss carryforward	434,882	(96,565)	-	-	(3,167)	335,150
Accrued warranty expense	170,331	2,700	-	(16)	(7)	173,008
Unrealized loss on inventories	161,057	(12,605)	-	(37,373)	(620)	110,459
Unrealized loss and expense	148,135	(78,358)	-	(2,005)	(246)	67,526
Net defined benefit liability	90,359	3,652	(2,278)	-	10	91,743
Unrealized sales profit	242	(211)	-	-	1	32
Others	<u>178,476</u>	<u>41,350</u>	<u>-</u>	<u>(9,757)</u>	<u>(3,886)</u>	<u>206,183</u>
	<u>\$ 4,333,202</u>	<u>\$ (115,747)</u>	<u>\$ 417,378</u>	<u>\$ (49,151)</u>	<u>\$ (7,925)</u>	<u>\$ 4,577,757</u>

For the year ended December 31, 2018

Temporary differences						
Investment accounted for using the equity method	\$ 1,672,291	\$ 201,710	\$ 171,056	\$ -	\$ (1)	\$ 2,045,056
Impairment loss on assets	678,986	425,683	-	-	(5)	1,104,664
Operating loss carryforward	432,628	11,095	-	-	(8,841)	434,882
Accrued warranty expense	121,735	48,591	-	-	5	170,331

(Continued)

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehen- sive Loss (Income)	Reclassified to Disposal Groups held for Sale	Exchange Differences	Closing Balance
Unrealized loss on inventories	\$ 151,455	\$ 9,761	\$ -	\$ -	\$ (159)	\$ 161,057
Unrealized loss and expense	59,520	89,459	-	-	(844)	148,135
Net defined benefit liability	83,200	2,054	4,441	-	664	90,359
Unrealized sales profit	12,682	(12,440)	-	-	-	242
Other	402,423	(229,275)	-	-	5,328	178,476
	<u>\$ 3,614,920</u>	<u>\$ 546,638</u>	<u>\$ 175,497</u>	<u>\$ -</u>	<u>\$ (3,853)</u>	<u>\$ 4,333,202</u>

(Concluded)

The movements of deferred tax liabilities were as follows:

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehen- sive Loss (Income)	Reclassified to Liabilities Directly Associated with Disposal Groups Held for Sale	Exchange Differences	Closing Balance
For the year ended December 31, 2019						
Temporary differences						
Investment accounted for using the equity method	\$ 756,171	\$ (754)	\$ -	\$ -	\$ -	\$ 755,417
Unrealized amortization of goodwill	416,245	-	-	-	-	416,245
Land value increment tax	280,320	-	-	-	-	280,320
Unrealized net exchange gains	97,829	159,257	-	(1,816)	(73)	255,197
Others	54,784	27,800	-	-	(646)	81,938
	<u>\$ 1,605,349</u>	<u>\$ 186,303</u>	<u>\$ -</u>	<u>\$ (1,816)</u>	<u>\$ (719)</u>	<u>\$ 1,789,117</u>
For the year ended December 31, 2018						
Temporary differences						
Investment accounted for using the equity method	\$ 572,741	\$ 183,430	\$ -	\$ -	\$ -	\$ 756,171
Unrealized amortization of goodwill	353,808	62,437	-	-	-	416,245
Land value increment tax	239,693	40,627	-	-	-	280,320
Unrealized net exchange gains	141,703	(43,877)	-	-	3	97,829
Others	16,847	39,397	-	-	(1,460)	54,784
	<u>\$ 1,324,792</u>	<u>\$ 282,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,457)</u>	<u>\$ 1,605,349</u>

d. Income tax assessments

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

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	\$ 4.03	\$ 3.42
Diluted earnings per share	\$ 3.98	\$ 3.38

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	
	2019	2018
Earnings used in the computation of basic earnings per share	\$ 9,374,899	\$ 7,956,838
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	\$ 9,374,899	\$ 7,956,838

Weighted Average Number of Ordinary Shares Outstanding

Unit: In Thousand Shares

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	2,323,968	2,324,026
Effect of potentially dilutive ordinary shares:		
Employees' compensation	30,856	27,731
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	2,354,824	2,351,757

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

29. ADDITIONAL INFORMATION ON EXPENSES

		For the Year Ended December 31	
		2019	2018
a.	Depreciation and amortization		
	Property, plant and equipment	\$ 3,957,597	\$ 4,670,387
	Investment properties	33,356	27,865
	Right-of-used assets	400,500	-
	Intangible assets	<u>223,431</u>	<u>306,500</u>
		<u>\$ 4,614,884</u>	<u>\$ 5,004,752</u>
	An analysis of depreciation by function		
	Recognized in operating costs	\$ 3,534,321	\$ 3,954,159
	Recognized in operating expenses	<u>857,132</u>	<u>744,093</u>
		<u>\$ 4,391,453</u>	<u>\$ 4,698,252</u>
	An analysis of amortization by function		
	Recognized in operating costs	\$ 12,065	\$ 17,587
	Recognized in operating expenses	<u>211,366</u>	<u>288,913</u>
		<u>\$ 223,431</u>	<u>\$ 306,500</u>
b.	Employee benefit expenses		
	Post-employment benefits		
	Defined contribution plans	\$ 568,075	\$ 687,796
	Defined benefit plans (Note 24)	<u>9,060</u>	<u>10,364</u>
		577,135	698,160
	Termination benefits	181,574	316,157
	Other employee benefits	<u>21,838,624</u>	<u>24,098,829</u>
		<u>\$ 22,597,333</u>	<u>\$ 25,113,146</u>
	Employee benefits expense summarized by function		
	Recognized in operating costs	\$ 12,763,639	\$ 15,037,326
	Recognized in operating expenses	<u>9,833,694</u>	<u>10,075,820</u>
		<u>\$ 22,597,333</u>	<u>\$ 25,113,146</u>

The Parent Company distributed employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The appropriations of employee compensation and remuneration of directors for 2019 and 2018, which have been approved by the Parent Company's board of directors on February 26, 2020 and February 26, 2019, respectively, were as follows:

		For the Year Ended December 31	
		2019	2018
		Cash Dividends	Share Dividends
		Cash Dividends	Share Dividends
Employees' compensation	\$ 1,326,548	\$ -	\$ 1,125,893
Remuneration of directors	79,687	-	67,633

If there is a change in the proposed amounts after issuance of the annual consolidated financial statements, the differences are recognized as a change in accounting estimate and will be adjusted in the following year.

There was no difference between the actual amounts of employee's compensation and the remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018.

Information on 2020 and 2019 employees' compensation and remuneration of directors resolved by the Parent Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

30. CAPITAL MANAGEMENT

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

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

31. FINANCIAL INSTRUMENTS

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

For certain financial instruments that are not measured at fair value but measured at amortized cost - including contract assets, notes receivable, trade receivables including related parties, other receivables including related parties, refundable deposits, financial assets at amortized costs, short-term borrowings, notes payable, trade payables including related parties, other payables including related parties, finance lease payables and guarantee deposits - the Group's management considers the carrying amounts of these financial instruments recognized in the consolidated financial statements as approximating their fair values. The carrying amounts of long-term loans, including their current portion, are used as the basis to estimate their fair values given that the interest rates of the loans approximate those of the market rates.

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 271,650	\$ -	\$ 271,650
Mutual funds	-	102,120	-	102,120
Securities listed in ROC - equity securities	<u>14,524</u>	<u>-</u>	<u>-</u>	<u>14,524</u>
	<u>\$ 14,524</u>	<u>\$ 373,770</u>	<u>\$ -</u>	<u>\$ 388,294</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted securities in other countries - equity securities	\$ -	\$ -	\$ 1,211,231	\$ 1,211,231
Securities listed in ROC - equity securities	258,493	-	-	258,493
Unlisted securities in ROC - equity securities	<u>-</u>	<u>-</u>	<u>51,352</u>	<u>51,352</u>
	<u>\$ 258,493</u>	<u>\$ -</u>	<u>\$ 1,262,583</u>	<u>\$ 1,521,076</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 688,834</u>	<u>\$ -</u>	<u>\$ 688,834</u> (Concluded)

December 31, 2018

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

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

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

	Investments in Equity Instruments Unlisted Quotes
<u>For the year ended December 31, 2019</u>	
Balance at January 1, 2019	\$ 84,950
Total gains or losses	
In other comprehensive loss	(66,048)
Additions	1,273,500
Reclassification	<u>(29,819)</u>
Balance at December 31, 2019	<u>\$ 1,262,583</u>
<u>For the year ended December 31, 2018</u>	
Balance at January 1, 2018	\$ 88,360
Total gains or losses	
In other comprehensive income	36,252
Additions	59,480
Disposal	<u>(99,142)</u>
Balance at December 31, 2018	<u>\$ 84,950</u>

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

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

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

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

c. Categories of financial instruments

	December 31	
	2019	2018
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 388,294	\$ 243,359
Financial assets at amortized costs (1)	114,625,452	124,616,723
Investment in equity instruments at FVTOCI	1,521,076	388,675
<u>Financial liabilities</u>		
FVTPL		
Held for trading	688,834	51,877
Amortized cost		
Short-term borrowings	30,433,692	30,087,282
Long-term loans (including current portion)	-	184
Payables (2)	66,167,150	82,593,801

1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt instruments measured at amortized cost, contract assets, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties and refundable deposits.

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 36.

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

Sensitivity analysis

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

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

	USD Impact	
	For the Year Ended December 31 2019	2018
Profit or loss	\$ 1,069,242	\$ (912,321)

b) Interest rate risk

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

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets (i)	\$ 25,234,109	\$ 22,904,046
Financial liabilities (ii)	30,406,536	27,973,401
Cash flow interest rate risk		
Financial assets (iii)	41,837,297	40,021,282
Financial liabilities (iv)	27,156	2,115,885

- i. The balances included time deposits, financial assets at amortized cost with fixed interest rates.
- ii. The balances included financial liabilities exposed to fair value risk from interest rate fluctuation.
- iii. The balances included demand deposits, financial assets at amortized cost with floating interest rates.
- iv. The balances included financial liabilities exposed to cash flow risk from interest rate fluctuation.

Sensitivity analysis

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

If interest rates had been 25 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase by \$104,525 thousand and \$94,763 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 10% higher, the profit before income tax for the years ended December 31, 2019 and 2018 would have increased by \$1,452 thousand and \$1,149 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased by \$25,849 thousand and \$20,388 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

a) Business related credit risk

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

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

b) Financial related credit risk

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

c) The Group's simplified statement for notes receivable, trade receivable and contract assets, include the allowance loss variation shown below:

	Notes Receivable	Trade Receivables	Contract Assets	Total
January 1, 2019	\$ -	\$ 218,840	\$ 12,069	\$ 230,909
Reversal of expected credit loss	-	(22,998)	(62)	(23,060)
Actual write-off	-	(48,488)	-	(48,488)
Reclassified to disposal groups held for sale	-	(1,454)	-	(1,454)
Influence on exchange rate	-	(3,629)	(477)	(4,106)
December 31, 2019	<u>\$ -</u>	<u>\$ 142,271</u>	<u>\$ 11,530</u>	<u>\$ 153,801</u>
January 1, 2018	\$ -	\$ 199,419	\$ 149	\$ 199,568
Expected credit loss	-	55,148	11,801	(66,949)
Amounts recovered	-	927	-	927
Actual write-off	-	(17,508)	-	(17,508)
Disposal of subsidiaries	-	(18,383)	-	(18,383)
Influence on exchange rate	-	(763)	119	(644)
December 31, 2018	<u>\$ -</u>	<u>\$ 218,840</u>	<u>\$ 12,069</u>	<u>\$ 230,909</u>

3) Liquidity risk

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

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

December 31, 2019

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing		\$ 66,079,461	\$ 86,957	\$ -	\$ 732
Lease liabilities	0.70-9.20	306,405	413,675	181,444	53,222
Variable interest rate liabilities	2.45-2.68	27,156	-	-	-
Fixed interest rate liabilities	0.73-2.73	30,406,536	-	-	-
		<u>\$ 96,819,558</u>	<u>\$ 500,632</u>	<u>\$ 181,444</u>	<u>\$ 53,954</u>

December 31, 2018

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing		\$ 82,514,911	\$ 78,128	\$ -	\$ 762
Finance lease liabilities	3.49-4.75	1,469	351	-	-
Variable interest rate liabilities	2.48-8.30	2,115,885	-	-	-
Fixed interest rate liabilities	3.04-4.40	27,971,581	-	-	-
		<u>\$ 112,603,846</u>	<u>\$ 78,479</u>	<u>\$ -</u>	<u>\$ 762</u>

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

December 31, 2019

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Forward exchange contracts				
Inflows	\$ 48,462,751	\$ -	\$ -	\$ -
Outflows	(48,484,773)	-	-	-
	<u>(22,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Currency swaps				
Inflows	18,002,458	-	-	-
Outflows	(18,111,345)	-	-	-
	<u>(108,887)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (130,909)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

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

32. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and relationships

Related Parties	Relationships with the Group
Lite-On Semiconductor Corp.	Associate
Lite-Space Technology Company Limited	Associate
Yamada-Lom Fabricacao De Artefatos De Material Plastico Ltda. ("Yamada-Lom Ltda.")	Associate
L&K Industries Philippines, Inc.	Associate (became an associate since September 2019)
Silport Travel Corp.	Related party in substance
Chi Mei Mold Co.	Related party in substance
Silport Technology Corp.	Related party in substance
Diodes Incorporated	Related party in substance
Auden Techno Corp.	Related party in substance (non-related party since June 2019)
Lite-On Cultural Foundation	Related party in substance
Dongguan Huaqiang Information Technology Co., Ltd.	Related party in substance
LEOTEK, PSC	Related party in substance (became a subsidiary since May 2018)

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2019	2018
Associate		
Lite-On Semiconductor Corp.	\$ 324,423	\$ 373,492
Others	<u>12,166</u>	<u>6,207</u>
	<u>336,589</u>	<u>379,699</u>
Related party in substance		
Others	<u>2,843</u>	<u>512</u>
	<u>\$ 339,432</u>	<u>\$ 380,211</u>

For the years ended December 31, 2019 and 2018, the Group's selling prices for Lite-On Semiconductor Corp. for the Group were at cost plus an agreed-upon profit. Except for the sales arrangement with Lite-On Semiconductor Corp., the sales terms between the Group and its related parties have no material difference as those between the Group and non-related parties.

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

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2019	2018
Associate		
Lite-Space Technology Company Limited	\$ 1,807,380	\$ 2,672,861
Lite-On Semiconductor Corp.	<u>1,376,650</u>	<u>1,336,179</u>
	<u>3,184,030</u>	<u>4,009,040</u>
Related party in substance		
Diodes Incorporated	636,358	610,845
Others	<u>18,306</u>	<u>55,063</u>
	<u>654,664</u>	<u>665,908</u>
	<u>\$ 3,838,694</u>	<u>\$ 4,674,948</u>

The costs of the Group's purchases from Lite-On Semiconductor Corp. for the years ended December 31, 2019 and 2018 were based on cost plus an agreed-upon profit. Except for these purchases, the purchase terms between the Group and its related parties did not have material difference as those between the Group and non-related parties.

d. Receivables from related parties

Related Party Category	December 31	
	2019	2018
Trade receivables		
Associate		
Lite-On Semiconductor Corp.	\$ 61,297	\$ 84,828
Others	<u>12,245</u>	<u>5,226</u>
	<u>73,542</u>	<u>90,054</u>
Related party in substance		
Others	<u>-</u>	<u>41</u>
	<u>\$ 73,542</u>	<u>\$ 90,095</u>
Other receivables		
Associate		
Yamada-Lom Ltda.	\$ 19,700	\$ 1,726
Lite-On Semiconductor Corp.	<u>1,959</u>	<u>2,490</u>
Others	<u>13</u>	<u>18</u>
	<u>21,672</u>	<u>4,234</u>
Related party in substance		
Others	<u>71</u>	<u>183</u>
	<u>\$ 21,743</u>	<u>\$ 4,417</u>

The outstanding trade receivables from related parties are unsecured. No allowance for doubtful accounts was recognized for trade receivables from related parties for the years ended December 31, 2019 and 2018.

e. Payables to related parties

Related Party Category	December 31	
	2019	2018
Trade payables		
Associate		
Lite-On Semiconductor Corp.	\$ 382,405	\$ 384,374
Lite-Space Technology Company Limited	<u>128,711</u>	<u>179,309</u>
	<u>511,116</u>	<u>563,683</u>
Related party in substance		
Diodes Incorporated	217,356	213,798
Others	<u>2,072</u>	<u>4,142</u>
	<u>219,428</u>	<u>217,940</u>
	<u>\$ 730,544</u>	<u>\$ 781,623</u>
Other payables		
Associate		
Others	<u>\$ 593</u>	<u>\$ 515</u>
Related party in substance		
Silport Travel Corp.	5,930	8,043
Chi Mei Mold Co.	<u>5,631</u>	<u>7,893</u>
Others	<u>340</u>	<u>233</u>
	<u>11,901</u>	<u>16,169</u>
	<u>\$ 12,494</u>	<u>\$ 16,684</u>

The outstanding trade payables to related parties are unsecured.

f. Lease arrangements

	For the Year Ended December 31, 2019
Related Party Category	
Acquisition of right-of-use assets	
Associate	
Lite-On Semiconductor Corp.	<u>\$ 70,155</u>

	For the Year Ended December 31, 2019
Related Party Category	
Lease liabilities	
Associate	
Lite-On Semiconductor Corp.	<u>\$ 45,187</u>

	For the Year Ended December 31	
Related Party Category/Name	2019	2018
Interest expense		
Associate		
Lite-On Semiconductor Corp.	<u>\$ 962</u>	<u>\$ -</u>
Lease expense		
Associate		
Lite-On Semiconductor Corp.	<u>\$</u>	<u>\$ 24,000</u>

The lease terms between the Group and its related parties did not have material difference as those between the Group and non-related parties.

g. Operating expenses

	For the Year Ended December 31	
Related Party Category	2019	2018
Associate		
Lite-On Semiconductor Corp.	<u>\$ 35</u>	<u>\$ 20</u>
Related party in substance		
Silport Travel Corp.	69,119	83,732
Others	<u>13,003</u>	<u>12,914</u>
	<u>82,122</u>	<u>96,646</u>
	<u>\$ 82,157</u>	<u>\$ 96,666</u>

The Group donated and recognized associated expenses of \$8,375 thousand and \$8,669 thousand for the years ended December 31, 2019 and 2018, respectively, to help Lite-On Cultural Foundation, a related party in substance, facilitate communal, cultural and educational projects.

h. Other revenue

Related Party Category	For the Year Ended December 31	
	2019	2018
Associates		
Yamada-Lom Ltda.	\$ 13,910	\$ 9,269
Lite-On Semiconductor Corp.	<u>6,790</u>	<u>6,778</u>
	<u>20,700</u>	<u>16,047</u>
Related party in substance		
Auden Techno Corp.	-	5,172
Others	<u>1,468</u>	<u>1,519</u>
	<u>1,468</u>	<u>6,691</u>
	<u>\$ 22,168</u>	<u>\$ 22,738</u>

i. Acquisition of financial assets

For the year ended December 31, 2019

Related Party Category	Line Item	Number of Shares	Underlying Assets	Purchase Price
Associate				
Lite-On Semiconductor Corp.	Investment accounted for using the equity method	980,300	Equity interests of Lite-On Japan Ltd., a subsidiary	<u>\$ 66,864</u>

j. Disposal of Property, Plant and Equipment

Related Party Category	Proceeds of Disposal		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Associate				
Yamada-Lom Ltda	<u>\$ 15,609</u>	<u>\$ -</u>	<u>\$ 3,225</u>	<u>\$ -</u>

k. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 572,153	\$ 603,414
Post-employment benefits	<u>38,308</u>	<u>19,294</u>
	<u>\$ 610,461</u>	<u>\$ 622,708</u>

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

	December 31	
	2019	2018
Pledged time deposits (classified as financial assets at amortized costs)	<u>\$ 467,674</u>	<u>\$ 596,623</u>

Above assets included the guarantee deposits provided for government projects and the custom duties regarding shipment clearance in advance of duty payments and tax refunds.

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In May 2019, the Public Lighting Authority of Detroit sued Leotek Electronics USA LLC, the Group's subsidiary, at the Federal District Court in eastern Mississippi for violating the purchase agreements signed by both parties and sought for compensations. The Public Lighting Authority claimed that the LED street lights supplied by the subsidiary experienced premature luminous decay and burned out during the warranty period. The matter was settled in December 2019 and the settlement agreement does not have material impact on the operation and financial performance of the Group.
- b. Bench Walk Lighting, LLC sued the Parent Company and its subsidiary - LITE-ON TECHNOLOGY USA, INC. - for patent infringement during the fourth quarter of the year ended December 31, 2019. The petitioner claimed that certain products supplied by the subsidiary infringed the original patents and demanded royalty payments. The Parent Company has retained its attorney to appropriately handle the litigation. There was no material impact on the operation and financial performance of the Group at the time of evaluation.
- c. Castlemorton Wireless, LLC sued the subsidiaries - LITE-ON, INC. and LITE-ON TRADING USA, INC. - for patent infringement during the fourth quarter of the year ended December 31, 2019. The petitioner claimed that certain products supplied by the subsidiaries infringed the original patents and demanded royalty payments. The Parent Company has retained its attorney to appropriately handle the litigation. There was no material impact on the operation and financial performance of the Group at the time of evaluation.

35. OTHER SIGNIFICANT MATTERS

The transaction transferring the Portable Image Device SBG's main business (Camera Module Business) and assets and the recognition of the impairment loss of goodwill (see Note 19) and operating losses for Mobile Mechanics Business Group were both recognized in first half year of 2018. As of the date that the consolidated financial statements were issued, the business transfer is completed and the main part of the operating assets and liabilities was transferred. The net profit of the above transactions is NT\$1,041,786 thousand, which is recognized as non-operating income and expenses.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,374,254	6.9524 (USD:CNY)	\$ 41,131,411
USD	1,175,658	29.9300 (USD:NTD)	35,187,442
USD	65,437	7.7856 (USD:HKD)	1,958,529
USD	25,994	30.0900 (USD:THB)	778,004
USD	1,203	0.8923 (USD:EUR)	35,991
EUR	12,823	1.1207 (EUR:USD)	<u>430,124</u>
			<u>\$ 79,521,501</u>
Non-monetary items			
Investments in associates and joint ventures accounted for using the equity method			
USD	3,534	29.9300 (USD:NTD)	<u>\$ 105,774</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,890,153	29.9300 (USD:NTD)	\$ 56,572,273
USD	906,102	6.9524 (USD:CNY)	27,119,618
USD	29,222	7.7856 (USD:HKD)	874,625
USD	26,784	30.0900 (USD:THB)	801,659
USD	4,605	0.8923 (USD:EUR)	<u>137,832</u>
			<u>\$ 85,506,007</u>

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,441,072	30.6650 (USD:NTD)	\$ 44,190,469
USD	1,286,223	6.8393 (USD:CNY)	39,442,026
USD	64,281	7.8321 (USD:HKD)	1,971,176
USD	17,277	32.3200 (USD:THB)	529,806
USD	2,539	0.8730 (USD:EUR)	77,863
EUR	13,091	1.1455 (EUR:USD)	<u>459,837</u>
			<u>\$ 86,671,177</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	3,255	30.6650 (USD:NTD)	<u>\$ 99,826</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,036,096	30.6650 (USD:NTD)	\$ 62,436,894
USD	1,013,611	6.8393 (USD:CNY)	31,082,386
USD	29,902	7.8321 (USD:HKD)	916,943
USD	26,325	32.3200 (USD:THB)	807,246
USD	6,066	0.8730 (USD:EUR)	<u>186,021</u>
			<u>\$ 95,429,490</u>

For the years ended December 31, 2019 and 2018 net foreign exchange gains (losses) were \$666,584 thousand and \$(497,693) 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.

37. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Financing provided: See Table 1 below.
- 2) Endorsement/guarantee provided: See Table 2 below.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 3 below.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 4 below.
- 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.

- 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties of at amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 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: See Notes 7 and 31 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 9 below.

c. Intercompany relationships and significant intercompany transactions: See Table 9 below.

38. SEGMENT INFORMATION

a. General information

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

- 1) Optoelectronics: The manufacture and sale of LED, camera modules, LED traffic lights, street lights, general lighting and automotive electronics.
- 2) Information technologies (IT): The manufacture and sale of notebooks, desktops, tablets, server, networking devices and multifunction peripheral.
- 3) Storage: The manufacture and sale of Optical Disk Drives and Solid State Drives.
- 4) The Group also has other operating segments that did not exceed the quantitative threshold. These segments mainly engage in the manufacture and sale of plastic/rubber products, automotive Optical Disk Drives and others.

b. Measurement of segment information

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

c. Segment information

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

	For the year ended December 31, 2019					
	Optoelectronics	IT	Storage	Others	Elimination	Total
Sales from external customers	\$ 28,314,385	\$ 119,106,937	\$ 21,579,836	\$ 8,953,008	\$ -	\$ 177,954,166
Sales among segments	1,311,474	1,511,065	24,491	795,279	(3,642,309)	-
Operating profit (loss)	1,560,254	8,282,581	1,559,208	(570,089)	-	10,831,954

	For the year ended December 31, 2018					
	Optoelectronics	IT	Storage	Others	Elimination	Total
Sales from external customers	\$ 43,487,662	\$ 119,360,992	\$ 33,227,622	\$ 11,032,812	\$ -	\$ 207,109,088
Sales among segments	1,399,789	1,415,303	19,889	769,172	(3,604,153)	-
Operating profit (loss)	1,906,571	5,994,320	2,239,910	(1,453,472)	-	8,687,329

d. Geographic information

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
Asia	\$ 116,905,037	\$ 134,192,811	\$ 27,373,092	\$ 27,843,443
America	39,370,373	49,365,614	771,509	605,244
Europe	21,404,220	23,221,849	3,871	1,473
Others	<u>274,536</u>	<u>328,814</u>	<u>-</u>	<u>-</u>
	<u>\$ 177,954,166</u>	<u>\$ 207,109,088</u>	<u>\$ 28,148,472</u>	<u>\$ 28,450,160</u>

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

e. Information about major customers

No single customers contributed 10% or more to the Group's revenue for the years ended December 31, 2019 and 2018.

f. Reconciliation information for segment profit (loss)

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

	For the Year Ended December 31	
	2019	2018
Reportable segments' profit	\$ 10,831,954	\$ 8,687,329
Unclassified loss	(1,486,732)	(1,201,516)
Non-operating income and expenses	<u>3,018,616</u>	<u>3,298,308</u>
Profit before income tax	<u>\$ 12,363,838</u>	<u>\$ 10,784,121</u>

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

TABLE 1

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 1)	Transaction Amount	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	LITE-ON SINGAPORE PTE. LTD.	LITE-ON MOBILE PTE. LTD.	Receivables from related parties	Yes	\$ 1,262,000	\$ 1,197,200	\$ 1,197,200	2.49413%-3.64413%	b	\$ -	-	\$ -	None	\$ -	\$ 13,032,777	\$ 13,032,777	
2	LTC GROUP LTD.	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Receivables from related parties	Yes	91,995	-	-	2.13%	b	-	-	-	None	-	506,616	506,616	
3	LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Receivables from related parties	Yes	26,123	12,915	12,915	3.045%	b	-	-	-	None	-	520,877	520,877	
4	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Receivables from related parties	Yes	241,080	111,930	111,930	3%-3.325%	b	-	-	-	None	-	4,320,207	4,320,207	
5	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	Receivables from related parties	Yes	90,492	43,050	43,050	3.045%	b	-	-	-	None	-	2,860,016	2,860,016	
6	LITE-ON ELECTRONICS H.K. LIMITED	SOLID STATE STORAGE TECHNOLOGY CORPORATION	Receivables from related parties	Yes	3,407	-	-	2.64%-2.8%	b	-	-	-	None	-	7,668,810	7,668,810	
7	GUANGZHOU LITE-ON MOBILE ENGINEERING PLASTICS CO., LTD.	BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	Receivables from related parties	Yes	39,077	38,745	38,745	3.045%	b	-	-	-	None	-	1,808,000	1,808,000	

Note 1: Reasons for financing are as follows:

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

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

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

Note 4: All intercompany financing transactions have been eliminated upon consolidation.

TABLE 2

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 1)											
0	Lite-On Technology Corporation	Lite-On Technology (Europe) B.V.	b	\$ 7,245,977	\$ 67,106	\$ -	\$ -	\$ -	-	\$ 28,983,910	Yes	No	No	
1	Lite-On Capital Corporation	Lite-On Green Energy B.V.	c	2,300,932	331,973	315,277	315,277	-	0.44	2,300,932	No	No	No	

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

- a. Business relationship.
- b. A subsidiary in which the Parent Company holds directly and indirectly over 50% of an equity interest.
- c. An investee in which the Parent Company and its subsidiaries hold directly and indirectly over 50% of an 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. The endorsement/guarantee limit for each entity and the total endorsement/guarantee limit are calculated on the basis of Lite-On Capital Corporation's endorsement/guarantee procedures.

c. The net worth is based on the latest audited financial statements.

TABLE 3

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Held Company	Financial Statement Account	December 31, 2019			Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Fair Value (Foreign Currencies in Thousands)	
Lite-On Technology Corporation	Ordinary shares						
	EPISTAR Corporation	-	Financial asset at FVTPL	449	\$ 14,524	\$ 14,524	
	Wistron Corporation	-	Financial asset at FVTOCI	5,437	154,141	154,141	
	Logah Technology Corp.	-	Financial asset at FVTOCI	7,905	68,617	68,617	
	Com2B Corp.	-	Financial asset at FVTOCI	5,000	9,009	9,009	
	Avamax Corp.	-	Financial asset at FVTPL	559	-	-	Note
	Aetas Technology, Inc.	-	Financial asset at FVTPL	4,026	-	-	Note
	AuriaSolar Co., Ltd.	-	Financial asset at FVTPL	41,400	-	-	Note
	Z-Com, Inc.	-	Financial asset at FVTOCI	63	821	821	
	Fong Han Electronics Co., Ltd.	-	Financial asset at FVTPL	1,167	-	-	Note
	Xepex Electronics Co., Ltd.	-	Financial asset at FVTPL	-	-	-	Note
	North America Micro-Electronic & Software, Incorporated	-	Financial asset at FVTOCI	5	-	-	Note
	Action Media Technologies, Inc.	-	Financial asset at FVTPL	38	-	-	Note
	Oplink Communications, Inc.	-	Financial asset at FVTOCI	1	847	847	
Lite-On Capital Corporation	Taiwan Changxing Technology Co., Ltd.	-	Financial asset at FVTOCI	462	4,620	4,620	
	InSynerger Technology Co., Ltd	-	Financial asset at FVTOCI	1,710	29,070	29,070	
	TAIWAN METAL PRECISION LTD.	-	Financial asset at FVTOCI	-	11,500	11,500	
	Preference shares						
	Arkologic Holdings Limited	-	Financial asset at FVTPL	11,111	-	-	Note
	PI-CORAL	-	Financial asset at FVTPL	1,139	-	-	Note
	Fund						
	Arm IoT Fund, L.P.	-	Financial asset at FVTPL	-	44,840	44,840	
	Convertible bond						
	Xepex Electronics Co., Ltd.	-	Financial asset at FVTPL	150	-	-	Note
	Ordinary shares						
	Lite-On Technology Corporation	The Parent Company	Financial assets at FVTOCI	15,116	745,968	745,968	
	Lead Data, Inc.	-	Financial assets at FVTOCI	865	3,563	3,563	
	Compound Solar Technology Co., Ltd.	-	Financial assets at FVTPL	2,000	-	-	Note
	Z-Com, Inc.	-	Financial assets at FVTOCI	2,412	31,351	31,351	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Held Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Lite-on Green Energy (HK) Limited	Ordinary shares Changzhou Binhui Thin Film Solar Greenhouse Co., Ltd.	-	Financial assets at FVTOCI	-	US\$ 140	19.90	US\$ 140	
LITE-ON ELECTRONICS COMPANY LIMITED	Share certificates Lite-On Technology Corporation GDR	The Parent Company	Financial assets at FVTOCI	245	\$ 120,739	0.10	\$ 120,739	
YET FOUNDATEE LIMITED	Share certificates Lite-On Technology Corporation GDR	The Parent Company	Financial assets at FVTOCI	227	111,903	0.10	111,903	
LET (HK) LIMITED	Ordinary shares Northern Lights Semiconductor Fund Innovation Works Development Fund, L.P.	-	Financial assets at FVTPL	3,000	-	5.91	-	Note
LITE-ON TECHNOLOGY USA, INC.	Preference shares CNEX LABS Inc.	-	Financial assets at FVTPL	-	HK\$ 7,765	-	HK\$ 7,765	
LITE-ON SINGAPORE PTE. LTD.	Ordinary shares LuxVisions Innotech Limited	-	Non-current assets held for sale	245	US\$ 1,000	0.45	US\$ 1,000	
LTC GROUP LTD.	Ordinary shares VIZIO, Inc.	-	Financial assets at FVTOCI	12,000	US\$ 40,000	10.00	US\$ 40,000	
LTC INTERNATIONAL LTD.	Ordinary shares Lite-On Technology Corporation	-	Financial assets at FVTPL	437	\$ -	2.90	\$ -	Note
		The Parent Company	Financial assets at FVTOCI	3,793	187,190	0.16	187,190	
LITE-ON CHINA HOLDING CO. LTD.	Share certificates Lite-On Technology Corporation GDR Ordinary shares COMMIT Incorporated	The Parent Company	Financial assets at FVTOCI	321	158,244	0.14	158,224	
Silitech Technology Corporation	Ordinary shares Chi Mei Mold Co., Ltd. RTR-TECH Technology Co., Ltd.	-	Financial assets at FVTPL	4,962	-	1.87	-	Note
		Member of the board of directors	Financial assets at FVTOCI	1,300	6,162	10.00	6,162	Note
Silitech (Bermuda) Holding Ltd.	Fund Innovation Works Development Fund, L.P.	-	Financial assets at FVTOCI	6,820	-	9.46	-	Note
			Financial assets at FVTPL	-	US\$ 916	-	US\$ 916	

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

(Concluded)

TABLE 4

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL.

FOR THE YEAR ENDED DECEMBER 31, 2019

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Shares/Units (In Thousands)	Disposal		Gain (Loss) on Disposal	Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount		Amount	Amount		Shares/Units (In Thousands)	Amount
Lite-On Technology Corporation	The shares of KBW-LITEON Jordan Private Shareholding Limited	Investments accounted for using the equity method (Note 5)	KBW-LITEON Jordan Private Shareholding Limited	Subsidiary	21,797	\$ 1,210,895	14,260	\$ 682,453 (Note 1)	-	\$ -	\$ 53,567 (Note 1)	\$ -	36,057	\$ 1,839,781
	The shares of Lite-On Japan Ltd.	Investments accounted for using the equity method (Note 5)	-	Subsidiary	6,162	342,959	6,289	437,215 (Note 2)	-	-	5,157 (Note 2)	-	12,451	775,017
	The shares of SOLID STATE STORAGE TECHNOLOGY CORPORATION	Non-current assets held for sale	SOLID STATE STORAGE TECHNOLOGY CORPORATION	Subsidiary	-	-	448,245	4,482,454 (Note 3)	-	-	4,482,454 (Note 3)	-	448,245	-
Lite-On Mobile PTE. LTD.	The shares of LITE-ON MOBILE INDIA PRIVATE LIMITED	Investments accounted for using the equity method (Note 5)	Sakomp Manufacturing Oy and Sakomp Oy	Subsidiary	256	US\$ 19,973	-	-	256	(Note 4)	US\$ 19,973 (Note 4)	(Note 4)	-	-
Lite-On Mobile Oyy	The shares of Lite-On Mobile India Private Limited	Investments accounted for using the equity method (Note 5)	Sakomp Manufacturing Oy and Sakomp Oy	Subsidiary	34	EUR 2,286	-	-	34	(Note 4)	EUR 2,286 (Note 4)	(Note 4)	-	-
Silitech Technology (Suzhou) Co., Ltd.	Bank deposit products with minimum guaranteed returns	Financial assets at amortized cost - current	-	-	-	\$ 22,416 (CNY 5,000)	-	236,200 (CNY 54,880)	-	260,660 (CNY 60,355)	\$ 258,616 (CNY 59,880)	2,044 (CNY 475)	-	-
Xurong Electronics (Shenzhen) Ltd.	Floating rate bank deposit products with minimum guaranteed returns	Financial assets at amortized cost - current	-	-	-	-	-	293,528 (CNY 68,200)	-	201,118 (CNY 46,729)	200,563 (CNY 46,660)	555 (CNY 129)	-	92,965 (CNY 21,600)

Note 1: The acquisition amount includes the acquisition of \$623,987 thousand, the share of profit on investments accounted for the using the equity method of \$58,202 thousand, and the effects on changes in equities of \$264 thousand; the disposal amount refers to the effects on changes in equities.

Note 2: The acquisition amount includes the acquisition of \$417,219 thousand, the share of profit on investments accounted for the using the equity method of \$7,281 thousand, and the effects on changes in equities of \$12,715 thousand; the disposal amount refers to the effects on changes in equities.

Note 3: The acquisition amount includes the acquisition of \$50 thousand and the transfer through spin-off of \$4,482,404 thousand; the disposal amount refers to the share of loss on investments accounted for using the equity method of \$41,914 thousand and the reclassification to non-current assets held for sale of \$4,440,540 thousand.

Note 4: The monetary amount for the disposal of equity shares transaction totaled to US\$29.92 million and the related gain on disposal amounted to \$328 million.

Note 5: Investments accounted for using the equity method have been eliminated upon consolidation.

TABLE 5

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/Trade (Payable) or Receivable Ending Balance	% of Total	Note
			Purchase/Sale	Amount	% of Total	Unit Price	Payment Terms			
Lite-On Technology Corporation	Philips & Lite-On Digital Solutions Corporation LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Japan Ltd. LITE-ON TRADING USA, INC. Lite-On Sales & Distribution Inc. SOLID STATE STORAGE TECHNOLOGY CORPORATION LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd.	Subsidiary Fourth-tier subsidiary Subsidiary Subsidiary Subsidiary Subsidiary Fourth-tier subsidiary Subsidiary Subsidiary Subsidiary	Sale	\$ (10,565,362)	(8.74)	Cost-plus pricing	No significant difference	\$ 2,842,027	9.26	
			Sale	(1,083,840)	(0.90)	Cost-plus pricing	No significant difference	398,501	1.30	
			Sale	(3,192,713)	(2.64)	Cost-plus pricing	No significant difference	1,027,795	3.35	
			Sale	(779,079)	(0.64)	Cost-plus pricing	No significant difference	156,205	0.51	
			Sale	(4,644,202)	(3.84)	Cost-plus pricing	No significant difference	1,732,416	5.64	
			Purchase	(483,819)	(0.40)	Cost-plus pricing	No significant difference	-	-	
			Purchase	112,643	0.10	Cost-plus pricing	No significant difference	(111,354)	(0.32)	
			Purchase	2,052,279	1.91	Cost-plus pricing	No significant difference	(447,884)	(1.29)	
			Purchase	20,568,320	19.10	Cost-plus pricing	No significant difference	(7,212,653)	(20.71)	
			Purchase	72,983,316	67.78	Cost-plus pricing	No significant difference	(23,570,248)	(67.68)	
Philips & Lite-On Digital Solutions Corporation	PLDS Germany GmbH	Subsidiary	Sale	(4,851,830)	(43.58)	Cost-plus pricing	No significant difference	356,061	20.98	
			Sale	(488,404)	(4.39)	Cost-plus pricing	No significant difference	116,769	6.88	
LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(1,707,002)	(100.00)	Cost-plus pricing	No significant difference	127,642	100.00	
LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. LITE-ON ELECTRONICS (GUANGZHOU) LIMITED Lite-On Overseas Trading Co., Ltd.	Affiliate Affiliate Affiliate	Sale	(232,891)	(1.27)	Cost-plus pricing	No significant difference	77,137	28.56	
			Sale	(100,019)	(0.55)	Cost-plus pricing	No significant difference	35,589	13.18	
			Sale	(17,859,519)	(97.50)	Cost-plus pricing	No significant difference	134,663	49.86	
LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(4,858,914)	(100.00)	Cost-plus pricing	No significant difference	1,125,591	100.00	
LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(697,019)	(100.00)	Cost-plus pricing	No significant difference	151,418	100.00	
LITE-ON AUTOMOTIVE ELECTRONICS (CHANGZHOU) CO., LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. LITE-ON SINGAPORE PTE. LTD.	Affiliate Affiliate	Sale	(109,272)	(36.07)	Cost-plus pricing	No significant difference	109,330	56.07	
			Sale	(186,138)	(61.45)	Cost-plus pricing	No significant difference	84,587	43.38	
LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate Affiliate Affiliate	Sale	(177,737)	(13.52)	Cost-plus pricing	No significant difference	112,588	27.90	
			Sale	(181,449)	(13.80)	Cost-plus pricing	No significant difference	21,271	5.27	
			Sale	(955,614)	(72.68)	Cost-plus pricing	No significant difference	269,702	66.83	
LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON COMPUTER (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd.	Affiliate Affiliate Affiliate	Sale	(213,939)	(0.90)	Cost-plus pricing	No significant difference	75,405	1.34	
			Sale	(14,313,345)	(60.10)	Cost-plus pricing	No significant difference	3,197,920	56.85	
			Sale	(7,218,171)	(30.31)	Cost-plus pricing	No significant difference	1,764,239	31.36	
LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(691,822)	(100.00)	Cost-plus pricing	No significant difference	142,891	100.00	
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Affiliate Affiliate	Sale	(285,955)	(4.28)	Cost-plus pricing	No significant difference	42,845	2.29	
			Sale	(135,028)	(2.02)	Cost-plus pricing	No significant difference	47,613	2.55	
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED Lite-On Overseas Trading Co., Ltd.	Affiliate Affiliate	Sale	(606,589)	(4.00)	Cost-plus pricing	No significant difference	-	-	
			Sale	(14,508,721)	(95.79)	Cost-plus pricing	No significant difference	1,437,099	99.82	
SILITEK ELEC. (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	Sale	(10,951,104)	(95.16)	Cost-plus pricing	No significant difference	2,698,607	93.90	

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction			Notes/Trade (Payable) or Receivable		Note
			Purchase/Sale	Amount	% of Total	Unit Price	Payment Terms	Payment Terms	Ending Balance	% of Total	
LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	LITE-ON ELECTRONICS COMPANY, LIMITED	Parent	Sale	\$ (1,332,373)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	\$ 109,187	99.78	
LITE-ON ELECTRONICS H.K. LIMITED	Lie-On Overseas Trading Co., Ltd.	Affiliate	Sale	(286,788)	(7.64)	About 90 days	Cost-plus pricing	No significant difference	96,802	13.40	
LITE-ON ELECTRONICS COMPANY LIMITED	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(1,332,380)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	-	-	
HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Lie-On Overseas Trading Co., Ltd.	Affiliate	Sale	(1,787,652)	(87.63)	About 90 days	Cost-plus pricing	No significant difference	352,246	87.97	
LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	Sale	(1,475,509)	(5.58)	About 90 days	Cost-plus pricing	No significant difference	527,889	7.79	
	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Affiliate	Sale	(743,345)	(2.81)	About 90 days	Cost-plus pricing	No significant difference	385,200	5.68	
	Lie-On Overseas Trading Co., Ltd.	Affiliate	Sale	(24,153,431)	(91.41)	About 90 days	Cost-plus pricing	No significant difference	5,819,214	85.86	
LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Lie-On Overseas Trading Co., Ltd.	Affiliate	Sale	(1,274,285)	(99.74)	About 90 days	Cost-plus pricing	No significant difference	352,540	99.72	
LiteON Auto Electric Technology (Guangzhou) Ltd.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	Sale	(481,322)	(99.77)	About 90 days	Cost-plus pricing	No significant difference	44,920	100.00	
LITEON-IT OPTO TECH (BH) CO., LTD.	Lie-On Overseas Trading Co., Ltd.	Affiliate	Sale	(8,023,676)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	1,395,154	100.00	
Lite-On Electronics (Thailand) Co., Ltd.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(3,154,503)	(96.60)	About 90 days	Cost-plus pricing	No significant difference	509,982	92.13	
	Lie-On Japan Ltd.	Affiliate	Sale	(110,893)	(3.40)	About 90 days	Cost-plus pricing	No significant difference	43,554	7.87	
LITE-ON VIETNAM CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(276,519)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	32,299	100.00	
LITE-ON SINGAPORE PTE. LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Subsidiary	Sale	(2,098,178)	(3.23)	About 90 days	Cost-plus pricing	No significant difference	698,926	3.56	
	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Affiliate	Sale	(1,389,353)	(2.14)	About 90 days	Cost-plus pricing	No significant difference	473,486	2.41	
	LITE-ON ELECTRONICS H.K. LIMITED	Affiliate	Sale	(3,626,962)	(5.59)	About 90 days	Cost-plus pricing	No significant difference	1,314,217	6.69	
	Lie-On Japan Ltd.	Affiliate	Sale	(1,361,647)	(2.10)	About 90 days	Cost-plus pricing	No significant difference	404,480	2.06	
	LITE-ON, INC.	Affiliate	Sale	(514,204)	(0.79)	About 90 days	Cost-plus pricing	No significant difference	113,884	0.58	
	LITE-ON TRADING USA, INC.	Affiliate	Sale	(7,747,944)	(11.93)	About 90 days	Cost-plus pricing	No significant difference	2,683,439	13.65	
	LEOTEK ELECTRONICS USA LLC	Affiliate	Sale	(873,644)	(1.35)	About 90 days	Cost-plus pricing	No significant difference	24,345,935	0.42	
	Lie-On Sales & Distribution, Inc.	Affiliate	Sale	(113,277)	(0.17)	About 90 days	Cost-plus pricing	No significant difference	-	-	
	LITE-ON MOBILE INDUSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Affiliate	Sale	(151,188)	(0.23)	About 90 days	Cost-plus pricing	No significant difference	49,227	0.25	
		Affiliate	Sale	(404,588)	(0.62)	About 90 days	Cost-plus pricing	No significant difference	128,808	0.66	
LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(437,033)	(100.00)	About 90 days	Cost-plus pricing	No significant difference	-	-	
Lite-On Overseas Trading Co., Ltd.	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Affiliate	Sale	(14,548,802)	(8.96)	About 90 days	Cost-plus pricing	No significant difference	1,811,603	4.17	
	LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Affiliate	Sale	(195,803)	(0.12)	About 90 days	Cost-plus pricing	No significant difference	1,256	-	
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Affiliate	Sale	(12,093,973)	(7.45)	About 90 days	Cost-plus pricing	No significant difference	4,113,197	9.47	
	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Affiliate	Sale	(189,157)	(0.12)	About 90 days	Cost-plus pricing	No significant difference	21,287	0.05	
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Affiliate	Sale	(12,260,850)	(7.55)	About 90 days	Cost-plus pricing	No significant difference	1,035,122	2.38	
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Affiliate	Sale	(8,054,582)	(4.96)	About 90 days	Cost-plus pricing	No significant difference	842,767	1.94	
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Affiliate	Sale	(580,749)	(0.36)	About 90 days	Cost-plus pricing	No significant difference	54,382	0.13	
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Affiliate	Sale	(18,733,864)	(11.53)	About 90 days	Cost-plus pricing	No significant difference	5,711,038	13.15	
	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Affiliate	Sale	(812,629)	(0.50)	About 90 days	Cost-plus pricing	No significant difference	268,150	0.62	
	LieON Auto Electric Technology (Guangzhou) Ltd.	Affiliate	Sale	(202,793)	(0.12)	About 90 days	Cost-plus pricing	No significant difference	54,539	0.13	
	LITEON-IT OPTO TECH (BH) CO., LTD.	Affiliate	Sale	(6,410,661)	(3.95)	About 90 days	Cost-plus pricing	No significant difference	1,721,043	3.96	
	LITE-ON SINGAPORE PTE. LTD.	Affiliate	Sale	(15,129,988)	(9.32)	About 90 days	Cost-plus pricing	No significant difference	4,173,881	9.61	
	Lie-On Semiconductor Corp.	Associates	Purchase	689,481	0.42	About 90 days	Cost-plus pricing	No significant difference	(233,936)	(0.59)	
	Diodes Incorporated	Related party in substance	Purchase	255,426	0.16	About 90 days	Cost-plus pricing	No significant difference	(95,676)	(0.24)	
	Lite-Space Technology Company Limited	Associates	Purchase	1,796,275	1.11	About 90 days	Cost-plus pricing	No significant difference	(128,546)	(0.32)	
LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	Sale	(134,279)	(53.69)	About 90 days	Cost-plus pricing	No significant difference	19,896	88.80	

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/Trade (Payable) or Receivable		Note
			Purchase/Sale	Amount	% of Total	Unit Price	Payment Terms	Ending Balance	% of Total	
Lite-On (Guangzhou) Automotive Electronics Limited	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. LITE-ON SINGAPORE PTE. LTD.	Affiliate Affiliate	Sale	\$ (2,094,976)	(43.43)	Cost-plus pricing	No significant difference	\$ 820,133	62.46	
			Sale	(2,254,101)	(46.72)	Cost-plus pricing	No significant difference	190,100	14.48	
Lite-On Japan Ltd.	Lite-On Semiconductor Corp. Lite-On Semiconductor Corp.	Associates Associates	Sale	JPY (1,080,696)	(7.57)	Cost-plus pricing	No significant difference	JPY 200,099	7.66	
			Purchase	JPY 2,127,077	16.67	Cost-plus pricing	No significant difference	JPY (395,387)	(13.48)	
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	Sale	US\$ (18,033)	(100.00)	No significant difference	90-120 days	US\$ 4,921	100.00	
				JPY (8,546)				JPY 3,453		
Xunong Electronic (Shenzhen) Ltd.	Silitech Technology Corporation Limited	Parent	Sale	US\$ (18,033)	(67.00)	No significant difference	90-120 days	US\$ 4,921	76.00	
				JPY (8,546)				JPY 3,453		
				EUR (159)				EUR 4		

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

(Concluded)

TABLE 6

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Ending Balance of Notes Receivable from Related Parties	Ending Balance of Trade Receivables from Related Parties	Ending Balance of Other Receivables from 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	\$ -	\$ 2,842,027	\$ 368	3.18	\$ 297,266	-	\$ 2,001,267	\$ -
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Fourth-tier subsidiary	-	398,501	-	2.52	-	-	-	-
	LITE-ON SINGAPORE PTE. LTD.	Subsidiary	-	1,027,795	105,116	13.26	-	-	229,106	-
	Lite-On Japan Ltd.	Subsidiary	-	156,205	1,687	4.94	-	-	16,852	-
	LITE-ON TRADING USA, INC.	Subsidiary	-	1,732,416	18,094	2.46	-	-	347,641	-
Philips & Lite-On Digital Solutions Corporation	Lite-On Overseas Trading Co., Ltd.	Subsidiary	-	2,893,649	36,597	-	-	-	1,489,331	-
	Philips & Lite-On Digital Solutions USA, Inc.	Subsidiary	-	356,061	7,019	9.10	-	-	125,232	-
	PLDS Germany GmbH	Subsidiary	-	116,769	-	3.53	-	-	65,679	-
	Lite-On Sales & Distribution, Inc.	Affiliate	-	182,021	203	0.33	-	-	47,536	-
	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	127,642	-	26.75	-	-	127,642	-
LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	134,663	-	30.63	-	-	134,663	-
LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	1,125,591	8,277	4.28	-	-	452,100	-
LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	151,418	-	4.57	-	-	151,418	-
LITE-ON AUTOMOTIVE ELECTRONICS (CHANGZHOU) CO., LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	-	109,330	-	2.00	-	-	20,632	-
LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Affiliate	-	112,588	19,818	3.16	-	-	22,367	-
LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	269,702	-	5.11	-	-	60,311	-
LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Affiliate	-	-	112,875	-	-	-	73	-
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	3,197,920	-	4.61	-	-	1,536,950	-
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	1,764,239	-	3.98	-	-	588,777	-
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	142,891	-	5.96	-	-	78,573	-
SILITEK ELEC. (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	1,437,099	-	9.66	-	-	915,165	-
LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	2,698,607	4,833	3.72	-	-	1,139,780	-
LITE-ON ELECTRONICS H.K. LIMITED	LITE-ON ELECTRONIC COMPANY LIMITED	Affiliate	-	109,187	-	5.23	-	-	-	-
HUIZHOU LI SHIN ELECTRONIC CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	-	109,187	-	-	-	-	-
LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	352,246	-	6.48	-	-	273,466	-
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	-	527,889	84	3.50	-	-	169,761	-
	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Affiliate	-	385,200	-	3.36	-	-	97,832	-
	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	5,819,214	-	4.02	-	-	2,230,212	-

(Continued)

Company Name	Related Party	Nature of Relationship	Ending Balance of Notes Receivable from Related Parties	Ending Balance of Trade Receivables from Related Parties	Ending Balance of Other Receivables from Related Parties	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
							Amount	Action Taken		
LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD. LITEON-IT OPTO TECH (BH) CO., LTD. Lite-On Electronics (Thailand) Co., Ltd. LITE-ON SINGAPORE PTE. LTD.	Lite-On Overseas Trading Co., Ltd.	Affiliate	\$ -	\$ 352,540	\$ -	4.06	\$ -	-	\$ 174,901	\$ -
	Lite-On Overseas Trading Co., Ltd.	Affiliate	-	1,395,154	-	8.42	-	-	997,733	-
	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	509,982	6,391	6.12	-	-	275,821	-
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Subsidiary Affiliate	-	698,926 473,486	-	2.75 2.11	-	-	431,942 233,956	-
	LITE-ON ELECTRONICS H.K. LIMITED	Affiliate	-	1,314,217	495	3.43	-	-	394,111	-
	Lite-On Japan Ltd.	Affiliate	-	404,480	2,800	3.67	-	-	54,509	-
	LITE-ON, INC.	Affiliate	-	113,884	2,980	3.93	-	-	35,955	-
	LITE-ON TRADING USA, INC.	Affiliate	-	2,683,439	59,778	2.63	-	-	547,438	-
	LITE-ON MOBILE INDUSTRIA E COMÉRCIO DE PLÁSTICOS LTDA.	Affiliate	-	128,808	31	3.49	48,450	-	42,581	-
	LITE-ON MOBILE PTE. LTD.	Affiliate	-	-	1,201,264	-	-	-	-	-
G&W TECHNOLOGY (BVI) LIMITED	G&W TECHNOLOGY LIMITED	Subsidiary	-	-	154,947	-	-	-	-	-
Lite-On Overseas Trading Co., Ltd.	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Affiliate	-	1,811,603	4,021	6.36	-	-	835,907	-
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Affiliate	-	4,113,197	-	2.68	-	-	94,555	-
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Affiliate	-	1,035,122	-	12.34	-	-	969,642	-
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Affiliate	-	842,767	-	7.99	-	-	842,767	-
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Affiliate	-	5,711,038	-	3.33	-	-	1,827,059	-
	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Affiliate	-	268,150	2,512	2.36	-	-	138,893	-
	LITEON-IT OPTO TECH (BH) CO., LTD.	Affiliate	-	1,721,043	88	3.10	-	-	-	-
	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	4,173,881	-	3.51	-	-	360,417	-
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Affiliate	-	820,133	6,074	2.21	-	-	-	-
	LITE-ON SINGAPORE PTE. LTD.	Affiliate	-	190,100	3,822	11.23	-	-	-	-
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	-	US\$ 4,921 JPY 3,453 EUR 4	-	2.40	-	-	US\$ 2,865 JPY 1,839	-
Xurong Electronic (Shenzhen) Ltd.	Silitech Technology Corporation Limited	Parent	-	US\$ 4,921 JPY 3,453 EUR 4	-	2.40	-	-	US\$ 1,747 JPY 1,839	-

(Concluded)

TABLE 7

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				December 31, 2019	December 31, 2018		Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Lite-On Technology Corporation	Slititech Technology Corporation	New Taipei City, Taiwan	Manufacture and sale of modules and plastic/rubber products	\$ 108,600	\$ 324,685		20,322	33.87	\$ 853,863	\$ (30,495)	\$ (7,846)	Subsidiary
	Lite-On Integrated Service Inc.	Taipei City, Taiwan	Information outsourcing and system integration	25,886	25,886		3,400	100.00	54,781	11,929	11,929	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		21,969	29.62	889,779	(77,379)	(21,669)	Associate (Note 1)
	Lite-On Capital Corporation	Taipei City, Taiwan	Investment activities	4,096,367	4,096,367		209,545	100.00	1,484,244	52,301	8,163	Subsidiary
	LITE-ON ELECTRONICS H.K. LIMITED	Hong Kong	Sale of LED optical products	7,339,481	7,339,481		17,865	100.00	17,346,887	481,126	1,947,252	Subsidiary
	Lite-On Electronics (Thailand) Co., Ltd.	Thailand	Manufacture and sale of LED optical products	632,128	529,106		6,050	100.00	2,082,837	119,590	117,334	Subsidiary
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	679,856	248,305		12,451	100.00	775,017	53,171	7,281	Subsidiary
	Lite-On International Holding Co., Ltd.	British Virgin Islands	Investment activities	US\$ 363,725	US\$ 357,625		363,725	100.00	19,591,419	US\$ 61,472	2,192,725	Subsidiary
	LTC GROUP LTD.	British Virgin Islands	Investment activities	US\$ 1,098,752	US\$ 1,098,752		32,916	100.00	161,203	US\$ (733)	(38,209)	Subsidiary
	LITE-ON TECHNOLOGY USA, INC.	USA	Investment activities	US\$ 55,172	US\$ 55,172		470	100.00	2,378,528	US\$ 5,153	158,890	Subsidiary
	LITE-ON ELECTRONICS (EUROPE) LIMITED	United Kingdom	Manufacture and sale of power supplies	\$ 44,559	\$ 44,559		300	100.00	65,413	GBP 126	4,956	Subsidiary
	Lite-On Technology (Europe) B.V.	Netherlands	Market research and after-sales services	2,543,184	2,543,184		331	54.00	421,187	EUR (609)	(11,471)	Subsidiary
	Lite-On Overseas Trading Co., Ltd.	British Virgin Islands	Investment activities	168,947	168,947		5,143	100.00	242,766	US\$ 425	11,924	Subsidiary
	LITE-ON SINGAPORE PTE. LTD.	Singapore	Manufacture and supply of computer peripheral products	US\$ 63,788	US\$ 63,788		51,777	100.00	12,964,934	US\$ 36,793	1,230,317	Subsidiary
	Lite-On Semiconductor Corp.	New Taipei City, Taiwan	Manufacture of image sensors and rectifiers	\$ 773,618	\$ 773,618		57,204	18.31	1,364,881	\$ 458,416	83,935	Associate (Note 1)
	LITE-ON VIETNAM CO., LTD.	Vietnam	Electronic contract manufacturing	US\$ 21,000	US\$ 12,000		-	100.00	663,988	US\$ 1,652	50,972	Subsidiary
	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	British Virgin Islands	Manufacture and sale of computer and appliance components	\$ -	\$ 56,929		-	-	-	US\$ (8)	(246)	Subsidiary (Note 2)
	EAGLE ROCK INVESTMENT LTD.	British Virgin Islands	Import and export and investment activities	341	341		10	100.00	1,379,538	US\$ 5,924	183,267	Subsidiary
	Canfield Ltd.	Apia, Samoa	Import and export and investment activities	-	7,142		-	-	-	US\$ 49	504	Associate (Note 3)
	LITE-ON MOBILE PTE. LTD.	Singapore	Manufacture and sale of mobile phone modules and design of assembly lines	EUR 457,014	EUR 457,014		403,045	100.00	3,868,831	US\$ (11,959)	(369,180)	Subsidiary
	LET (HK) LIMITED	Hong Kong	Sale of optical disc drives	\$ 251,322	\$ 251,322		62,060	100.00	52,688	HK\$ 3,477	13,796	Subsidiary
	HIGH YIELD GROUP CO., LTD.	British Virgin Islands	Holding company	2,271,806	2,271,806		68,138	100.00	5,719,653	US\$ 1,162	75,877	Subsidiary
	Lite-On Information Technology B.V.	Netherlands	Market research and customer service	1,163,591	1,163,591		11,018	100.00	16,557	EUR 31	1,142	Subsidiary
	Philips & Lite-On Digital Solutions Corporation	Taipei City, Taiwan	Sale of optical disc drives	267,113	267,113		17,150	49.00	265,895	\$ 63,398	31,065	Subsidiary
	Lite-Space Technology Company Limited	Hong Kong	Sale of computer components	165,498	165,498		5,600	46.67	105,774	US\$ 826	12,171	Associate
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Mexico	Production, manufacture, sale, import and export of photovoltaic devices, 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\$ 8,910	US\$ 4,950		295	99.00	227,611	MXN 34,126	54,503	Subsidiary
	Lite-On Automotive International (Cayman) Co., Ltd.	Cayman	Investment activities	US\$ 100,626	US\$ 100,626		11,967	100.00	2,227,755	US\$ (230)	(63,086)	Subsidiary
	KBW-LEOTEK Jordan Private Shareholding Ltd.	Jordan	Investment activities	US\$ 69	US\$ 69		49	49.00	2	JOD 6	121	Subsidiary
	KBW-LITEON Jordan Private Shareholding Limited	Jordan	Production and manufacture of energy-saving lights and project construction and maintenance	US\$ 50,928	US\$ 30,786		36,057	99.86	1,839,781	JOD 1,336	58,202	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019		Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)			
Lite-On Technology Corporation	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED SKYLA CORPORATION SOLID STATE STORAGE TECHNOLOGY CORPORATION	India	Manufacture and sale of phone chargers and power supplies	INR 1,023,741	INR 403,920	102,374	99.00	INR (193,935)	\$ (82,743)	Subsidiary
		Taiwan	Manufacture and sale of medical equipment	\$ 200,000	\$ 200,000	20,000	64.94	\$ 6,821	2,902	Subsidiary
		Taipei City, Taiwan	Manufacture and duplication of electronic components and data storage medium	4,482,454	-	448,245	100.00	(41,914)	(41,914)	Subsidiary (Notes 4 and 5)
Lite-On Capital Corporation	Silitech Technology Corporation Lite-On Green Technologies, Inc. Lite-on Green Energy (HK) Limited Lite-On Technology (Europe) B.V. Lite-On Semiconductor Corp.	New Taipei City, Taiwan	Manufacture and sale of modules and plastic products	107,901	115,572	386	0.64	(30,495)	-	Subsidiary
		Taipei City, Taiwan	Manufacture and wholesale of electronic components and energy technologies	1,040,000	1,040,000	79,000	100.00	(2,474)	-	Subsidiary
		Hong Kong	Investment activities	US\$ 3,100	US\$ 3,100	3,100	100.00	US\$ (1)	-	Subsidiary
		Netherlands	Market research and after-sales services	\$ 2,126,479	\$ 2,126,479	282	46.00	EUR (609)	-	Subsidiary
		New Taipei City, Taiwan	Manufacture of image sensors and rectifiers	-	-	6,486	2.08	\$ 458,416	-	Associate (Note 1)
Lite-On Green Technologies, Inc.	LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Singapore	Investment activities	227,434	227,434	3,458	100.00	EUR (30)	-	Subsidiary
		Netherlands	Solar energy engineering	EUR 11,520	EUR 16,020	6,818	100.00	EUR (52)	-	Subsidiary
		Hong Kong	Solar energy engineering	-	US\$ 860	-	-	US\$ 6	-	Subsidiary (Note 6)
LITE-ON GREEN ENERGY (SINGAPORE) PTE. LTD.	Lite-On Green Energy B.V.	Netherlands	Investment activities	EUR 2,500	EUR 2,500	9,140	100.00	EUR (10)	-	Subsidiary
		Berlin, Germany	Solar energy engineering	EUR 401	EUR 401	51	51.00	-	-	Associate
		Wuxi, China	Assembly and sale of power supplies, printers, display devices and scanners	CNY 36,244	CNY 36,244	-	100.00	CNY 15,345	-	Subsidiary
CHINA BRIDGE (CHINA) CO., LTD.	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD. LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Changzhou, China	Development and manufacture of new-type electronic components and provision of technology consulting services	CNY 85,015	CNY 85,015	-	12.59	CNY 26,772	-	Subsidiary
		Yantai, China	Development, design, manufacture, sale of phone case and components and provide technical support, business management information consult, goods and technology import and export.	-	CNY 37,504	-	-	CNY 406	-	Subsidiary (Note 7)
		Changzhou, China	Development, manufacture, sale and installation of power supplies and transformers and provision of technology consulting services, maintenance equipment and after-sales services	CNY 527,134	CNY 527,134	-	100.00	CNY 125,699	-	Subsidiary
LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Changzhou, China	Development, manufacture and sale of new-type electronic components and LEDs and provision of technology consulting services, maintenance equipment and after-sales services	CNY 503,977	CNY 503,977	-	87.41	CNY 26,772	-	Subsidiary
		Changzhou, China	Manufacture and sale of medical equipment	CNY 30,640	CNY 30,640	-	100.00	CNY 726	-	Subsidiary
		Changzhou, China	Design, development, manufacture and sale of computer laptop keyboards and components and provision technology consulting services and after-sales services	CNY 55,924	CNY 55,924	-	100.00	CNY (1,155)	-	Subsidiary
Lite-On Automotive International (Cayman) Co., Ltd.	LITE-ON AUTOMOTIVE ELECTRONICS (CHANGZHOU) CO., LTD. LITE-ON COMPUTER (CHANGZHOU) CO., LTD. LITE-ON MEDICAL DEVICE (CHANGZHOU) LTD. LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	Changzhou, China	Manufacture, sale and processing of electronic products	CNY 223,746	CNY 223,746	-	100.00	CNY (7,737)	-	Subsidiary
		Hong Kong	Investment activities	HK\$ 42,009	HK\$ 42,009	101,250	100.00	HK\$ (1,737)	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019		Share of Profit/Loss of Investee	Net Income (Loss) of the Investee	Note
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)			
HIGH YIELD GROUP CO., LTD.	LITE-ON IT INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of optical disc drives	US\$ 102,400	US\$ 102,400	102,400	100.00	US\$ 200,895	US\$ 1,168	\$ - Subsidiary
Lite-On Information Technology B.V.	Lite-On Information Technology GmbH	Germany	Sale of optical disc drives	EUR 25	EUR 25	-	100.00	EUR 77	EUR 35	- Subsidiary
Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions USA, Inc. PLDS Netherlands B.V.	USA Netherlands	Sale of optical disc drives Sale and design of optical disc drives	\$ 33 -	\$ 33 381,221	1 -	100.00 -	\$ 243,210	US\$ 508 EUR 6	- Subsidiary (Note 8)
	PLDS Germany GmbH	Germany	Development and sale of modules of automotive recorders	1,326,996	1,326,996	-	100.00	922,348	EUR 171	- Subsidiary
	Philips & Lite-On Digital Solutions Korea Ltd.	South Korea	Sale of optical disc drives	15,376	15,376	18	100.00	33,032	KRW 18,842	- Subsidiary
KBW-LEOTEK Jordan Private Shareholding Limited	LEOTEK, PSC	Jordan	Production, manufacture energy-saving lights	JOD 30	JOD 30	30	60.00	JOD 32	JOD 46	- Subsidiary
LITE-ON TECHNOLOGY USA, INC.	LITE-ON, INC.	USA	Sales data processing business of optoelectronic products and power supplies	US\$ 3,000	US\$ 3,000	3,000	100.00	US\$ 6,334	US\$ 548	- Subsidiary
	LITE-ON TRADING USA, INC.	California, USA	Sale of optical products	US\$ 31,500	US\$ 31,500	315	100.00	US\$ 38,627	US\$ 1,861	- Subsidiary
	LEOTEK ELECTRONICS USA LLC	USA	Sale of LED products	US\$ 5,792	US\$ 5,792	-	100.00	US\$ 13,734	US\$ 1,130	- Subsidiary
	POWER INNOVATIONS INTERNATIONAL, INC.	USA	Development, design and manufacture of power controls and energy management	US\$ 15,756	US\$ 15,756	12,916	95.25	US\$ 17,328	US\$ 684	- Subsidiary
	Lite-On Sales & Distribution, Inc.	USA	Sale of optical disc drives	US\$ 4,765	US\$ 4,765	1	100.00	-	US\$ 1,158	- Subsidiary (Note 5)
	LITE-ON TECHNOLOGY SERVICE, INC.	USA	After-sales services of optical products	US\$ 1,500	US\$ 1,500	1	100.00	US\$ 1,828	US\$ 38	- Subsidiary
Lite-On International Holding Co., Ltd.	LITE-ON CHINA HOLDING CO., LTD.	British Virgin Islands	Manufacture and sale of computer cases	US\$ 427,342	US\$ 421,242	427,342	100.00	US\$ 679,233	US\$ 61,476	- Subsidiary
LITE-ON SINGAPORE PTE. LTD.	LiteStar JV Holding (BVI) Co., Ltd. LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	British Virgin Islands Mexico	Investment activities Production, manufacture, sale, import and export of photovoltaic devices, 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\$ 27,000 US\$ 90	US\$ 27,000 US\$ 50	2 3	17.59 1.00	US\$ 23,824 US\$ 77	\$ (120,475) MXN 34,126	- Associate - Subsidiary
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	India	Manufacture and sale of phone chargers and power supplies	INR 10,341	INR 4,080	1,034	1.00	US\$ 91	INR (193,935)	- Subsidiary
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	LITE-ON INTELLIGENT TECHNOLOGY (YENCHENG) CORP.	Yancheng, China	Wholesale, import, export and installation of street lights, signal lights, scenery lights and new-type electronic components	CNY 19,427	CNY 19,427	-	100.00	CNY 24,736	CNY (5,341)	- Subsidiary
LTC GROUP LTD.	TITANIC CAPITAL SERVICES LTD. LTC INTERNATIONAL LTD.	British Virgin Islands British Virgin Islands	Investment activities Manufacture and sale of system products	\$ 529,106 485,514	\$ 529,106 485,514	8,655 15,120	100.00 100.00	US\$ 571 US\$ 13,484	US\$ (4) US\$ (715)	- Subsidiary - Subsidiary
Lite-On Technology (Europe) B.V.	Lite-On (Finland) Oy	Finland	Manufacture and sale of mobile phone modules and design of assembly lines	EUR 76,674	EUR 76,674	3	100.00	EUR 19,702	EUR (650)	- Subsidiary
Lite-On (Finland) Oy	Lite-On Mobile Oy	Finland	Manufacture and sale of mobile phone modules and design of assembly lines	EUR 196,618	EUR 196,618	52,937	100.00	EUR 19,412	EUR (649)	- Subsidiary
LITE-ON CHINA HOLDING CO., LTD.	LITE-ON ELECTRONICS COMPANY LIMITED YET FOUNDATEE LIMITED	Hong Kong Hong Kong	Investment activities Manufacture of plastic and computer peripheral products	US\$ 375,760 CNY 73,220	US\$ 375,760 CNY 73,220	3,083,467 68,430	100.00 100.00	US\$ 638,941 US\$ 18,770	HK\$ 402,513 CNY 2,335	- Subsidiary - Subsidiary

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
LITE-ON CHINA HOLDING CO., LTD.	ISOLUTIONS LIMITED FORDGOOD ELECTRONIC LIMITED G&W TECHNOLOGY (BVI) LIMITED	British Virgin Islands Hong Kong British Virgin Islands	Sale of specialized electronic products Import and export and real estate business Real estate management	US\$ 1,500	US\$ 1,500	1,500	100.00	US\$ 1,500	\$ -	-	Subsidiary
				US\$ 12,666	US\$ 12,666	100,150	100.00	US\$ 17,641	HK\$ 15,915	-	Subsidiary
G&W TECHNOLOGY (BVI) LIMITED	G&W TECHNOLOGY LIMITED	Hong Kong	Leasing business	US\$ 3,900	US\$ 3,900	3,900	50.00	US\$ 3,915	US\$ 200	-	Subsidiary
				US\$ 65	US\$ 65	500	100.00	US\$ 196	US\$ 284	-	Subsidiary
Silitech Technology Corporation	Lite-On Japan Ltd. Silitech (BVI) Holding Ltd.	Japan British Virgin Islands	Sale of LED optical products and power supplies Investment activities	-	JPY 197,040	-	-	-	JPY 53,171	-	Subsidiary
				US\$ 52,182	US\$ 95,182	52,182	100.00	\$ 2,080,253	US\$ 3,068	-	Subsidiary
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Bermuda	Investment activities	US\$ 52,132	US\$ 95,132	52,132	100.00	US\$ 68,942	US\$ 2,552	-	Subsidiary
				US\$ 24,200	US\$ 77,200	24,200	100.00	US\$ 5,298	CNY 610	-	Subsidiary
Silitech (Bermuda) Holding Ltd.	Silitech (Hong Kong) Holding Ltd. Silitech Technology Corporation Sdn. Bhd. Silitech Technology Corporation Limited	Hong Kong Malaysia Hong Kong	Investment activities Manufacture of computer peripheral products Manufacture of plastic and computer peripheral products	US\$ 5,632	US\$ 5,632	21,400	100.00	US\$ 16,478	MYR 15,838	-	Subsidiary
				US\$ 8,000	US\$ 8,000	62,400	100.00	US\$ 19,325	CNY (13,424)	-	Subsidiary
Lite-On Japan Ltd.	L&K Industries Philippines, Inc. Lite-On Japan (H.K.) Limited	Philippines Hong Kong	Import and export of electronic components Import and export of electronic components	JPY 91,681	JPY 261,944	350	35.00	JPY 35,078	JPY (60,797)	-	Associate (Notes 9)
				JPY 70,000	JPY 70,000	50	100.00	JPY 70,000	JPY 46,534	-	Subsidiary (Note 9)
Lite-On Mobile Oyj	Lite-On Japan (Korea) Co., Ltd. LITE-ON JAPAN (Thailand) CO., LTD.	South Korea Thailand	Import and export of electronic components Import and export of electronic components	JPY 22,593	JPY 22,593	20	100.00	JPY 22,593	-	-	Subsidiary (Note 9)
				JPY 65,939	JPY 65,939	200	100.00	JPY 65,939	JPY 41,971	-	Subsidiary (Note 9)
Lite-On Mobile Oyj	Lite-On Mobile Sweden AB LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA. LITE-ON MOBILE INDIA PRIVATE LIMITED	Sweden Brazil	Manufacture and sale of mobile phone modules and design of assembly lines Manufacture and sale of mobile phone modules and design of assembly lines	-	EUR 20,551	-	-	-	SEK (104)	-	Subsidiary (Note 2)
				EUR 2,509	EUR 2,509	6,507	2.97	EUR 514	BRL 20,148	-	Subsidiary
LITE-ON MOBILE PTE. LTD.	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA. LITE-ON YOUNG FAST PTE. LTD. Yamada-Lom Fabricacao De Artefatos De Material Plastico Ltda. LITE-ON MOBILE INDIA PRIVATE LIMITED	Brazil Singapore Brazil	Manufacture and sale of mobile phone modules and design of assembly lines Investment activities Manufacture and sale of mobile phone modules and design of assembly lines	-	EUR 4,436	-	-	-	INR 80,520	-	Subsidiary (Note 10)
				US\$ 108,302	US\$ 108,302	212,824	97.03	US\$ 18,827	BRL 20,148	-	Subsidiary
LITE-ON MOBILE PTE. LTD.	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA. LITE-ON YOUNG FAST PTE. LTD. Yamada-Lom Fabricacao De Artefatos De Material Plastico Ltda. LITE-ON MOBILE INDIA PRIVATE LIMITED	Brazil Singapore Brazil	Manufacture and sale of mobile phone modules and design of assembly lines Investment activities Manufacture and sale of mobile phone modules and design of assembly lines	US\$ 7,864	US\$ 7,864	10	100.00	US\$ 3,983	BRL 2,293	-	Subsidiary
				US\$ 540	US\$ 540	-	25.00	US\$ 310	BRL 2,293	-	Associate
LITE-ON MOBILE PTE. LTD.	LITE-ON MOBILE INDÚSTRIA E COMÉRCIO DE PLÁSTICOS LTDA. LITE-ON YOUNG FAST PTE. LTD. Yamada-Lom Fabricacao De Artefatos De Material Plastico Ltda. LITE-ON MOBILE INDIA PRIVATE LIMITED	Brazil Singapore Brazil	Manufacture and sale of mobile phone modules and design of assembly lines Investment activities Manufacture and sale of mobile phone modules and design of assembly lines	-	EUR 47,239	-	-	-	INR 80,520	-	Subsidiary (Note 10)

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

Note 2 Liquidated in June 2019.

Note 3 Sold in June 2019.

Note 4 The investment amount includes prepayments for investments of \$4,482,404 thousand and has obtained the Certificate of Incorporation on January 3, 2020.

Note 5 The carrying amount as of December 31, 2019 has been reclassified to disposal groups held for sale. Refer to Note 14 for further information.

Note 6 Liquidated in December 2019.

Note 7 Liquidated in November 2019.

Note 8 Liquidated in September 2019.

(Continued)

Note 9 The sub-subsiary of the Parent company; the investment income/losses and adjustment for changes in equities are recognized by the Parent Company.

Note 10 Sold upon resolution of the board of directors in November 2019.

Note 11 Refer to Table 8 for information on investments in mainland China.

(Concluded)

TABLE 8

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars or Thousands of Foreign Currencies)

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
						Outflow	Inflow							
Lite-On Technology Corporation	LITE-ON COMPUTER TECHNOLOGY (DONGGUAN) CO., LTD.	Manufacture and sale of display devices	\$ 490,852	a	\$ 852,077	\$ -	\$ -	\$ 852,077	\$ (12,246)	100.00	\$ (12,246)	\$ 361,999	\$ -	Note 3
	LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	ODM services	(US\$ 16,400)	a	(US\$ 28,469)	-	-	(US\$ 28,469)	(CNY 2,727)	-	(CNY -2,727)	(HK\$ 94,165)	-	
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture of electronic components	(US\$ 66,500)	a	(US\$ 1,990,345)	-	-	(US\$ 1,990,285)	(CNY 167,854)	100.00	(CNY 167,854)	(HK\$ 3,179,609)	-	
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Manufacture and sale of keyboards	(US\$ 35,400)	a	(US\$ 1,059,522)	-	-	(US\$ 1,059,522)	(CNY 37,379)	100.00	(CNY 37,379)	(HK\$ 827,097)	-	
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Manufacture and sale of printers and scanners	(US\$ 4,800)	a	(US\$ 143,664)	-	-	(US\$ 143,664)	(CNY 33,124)	100.00	(CNY 33,124)	(HK\$ 717,409)	-	
	CHINA BRIDGE (CHINA) CO., LTD.	Investment activities, consulting services and acting as a sales agent	(US\$ 36,600)	a	(US\$ 1,095,438)	-	-	(US\$ 1,095,438)	(CNY 905,009)	100.00	(CNY 905,009)	(HK\$ 1,000,542)	-	
	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Manufacture and sale of IT products	(US\$ 30,000)	a	(US\$ 897,900)	-	-	(US\$ 890,268)	(CNY 201,534)	100.00	(CNY 201,534)	(HK\$ 2,391,939)	-	
	LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED	Manufacture and sale of mobile terminal equipment	(US\$ 44,416)	a	(US\$ 1,329,833)	-	-	(US\$ 1,289,833)	(CNY 22,883)	100.00	(CNY 22,883)	(HK\$ 346,991)	-	
	LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED	Manufacture and sale of computer cases	(US\$ 993,676)	a	(US\$ 735,081)	-	-	(US\$ 735,081)	(CNY 126,493)	100.00	(CNY 126,493)	(HK\$ 1,083,733)	-	
	COMMIT Incorporated	Manufacture and sale of application software and multimedia product design	(US\$ 960,334)	a	(US\$ 17,958)	-	-	(US\$ 17,958)	-	1.87	-	-	-	
	LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED	Manufacture and sale of mobile terminal equipment	(US\$ 473,193)	a	(US\$ 473,193)	-	-	(US\$ 473,193)	-	100.00	-	-	-	
	LITE-ON (GUANGZHOU) INFORTECH CO., LTD.	Information outsourcing	(US\$ 38,011)	a	(US\$ 70,156)	-	-	(US\$ 70,156)	7,670	100.00	(CNY 7,670)	(HK\$ 185,057)	-	
	TOOLING LTD.	Manufacture and sale of modules	(US\$ 544,726)	a	(US\$ 2,344)	-	-	(US\$ 2,344)	1,708	100.00	(CNY 1,708)	(HK\$ 48,138)	-	
	LITE-ON DIGITAL ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture and sale of computer peripheral products	(US\$ 89,790)	a	(US\$ 12,200)	-	-	(US\$ 12,200)	1,671	100.00	(CNY 1,671)	(HK\$ 86,574)	-	
	GANZHOU LTD.	Manufacture and sale of electronic components	(US\$ 12,000)	a	(US\$ 3,000)	-	-	(US\$ 3,000)	372	100.00	(CNY 372)	(HK\$ 22,520)	-	
Lite-On Technology Corporation	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Manufacture and sale of electronic components	(US\$ 194,545)	a	(US\$ 194,545)	-	-	(US\$ 194,545)	63,277	100.00	(CNY 63,277)	(HK\$ 502,769)	-	Note 4
	LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	Investment activities, consulting services and acting as a sales agent	(US\$ 4,968,380)	a	(US\$ 6,500)	-	-	(US\$ 6,500)	14,091	100.00	(CNY 14,091)	(HK\$ 130,783)	-	
	LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	Investment activities	(US\$ 166,000)	a	(US\$ 166,000)	-	-	(US\$ 166,000)	63,394	100.00	(CNY 63,394)	(HK\$ 354,102)	-	
	Lite-On Technology (Yingtan) Ltd.	Manufacture and sale of electronic components	(US\$ 2,394,400)	a	(US\$ 2,394,400)	-	-	(US\$ 2,394,400)	511,390	100.00	(CNY 511,390)	(US\$ 11,831)	-	
Lite-On Technology Corporation	LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Development, manufacture and sale of electronic components, power supplies and provision of technology consulting services	(US\$ 478,042)	a	(US\$ 478,042)	-	-	(US\$ 478,042)	42,526	100.00	(CNY 42,526)	(HK\$ 2,193,005)	-	Note 4
			(US\$ 15,972)	a	(US\$ 15,972)	-	-	(US\$ 15,972)	9,470	-	(CNY 9,470)	(HK\$ 140,092)	-	

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment (Note 1)	Accumulated Outflow of Investment from January 1, 2019	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
Lite-On Technology Corporation	CHANGZHOU LITE-ON TECHNOLOGY TRADE LIMITED	Wholesale, import, export and installation of street lights, signal lights, scenery lights and new-type electronic components	(US\$ 29,930 1,000)	a	(US\$ 29,930 1,000)	-	-	(US\$ 29,930 1,000)	(CNY 22,040 -4,508)	100.00	(CNY 22,040 -4,508)	(CNY 18,490 -4,235)	\$ -	-
	LITE-ON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Manufacture and sale of optical disc drives	(US\$ 1,286,990 43,000)	a	(US\$ 1,286,990 43,000)	-	-	(US\$ 1,286,990 43,000)	(CNY 886,929 -19,358)	100.00	(CNY 886,929 -19,358)	(US\$ 1,814,297 60,618)	-	-
	Lite-On Automotive Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	(US\$ 59,860 2,000)	a	(US\$ 59,860 2,000)	-	-	(US\$ 59,860 2,000)	(CNY 48,350 -10,767)	100.00	(CNY 48,350 -10,767)	(US\$ 81,050 2,708)	-	-
	LITE-ON AT OPTO TECH (BH) CO., LTD.	Manufacture and sale of optical disc drives	(US\$ 1,646,150 55,000)	a	(US\$ 1,646,150 55,000)	-	-	(US\$ 1,646,150 55,000)	(CNY 1,707,778 38,030)	100.00	(CNY 1,707,778 38,030)	(US\$ 4,113,040 137,422)	-	-
	Lite-On (Guangzhou) Automotive Electronics Limited	Manufacture, sale and processing of electronic products	(US\$ 185,566 6,200)	a	(US\$ 175,689 5,870)	-	-	(US\$ 175,689 5,870)	(CNY 43,707 9,733)	100.00	(CNY 43,707 9,733)	(US\$ 1,745,931 454,161)	-	-
	LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	Manufacture, sale and processing of electronic products	(US\$ 149,650 5,000)	a	(US\$ 149,650 5,000)	-	-	(US\$ 149,650 5,000)	(CNY 51,902 -11,558)	100.00	(CNY 51,902 -11,558)	(HK\$ 520,876 135,493)	-	-
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	(US\$ 397,351 13,276)	a	(US\$ 190,864 6,377)	-	-	(US\$ 190,864 6,377)	(CNY 181,344 40,383)	100.00	(CNY 181,344 40,383)	(US\$ 1,359,989 45,439)	-	-
	HUIZHOU FU TAI ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	-	a	-	-	-	-	(CNY 1,486 331)	-	(CNY 1,486 331)	(US\$ -	-	Note 5
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Manufacture and sale of energy saving equipment	(US\$ 2,125,030 71,000)	a	(US\$ 2,125,030 71,000)	-	-	(US\$ 2,125,030 71,000)	(CNY 369,594 -82,304)	100.00	(CNY 369,594 -82,304)	(US\$ 2,252,053 75,244)	-	-
	SUZHOU LITE-ON STORAGE CO., LTD.	Research, development, manufacture, sale of SSD and smart storage device (including high-speed with more than 100TB storage capacity) provide after-sales service and technical support; import and export as a principal or an agent, assorted products and technologies	(US\$ 2,993,000 100,000)	b	(US\$ 1,346,850 45,000)	-	-	(US\$ 1,346,850 45,000)	(CNY 4,978 -1,391)	45.00	(CNY 2,240 -626)	(US\$ 1,309,135 -	-	-
Philips & Lite-On Digital Solutions Corporation	BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design of assembly lines	(US\$ 478,880 16,000)	a	(US\$ 1,567,255 52,364)	-	-	(US\$ 1,567,255 52,364)	(CNY 50,088 -11,154)	100.00	(CNY 50,088 -11,154)	(US\$ 474,630 15,858)	-	-
	GUANGZHOU LITE-ON MOBILE ENGINEERING PLASTICS CO., LTD.	Manufacture and sale of mobile phone modules and design of assembly lines	(US\$ 585,730 19,570)	a	(US\$ 2,712,466 90,627)	-	-	(US\$ 2,712,466 90,627)	(CNY 49,082 10,930)	100.00	(CNY 49,082 10,930)	(US\$ 1,808,011 60,408)	-	-
	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Solar energy engineering	(US\$ 22,448 750)	a	(US\$ 22,448 750)	-	-	(US\$ 22,448 750)	(CNY 1,096 -244)	100.00	(CNY 1,096 -244)	(CNY 10,763 -2,500)	-	-
	Changzhou Binhu Thin Film Solar Greenhouse Co., Ltd.	Manufacture and sale of solar energy engineering	(CNY 430,500 100,000)	a	(CNY 89,700 2,997)	-	-	(CNY 89,700 2,997)	(CNY -	19.90	(CNY -	(US\$ 4,190 140)	-	-
	Epcrystal (Changzhou) Co., Ltd.	Design, manufacture and sale of light-emitting diode and related display	(US\$ 4,699,010 157,000)	a	(US\$ 808,110 27,000)	-	-	(US\$ 808,110 27,000)	(CNY 129,549 -28,849)	19.74	(CNY 25,569 -5,694)	(US\$ 856,531 198,962)	-	-
	DONGGUAN LITE-ON COMPUTER CO., LTD.	Manufacture and sale of computer hosts and components	(US\$ 59,860 2,000)	a	(US\$ 59,860 2,000)	-	-	(US\$ 59,860 2,000)	(CNY 3,408 759)	100.00	(CNY 3,408 759)	(CNY 100,083 23,248)	-	-
	Dongguan Huaqiang Information Technology Co., Ltd.	Manufacture and sale of laser head and digital player machine core	(US\$ 86,100 20,000)	a	(US\$ 52,138 1,742)	-	-	(US\$ 52,138 1,742)	(CNY 2,730 608)	46.67	(CNY 1,275 284)	(CNY 2,945 684)	-	-
	NL (SHANGHAI) CO., LTD.	Import and export of electronic components	(US\$ 8,979 300)	a	(US\$ 4,430 148)	-	88,293 (US\$ 2,950)	(US\$ 92,723 3,098)	(JPY 2,152 7,602)	100.00	(JPY 2,152 7,602)	(JPY 9,819 35,655)	-	-
	Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Sale of optical disc drives	(US\$ 29,930 1,000)	a	(US\$ 29,930 1,000)	-	-	(US\$ 29,930 1,000)	(CNY 37,568 -8,366)	100.00	(CNY 37,568 -8,366)	(JPY 448,913 -	-	-
	Xurong Electronic (Shenzhen) Ltd.	Manufacture of automotive parts, touch panels and plastic and rubber assemblies	(US\$ 83,804 2,800)	a	(US\$ 203,354 -	-	-	(US\$ 203,354 -	(CNY 62,602 -13,948)	100.00	(CNY 62,602 -13,948)	(CNY 519,932 120,804)	-	Note 6 Note 7
Silitech Technology Corporation	Silitech Electronic (Suzhou) Co., Ltd.	Manufacture and sale of automotive parts	(US\$ 808,110 27,000)	a	(US\$ 2,334,540 78,000)	-	1,286,990 (US\$ 43,000)	(US\$ 1,047,550 35,000)	(CNY 2,684 -598)	100.00	(CNY 2,684 -598)	(CNY 93,477 21,719)	-	-

(Continued)

Investor Company	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Lite-On Technology Corporation	\$ 31,245,543 (US\$ 1,043,954)	\$ 39,540,463 (US\$ 1,321,098)	Note 8
Philips & Lite-On Digital Solutions Corporation	29,930 (US\$ 1,000)	29,930 (US\$ 1,000)	\$ 325,586 (Note 9)
Silitech Technology Corporation	1,340,694 (US\$ 38,000) (NT\$ 203,354)	2,774,491 (US\$ 85,905) (NT\$ 203,354)	6,864,740 (Note 10)

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

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

Note 2: The financial statements used as basis for calculating the investment amounts were all reviewed by the Taiwan parent company's independent accountants.

Note 3: LITE-ON ELECTRONICS (GUANGZHOU) LIMITED merged with LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED. LITE-ON (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 underway, the change in the amount of investment in mainland China has not yet been registered with the Ministry of Economic Affairs.

Note 4: Liquidated in August 2019.

Note 5: Deceased upon being merged with HUIZHOU LISHIN ELECTRONIC CO., LTD. in October 2019.

Note 6: The total paid-in capital of Silitech Electronic (Suzhou) Co., Ltd. was US\$78,000 thousand. On September 13, 2018, its board of directors resolved to return capital in the form of cash of US\$51,000 thousand to Silitech (Hong Kong) Holding Ltd. On January 3, 2019, the board of directors resolved to return capital in the form of cash of US\$53,000 thousand from Silitech (Hong Kong) Holding Ltd. to Silitech (Bermuda) Holding Ltd. and Silitech (BVI) Holding Ltd. to respective shareholders.

Note 7: Deceased upon liquidation in January 2020 and has returned capital in the form of cash of CNY21,720 thousand to Silitech (Hong Kong) Holding Ltd.

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

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

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

(Concluded)

TABLE 9

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			% of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Item	Amount	Terms	
0	Lite-On Technology Corporation	Philips & Lite-On Digital Solutions Corporation Philips & Lite-On Digital Solutions Corporation LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. LITE-ON SINGAPORE PTE. LTD. LITE-ON SINGAPORE PTE. LTD. LITE-ON SINGAPORE PTE. LTD. LITE-ON TRADING USA, INC. Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd.	a. a. a. a. a. a. a. a. a. a.	Sales Trade receivables Purchases Sales Purchases Trade payables Sales Trade receivables Purchases Trade payables	\$ 10,565,362 2,842,027 2,055,279 3,192,713 20,568,320 7,212,653 4,644,202 2,893,649 72,983,316 23,570,248	Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing	6 2 1 2 12 4 3 41 13
1	Philips & Lite-On Digital Solutions Corporation	Philips & Lite-On Digital Solutions USA, Inc.	a.	Sales	4,851,830	Cost-plus pricing	3
2	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Lite-On Overseas Trading Co., Ltd.	c.	Sales	17,859,519	Cost-plus pricing	10
3	LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD.	c.	Sales	4,858,914	Cost-plus pricing	3
4	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	LITE-ON SINGAPORE PTE. LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd.	c. c. c.	Sales Trade receivables Sales	14,313,345 3,197,920 7,218,171	Cost-plus pricing Cost-plus pricing Cost-plus pricing	8 2 4
5	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	14,508,721	Cost-plus pricing	8
6	SILITEK ELEC. (DONGGUAN) CO., LTD.	Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd.	c. c.	Sales Trade receivables	10,951,104 2,698,607	Cost-plus pricing Cost-plus pricing	6 1
7	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	1,787,652	Cost-plus pricing	1
8	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Lite-On Overseas Trading Co., Ltd. Lite-On Overseas Trading Co., Ltd.	c. c.	Sales Trade receivables	24,153,431 5,819,214	Cost-plus pricing Cost-plus pricing	14 3
9	LITEON-IT OPTO TECH (BH) CO., LTD.	Lite-On Overseas Trading Co., Ltd.	c.	Sales	8,023,676	Cost-plus pricing	5

(Continued)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			% of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Item	Amount	Terms	
10	Lite-On Electronics (Thailand) Co., Ltd.	LITE-ON SINGAPORE PTE. LTD.	c.	Sales	\$ 3,154,503	Cost-plus pricing	2
11	LITE-ON SINGAPORE PTE. LTD.	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. LITE-ON ELECTRONICS H.K. LIMITED LITE-ON TRADING USA, INC. LITE-ON TRADING USA, INC.	c. c. c. c.	Sales Sales Sales Trade receivables	2,098,178 3,626,962 7,747,944 2,683,439	Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing	1 2 4 1
12	Lite-On Overseas Trading Co., Ltd.	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON ELECTRONICS (DONGGUAN) CO., LTD. SILITEK ELEC. (DONGGUAN) CO., LTD. LITE-ON ELECTRONICS (GUANGZHOU) LIMITED LITE-ON ELECTRONICS (GUANGZHOU) LIMITED LITEON-IT OPTO TECH (BH) CO., LTD. LITE-ON SINGAPORE PTE. LTD. LITE-ON SINGAPORE PTE. LTD.	c. c. c. c. c. c. c. c. c. c.	Sales Sales Trade receivables Sales Sales Trade receivables Sales Sales Trade receivables	14,548,802 12,093,973 4,113,197 12,260,850 8,054,582 18,733,864 5,711,038 6,410,661 15,129,988 4,173,881	Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing Cost-plus pricing	8 7 2 7 5 11 3 4 9 2
13	Lite-On (Guangzhou) Automotive Electronics Limited	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD. LITE-ON SINGAPORE PTE. LTD.	c. c.	Sales Sales	2,094,976 2,254,101	Cost-plus pricing Cost-plus pricing	1 1

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

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

Note 2: Nature of relationship is as follows:

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

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of December 31, 2019. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2019.

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

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

(Concluded)

Appendix B. Standalone Financial Statements

Lite-On Technology Corporation

**Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**



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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, 2019 and 2018, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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, 2019. 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.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are as follows:

Allowance for Impairment Loss of Trade Receivables

The allowance for impairment loss of trade receivables reflects management's subjective evaluation and determination of the recoverable amount of overdue receivables containing credit risk. The key assumptions and inputs used in the evaluation process involve significant estimates by management. Hence, we focused on assessing the reasonableness of management's estimates of allowance for impairment loss in our audit.

Refer to Note 4 to the Company's financial statements for the summary of significant accounting policies. Refer to Note 11 to the Company's financial statements for the carrying amount of trade receivables and impairment loss of trade receivables. In response to management's estimates mentioned above, we assessed the classification of client's credit rating, the reasonableness of expected credit loss rates, the calculation accuracy of allowance for impairment loss, and the recoverability of outstanding receivables via subsequent receipt testing.

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 policy for determining the allowance for inventory loss reflects management's subjective evaluation. Hence, we focused on assessing the reasonableness of management's estimates of allowance for inventory valuation loss in our audit.

Refer to Note 4 to the Company's financial statements for the summary of significant accounting policies. Refer to Note 12 to the Company's financial statements for the carrying amount of inventory. In response to management's estimates mentioned above, we assessed the classification of inventory aging reports by business segments, the reasonableness of allowance for inventory valuation loss rates, the correctness of inventory aging classification and the allowance calculation via audit sampling, and the physical examination of inventory through year-end inventory count to determine whether inventory was outdated or obsolete.

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 and appropriate audit evidence regarding the financial information of 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, 2019 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 Cheng-Tsai Tsai and Meng-Chieh Chiu.

Cheng-Tsai Tsai

Meng-chieh, Chiu

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2020

Notice to Readers

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

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

LITE-ON TECHNOLOGY CORPORATION

BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 5,160,275	5	\$ 7,082,108	5
Financial assets at fair value through profit or loss (Note 7)	127,764	-	2,857	-
Financial assets at amortized cost (Note 9)	120,894	-	4,680	-
Contract assets	276,129	-	629,585	-
Notes receivable, net (Note 11)	207	-	1,203	-
Trade receivables, net (Note 11)	21,578,655	15	27,686,332	19
Trade receivables from related parties (Note 28)	9,112,758	6	11,098,911	7
Other receivables	512,440	-	932,490	1
Other receivables from related parties (Note 28)	205,810	-	413,982	-
Inventories, net (Note 12)	6,759,512	5	9,644,127	7
Prepayments	622,459	-	643,755	-
Non-current assets held for sale (Note 13)	4,604,229	3	-	-
Total current assets	49,081,132	34	58,140,030	39
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Note 7)	59,364	-	56,333	-
Financial assets at fair value through other comprehensive income (Note 8)	278,625	-	213,473	-
Financial assets at amortized cost (Note 9)	230,518	-	304,010	-
Investments accounted for using the equity method (Note 14)	78,825,567	54	73,960,509	50
Property, plant and equipment, net (Note 15)	7,885,540	5	7,640,678	5
Right-of-use assets, net (Notes 16 and 28)	93,033	-	-	-
Intangible assets, net (Note 17)	5,528,836	4	5,496,986	4
Deferred tax assets (Note 24)	3,912,461	3	3,595,595	2
Refundable deposits	102,713	-	99,697	-
Net defined benefit assets (Note 20)	9,278	-	-	-
Other non-current assets	6,471	-	6,470	-
Total non-current assets	96,932,406	66	91,373,751	61
TOTAL	\$ 146,013,538	100	\$ 149,513,781	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 20,134,925	14	\$ 17,264,395	11
Financial liabilities at fair value through profit or loss (Note 7)	-	-	3,997	-
Notes payable	-	-	2,571	-
Trade payables	3,116,384	2	6,599,857	4
Trade payables to related parties (Note 28)	31,425,045	22	35,361,931	24
Other payables	11,331,303	8	12,838,742	9
Other payables to related parties (Note 28)	286,494	-	93,444	-
Current tax liabilities	3,552,602	2	2,936,430	2
Provisions (Note 19)	863,538	-	851,041	1
Lease liabilities (Notes 16 and 28)	28,852	-	-	-
Advance receipts	1,163,175	1	744,113	-
Total current liabilities	71,902,318	49	76,696,521	51
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 24)	1,569,467	1	1,399,170	1
Lease liabilities (Note 16)	65,385	-	-	-
Net defined benefit liabilities (Note 20)	-	-	78,236	-
Guarantee deposits	16,593	-	15,979	-
Credit balance of investments accounted for using the equity method (Note 14)	-	-	119	-
Total non-current liabilities	1,651,445	1	1,493,504	1
Total liabilities	73,553,763	50	78,190,025	52
EQUITY				
Share capital				
Ordinary shares	23,508,670	16	23,508,670	16
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	3,471,812	3	3,471,812	3
Bond conversions	7,462,138	5	7,462,138	5
Treasury share transactions	548,884	-	477,697	-
Recognized changes in percentage of ownership interest in subsidiaries	48,298	-	47,209	-
Changes in equities of investments in associates accounted for using the equity method	273,024	-	271,367	-
Mergers	10,015,194	7	10,015,194	7
Total capital surplus	21,819,350	15	21,745,417	15
Retained earnings				
Legal reserve	12,845,584	9	12,049,900	8
Special reserve	3,388,768	2	2,705,954	2
Unappropriated earnings	16,885,813	12	15,789,147	10
Total retained earnings	33,120,165	23	30,545,001	20
Other equity				
Exchange differences on translating the financial statements of foreign operations	(4,404,444)	(3)	(2,779,863)	(2)
Unrealized loss of financial assets at fair value through other comprehensive income	(312,940)	-	(449,461)	-
Gain on hedging instruments	288	-	2,714	-
Total other equity	(4,717,096)	(3)	(3,226,610)	(2)
Treasury shares	(1,271,314)	(1)	(1,248,722)	(1)
Total equity	72,459,775	50	71,323,756	48
TOTAL	\$ 146,013,538	100	\$ 149,513,781	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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 22 and 28)	\$ 123,561,638	102	\$ 140,583,612	103
Less: Sales returns	626,709	-	864,980	1
Sales allowance	<u>2,063,499</u>	<u>2</u>	<u>2,549,242</u>	<u>2</u>
Total operating revenue	<u>120,871,430</u>	<u>100</u>	<u>137,169,390</u>	<u>100</u>
COST OF GOODS SOLD (Notes 12, 23 and 28)	<u>107,679,816</u>	<u>89</u>	<u>124,808,157</u>	<u>91</u>
GROSS PROFIT	13,191,614	11	12,361,233	9
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(54,041)</u>	<u>-</u>	<u>(113,044)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>13,137,573</u>	<u>11</u>	<u>12,248,189</u>	<u>9</u>
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	2,024,057	2	3,002,405	2
General and administrative expenses	4,800,162	4	4,655,078	3
Research and development expenses	3,764,771	3	3,748,991	3
Expected credit gain (Notes 11 and 27)	<u>10,634</u>	<u>-</u>	<u>5,847</u>	<u>-</u>
Total operating expenses	<u>10,599,624</u>	<u>9</u>	<u>11,412,321</u>	<u>8</u>
OPERATING INCOME	<u>2,537,949</u>	<u>2</u>	<u>835,868</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries and associates accounted for using the equity method	5,620,984	5	10,463,878	7
Interest income	51,933	-	67,046	-
Dividend income	8,263	-	6,599	-
Other income (Note 28)	1,877,588	2	1,386,003	1
Net gain on disposal of property, plant and equipment	34,935	-	28,258	-
Net gain (loss) on disposal of investments	(31,365)	-	86,603	-
Net gain (loss) on foreign currency exchange	361,889	-	(525,188)	-
Net gain on financial assets at fair value through profit or loss	738,420	-	175,715	-
Finance costs	(462,006)	-	(450,762)	-
Other expenses	(179,153)	-	(50,472)	-
Impairment loss (Notes 12, 15 and 17)	<u>-</u>	<u>-</u>	<u>(3,394,351)</u>	<u>(3)</u>
Total non-operating income and expenses	<u>8,021,488</u>	<u>7</u>	<u>7,793,329</u>	<u>5</u>

(Continued)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 10,559,437	9	\$ 8,629,197	6
INCOME TAX EXPENSE (Note 24)	<u>(1,184,538)</u>	<u>(1)</u>	<u>(672,359)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>9,374,899</u>	<u>8</u>	<u>7,956,838</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(11,835)	-	3,050	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	165,202	-	(78,200)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	68,930	-	(28,426)	-
Income tax relating to items will not be reclassified subsequently to profit or loss	<u>2,367</u>	<u>-</u>	<u>5,032</u>	<u>-</u>
	<u>224,664</u>	<u>-</u>	<u>(98,544)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(1,885,353)	(1)	(372,739)	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(160,531)	-	(47,500)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>419,542</u>	<u>-</u>	<u>164,533</u>	<u>-</u>
	<u>(1,626,342)</u>	<u>(1)</u>	<u>(255,706)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(1,401,678)</u>	<u>(1)</u>	<u>(354,250)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,973,221</u>	<u>7</u>	<u>\$ 7,602,588</u>	<u>6</u>

(Continued)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 25)				
From continuing operations				
Basic	<u>\$4.03</u>		<u>\$3.42</u>	
Diluted	<u>\$3.98</u>		<u>\$3.38</u>	

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

(Concluded)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(in Thousands of U.S. Dollars)

	Capital Surplus (Note 21)				Changes in Equities in				Other Equity (Note 21)			
	Issue of Share Capital (Note 21)	Additional Paid-in Capital Excess of Par Value	Treasury Share Transactions	Reorganized Changes in Ownership Interest in Subsidiaries	Using the Equity Method	Retained Earnings (Note 21)		Exchange Difference Through Other Comprehensive Income	Unrealized Gain (Loss) on Financial Instruments	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Gain (Loss) on Hedging Instruments	Treasury Shares (Note 21)
	Shares (in Thousands)	Amount				Legal Reserve	Special Reserve	Total				Total
BALANCE AT JANUARY 1, 2018	23,508,670	\$ 9,372,488	\$ 7,462,138	\$ 400,329	\$ 276,782	\$ 11,786,967	\$ 1,338,878	\$ 23,219,598	\$ -	\$ (18,497)	\$ 3,372	\$ (1,248,722)
Effect of retrospective application	-	-	-	-	-	-	-	2,797,769	(298,266)	18,497	-	(279,769)
BALANCE AT JANUARY 1, 2018 AS RESTATED	23,508,670	9,372,488	7,462,138	400,329	276,782	11,786,967	1,338,878	23,499,367	(298,266)	-	3,372	(1,248,722)
Appropriation of 2017 earnings	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	262,933	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	1,367,076	-	-	-	-	-
Share dividends - 1%	-	-	-	-	-	-	(963,835)	(963,835)	-	-	-	(963,835)
Distribution of cash dividends from capital surplus	-	-	-	-	-	-	-	-	-	-	-	(5,900,676)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(1,810)	-	-	397,722	(39,722)	-	-	(1,810)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	-	(5,415)	-	-	-	-	-	-	(5,415)
Changes in capital surplus from cash dividends of the Company paid to subsidiaries	-	-	-	77,388	-	-	-	-	-	-	-	77,388
Disposal of investments in equity instruments designated as fair value through other comprehensive income	-	-	-	-	-	-	-	3,460	(3,460)	-	-	-
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	4,078
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	7,956,838	-	-	-	7,956,838
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	9,469	(108,613)	-	(658)	(554,280)
T total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	7,966,307	(108,613)	-	(658)	-
BALANCE AT DECEMBER 31, 2018	23,508,670	3,471,812	7,462,138	477,697	271,367	12,049,900	2,705,954	30,545,001	(449,461)	30,545,001	2,714	(1,248,722)
Appropriation of 2018 earnings	-	-	-	-	-	-	-	-	(255,048)	-	-	-
Legal reserve	-	-	-	-	-	795,684	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	682,814	-	-	-	-	-
Cash dividends - 29.2%	-	-	-	-	-	-	-	(6,864,532)	-	-	-	(6,864,532)
Acquisition of further interests in subsidiaries	-	-	-	-	-	-	-	(12,616)	-	-	-	(12,616)
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	1,089	-	(5,145)	-	-	-	(4,056)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	-	1,657	-	-	(5,585)	-	-	-	(5,928)
Changes in capital surplus from cash dividends of the Company paid to subsidiaries	-	-	-	71,187	-	-	-	-	-	-	-	71,187
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(111,361)	-	-	(111,361)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	111,361	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	-	(665)	-	-	(665)
T total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-	9,374,899	-	-	-	(22,592)
BALANCE AT DECEMBER 31, 2019	23,508,670	3,471,812	7,462,138	548,884	273,024	12,845,684	3,383,768	33,120,165	(1,623,916)	33,120,165	288	(1,271,314)

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 10,559,437	\$ 8,629,197
Adjustments for:		
Depreciation expenses	696,541	598,560
Amortization expenses	204,529	280,321
Expected credit loss	10,634	5,847
Net gain on fair value changes of financial assets as at fair value through profit or loss	(738,420)	(175,715)
Finance costs	462,006	450,762
Interest income	(51,933)	(67,046)
Dividend income	(8,263)	(6,599)
Share of profit of subsidiaries and associates accounted for using the equity method	(5,620,984)	(10,463,878)
Net gain on disposal of property, plant and equipment	(34,935)	(28,258)
Net loss (gain) on disposal of investments	31,365	(86,603)
Impairment loss recognized (reversed) on non-financial assets	(121,539)	3,439,561
Unrealized gain on transactions with subsidiaries and associates	54,041	113,044
Unrealized net loss (gain) on foreign currency exchange	(561,451)	278,612
Recognition of provisions	255,747	406,941
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	609,515	-
Contract assets	353,456	(629,585)
Notes receivable	996	233
Trade receivables	4,706,057	235,654
Trade receivables from related parties	1,776,944	851,172
Other receivables	415,382	(473,608)
Other receivables from related parties	203,863	(158,826)
Inventories	532,837	(1,906,311)
Prepayments	17,723	(72,372)
Notes payable	(2,571)	1,941
Trade payables	(1,396,219)	(41,675)
Trade payables to related parties	(3,936,863)	6,702,480
Other payables	(843,924)	2,223,433
Other payables to related parties	193,050	(28,012)
Provisions	(243,250)	(270,937)
Advance receipts	427,211	(557,720)
Net defined benefit liabilities	(13,620)	(45,565)
Cash generated from operations	7,937,362	9,205,048
Interest received	53,437	67,652
Dividends received	8,262	6,599
Interest paid	(469,824)	(437,433)
Income tax paid	(328,751)	(219,506)
Net cash generated from operating activities	7,200,486	8,622,360

(Continued)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of financial assets at fair value through other comprehensive income	\$ (11,500)	\$ (18,713)
Purchases of financial assets at amortized costs	(42,722)	(4,693)
Purchases of investments accounted for using the equity method	(2,013,931)	(1,350,950)
Proceeds from disposal of investments accounted for using the equity method	7,957	8,439
Net cash outflow on spin-off of subsidiaries (Note 14)	(2,176,374)	-
Proceeds from capital reduction of investments accounted for using the equity method	404,353	-
Purchases of property, plant and equipment	(1,812,444)	(1,485,369)
Proceeds from disposal of property, plant and equipment	64,094	103,268
Decrease (increase) in refundable deposits	(8,015)	6,353
Purchases of intangible assets	(231,573)	(130,933)
Proceeds from disposal of intangible assets	-	378,438
Decrease in other non-current assets	-	8
Dividends received from subsidiaries and associates	<u>367,957</u>	<u>309,030</u>
Net cash used in investing activities	<u>(5,452,198)</u>	<u>(2,185,122)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	3,269,010	-
Repayments of short-term borrowings	-	(26,825)
Proceeds from (refund of) guarantee deposits received	613	(39)
Repayments of the principal portion of lease liabilities	(52,621)	-
Cash dividends paid	(6,864,532)	(6,864,531)
Payments for buy-back of ordinary shares	<u>(22,591)</u>	<u>-</u>
Net cash used in financing activities	<u>(3,670,121)</u>	<u>(6,891,395)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,921,833)	(454,157)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,082,108</u>	<u>7,536,265</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,160,275</u>	<u>\$ 7,082,108</u>

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

(Concluded)

LITE-ON TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. GENERAL INFORMATION

Lite-On Technology Corporation (the “Company”) was established in March 1989. The Company’s shares 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 processing equipment, electronic components and office equipment; (4) electronic coils, transformers, power suppliers and electronic hardware parts; (5) light-emitting diode (LED) products; (6) electronic car products; and (7) optical lens modules and optoelectronic components.

The 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 extraordinary shareholders’ meeting of the Company resolved to spin-off its Solid State Storage’s business operations and assets to SOLID STATE STORAGE TECHNOLOGY CORPORATION, a subsidiary, for the purpose of specialization under the Business Mergers and Acquisitions Act and related regulations in October 2019.

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 26, 2020.

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

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

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

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for right to use land in China and Vietnam were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at either an amount equal to the lease liabilities, or their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Group applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- 1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The Company as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets - non-current	\$ -	\$ 158,412	\$ 158,412
Investments accounted for using the equity method	<u>73,960,509</u>	<u>(10,730)</u>	<u>73,949,779</u>
Total effect on assets	<u>\$ 73,960,509</u>	<u>\$ 147,682</u>	<u>\$ 74,108,191</u>
Lease liabilities	<u>\$ -</u>	<u>\$ 158,412</u>	<u>\$ 158,412</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 158,412</u>	<u>\$ 158,412</u>
Retained earnings	<u>\$ 30,545,001</u>	<u>\$ (10,730)</u>	<u>\$ 30,534,271</u>
Total effect on equity	<u>\$ 30,545,001</u>	<u>\$ (10,730)</u>	<u>\$ 30,534,271</u>

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

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

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Company would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company 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)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

The amendments stipulate that, when the Company 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.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated. Also, 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, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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.

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 value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, 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 an 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 an asset or liability.

When preparing the Company's financial statements, the Company used the equity method to account for investments 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 using 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:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- 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:

- Liabilities held primarily for the purpose of trading;
- 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 consolidated financial statements are authorized for issue; and
- 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. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., 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 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 foreign 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.

e. 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.

f. 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.

g. 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.

h. 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.

i. 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 is recognized in profit or loss.

j. 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.

k. Non-current assets held for sale

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

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Company will retain a non-controlling interest in that subsidiary after the sale. However, such investment is still accounted for using the equity method.

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

1. Financial instruments

Financial assets and financial liabilities are recognized when the 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 issuance 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 ("FVTPL") are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets, held by the Company, are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at fair value through other comprehensive income ("FVTOCI").

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Refer to Note 27 for the determination of fair value of the financial assets.

ii. Financial assets at amortized cost

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss 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.

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

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

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

3) Derivative financial instruments

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

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

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

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

1) Sale of goods

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

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

2) Rendering of services

Service income is recognized when services are provided.

3) Rental revenue

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

4) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the 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. Leases

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

Leases are classified as finance leases whenever the terms of a 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 expenses 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 services.

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the 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 Group 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 of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the 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 taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, 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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical Accounting Judgements

Business model assessment for financial assets

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 480	\$ 516
Checking accounts	1,063	1,644
Demand deposits	5,158,732	5,079,948
Time deposits	-	2,000,000
	<u>\$ 5,160,275</u>	<u>\$ 7,082,108</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2019	2018
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Currency swaps	<u>\$ 127,764</u>	<u>\$ 2,857</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 44,840	\$ 44,840
Domestic quoted shares	<u>14,524</u>	<u>11,493</u>
	<u>\$ 59,364</u>	<u>\$ 56,333</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial assets (not under hedge accounting)		
Currency swaps	<u>\$ -</u>	<u>\$ 3,997</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Currency swaps	USD/NTD	January 06, 2020- March 19, 2020	USD465,000/NTD14,022,525
<u>December 31, 2018</u>			
Currency swaps	USD/NTD	January 09, 2019- May 06, 2019	USD120,000/NTD3,652,320

The Company entered into derivative contracts in 2019 and 2018 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. FINANCIAL ASSETS AT FVOCI

Investments in Equity Instruments at FVTOCI

	December 31	
	2019	2018
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 223,579	\$ 169,907
Unlisted shares	<u>45,190</u>	<u>33,690</u>
	<u>268,769</u>	<u>203,597</u>
Foreign investments		
Unlisted shares	9,856	9,009
Listed shares	<u>-</u>	<u>867</u>
	<u>9,856</u>	<u>9,876</u>
	<u>\$ 278,625</u>	<u>\$ 213,473</u>

The above domestic and foreign investments in equity instruments are held for medium to long-term strategic purposes and expected to generate return over the long run. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as it believes that recognizing the short-term fluctuations of fair value in profit or loss would not be consistent with the Company's investment strategy.

9. FINANCIAL ASSETS AT AMORTIZED COSTS

	December 31	
	2019	2018
Pledged deposits	<u>\$ 351,412</u>	<u>\$ 308,690</u>
Current	\$ 120,894	\$ 4,680
Non-current	<u>230,518</u>	<u>304,010</u>
	<u>\$ 351,412</u>	<u>\$ 308,690</u>

- b. Refer to Note 10 for credit risk management and impairment evaluation for investments in financial assets at amortized cost.
- c. Refer to Note 29 for information of investments in financial assets at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at amortized cost.

	December 31	
	2019	2018
<u>At amortized cost</u>		
Gross carrying amount	\$ 351,412	\$ 308,690
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Net carrying amount	<u>\$ 351,412</u>	<u>\$ 308,690</u>

In order to minimize credit risk, the Company has tasked its credit management committee with the development and maintenance of a credit risk grading framework for categorizing exposures according to the degree of the risk of default. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

11. NOTES AND TRADE RECEIVABLES, NET

	December 31	
	2019	2018
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 207</u>	<u>\$ 1,203</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 21,630,144	\$ 27,752,671
Allowance for impairment loss	<u>(51,489)</u>	<u>(66,339)</u>
	<u>\$ 21,578,655</u>	<u>\$ 27,686,332</u>

a. Notes receivable

The aging of notes receivable was as follows:

	December 31	
	2019	2018
Not past due	<u>\$ 207</u>	<u>\$ 1,203</u>

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

b. Trade receivables

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

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

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

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

December 31, 2019

	Not Past Due	Less Than and Including 60 Days	61 to 210 Days	211 to 240 Days	More Than 240 Days	Total
Expected credit loss rate	0%	0.1%-5%	40%-70%	50%-100%	100%	
Gross carrying amount	\$ 21,520,248	\$ 56,975	\$ 4,499	\$ 677	\$ 47,745	\$ 21,630,144
Loss allowance	-	(174)	(2,893)	(677)	(47,745)	(51,489)
Net carrying amount	<u>\$ 21,520,248</u>	<u>\$ 56,801</u>	<u>\$ 1,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,578,655</u>

December 31, 2018

	Not Past Due	Less Than and Including 60 Days	61 to 210 Days	211 to 240 Days	More Than 240 Days	Total
Expected credit loss rate	0%	0.1%-5%	40%-70%	50%-100%	100%	
Gross carrying amount	\$ 27,647,902	\$ 212,121	\$ 13,122	\$ 85	\$ 59,411	\$ 27,752,671
Loss allowance	-	(392)	(6,422)	(84)	(59,441)	(66,339)
Net carrying amount	<u>\$ 27,467,902</u>	<u>\$ 211,729</u>	<u>\$ 6,700</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 27,686,332</u>

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 66,339	\$ 60,492
Expected credit loss	10,634	5,847
Amounts written off	(21,464)	-
Spin-off	<u>(4,020)</u>	<u>-</u>
Balance at December 31	<u>\$ 51,489</u>	<u>\$ 66,339</u>

12. INVENTORIES, NET

	December 31	
	2019	2018
Merchandise	\$ 6,512,113	\$ 6,053,700
Raw materials	133,720	1,671,441
Work in progress	75,249	529,890
Finished good	<u>38,430</u>	<u>1,389,096</u>
	<u>\$ 6,759,512</u>	<u>\$ 9,644,127</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$107,679,816 thousand and \$124,808,157 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2019 included a reduction of cost of goods sold amounting to \$121,539 thousand, due to an increase in net realizable value. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 included an increase in cost of goods sold amounting to \$45,210 thousand, due to inventory write-downs to their net realizable value. The increase was due to the Company writing off part of its inventories that had been impaired.

13. NON-CURRENT ASSETS HELD FOR SALE

	December 31, 2019
Non-current assets held for sale	<u>\$ 4,604,229</u>

The board of directors of the Company resolved to dispose the outstanding shares of directly and indirectly owned subsidiaries - SOLID STATE STORAGE TECHNOLOGY CORPORATION and Lite-On Sales & Distribution, Inc. - and the marketable securities of CNEX LABS Inc., held by LITE-ON TECHNOLOGY USA, INC. A buyer has been sought and the sale is expected to be completed in April 2020. The assets and liabilities were reclassified as non-current assets held for sale from investments accounted for using the equity method of \$4,604,229 thousand, and were presented separately in the balance sheets as of December 31, 2019.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	\$ 75,155,998	\$ 70,105,674
Investments in associates	<u>3,669,569</u>	<u>3,854,835</u>
	<u>\$ 78,825,567</u>	<u>\$ 73,960,509</u>

a. Investments in subsidiaries

	December 31			
	2019		2018	
	%	Book Value	%	Book Value
Lite-On International Holding Co., Ltd.	100.00	\$ 19,591,419	100.00	\$ 18,000,208
LITE-ON ELECTRONICS H.K. LIMITED	100.00	17,346,887	100.00	16,089,012
LITE-ON SINGAPORE PTE. LTD.	100.00	12,964,934	100.00	12,106,016
HIGH YIELD GROUP CO., LTD.	100.00	5,719,653	100.00	5,896,949
LITE-ON MOBILE PTE. LTD.	100.00	3,868,831	100.00	3,785,919
LITE-ON TECHNOLOGY USA, INC.	100.00	2,378,528	100.00	2,507,215
Lite-On Automotive International (Cayman) Co., Ltd.	100.00	2,227,755	100.00	2,386,776
Lite-On Electronics (Thailand) Co., Ltd.	100.00	2,082,837	100.00	1,776,480
KBW-LITEON Jordan Private Shareholding Limited	99.86	1,839,781	99.77	1,210,895
Lite-On Capital Corporation	100.00	1,484,244	100.00	1,453,527
EAGLE ROCK INVESTMENT LTD.	100.00	1,379,538	100.00	1,253,972
Silitech Technology Corporation	33.87	853,863	33.87	1,274,728
Lite-On Japan Ltd.	100.00	775,017	49.49	342,959
LITE-ON VIETNAM CO., LTD.	100.00	663,988	100.00	353,641
Lite-On Technology (Europe) B.V.	54.00	421,187	54.00	425,694
LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	99.00	268,460	99.00	96,022
Philips & Lite-On Digital Solutions Corporation	49.00	265,895	49.00	300,513
Lite-On Overseas Trading Co., Ltd.	100.00	242,766	100.00	235,695
LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	99.00	227,611	99.00	53,776
SKYLA CORPORATION	64.94	202,160	64.94	199,533
LTC GROUP LTD.	100.00	161,203	100.00	187,653
LITE-ON ELECTRONICS (EUROPE) LIMITED	100.00	65,413	100.00	59,784
Lite-On Integrated Service Inc.	100.00	54,781	100.00	48,323
LET (HK) LIMITED	100.00	52,688	100.00	40,046
Lite-On Information Technology B.V.	100.00	16,557	100.00	16,243

(Continued)

	December 31			
	2019		2018	
	%	Book Value	%	Book Value
KBW-LEOTEK Jordan Private Shareholding Limited	\$ 49.00	\$ 2	\$ 49.00	\$ (119)
LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	-	-	100.00	4,095
		75,155,998		70,105,555
Add: Credit balance on the carrying value of investments accounted for using the equity method		-		119
		<u>\$ 75,155,998</u>		<u>\$ 70,105,674</u> (Concluded)

The extraordinary general meeting of shareholder was held in October 2019 and resolved to spin-off its Solid State Storage's business operations and assets to SOLID STATE STORAGE TECHNOLOGY CORPORATION for the purpose of business reorganization and specialization. SOLID STATE STORAGE TECHNOLOGY CORPORATION primarily manufactures and duplicates electronic components and data storage medium. The net assets as of December 12, 2019, the target date of the spin-off, were as follows:

ASSETS

Cash and cash equivalents	\$ 2,176,374
Trade receivables including related parties, net	1,599,261
Inventories, net	2,473,317
Other current assets	7,896
Property, plant and equipment, net	603,594
Intangible assets, net	8,901
Right-of-use assets, net	57,693
Deferred tax assets	42,068
Other non-current assets	<u>5,000</u>
Total assets for the year	<u>6,974,104</u>

LIABILITIES

Trade payables	2,094,119
Other current liabilities	<u>397,531</u>
Total liabilities for the year	<u>2,491,650</u>
Net assets	<u>\$ 4,482,454</u>

The Company's subsidiary under the equity method, LITE-ON MOBILE PTE. LTD., restructured its business units, and modified its operational strategy and resource allocation during the third quarter for the year ended December 31, 2017, due to increased competition in the market of mobile phone mold. The prices of mobile phone mold and related products dropped, and the market demand decelerated. As a result, the recoverable amount of its cash-generating units was less than the carrying amount. The Company recognized the impairment loss of \$3,385,324 thousand in the statements of comprehensive income during the second quarter of 2018.

b. Investments in associates

	December 31	
	2019	2018
Associates that are not individually material	\$ 3,669,569	\$ 3,854,835
<u>Aggregate information of associates that are not individually material</u>		
	For the Year Ended December 31	
	2019	2018
The Company's share of:		
Net profit for the year	\$ 72,701	\$ 146,775
Other comprehensive loss	(125,071)	(27,834)
Total comprehensive income (loss) for the year	\$ (52,370)	\$ 118,941

15. PROPERTY, PLANT AND EQUIPMENT, NET

	For the Year Ended December 31, 2019								
	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
<u>Cost</u>									
January 1, 2019	\$ 2,226,499	\$ 4,773,975	\$ 4,059,863	\$ 731,479	\$ 3,581	\$ 801,108	\$ -	\$ 2,030,663	\$ 14,627,168
Additions	-	958,225	293,350	50,495	-	56,903	-	181,510	1,540,483
Disposals	(4,118)	(58,864)	(588,681)	(17,749)	(95)	(37,821)	-	(28,237)	(735,565)
Spin-off	-	(223,474)	(1,450,860)	(70)	(48)	(40,745)	-	(75,158)	(1,790,355)
Reclassification	-	1,529,235	101,603	14,323	-	21,449	-	(1,568,249)	98,361
December 31, 2019	\$ 2,222,381	\$ 6,979,097	\$ 2,415,275	\$ 778,478	\$ 3,438	\$ 800,894	\$ -	\$ 540,529	\$ 13,740,092
<u>Accumulated depreciation</u>									
January 1, 2019	\$ -	\$ 1,992,450	\$ 3,327,692	\$ 643,370	\$ 3,468	\$ 670,915	\$ -	\$ 332,481	\$ 6,970,376
Additions	-	160,763	311,766	31,363	17	92,373	-	48,001	644,283
Disposals	-	(51,472)	(577,653)	(17,749)	(95)	(37,138)	-	(26,966)	(711,073)
Spin-off	-	(94,026)	(1,021,345)	(70)	(48)	(38,770)	-	(32,502)	(1,186,761)
Reclassification	-	7,783	62,428	45,657	-	8,495	-	2,524	126,887
December 31, 2019	\$ -	\$ 2,015,498	\$ 2,102,888	\$ 702,571	\$ 3,342	\$ 695,875	\$ -	\$ 323,538	\$ 5,843,712
<u>Accumulated impairment</u>									
January 1, 2019	\$ -	\$ 5,210	\$ 500	\$ 8,844	\$ -	\$ 351	\$ -	\$ 1,209	\$ 16,114
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	(5,210)	(26)	-	-	(38)	-	-	(5,274)
Reclassification	-	-	-	-	-	-	-	-	-
December 31, 2019	\$ -	\$ -	\$ 474	\$ 8,844	\$ -	\$ 313	\$ -	\$ 1,209	\$ 10,840
December 31, 2019, net	\$ 2,222,381	\$ 4,963,599	\$ 311,913	\$ 67,063	\$ 96	\$ 104,706	\$ -	\$ 215,782	\$ 7,885,540
	For the Year Ended December 31, 2018								
	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
<u>Cost</u>									
January 1, 2018	\$ 2,226,499	\$ 4,812,575	\$ 4,028,907	\$ 695,015	\$ 3,851	\$ 776,853	\$ 6,380	\$ 786,060	\$ 13,335,870
Additions	-	4,370	291,109	88,308	-	42,071	-	1,304,268	1,730,126
Disposals	-	(42,970)	(285,598)	(61,173)	-	(18,350)	(865)	(16,197)	(425,153)
Reclassification	-	-	25,445	9,329	-	534	(5,515)	(43,468)	(13,675)
December 31, 2018	\$ 2,226,499	\$ 4,773,975	\$ 4,059,863	\$ 731,479	\$ 3,851	\$ 801,108	\$ -	\$ 2,030,663	\$ 14,627,168
<u>Accumulated depreciation</u>									
January 1, 2018	\$ -	\$ 1,933,514	\$ 3,193,378	\$ 631,862	\$ 3,408	\$ 588,613	\$ 6,380	\$ 304,671	\$ 6,661,826
Additions	-	101,906	330,227	22,330	60	100,428	-	43,609	598,560
Disposals	-	(42,970)	(208,542)	(59,145)	-	(18,198)	(865)	(15,799)	(345,519)
Reclassification	-	-	12,629	48,323	-	72	(5,515)	-	55,509
December 31, 2018	\$ -	\$ 1,992,450	\$ 3,327,692	\$ 643,370	\$ 3,468	\$ 670,915	\$ -	\$ 332,481	\$ 6,970,376
<u>Accumulated impairment</u>									
January 1, 2018	\$ -	\$ 5,210	\$ 4,328	\$ 8,844	\$ -	\$ 355	\$ -	\$ 1,218	\$ 19,955
Additions	-	-	9,027	-	-	-	-	-	9,027
Disposals	-	-	(9,027)	-	-	-	-	-	(9,027)
Reclassification	-	-	(3,828)	-	-	(4)	-	(9)	(3,841)
December 31, 2018	\$ -	\$ 5,210	\$ 500	\$ 8,844	\$ -	\$ 351	\$ -	\$ 1,209	\$ 16,114
December 31, 2018, net	\$ 2,226,499	\$ 2,776,315	\$ 731,671	\$ 79,265	\$ 113	\$ 129,842	\$ -	\$ 1,696,973	\$ 7,640,678

The above items of property, plant and equipment are 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

Due to the decline in sales of some of the Company's products in the markets, the expected future cash flows generated by some machinery and tooling equipment used in the production decreased. Therefore, the recoverable amount was lower than the carrying amount. Consequently, the Company recognized impairment loss of \$9,027 thousand for the year ended December 31, 2018. The impairment loss was recognized in the statements of comprehensive income.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31, 2019
<u>Carrying amounts</u>	
Land (including right to use land)	\$ 47,838
Buildings	20,750
Transportation equipment	<u>24,445</u>
	<u>\$ 93,033</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 51,175</u>
Depreciation charge for right-of-use assets	
Land (including right to use land)	\$ 9,373
Buildings	32,859
Transportation equipment	<u>10,026</u>
	<u>\$ 52,258</u>

No impairment assessment was performed for the year ended December 31, 2019 as there was no indication of impairment.

b. Lease liabilities

December 31,
2019

Carrying amounts

Current	\$ 28,852
Non-current	\$ 65,385

Range of discount rate for lease liabilities was as follows:

December 31,
2019

Land (including right to use land)	1.79%
Buildings	1.79%-4.51%
Machinery	1.79%
Transportation equipment	1.79%
Other equipment	1.79%

17. INTANGIBLE ASSETS, NET

For the Year Ended December 31, 2019

	Goodwill	Patents	Software	Client Relationships	Total
<u>Cost</u>					
January 1, 2019	\$ 5,662,190	\$ 3,421,562	\$ 1,556,570	\$ 163,819	\$ 10,804,141
Additions	-	-	231,573	-	231,573
Disposals	-	-	(41,753)	-	(41,753)
Spin-off	-	-	(38,928)	-	(38,928)
Reclassification	-	-	16,455	-	16,455
December 31, 2019	<u>\$ 5,662,190</u>	<u>\$ 3,421,562</u>	<u>\$ 1,723,917</u>	<u>\$ 163,819</u>	<u>\$ 10,971,488</u>
<u>Accumulated amortization</u>					
January 1, 2019	\$ 77,234	\$ 3,420,670	\$ 1,309,222	\$ 163,819	\$ 4,970,945
Additions	-	622	203,907	-	204,529
Disposals	-	-	(41,753)	-	(41,753)
Spin-off	-	-	(30,027)	-	(30,027)
Reclassification	-	-	2,748	-	2,748
December 31, 2019	<u>\$ 77,234</u>	<u>\$ 3,421,292</u>	<u>\$ 1,444,097</u>	<u>\$ 163,819</u>	<u>\$ 5,106,442</u>
<u>Accumulated impairment</u>					
January 1, 2019	\$ 336,210	\$ -	\$ -	\$ -	\$ 336,210
December 31, 2019	<u>\$ 336,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,210</u>
December 31, 2019, net	<u>\$ 5,248,746</u>	<u>\$ 270</u>	<u>\$ 279,820</u>	<u>\$ -</u>	<u>\$ 5,528,836</u>

For the Year Ended December 31, 2018

	Goodwill	Patents	Software	Client Relationships	Total
<u>Cost</u>					
January 1, 2018	\$ 6,030,652	\$ 3,421,562	\$ 1,450,837	\$ 163,819	\$ 11,066,870
Additions	-	-	140,596	-	140,596
Disposals	(368,462)	-	(54,415)	-	(422,877)
Reclassification	-	-	19,552	-	19,552
December 31, 2018	<u>\$ 5,662,190</u>	<u>\$ 3,421,562</u>	<u>\$ 1,556,570</u>	<u>\$ 163,819</u>	<u>\$ 10,804,141</u>
<u>Accumulated amortization</u>					
January 1, 2018	\$ 77,234	\$ 3,306,910	\$ 1,187,022	\$ 163,819	\$ 4,734,985
Additions	-	113,760	166,561	-	280,321
Disposals	-	-	(44,439)	-	(44,439)
Reclassification	-	-	78	-	78
December 31, 2018	<u>\$ 77,234</u>	<u>\$ 3,420,670</u>	<u>\$ 1,309,222</u>	<u>\$ 163,819</u>	<u>\$ 4,970,945</u>
<u>Accumulated impairment</u>					
January 1, 2018	<u>\$ 336,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,210</u>
December 31, 2018	<u>\$ 336,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,210</u>
December 31, 2018, net	<u>\$ 5,248,746</u>	<u>\$ 892</u>	<u>\$ 247,348</u>	<u>\$ -</u>	<u>\$ 5,496,986</u>

The above items of other intangible assets are 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 pre-tax cash flow projections based on financial budgets approved by the management covering a 5-year period.
- Management determined gross margin based on past performance and future profits. The growth rate used is consistent with the forecasts included in industry reports. The discount rate used was 11.36% as of December 31, 2019 and 2018 and reflects specific risks relating to the relevant cash-generating units.

18. BORROWINGS

Short-term Borrowings

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 20,134,925</u>	<u>\$ 17,264,395</u>

The range of interest rates on unsecured borrowings was 0.73%-2.45% and 2.91%-3.45% per annum as of December 31, 2019 and 2018, respectively.

19. PROVISIONS

	December 31	
	2019	2018
<u>Current</u>		
Warranties	<u>\$ 863,538</u>	<u>\$ 851,041</u>
Movements in the provisions were as follows:		
	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 851,041	\$ 715,037
Recognition of provisions	255,747	406,941
Usage	<u>(243,250)</u>	<u>(270,937)</u>
Balance at December 31	<u>\$ 863,538</u>	<u>\$ 851,041</u>

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

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (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	
	2019	2018
Present value of defined benefit obligation	\$ 1,044,709	\$ 1,113,237
Fair value of plan assets	<u>(1,053,987)</u>	<u>(1,035,001)</u>
Net defined benefit liabilities (assets)	<u>\$ (9,278)</u>	<u>\$ 78,236</u>

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, 2018	<u>\$ 1,159,791</u>	<u>\$ (1,032,940)</u>	<u>\$ 126,851</u>
Service cost	3,836	-	3,836
Net interest expense (income)	<u>11,393</u>	<u>(10,219)</u>	<u>1,174</u>
Recognized in profit or loss	<u>15,229</u>	<u>(10,219)</u>	<u>5,010</u>
Remeasurement			
Return on plan assets	-	(31,785)	(31,785)
Actuarial loss - changes in financial assumptions	4,871	-	4,871
Actuarial loss - experience adjustments	<u>23,864</u>	<u>-</u>	<u>23,864</u>
Recognized in other comprehensive loss (gain)	<u>28,735</u>	<u>(31,785)</u>	<u>(3,050)</u>
Contributions from the employer	-	(18,335)	(18,335)
Benefits paid	(58,278)	58,278	-
Disposal of business units	<u>(32,240)</u>	<u>-</u>	<u>(32,240)</u>
Balance at December 31, 2018	<u>\$ 1,113,237</u>	<u>\$ (1,035,001)</u>	<u>\$ 78,236</u>
Balance at January 1, 2019	<u>\$ 1,113,237</u>	<u>\$ (1,035,001)</u>	<u>\$ 78,236</u>
Service cost	2,867	-	2,867
Net interest expense (income)	<u>10,372</u>	<u>(9,714)</u>	<u>658</u>
Recognized in profit or loss	<u>13,239</u>	<u>(9,714)</u>	<u>3,525</u>
Remeasurement			
Return on plan assets	-	(38,220)	(38,220)
Actuarial loss - changes in financial assumptions	20,634	-	20,634
Actuarial loss - experience adjustments	<u>29,421</u>	<u>-</u>	<u>29,421</u>
Recognized in other comprehensive loss (gain)	<u>50,055</u>	<u>(38,220)</u>	<u>11,835</u>
Contributions from the employer	-	(17,145)	(17,145)
Benefits paid	(46,093)	46,093	-
Spin-off	<u>(85,729)</u>	<u>-</u>	<u>(85,729)</u>
Balance at December 31, 2019	<u>\$ 1,044,709</u>	<u>\$ (1,053,987)</u>	<u>\$ (9,278)</u>

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

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

	December 31	
	2019	2018
Discount rate	0.70%	0.95%
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	
	2019	2018
Discount rate		
0.25% increase	<u>\$ (12,705)</u>	<u>\$ (24,037)</u>
0.25% decrease	<u>\$ 29,327</u>	<u>\$ 24,848</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 28,259</u>	<u>\$ 23,732</u>
0.25% decrease	<u>\$ (11,790)</u>	<u>\$ (23,095)</u>

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 17,040</u>	<u>\$ 18,000</u>
The average duration of the defined benefit obligation	11.07 years	8.83 years

21. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2019	2018
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, are entitled to one vote per share and receive 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 Parent Company.

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

As of December 31, 2019 and 2018, the outstanding GDRs were both 5,221 thousand units, representing 52,209 thousand ordinary shares of the Company. The rights and obligation of security holders are the same as those of ordinary shareholders, except for voting rights. As of December 31, 2019 and 2018, the unredeemed GDRs amounted to 1,437 thousand units and 815 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, the capital surplus may be distributed as cash dividends or transferred to capital (restricted to a certain percentage of the Company's capital surplus).

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

c. Retained earnings and dividend policy

The shareholders' meeting was held on June 21, 2019 and passed the amendments to the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, the Company may distribute the surplus earnings or off-set losses at the close of each quarter in accordance with the Company Act. While distributing surplus earning, the Parent Company shall estimate and reserve the taxes and duty to be paid, the losses to be covered, the legal reserve to be set aside, and the special surplus reserve to be raised or revolved. Where such legal reserve amounts reach to the total paid-in capital, this provision shall not apply. If the Company distribute surplus earning in the form of cash, it shall be approved by a meeting of the board of directors; if such surplus earning is distributed in the form of new shares to be issued, it shall be approved by shareholders meetings according to the regulations.

If there is net profit after tax upon the final settlement of account of each fiscal year, the Company shall first 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. Where the Company distributes preceding surplus earning, legal reserve and capital reserve in the form of cash, such distribution is authorized by a special resolution; and in addition to a report of such distribution shall be submitted to the shareholders' meeting; if such distribution is in the form of new shares to be issued, it shall be approved by shareholders meetings according to the regulations.

Under the dividend policy as set forth in the Articles before the amendment, if there is net profit after tax upon the final settlement of account of each fiscal year, the Company shall first 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 29(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 either through 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. 10802432410 issued by the Ministry of Economic Affairs, the basis of recognizing 10% legal reserve was modified from excluding items other than profit before income tax into unappropriated earnings to including items other than profit before income tax upon the 2019 appropriations of earnings.

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.

The appropriations of earnings for 2018 and 2017 that were approved in the shareholders’ meetings on June 21, 2019 and June 22, 2018, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2018	2017
Legal reserve	\$ 795,684	\$ 262,933
Special reserve	682,814	1,367,076
Cash dividends	6,864,532	963,855
Cash dividends per share (NT\$)	2.92	0.41

On June 22, 2018, the shareholders resolved in the shareholders’ meeting to issue cash dividends of \$5,900,676 thousand (\$2.51 per share) from the capital surplus.

The appropriation of earnings for 2019 was resolved by the Company’s board of directors on February 26, 2020. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2019
Legal reserve	\$ 943,970
Special reserve	\$ 1,343,307
Cash dividends	\$ 7,521,296
Cash dividends per share (NT\$)	\$ 3.20

d. Other equity items

Movements in other equity items were as follows:

	For the Year Ended December 31, 2019			
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Financial Assets at FVTOCI	Cash Flow Hedges	Total
Balance at January 1	\$ (2,779,863)	\$ (449,461)	\$ 2,714	\$ (3,226,610)
Exchange differences on translating foreign operations	(1,885,353)	-	-	(1,885,353)
Unrealized gain on equity instruments designated as at FVTOCI	-	165,202	-	165,202
Share of associates and subsidiaries accounted for using the equity method	(158,105)	82,680	(2,426)	(77,851)

(Continued)

For the Year Ended December 31, 2019				
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Financial Assets at FVTOCI	Cash Flow Hedges	Total
Disposal of investments accounted for using the equity method	\$ (665)	\$ -	\$ -	\$ (665)
Disposal of equity instruments at FVTOCI	-	(111,361)	-	(111,361)
Income tax benefit	<u>419,542</u>	<u>-</u>	<u>-</u>	<u>419,542</u>
Balance at December 31	<u>\$ (4,404,444)</u>	<u>\$ (312,940)</u>	<u>\$ 288</u>	<u>\$ (4,717,096)</u> (Concluded)

For the Year Ended December 31, 2018					
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available for sale Financial Assets	Unrealized Loss from Financial Assets at FVTOCI	Cash Flow Hedges	Total
Balance at January 1	\$ (2,528,893)	\$ (18,497)	\$ -	\$ 3,372	\$ (2,544,018)
Adjustments on initial application of IFRS 9	<u>-</u>	<u>18,497</u>	<u>(298,266)</u>	<u>-</u>	<u>(279,769)</u>
Balance at January 1 per IFRS 9	(2,528,893)	-	(298,266)	3,372	(2,823,787)
Exchange differences on translating foreign operations	(372,739)	-	-	-	(372,739)
Unrealized loss on equity instruments at FVTOCI	-	-	(78,200)	-	(78,200)
Share of associates and subsidiaries accounted for using the equity method	(46,842)	-	(29,813)	(658)	(77,313)
Changes in percentage of ownership in interest in subsidiaries	-	-	(39,722)	-	(39,722)
Disposal of investments accounted for using the equity method	4,078	-	-	-	4,078
Disposal of equity instruments at FVTOCI	-	-	(3,460)	-	(3,460)
Income tax benefit	<u>164,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,533</u>
Balance at December 31	<u>\$ (2,779,863)</u>	<u>\$ -</u>	<u>\$ (449,461)</u>	<u>\$ 2,714</u>	<u>\$ (3,226,610)</u>

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.

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
<u>For the year ended December 31, 2019</u>				
Shares held by its subsidiaries	26,841	-	-	26,841
Buyback of dissenting shareholders' shares in accordance with the Business Mergers and Acquisitions Act	-	462	-	462
	<u>26,841</u>	<u>-</u>	<u>-</u>	<u>27,303</u>

For the year ended December 31, 2018

Shares held by its subsidiaries	<u>26,841</u>	<u>-</u>	<u>-</u>	<u>26,841</u>

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

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2019</u>			
Lite-On Capital Corporation	15,116	\$ 718,857	\$ 745,968
LTC INTERNATIONAL LTD.	7,004	297,469	345,414
YET FOUNDATE LIMITED	2,271	126,881	111,903
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	<u>105,515</u>	<u>120,739</u>
		<u>\$ 1,248,722</u>	<u>\$ 1,324,024</u>
<u>December 31, 2018</u>			
Lite-On Capital Corporation	15,116	\$ 718,857	\$ 613,704
LTC INTERNATIONAL LTD.	7,004	297,469	284,068
YET FOUNDATE LIMITED	2,271	126,881	91,989
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	<u>105,515</u>	<u>99,253</u>
		<u>\$ 1,248,722</u>	<u>\$ 1,089,014</u>

The Company repurchased the dissenting shareholders' shares at \$48.9 per share, totaled 462 thousand shares, upon the resolution at the shareholders' extraordinary general meeting in October 2019. The resolution stipulated the spin-off of Solid State Storage business unit to a subsidiary, SOLID STATE STORAGE TECHNOLOGY CORPORATION in accordance with the Business Mergers and Acquisitions Act.

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.

22. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 119,384,669	\$ 135,463,584
Royalty income	745,143	810,568
Revenue from management services	670,501	827,948
Rental income from property	<u>71,117</u>	<u>67,290</u>
	<u>\$ 120,871,430</u>	<u>\$ 137,169,390</u>

23. ADDITIONAL INFORMATION ON EXPENSES

Net income included the following items:

	For the Year Ended December 31	
	2019	2018
a. Depreciation and amortization		
Property, plant and equipment	\$ 644,283	\$ 598,560
Intangible assets	204,529	280,321
Right-of-use assets	<u>52,258</u>	<u>-</u>
	<u>\$ 901,070</u>	<u>\$ 878,881</u>
An analysis of depreciation by function		
Recognized in operating costs	\$ 220,767	\$ 182,304
Recognized in operating expenses	<u>475,774</u>	<u>416,256</u>
	<u>\$ 696,541</u>	<u>\$ 598,560</u>
An analysis of amortization by function		
Recognized in operating costs	\$ 5,348	\$ 3,909
Recognized in operating expenses	<u>199,181</u>	<u>276,412</u>
	<u>\$ 204,529</u>	<u>\$ 280,321</u>

(Continued)

For the Year Ended December 31
2019 **2018**

b. Employee benefit expenses

Post-employment benefits		
Defined contribution plans	\$ 211,916	\$ 220,051
Defined benefit plans (Note 20)	<u>3,525</u>	<u>5,010</u>
	214,441	225,061
Termination benefits	37,008	65,254
Other employee benefits	<u>6,661,805</u>	<u>6,616,951</u>
	<u>\$ 6,914,254</u>	<u>\$ 6,907,266</u>
Employee benefit expenses summarized by function		
Recognized in operating costs	\$ 803,205	\$ 806,438
Recognized in operating expenses	<u>6,111,049</u>	<u>6,100,828</u>
	<u>\$ 6,914,254</u>	<u>\$ 6,907,266</u>

(Concluded)

The Company distributed employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The appropriations of employee compensation and remuneration of directors for 2019 and 2018, which have been approved by the Company's board of directors on February 26, 2020 and February 26, 2019, respectively, were as follows:

	For the Year Ended December 31			
	2019		2018	
	Cash	Share	Cash	Share
Employees' compensation	\$ 1,326,548	\$	\$ 1,125,893	\$ -
Remuneration of directors	79,687		67,633	-

If there is a change in the proposed amounts after issuance of the annual financial report, the differences are recognized as a change in accounting estimate and will be adjusted in the following year.

There was no difference between the actual amounts of employee's compensation and the remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2018.

Information on 2020 and 2019 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.

24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Year Ended December 31	
	2019	2018
Current income tax expense		
In respect of the current year	\$ 951,419	\$ 1,305,309
Adjustments for prior year	<u>(153)</u>	<u>(107,000)</u>
	<u>951,266</u>	<u>1,198,309</u>
Deferred tax		
Effect of change in tax rate	-	170,970
The recognition and reversal of temporary differences	<u>233,272</u>	<u>(696,920)</u>
	<u>233,272</u>	<u>(525,950)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,184,538</u>	<u>\$ 672,359</u>

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

	For the Year Ended December 31	
	2019	2018
Income before income tax	<u>\$ 10,559,437</u>	<u>\$ 8,629,197</u>
Income tax expense calculated at the statutory rate	\$ 2,111,887	\$ 1,725,839
Nondeductible items in determining taxable income	(1,160,468)	(420,530)
The recognition and reversal of temporary differences	233,272	(525,950)
Adjustments for prior year	<u>(153)</u>	<u>(107,000)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,184,538</u>	<u>\$ 672,359</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income (benefit)

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Effect of change in tax rate		
Not related to remeasurement of defined benefit plans	\$ -	\$ (88,254)
Related to remeasurement of defined benefit plans	-	(5,642)
In respect of the current year		
Translation of foreign operations	(419,542)	(76,279)
Remeasurement on defined benefit plans	<u>(2,367)</u>	<u>610</u>
	<u>\$ (421,909)</u>	<u>\$ (169,565)</u>

c. Deferred tax assets and liabilities

The analysis of deferred tax assets was as follows:

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Spin-off	Closing Balance
<u>For the year ended December 31, 2019</u>					
Temporary differences					
Investment accounted for using the equity method	\$ 1,970,380	\$ (4,091)	\$ 419,542	\$ -	\$ 2,385,831
Impairment loss on assets	1,104,424	34,798	-	-	1,139,222
Accrued warranty expense	170,208	2,500	-	-	172,708
Unrealized loss on inventories	142,184	(17,750)	-	(42,068)	82,366
Unrealized loss and expense	132,065	(77,861)	-	-	57,204
Net defined benefit liability	72,763	-	2,367	-	75,130
Others	<u>571</u>	<u>(571)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,595,595</u>	<u>\$ (62,975)</u>	<u>\$ 421,909</u>	<u>\$ (42,068)</u>	<u>\$ 3,912,461</u>
<u>For the year ended December 31, 2018</u>					
Temporary differences					
Investment accounted for using the equity method	\$ 1,610,060	\$ 195,787	\$ 164,533	\$ -	\$ 1,970,380
Impairment loss on assets	660,201	444,223	-	-	1,104,424
Accrued warranty expense	121,556	48,652	-	-	170,208
Unrealized loss on inventories	113,170	29,014	-	-	142,184
Unrealized loss and expense	45,440	89,625	-	-	135,065
Net defined benefit liability	62,367	5,364	5,032	-	72,763
Unrealized sales loss	12,441	(12,441)	-	-	-
Others	<u>7,386</u>	<u>(6,815)</u>	<u>-</u>	<u>-</u>	<u>571</u>
	<u>\$ 2,632,621</u>	<u>\$ 793,409</u>	<u>\$ 169,565</u>	<u>\$ -</u>	<u>\$ 3,595,595</u>

The analysis of deferred tax liabilities was as follows:

	Opening Balance	Recognized in Loss (Profit)	Recognized in Other Comprehensive Loss (Income)	Closing Balance
<u>For the year ended December 31, 2019</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 582,659	\$ -	\$ -	\$ 582,659
Unrealized amortization of goodwill	416,245	-	-	416,245
Land value increment tax	270,843	-	-	270,843
Unrealized net exchange gains	95,956	156,702	-	252,658
Unrealized net gains on financial assets	-	24,403	-	24,403
Unrealized sales profit	<u>33,467</u>	<u>(10,808)</u>	<u>-</u>	<u>22,659</u>
	<u>\$ 1,399,170</u>	<u>\$ 170,297</u>	<u>\$ -</u>	<u>\$ 1,569,467</u>
<u>For the year ended December 31, 2018</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 418,761	\$ 163,898	\$ -	\$ 582,659
Unrealized amortization of goodwill	353,808	62,437	-	416,245
Land value increment tax	230,216	40,627	-	270,843
Unrealized net exchange gains	128,926	(32,970)	-	95,956
Unrealized sales profit	<u>-</u>	<u>33,467</u>	<u>-</u>	<u>33,467</u>
	<u>\$ 1,131,711</u>	<u>\$ 267,459</u>	<u>\$ -</u>	<u>\$ 1,399,170</u>

d. Income tax assessments

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

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Basic earnings per share	<u>\$ 4.03</u>	<u>\$ 3.42</u>
Diluted earnings per share	<u>\$ 3.98</u>	<u>\$ 3.38</u>

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Earnings used in the computation of basic earnings per share	\$ 9,374,899	\$ 7,956,838
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 9,374,899</u>	<u>\$ 7,956,838</u>

Weighted Average Number of Ordinary Shares Outstanding

Unit: In Thousand Shares

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	2,323,968	2,324,026
Effect of potentially dilutive ordinary shares: Employees' compensation	<u>30,856</u>	<u>27,731</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>2,354,824</u>	<u>2,351,757</u>

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

26. 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 sufficient to meet the next 12 months' requirements for working capital, capital expenditures, research and development expenses, debt repayment, dividend expenses and other needs.

27. FINANCIAL INSTRUMENTS

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

For certain financial instruments that are not measured at fair value but measured at amortized cost - including contract assets, notes receivable, trade receivables including related parties, other receivables including related parties, refundable deposits, financial assets at amortized costs, short-term borrowings, notes payable, trade payables including related parties, other payables including related parties, finance lease payables and guarantee deposits - the Company's management considers the carrying amounts of these financial instruments recognized in the consolidated financial statements as approximating their fair values. The carrying amounts of long-term loans, including their current portion, are used as the basis to estimate their fair values given that the interest rates of the loans approximate those of the market rates.

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 127,764	\$ -	\$ 127,764
Mutual funds	-	44,840	-	44,840
Securities listed in ROC - equity securities	<u>14,524</u>	<u>-</u>	<u>-</u>	<u>14,524</u>
	<u>\$ 14,524</u>	<u>\$ 172,604</u>	<u>\$ -</u>	<u>\$ 187,128</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Securities listed in ROC - equity securities	\$ 223,579	\$ -	\$ -	\$ 223,579
Unlisted securities in ROC - equity securities	-	-	45,190	45,190
Unlisted securities in other countries - equity securities	<u>-</u>	<u>-</u>	<u>9,856</u>	<u>9,856</u>
	<u>\$ 223,579</u>	<u>\$ -</u>	<u>\$ 55,046</u>	<u>\$ 278,625</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ -	\$ 44,840	\$ -	\$ 44,840
Securities listed in ROC - equity securities	11,493	-	-	11,493
Derivative instruments	<u>-</u>	<u>2,857</u>	<u>-</u>	<u>2,857</u>
	<u>\$ 11,493</u>	<u>\$ 47,697</u>	<u>\$ -</u>	<u>\$ 59,190</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Securities listed in ROC - equity securities	\$ 169,907	\$ -	\$ -	\$ 169,907
Unlisted securities in ROC - equity securities	-	-	33,690	33,690
Unlisted securities in other countries - equity securities	-	-	9,009	9,009
Securities listed in other countries - equity securities	<u>867</u>	<u>-</u>	<u>-</u>	<u>867</u>
	<u>\$ 170,774</u>	<u>\$ -</u>	<u>\$ 42,699</u>	<u>\$ 213,473</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 3,997</u>	<u>\$ -</u>	<u>\$ 3,997</u>

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

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

	Investments on Equity Instruments Unlisted Quotes
<u>For the year ended December 31, 2019</u>	
Balance at January 1, 2019	\$ 42,699
Additions	11,500
Reclassification	<u>847</u>
Balance at December 31, 2019	<u>\$ 55,046</u>
<u>For the year ended December 31, 2018</u>	
Balance at January 1, 2018	\$ 13,629
Additions	<u>29,070</u>
Balance at December 31, 2018	<u>\$ 42,699</u>

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Financial assets at FVTPL - Currency swaps	Estimation of fair value of a currency swap contract is based on its principal and interest rate on mutual agreement and the suitable discount rate that reflects the credit risk of various counterparties at the end of the reporting period.
Mutual funds	Using the observable similar market average price or the price of the same kind of tools provided by the mutual fund management company.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

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

c. Categories of financial instruments

	December 31	
	2019	2018
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 187,128	\$ 59,190
Financial assets at amortized costs (1)	37,300,399	48,252,998
Investment in equity instruments at FVTOCI	278,625	213,473
<u>Financial liabilities</u>		
FVTPL		
Held for trading	-	3,997
Amortized cost		
Short-term borrowings	20,134,925	17,264,395
Payables (2)	46,175,818	54,912,524

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt instruments measured at amortized cost, contract assets, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise notes payable, trade payables, trade payables to related parties, other payables, other payables to related parties and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. 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 foreign 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 financial derivatives 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 guidelines 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). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts and currency swaps to hedge the exchange rate risk arising on the exports.

There were no changes 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's had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward exchange contracts and currency swaps.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

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

Sensitivity analysis

The Company was mainly exposed to the fluctuation of the U.S. dollar.

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

	USD Impact	
	For the Year Ended December 31	
	2019	2018
Profit or loss	\$ (1,049,222)	\$ (937,070)

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 portfolio 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	
	2019	2018
Fair value interest rate risk		
Financial assets (i)	\$ 122,389	\$ 2,004,680
Financial liabilities (ii)	20,134,925	17,264,395
Cash flow interest rate risk		
Financial assets (iii)	5,387,755	5,383,958

- i. The balances included time deposits, financial assets at amortized cost with fixed interest rates.
- ii. The balances included financial liabilities exposed to fair value risk from interest rate fluctuation.
- iii. The balances included demand deposits, financial assets at amortized cost with floating interest rates.

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, 2019 and 2018 would increase by \$13,469 thousand and \$13,460 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 analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 10% higher, the profit before income tax for the years ended December 31, 2019 and 2018 would have increased by \$1,452 thousand and \$1,149 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased by \$22,358 thousand and \$17,077 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

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.

c) The Company's simplified statement for notes receivable, trade receivable and contract assets, include the allowance loss variation shown below:

	Notes Receivable	Trade Receivables	Contract Asset	Total
January 1, 2019	\$ -	\$ 66,339	\$ -	\$ 66,339
Expected credit loss	-	10,634	-	10,634
Actual write-off	-	(21,464)	-	(21,464)
Spin-off	-	(4,020)	-	(4,020)
December 31, 2019	<u>\$ -</u>	<u>\$ 51,489</u>	<u>\$ -</u>	<u>\$ 51,489</u>
January 1, 2018	\$ -	\$ 60,492	\$ -	\$ 60,492
Expected credit loss	-	5,847	-	5,847
December 31, 2018	<u>\$ -</u>	<u>\$ 66,339</u>	<u>\$ -</u>	<u>\$ 66,339</u>

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, 2019

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing		\$ 46,159,226	\$ 16,592	\$ -	\$ -
Lease liabilities	1.79-4.51	28,852	39,690	2,447	23,248
Fixed interest rate liabilities	0.73-2.45	<u>20,134,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 66,323,003</u>	<u>\$ 56,282</u>	<u>\$ 2,447</u>	<u>\$ 23,248</u>

December 31, 2018

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing		\$ 54,896,545	\$ 15,979	\$ -	\$ -
Fixed interest rate liabilities	2.91-3.45	<u>17,264,395</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 72,160,940</u>	<u>\$ 15,979</u>	<u>\$ -</u>	<u>\$ -</u>

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

December 31, 2019

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Currency swaps				
Inflows	\$ 14,022,525	\$ -	\$ -	\$ -
Outflows	<u>(14,052,430)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (29,905)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Currency swaps				
Inflows	\$ 3,699,690	\$ -	\$ -	\$ -
Outflows	<u>(3,652,320)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 47,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

28. 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

(Continued)

Related Parties	Relationships with the Company
Lite-On Integrated Service Inc.	Subsidiary
Lite-On Capital Corporation	Subsidiary
Philips & Lite-On Digital Solutions Corporation	Subsidiary
Philips & Lite-On Digital Solutions USA, Inc.	Sub-subsubsidiary
PLDS Germany GmbH	Sub-subsubsidiary
PLDS Netherlands B.V.	Sub-subsubsidiary
Silitech Technology Corporation	Subsidiary
LITE-ON MOBILE PTE. LTD.	Subsidiary
LITE-ON TRADING USA, INC.	Sub-subsubsidiary
LITE-ON, INC.	Sub-subsubsidiary
LITE-ON TECHNOLOGY SERVICE, INC.	Sub-subsubsidiary
LITE-ON OPTO TECHNOLOGY (CHANGZHOU) CO., LTD.	Four-tier subsidiary
LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Four-tier subsidiary
Lite-On Automotive Electronics (CZ) Co.	Four-tier subsidiary
Lite-On Sales & Distribution Inc.	Sub-subsubsidiary
I-SOLUTIONS LIMITED	Third-tier subsidiary
LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Sub-subsubsidiary
LITE-ON CHINA HOLDING CO., LTD.	Sub-subsubsidiary
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Sub-subsubsidiary
LITE-ON ELECTRONICS (EUROPE) LIMITED	Subsidiary
LITE-ON MEDICAL DEVICE (CHANGZHOU) LTD.	Four-tier subsidiary
LEOTEK ELECTRONICS USA LLC	Sub-subsubsidiary
KBW-LITEON Jordan Private Shareholding Limited	Subsidiary
SKYLA CORPORATION	Subsidiary
Lite-On (Guangzhou) Automotive Electronics Limited	Third-tier subsidiary
LITE-ON AUTOMOTIVE (WUXI) CO., LTD	Third-tier subsidiary
GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Sub-subsubsidiary (became non-related party since October 2018)
LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	Sub-subsubsidiary
LITE-ON COMPUTER (CHANGZHOU) CO., LTD.	Four-tier subsidiary
LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Four-tier subsidiary
LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Third-tier subsidiary
Lite-On Vietnam Co., Ltd.	Subsidiary
Lite-On Power Electronic India Private Limited	Subsidiary
Lite-On Electronics (Thailand) Co., Ltd.	Subsidiary
SOLID STATE STORAGE TECHNOLOGY CORPORATION	Subsidiary
Lite-On Semiconductor Corp.	Associate
Lite-Space Technology Company Limited	Associate
Silport Travel Corp.	Related party in substance
Diodes Incorporated	Related party in substance
Lite-On Culture Foundation	Related party in substance
Silport Technology Corp.	Related party in substance

(Concluded)

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2019	2018
Subsidiaries		
Philips & Lite-On Digital Solutions Corporation	\$ 10,565,362	\$ 14,742,645
LITE-ON TRADING USA, INC.	4,644,202	5,197,154
LITE-ON SINGAPORE PTE. LTD.	3,192,713	3,846,273
Others	<u>2,501,077</u>	<u>3,076,530</u>
	<u>20,903,354</u>	<u>26,862,602</u>
Associates		
Others	11,525	9,763
Related party in substance		
Others	<u>2,833</u>	<u>497</u>
	<u>\$ 20,917,712</u>	<u>\$ 26,872,862</u>

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2019	2018
Subsidiaries		
Lite-On Overseas Trading Co., Ltd.	\$ 72,983,316	\$ 80,575,490
LITE-ON SINGAPORE PTE. LTD.	20,568,320	22,425,492
Others	<u>2,237,838</u>	<u>2,020,278</u>
	<u>95,789,474</u>	<u>105,021,260</u>
Related party in substance		
Others	<u>3,007</u>	<u>131,947</u>
	<u>\$ 95,792,481</u>	<u>\$ 105,153,207</u>

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

d. Receivables from related parties

Related Party Category	December 31	
	2019	2018
<u>Trade receivables</u>		
Subsidiaries		
Lite-On Overseas Trading Co., Ltd.	\$ 2,893,649	\$ 3,233,971
Philips & Lite-On Digital Solutions Corporation	2,842,027	3,797,699
LITE-ON TRADING USA, INC.	1,732,416	2,046,981
LITE-ON SINGAPORE PTE. LTD.	1,027,795	906,503
Others	<u>616,738</u>	<u>1,110,831</u>
	<u>9,112,625</u>	<u>11,095,985</u>

(Continued)

Related Party Category	December 31	
	2019	2018
Associates		
Others	\$ 133	\$ 2,885
Related party in substance		
Others	-	41
	<u>\$ 9,112,758</u>	<u>\$ 11,098,911</u>
<u>Other receivables</u>		
Subsidiaries		
LITE-ON SINGAPORE PTE. LTD.	\$ 105,116	\$ 86,352
Lite-On Overseas Trading Co., Ltd.	36,597	86,112
Lite-On (Guangzhou) Automotive Electronics Limited	12,503	41,572
Others	<u>50,713</u>	<u>199,100</u>
	<u>204,929</u>	<u>413,136</u>
Associates		
Others	<u>881</u>	<u>846</u>
	<u>\$ 205,810</u>	<u>\$ 413,982</u>
		(Concluded)

The outstanding trade receivables from related parties are unsecured. No allowance for doubtful accounts was recognized for trade receivables from related parties for the years ended December 31, 2019 and 2018.

e. Payables to related parties

Related Party Category	December 31	
	2019	2018
<u>Trade payables</u>		
Subsidiaries		
Lite-On Overseas Trading Co., Ltd.	\$ 23,570,248	\$ 26,481,119
LITE-ON SINGAPORE PTE. LTD.	7,212,653	8,041,771
Others	<u>562,762</u>	<u>778,563</u>
	<u>31,345,663</u>	<u>35,301,453</u>
Related party in substance		
Others	<u>78,122</u>	<u>60,478</u>
Associates		
Others	<u>1,260</u>	<u>-</u>
	<u>\$ 31,425,045</u>	<u>\$ 35,361,931</u>
		(Continued)

Related Party Category	December 31	
	2019	2018
<u>Other payables</u>		
Subsidiaries		
SOLID STATE STORAGE TECHNOLOGY CORPORATION	\$ 168,023	\$ -
LITE-ON, INC.	30,970	8,075
LITE-ON SINGAPORE PTE. LTD.	22,705	18,355
Lite-On Integrated Service Inc.	13,180	14,688
LITE-ON TECHNOLOGY SERVICE, INC.	6,658	12,853
Others	38,275	30,799
	<u>279,811</u>	<u>84,770</u>
Related party in substance		
Others	6,111	8,179
Associates		
Others	572	495
	<u>\$ 286,494</u>	<u>\$ 93,444</u> (Concluded)

The outstanding trade payables to related parties are unsecured.

f. Lease arrangements

Related Party Category	December 31	
	2019	2018
<u>Interest expense</u>		
Associate		
Lite-On Semiconductor Corp.	\$ 962	\$ -
<u>Lease expense</u>		
Associates		
Lite-On Semiconductor Corp.	\$ -	\$ 24,000

The lease terms between the Group and its related parties did not have material difference as those between the Group and non-related parties.

g. Acquisition of property, plant and equipment

Related Party Category	Purchase Price For the Year Ended December 31	
	2019	2018
Subsidiaries	\$ 5,785	\$ 2,984

h. Disposal of property, plant and equipment

Related Party Category	For the Year Ended December 31			
	2019		2018	
	Proceeds of Disposal	Gain on Disposal	Proceeds of Disposal	Gain on Disposal
Subsidiaries	\$ 10,980	\$ 3,444	\$ 3,839	\$ 1,108

i. Operating expenses

Related Party Category	For the Year Ended December 31	
	2019	2018
Subsidiaries		
LITE-ON, INC.	\$ 96,968	\$ 110,169
Lite-On Integrated Service Inc.	76,993	80,996
LITE-ON SINGAPORE PTE. LTD.	42,673	31,420
LITE-ON TECHNOLOGY SERVICE, INC.	22,520	44,291
Others	43,744	47,583
	<u>282,898</u>	<u>314,459</u>
Associates		
Others	35	20
Related party in substance		
Silport Travel Corp.	66,645	81,075
Others	8,934	9,049
	<u>75,579</u>	<u>90,124</u>
	<u>\$ 358,512</u>	<u>\$ 404,603</u>

The Company donated and recognized associated expenses of \$8,375 thousand and \$8,669 thousand for the years ended December 31, 2019 and 2018, respectively, to help Lite-On Cultural Foundation, a related party in substance, facilitate communal, cultural and educational projects.

j. Other revenue

Related Party Category	For the Year Ended December 31	
	2019	2018
Subsidiaries		
Skyla Corporation	\$ 15,291	\$ 22,170
LITE-ON TRADING USA, INC.	10,312	6,070
Lite-On (Guangzhou) Automotive Electronics Limited	9,307	10,429
LEOTEK ELECTRONICS USA LLC	6,590	7,965
Others	18,474	23,804
	<u>59,974</u>	<u>70,438</u>
Associates		
Others	5,190	4,353
Related party in substance		
Others	37	88
	<u>\$ 65,201</u>	<u>\$ 74,879</u>

k. Acquisition of financial assets

For the year ended December 31, 2019

Related Party Category/Name	Line Item	Number of Shares	Underlying Assets	Purchase Price
Subsidiaries				
Silitech Technology Corporation	Investments accounted for using the equity method	980,300	Equity interests of Lite-On Japan Ltd., a subsidiary	\$ 67,311
Associate				
Lite-On Semiconductor Corp.	Investments accounted for using the equity method	980,300	Equity interests of Lite-On Japan Ltd., a subsidiary	<u>66,864</u>
				<u>\$ 134,175</u>

l. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2019	2018
Short-term employee benefits	\$ 526,129	\$ 550,670
Post-employment benefits	<u>37,567</u>	<u>19,103</u>
	<u>\$ 563,696</u>	<u>\$ 569,773</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

	<u>December 31</u>	
	2019	2018
Pledged time deposits (classified as financial assets at amortized costs)	<u>\$ 351,412</u>	<u>\$ 308,690</u>

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

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In May 2019, the Public Lighting Authority of Detroit sued Leotek Electronics USA LLC, the Company's subsidiary, at the Federal District Court in eastern Mississippi for violating the purchase agreements signed by both parties and sought for compensations. The Public Lighting Authority claimed that the LED street lights supplied by the subsidiary experienced premature luminous decay and burned out during the warranty period. The matter was settled in December 2019 and the settlement agreement does not have material impact on the operation and financial performance of the Company.

- b. Bench Walk Lighting, LLC sued the Company and its subsidiary - LITE-ON TECHNOLOGY USA, INC. - for patent infringement during the fourth quarter of the year ended December 31, 2019. The petitioner claimed that certain products supplied by the subsidiary infringed the original patents and demanded royalty payments. The Company has retained its attorney to appropriately handle the litigation. There was no material impact on the operation and financial performance of the Company at the time of evaluation.
- c. Castlemorton Wireless, LLC sued the subsidiaries - LITE-ON, INC. and LITE-ON TRADING USA, INC. - for patent infringement during the fourth quarter of the year ended December 31, 2019. The petitioner claimed that certain products supplied by the subsidiaries infringed the original patents and demanded royalty payments. The Company has retained its attorney to appropriately handle the litigation. There was no material impact on the operation and financial performance of the Company at the time of evaluation.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,042,461	29.9300 (USD:NTD)	\$ 31,200,871
CNY	47,229	4.3050 (CNY:NTD)	203,319
EUR	1,171	33.5425 (EUR:NTD)	39,267
GBP	543	39.2576 (GBP:NTD)	21,325
CZK	15,520	1.3205 (CZK:NTD)	<u>20,471</u>
			<u>\$ 31,485,253</u>
Non-monetary items			
Investments in associates and joint ventures accounted for using the equity method			
USD	1,652,792	29.9300 (USD:NTD)	\$ 49,468,078
HKD	4,526,071	3.8443 (HKD:NTD)	17,399,575
THB	2,093,934	0.9947 (THB:NTD)	2,082,836
JOD	43,520	42.2740 (JOD:NTD)	<u>1,839,783</u>
			<u>\$ 70,790,272</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 1,743,579	29.9300 (USD:NTD)	\$ 52,185,320
CNY	14,667	4.3050 (CNY:NTD)	63,143
EUR	1,588	33.5425 (EUR:NTD)	53,250
CZK	9,547	1.3205 (CZK:NTD)	12,606
HKD	3,116	3.8443 (HKD:NTD)	<u>11,980</u>
			<u>\$ 52,326,299</u> (Concluded)

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,339,988	30.6650 (USD:NTD)	\$ 41,090,734
EUR	1,078	35.1268 (EUR:NTD)	37,862
CNY	4,435	4.4836 (CNY:NTD)	19,884
CZK	17,892	1.3596 (CZK:NTD)	24,325
JPY	82,184	0.2778 (JPY:NTD)	<u>22,831</u>
			<u>\$ 41,195,636</u>
Non-monetary items			
Investments in associates accounted for using the equity method			
USD	1,526,756	30.6650 (USD:NTD)	\$ 46,817,965
HKD	4,119,495	3.9153 (HKD:NTD)	16,129,058
THB	1,872,344	0.9488 (THB:NTD)	1,776,480
JOD	28,014	43.2206 (JOD:NTD)	<u>1,210,895</u>
			<u>\$ 65,934,398</u>

Financial liabilities

Monetary items			
USD	1,951,154	30.6650 (USD:NTD)	\$ 59,832,126
CZK	15,977	1.3596 (CZK:NTD)	21,722
JPY	64,286	0.2778 (JPY:NTD)	17,859
EUR	315	35.1268 (EUR:NTD)	11,056
HKD	3,467	3.9153 (HKD:NTD)	<u>13,573</u>
			<u>\$ 59,896,336</u>

For the years ended December 31, 2019 and 2018, the net foreign exchange gains (losses) were \$361,889 thousand and \$(525,188) thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the extensive variety of the foreign currency transactions.

32. 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 controlled entities): 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 properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 4 below.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 5 below.
- 9) Trading in derivative instruments: See Note 7 and Note 27 to the financial statements.
- 10) Information on investees: See Table 6 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 7 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 4 and Table 5 below.

TABLE 1

LITE-ON TECHNOLOGY CORPORATION
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	Lite-On Technology (Europe) B.V.	b	\$ 7,245,977	\$ 67,106	\$ -	\$ -	\$ -	-	\$ 28,983,910	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 collectively 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. The net worth is based on the latest audited financial statements.

TABLE 2

LITE-ON TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2019			Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	
Lite-On Technology Corporation	Ordinary shares	-	Financial asset at FVTPL	449	\$ 14,524	0.04	
	EPISTAR Corporation	-	Financial asset at FVTOCI	5,437	154,141	0.19	
	Wistron Corporation	-	Financial asset at FVTOCI	7,905	68,617	9.52	
	Logah Technology Corp.	-	Financial asset at FVTOCI	5,000	9,009	11.11	
	Com2B Corp.	-	Financial asset at FVTPL	559	-	6.99	Note
	Avamax Corp.	Member of the board of directors	Financial asset at FVTPL	4,026	-	8.07	Note
	Aetas Technology, Inc.	-	Financial asset at FVTPL	41,400	-	19.71	Note
	AuriaSolar Co., Ltd.	-	Financial asset at FVTOCI	63	821	0.09	
	Z-Com, Inc.	-	Financial asset at FVTPL	1,167	-	6.67	
	Fong Han Electronics Co., Ltd.	-	Financial asset at FVTPL	-	-	-	Note
	Xepex Electronics Co., Ltd.	-	Financial asset at FVTOCI	5	-	2.67	Note
	North America Micro-Electronic & Software, Incorporated	-	Financial asset at FVTPL	38	-	-	Note
	Action Media Technologies, Inc.	-	Financial asset at FVTPL	1	847	0.01	
	Oplink Communications, Inc.	-	Financial asset at FVTOCI	462	4,620	15.40	
	Taiwan Changxing Technology Co., Ltd.	-	Financial asset at FVTOCI	1,710	29,070	19.29	
	InSynergy Technology Co., Ltd.	Member of the board of directors	Financial asset at FVTOCI	-	11,500	10.00	
	TAIWAN METAL PRECISION LTD.	-	Financial asset at FVTPL	-	-	-	
	Preference shares	-	Financial asset at FVTPL	11,111	-	7.66	Note
	Arkologic Holdings Limited	-	Financial asset at FVTPL	1,139	-	10.65	Note
	PL-CORAL	-	Financial asset at FVTPL	-	-	-	
	Fund	-	Financial asset at FVTPL	-	44,840	-	
	Arm IoT Fund, L.P.	-	Financial asset at FVTPL	-	-	-	
	Convertible bond	-	Financial asset at FVTPL	150	-	-	Note
	Xepex Electronics Co., Ltd.	-	Financial asset at FVTPL	-	-	-	

Note: The carrying values of the 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, 2019
(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Shares/Units (In Thousands)	Disposal		Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount		Amount	Shares/Units (In Thousands)	Gain (Loss) on Disposal	Shares/Units (In Thousands)
Lite-On Technology Corporation	The shares of KBW-LITEON Jordan Private Shareholding Limited	Investments accounted for using the equity method	KBW-LITEON Jordan Private Shareholding Limited	100%-owned subsidiary	21,797	\$ 1,210,895	14,260	\$ 682,453 (Note 1)	-	\$ 53,567 (Note 1)	-	36,507	\$ 1,839,781
	The shares of Lite-On Japan Ltd.	Investments accounted for using the equity method	-	100%-owned subsidiary	6,162	342,959	6,289	437,215 (Note 2)	-	5,157 (Note 2)	-	12,451	775,017
	The shares of SOLID STATE STORAGE TECHNOLOGY CORPORATION	Non-current assets held for sale	SOLID STATE STORAGE TECHNOLOGY CORPORATION	100%-owned subsidiary	-	-	448,245	4,482,454 (Note 3)	-	4,482,454 (Note 3)	-	448,245	-

Note 1: The acquisition amount includes the acquisition of \$623,987 thousand, the share of profit on investments accounted for the using the equity method of \$58,202 thousand, and the effects on changes in equities of \$264 thousand; the disposal amount refers to the effects on changes in equities.

Note 2: The acquisition amount includes the acquisition of \$417,219 thousand, the share of profit on investments accounted for the using the equity method of \$7,281 thousand, and the effects on changes in equities of \$12,715 thousand; the disposal amount refers to the effects on changes in equities.

Note 3: The acquisition amount includes the acquisition of \$50 thousand and the transfer through spin-off of \$4,482,404 thousand; the disposal amount refers to the share of loss on investments accounted for using the equity method of \$41,914 thousand and the reclassification to non-current assets held for sale of \$4,440,540 thousand.

TABLE 4

LITE-ON TECHNOLOGY CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction			Notes/Trade (Payable) or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Lite-On Technology Corporation	Philips & Lite-On Digital Solutions Corporation LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Japan Ltd. LITE-ON TRADING USA, INC. Lite-On Sales & Distribution Inc. SOLID STATE STORAGE TECHNOLOGY CORPORATION LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Overseas Trading Co., Ltd.	Subsidiary Fourth-tier subsidiary Subsidiary Subsidiary Subsidiary Subsidiary Subsidiary Fourth-tier subsidiary Subsidiary Subsidiary	Sale	\$ (10,565,362)	(8.74)	About 90 days	Cost-plus pricing	No significant difference	\$ 2,842,027	9.26	
			Sale	(1,083,840)	(0.90)	About 90 days	Cost-plus pricing	No significant difference	398,501	1.30	
			Sale	(3,192,713)	(2.64)	About 90 days	Cost-plus pricing	No significant difference	1,027,795	3.35	
			Sale	(779,079)	(0.64)	About 90 days	Cost-plus pricing	No significant difference	156,205	0.51	
			Sale	(4,644,202)	(3.84)	About 90 days	Cost-plus pricing	No significant difference	1,732,416	5.64	
			Sale	(483,819)	(0.40)	About 90 days	Cost-plus pricing	No significant difference	-	-	
			Purchase	112,643	0.10	About 90 days	Cost-plus pricing	No significant difference	(111,354)	(0.32)	
			Purchase	2,055,279	1.91	About 90 days	Cost-plus pricing	No significant difference	(447,884)	(1.29)	
			Purchase	20,568,320	19.10	About 90 days	Cost-plus pricing	No significant difference	(7,212,653)	(20.71)	
			Purchase	72,983,316	67.78	About 90 days	Cost-plus pricing	No significant difference	(23,570,248)	(67.68)	

TABLE 5

LITE-ON TECHNOLOGY CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(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 LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD. LITE-ON SINGAPORE PTE. LTD. Lite-On Japan Ltd. LITE-ON TRADING USA, INC. Lite-On Overseas Trading Co., Ltd.	Subsidiary	\$ -	\$ 2,842,027	\$ 368	3.18	\$ 297,266	-	\$ 2,001,267	\$ -
		Fourth-tier subsidiary	-	398,501	-	2.52	-	-	-	-
		Subsidiary	-	1,027,795	105,116	13.26	-	-	229,106	-
		Subsidiary	-	156,205	1,687	4.94	-	-	16,852	-
		Sub-subsubsidiary	-	1,732,416	18,094	2.46	-	-	347,641	-
		Subsidiary	-	2,893,649	36,597	-	-	-	1,489,331	-

TABLE 6

LITE-ON TECHNOLOGY CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				December 31, 2019	December 31, 2018		Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Lite-On Technology Corporation	Sifitech Technology Corporation	New Taipei City, Taiwan	Manufacture and sale of modules and plastic/rubber products	\$ 108,600	\$ 324,685		20,322	33.87	\$ 853,863	\$ (30,495)	\$ (7,846)	Subsidiary
	Lite-On Integrated Service Inc.	Taipei City, Taiwan	Information outsourcing and system integration	25,886	25,886		3,400	100.00	54,781	11,929	11,929	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		21,969	29.62	889,779	(77,579)	(21,669)	Associate (Note 1)
	Lite-On Capital Corporation	Taipei City, Taiwan	Investment activities	4,096,367	4,096,367		209,545	100.00	1,484,244	52,501	8,163	Subsidiary
	LITE-ON ELECTRONICS H.K. LIMITED	Hong Kong	Sale of LED optical products	7,339,481	7,339,481		17,865	100.00	17,346,887	481,126	1,947,252	Subsidiary
	Lite-On Electronics (Thailand) Co., Ltd.	Thailand	Manufacture and sale of LED optical products	632,128	529,106		6,050	100.00	2,082,837	THB 119,590	117,334	Subsidiary
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	679,856	248,305		12,451	100.00	775,017	JPY 53,171	7,281	Subsidiary
	Lite-On International Holding Co., Ltd.	British Virgin Islands	Investment activities	US\$ 363,725	US\$ 357,625		363,725	100.00	19,591,419	US\$ 61,472	2,192,725	Subsidiary
	LTC GROUP LTD.	British Virgin Islands	Investment activities	\$ 1,098,752	\$ 1,098,752		32,916	100.00	161,203	US\$ (733)	(38,209)	Subsidiary
	LITE-ON TECHNOLOGY USA, INC.	USA	Investment activities	US\$ 55,172	US\$ 55,172		470	100.00	2,378,528	US\$ 5,153	158,890	Subsidiary
	LITE-ON ELECTRONICS (EUROPE) LIMITED	United Kingdom	Manufacture and sale of power supplies	\$ 44,559	\$ 44,559		300	100.00	65,413	GBP 126	4,956	Subsidiary
	Lite-On Technology (Europe) B.V.	Netherlands	Market research and after-sales services	2,543,184	2,543,184		331	54.00	421,187	EUR (609)	(11,471)	Subsidiary
	Lite-On Overseas Trading Co., Ltd.	British Virgin Islands	Investment activities	168,947	168,947		5,143	100.00	242,766	US\$ 425	11,924	Subsidiary
	LITE-ON SINGAPORE PTE. LTD.	Singapore	Manufacture and supply of computer peripheral products	US\$ 63,788	US\$ 63,788		51,777	100.00	12,964,934	US\$ 36,793	1,230,317	Subsidiary
	Lite-On Semiconductor Corp.	New Taipei City, Taiwan	Manufacture of image sensors and rectifiers	\$ 773,618	\$ 773,618		57,204	18.31	1,364,881	\$ 458,416	83,935	Associate (Note 1)
	LITE-ON VIETNAM CO., LTD.	Vietnam	Electronic contract manufacturing	US\$ 21,000	US\$ 12,000		-	100.00	663,988	US\$ 1,652	50,972	Subsidiary
	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	British Virgin Islands	Manufacture and sale of computer and appliance components	-	\$ 56,929		-	-	-	US\$ (8)	(246)	Subsidiary
	EAGLE ROCK INVESTMENT LTD.	British Virgin Islands	Import and export and investment activities	341	341		10	100.00	1,379,538	US\$ 5,924	183,267	(Note 2)
	Canfield Ltd.	Apia, Samoa	Import and export and investment activities	-	7,142		-	-	-	US\$ 49	504	Associate (Note 3)
	LITE-ON MOBILE PTE. LTD.	Singapore	Manufacture and sale of mobile phone modules and design of assembly lines	EUR 457,014	EUR 457,014		403,045	100.00	3,868,831	US\$ (11,959)	(369,180)	Subsidiary
	LFT (HK) LIMITED	Hong Kong	Sale of optical disc drives	\$ 251,322	\$ 251,322		62,060	100.00	52,688	HK\$ 3,477	13,796	Subsidiary
	HIGH YIELD GROUP CO., LTD.	British Virgin Islands	Holding company	2,271,806	2,271,806		68,138	100.00	5,719,653	US\$ 1,162	75,877	Subsidiary
	Lite-On Information Technology B.V.	Netherlands	Market research and customer service	1,163,591	1,163,591		11,018	100.00	16,557	EUR 31	1,142	Subsidiary
	Philips & Lite-On Digital Solutions Corporation	Taipei City, Taiwan	Sale of optical disc drives	267,113	267,113		17,150	49.00	263,895	\$ 63,598	31,065	Subsidiary
	Lite-Space Technology Company Limited	Hong Kong	Sale of computer components	165,498	165,498		5,600	46.67	105,774	US\$ 826	12,171	Associate
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Mexico	Production, manufacture, sale, import and export of photovoltaic devices, 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\$ 8,910	US\$ 4,950		295	99.00	227,611	MXN 34,126	54,503	Subsidiary
	Lite-On Automotive International (Cayman) Co., Ltd.	Cayman	Investment activities	US\$ 100,626	US\$ 100,626		11,967	100.00	2,227,755	US\$ (230)	(63,086)	Subsidiary
	KBW-LEOTEK Jordan Private Shareholding Ltd.	Jordan	Investment activities	US\$ 69	US\$ 69		49	49.00	2	JOD 6	121	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Lite-On Technology Corporation	KBW-LITEON Jordan Private Shareholding Limited	Jordan	Production and manufacture of energy-saving lights and project construction and maintenance	US\$ 50,928	US\$ 30,786	36,057	99.86	\$ 1,839,781	IOD 1,336	\$ 58,202	Subsidiary
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	India	Manufacture and sale of phone chargers and power supplies	INR 1,023,741	INR 403,920	102,374	99.00	268,460	INR (193,935)	(82,743)	Subsidiary
	SKYLA CORPORATION	Taiwan	Manufacture and sale of medical equipment	\$ 200,000	\$ 200,000	20,000	64.94	202,160	\$ 6,821	2,902	Subsidiary
	SOLID STATE STORAGE TECHNOLOGY CORPORATION	Taipei City, Taiwan	Manufacture and duplication of electronic components and data storage medium	4,482,454	-	448,245	100.00	-	(41,914)	(41,914)	Subsidiary (Notes 4 and 5)

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

Note 2 Liquidated in June 2019.

Note 3 Sold in June 2019.

Note 4 The investment amount includes prepayments for investments of \$4,482,404 thousand and has obtained the documents associated with modifying the Certificate of Incorporation on January 3, 2020.

Note 5 The carrying amount as of December 31, 2019 has been reclassified to disposal groups held for sale. Refer to Statement 4 of the Statements of Major Accounting Items for further information.

(Concluded)

TABLE 7

LITE-ON TECHNOLOGY CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2019 (Note 2)	Accumulated Inward Remittances of Earnings as of December 31, 2019	Note
Lite-On Technology Corporation	LITE-ON COMPUTER TECHNOLOGY (DONGGUAN) CO., LTD.	Manufacture and sale of display device	\$ 490,832	a	\$ 852,077	-	-	\$ 852,077	\$ (12,246)	100.00	\$ (12,246)	\$ 361,999	\$ -	-
	LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	ODM services	(US\$ 16,400)	a	(US\$ 28,469)	-	-	(US\$ 28,469)	(CNY -2,727)	100.00	(CNY -2,727)	(HK\$ 94,165)	-	-
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture of electronic components	(US\$ 66,500)	a	(US\$ 1,990,285)	-	-	(US\$ 1,990,285)	(CNY 167,854)	100.00	(CNY 167,854)	(HK\$ 3,179,609)	-	-
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Manufacture and sale of keyboards	(US\$ 35,400)	a	(US\$ 1,059,522)	-	-	(US\$ 1,059,522)	(CNY 37,379)	100.00	(CNY 37,379)	(HK\$ 827,097)	-	-
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Manufacture and sale of printers and scanners	(US\$ 4,800)	a	(US\$ 143,664)	-	-	(US\$ 143,664)	(CNY 33,124)	100.00	(CNY 33,124)	(HK\$ 717,409)	-	-
	CHINA BRIDGE (CHINA) CO., LTD.	Investment activities, consulting services and acting as a sales agent	(US\$ 36,600)	a	(US\$ 1,095,438)	-	-	(US\$ 1,095,438)	(CNY 847,920)	100.00	(CNY 847,920)	(HK\$ 3,846,384)	-	-
	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Manufacture and sale of IT products	(US\$ 30,000)	a	(US\$ 29,745)	-	-	(US\$ 29,745)	(CNY 22,883)	100.00	(CNY 22,883)	(HK\$ 919,531)	-	Note 3
	LITE-ON COMMUNICATION (GUANGZHOU) COMPANY LIMITED	Manufacture and sale of mobile terminal equipment	(US\$ 44,416)	a	(US\$ 1,289,833)	-	-	(US\$ 1,289,833)	(CNY 568,029)	100.00	(CNY 568,029)	(HK\$ 4,166,195)	-	-
	LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED	Manufacture and sale of computer case	(US\$ 993,676)	a	(US\$ 735,081)	-	-	(US\$ 735,081)	(CNY 126,493)	100.00	(CNY 126,493)	(HK\$ 1,083,733)	-	Note 3
	COMMIT Incorporated	Manufacture and sale of application software and multimedia product design	(US\$ 32,086)	a	(US\$ 993,676)	-	-	(US\$ 993,676)	-	1.87	-	-	-	Note 3
	LITE-ON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED	Manufacture and sale of mobile terminal equipment	(US\$ 15,810)	a	(US\$ 473,193)	-	-	(US\$ 473,193)	-	100.00	-	-	-	Note 3
	LITE-ON (GUANGZHOU) INFOTECH CO., LTD.	Information outsourcing	(US\$ 1,270)	a	(US\$ 70,156)	-	-	(US\$ 70,156)	(CNY 7,670)	100.00	(CNY 7,670)	(HK\$ 185,057)	-	-
	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	(US\$ 544,726)	a	(US\$ 2,344)	-	-	(US\$ 2,344)	(CNY 1,708)	100.00	(CNY 1,708)	(HK\$ 48,138)	-	Note 3
	LITE-ON DIGITAL ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture and sale of computer peripheral products	(US\$ 3,000)	a	(US\$ 89,790)	-	-	(US\$ 89,790)	(CNY 1,671)	100.00	(CNY 1,671)	(HK\$ 86,574)	-	-
	LITE-ON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Manufacture and sale of electronic components	(US\$ 12,000)	a	(US\$ 399,146)	-	-	(US\$ 399,146)	(CNY 63,277)	100.00	(CNY 63,277)	(HK\$ 502,769)	-	-
	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Manufacture and sale of electronic components	(US\$ 6,500)	a	(US\$ 13,336)	-	-	(US\$ 13,336)	(CNY 14,091)	100.00	(CNY 14,091)	(HK\$ 130,783)	-	-
	LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	Investment activities, consulting services and acting as a sales agent	(US\$ 166,000)	a	(US\$ 194,545)	-	-	(US\$ 194,545)	(CNY 63,394)	100.00	(CNY 63,394)	(US\$ 354,102)	-	-
	LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	Investment activities	(US\$ 80,000)	a	(US\$ 4,968,380)	-	-	(US\$ 4,968,380)	(CNY 511,390)	100.00	(CNY 511,390)	(US\$ 8,430,569)	-	-
	Lite-On Technology (Yingtan) Ltd.	Manufacture and sale of electronic components	-	a	(US\$ 329,230)	-	-	(US\$ 80,000)	(CNY 42,526)	100.00	(CNY 42,526)	(HK\$ 219,005)	-	-
	LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Development, manufacture and sale of electronic components, power supplies and provision of technology consulting services	(US\$ 478,042)	a	(US\$ 11,000)	-	-	(US\$ 11,000)	(CNY 4,518)	-	(CNY 4,518)	(HK\$ 1,008,133)	-	Note 4
	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	(US\$ 1,000)	a	(US\$ 29,930)	-	-	(US\$ 29,930)	(CNY 36,130)	100.00	(CNY 36,130)	(HK\$ 262,241)	-	-
	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Manufacture and sale of optical disc drives	(US\$ 1286,990)	a	(US\$ 1,286,990)	-	-	(US\$ 1,286,990)	(CNY 22,040)	100.00	(CNY 22,040)	(CNY (18,490))	-	-
	Lite-On Auto Electric Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	(US\$ 2,000)	a	(US\$ 43,000)	-	-	(US\$ 43,000)	(CNY (86,029))	100.00	(CNY (86,029))	(US\$ 1,814,297)	-	-
					(US\$ 59,860)	-	-	(US\$ 59,860)	(CNY (19,358))	100.00	(CNY (19,358))	(US\$ 60,618)	-	-
					(US\$ 2,000)	-	-	(US\$ 2,000)	(CNY (48,350))	100.00	(CNY (48,350))	(US\$ 81,050)	-	-
						-	-		(CNY (10,767))			(US\$ 2,768)	-	-

(Continued)

Standalone Financial Statements

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment (Note 1)	Accumulated Outflow of Investment from January 1, 2019	Investment of Flows		Accumulated Outflow of Investment from December 31, 2019	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
						Outflow	Inflow							
	LITEON-IT OPTO TECH (BH) CO., LTD.	Manufacture and sale of optical disc drives	\$ 1,646,150 (US\$ 55,000)	a	\$ 1,646,150 (US\$ 55,000)	-	\$ -	\$ 1,646,150 (US\$ 55,000)	\$ 170,778 (CNY 38,030)	100.00	\$ 170,778 (CNY 38,030)	\$ 4,113,040 (US\$ 137,422)	\$ -	-
	Lite-On (Guangzhou) Automotive Electronics Limited	Manufacture, sale and processing of electronic products	185,566 (US\$ 6,200)	a	175,689 (US\$ 5,870)	-	-	175,689 (US\$ 5,870)	43,707 (CNY 9,733)	100.00	43,707 (CNY 9,733)	1,745,931 (HK\$ 454,161)	-	-
	LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	Manufacture, sale and processing of electronic products	149,650 (US\$ 5,000)	a	149,650 (US\$ 5,000)	-	-	149,650 (US\$ 5,000)	51,902 (CNY 11,558)	100.00	51,902 (CNY 11,558)	520,876 (HK\$ 135,493)	-	-
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	397,331 (US\$ 13,276)	a	190,864 (US\$ 6,377)	-	-	190,864 (US\$ 6,377)	181,344 (CNY 40,383)	100.00	181,344 (CNY 40,383)	1,359,989 (US\$ 45,439)	-	-
	HUIZHOU FU TAI ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	-	a	-	-	-	-	1,486 (CNY 331)	-	1,486 (CNY 331)	-	-	Note 5
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Manufacture and sale of energy saving equipment	2,125,030 (US\$ 71,000)	a	2,125,030 (US\$ 71,000)	-	-	2,125,030 (US\$ 71,000)	(369,594) (CNY -82,304)	100.00	(369,594) (CNY -82,304)	2,252,053 (US\$ 75,244)	-	-
	SUZHOU LITE-ON STORAGE CO., LTD.	Research, development, manufacture, sale of SSD and smart storage device (including high-speed with more than 10TB storage capacity) provide after-sales service and technical support, import and export, as a principal or an agent, assorted products and technologies	2,093,000 (US\$ 100,000)	b	1,346,850 (US\$ 45,000)	-	-	1,346,850 (US\$ 45,000)	(4,278) (CNY -1,371)	45.00	(2,240) (CNY -626)	1,309,135 (US\$ 45,000)	-	-
	BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly lines	478,880 (US\$ 16,000)	a	1,567,255 (US\$ 52,364)	-	-	1,567,255 (US\$ 52,364)	(50,088) (CNY -11,154)	100.00	(50,088) (CNY -11,154)	474,630 (US\$ 15,858)	-	-
	GUANGZHOU LITE-ON MOBILE ENGINEERING PLASTICS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly lines	585,730 (US\$ 19,570)	a	2,712,466 (US\$ 90,627)	-	-	2,712,466 (US\$ 90,627)	49,082 (CNY 10,930)	100.00	49,082 (CNY 10,930)	1,898,011 (US\$ 60,408)	-	-
	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Solar energy engineering	22,448 (US\$ 750)	a	22,448 (US\$ 750)	-	-	22,448 (US\$ 750)	(1,096) (CNY -244)	100.00	(1,096) (CNY -244)	(10,763) (US\$ -2,500)	-	-
	Changzhou Rohu Thin Film Solar Greenhouse Co., Ltd.	Manufacture and sale of solar energy engineering	430,500 (CNY 100,000)	a	89,700 (CNY 2,997)	-	-	89,700 (CNY 2,997)	-	19.90	-	4,190 (US\$ 140)	-	-
	Epienergy (Changzhou) Co., Ltd.	Manufacture, design and sale of light-emitting diode and related display	4,699,010 (US\$ 157,000)	a	808,110 (US\$ 27,000)	-	-	808,110 (US\$ 27,000)	(129,549) (CNY -28,849)	19.74	(25,569) (CNY -5,694)	856,531 (CNY 198,962)	-	-
	DONGGUAN LITE-ON COMPUTER CO., LTD.	Manufacture and sale of computer hosts and components	59,860 (US\$ 2,000)	a	59,860 (US\$ 2,000)	-	-	59,860 (US\$ 2,000)	3,408 (CNY 759)	100.00	3,408 (CNY 759)	100,083 (CNY 23,248)	-	-
	DongGuan Huagang Information Technology Co., Ltd.	Manufacture and sale of laser head and digital player machine core	86,100 (US\$ 20,000)	a	52,138 (US\$ 1,742)	-	-	52,138 (US\$ 1,742)	2,730 (CNY 608)	46.67	1,275 (CNY 284)	2,945 (CNY 684)	-	-
	NL (SHANGHAI) CO., LTD.	Import and export of electronic components	8,979 (US\$ 300)	a	4,430 (US\$ 148)	88,293 (US\$ 2,950)	-	88,293 (US\$ 2,950)	2,152 (JPY 7,602)	100.00	2,152 (JPY 7,602)	9,819 (JPY 35,655)	-	-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 31,245,543 (US\$ 1,043,954)	\$ 39,540,463 (US\$ 1,321,098)	Note 6

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

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

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

Note 3: 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 LITE-ON ELECTRONICS (GUANGZHOU) LIMITED as the surviving entity. As the merger was still underway, the change in the amount of investment in mainland China has not yet registered with the Ministry of Economic Affairs.

Note 4: Liquidated in August 2019.

Note 5: Deceased upon being merged with HUIZHOU LI SHIN ELECTRONIC CO., LTD. in October 2019.

Note 6: Under Order No. 10720403170 issued by the Ministry of Economic Affairs, R.O.C. on February 5, 2018, the Parent Company acquired a certification - approved by the Industrial Development Bureau and valid from January 31, 2018 to January 30, 2021 - of its status as operation headquarters in the ROC. Thus, the Company has no limitation on the amount of investment in mainland China.

(Concluded)





LITE-ON Technology Corporation



Chairman: Raymond Soong

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