

**TONS LIGHTOLOGY INC. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
MARCH 31, 2021 AND 2020**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

**To the Board of Directors and Shareholders of Tons Lightology Inc.**

### *Introduction*

We have reviewed the accompanying consolidated balance sheets of Tons Lightology Inc. and subsidiaries (the "Group") as at March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### *Scope of review*

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Basis for qualified conclusion*

As explained in Note 6(7), the financial statements of investments accounted for using equity method were not reviewed by independent auditors. The balances of investments accounted for using equity method amounted to NT\$32,690 thousand and NT\$50,238 thousand, constituting 2% and 4% of the consolidated total assets as at March 31, 2021 and 2020, respectively, share of loss of associates and joint ventures accounted for using equity method amounted to NT\$4,723 thousand and NT\$6,639 thousand, constituting 71% of the consolidated total profit before tax and 15% of the consolidated total loss before tax as at March 31, 2021 and 2020, respectively, and the total related comprehensive loss amounted to NT\$4,723 thousand and NT\$6,639 thousand, constituting 50% and 9% of the consolidated

total comprehensive loss for the three months then ended, respectively.

***Qualified conclusion***

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of investments accounted for using equity method been reviewed by independent auditors as described in the Basis for qualified conclusion section, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

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Hung, Shu-Hua

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Liu, Mei Lan

For and on behalf of PricewaterhouseCoopers, Taiwan

April 29, 2021

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(The balance sheets as of March 31, 2021 and 2020 are reviewed, not audited)

	Assets	Notes	March 31, 2021		December 31, 2020		March 31, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 338,124	25	\$ 353,565	26	\$ 274,698	22
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		94,129	7	104,166	8	100,696	8
1136	Current financial assets at	6(3) and 8						
	amortised cost		177,146	13	179,361	13	81,715	7
1150	Notes receivable, net	6(4)	428	-	1,205	-	353	-
1170	Accounts receivable, net	6(4)	153,427	11	127,431	9	70,056	6
1180	Accounts receivable - related	6(4) and 7(2)						
	parties		-	-	518	-	393	-
1200	Other receivables		4,604	-	3,615	-	3,146	-
130X	Inventories	6(5)	174,410	13	163,797	12	172,993	14
1410	Prepayments		13,161	1	16,170	1	19,538	2
1470	Other current assets		1,056	-	1,869	-	2,866	-
11XX	<b>Current Assets</b>		<u>956,485</u>	<u>70</u>	<u>951,697</u>	<u>69</u>	<u>726,454</u>	<u>59</u>
<b>Non-current assets</b>								
1517	Non-current financial assets at fair	6(6)						
	value through other comprehensive							
	income		49,996	4	53,906	4	106,408	9
1550	Investments accounted for using	6(7)						
	equity method		32,690	2	37,413	3	50,238	4
1600	Property, plant and equipment	6(8)	266,755	20	273,609	20	290,314	23
1755	Right-of-use assets	6(9)	38,579	3	41,028	3	46,314	4
1780	Intangible assets		5,000	-	4,337	-	1,118	-
1840	Deferred income tax assets	6(25)	3,735	-	3,571	-	4,073	-
1900	Other non-current assets	6(10) and 8	7,043	1	8,187	1	8,284	1
15XX	<b>Non-current assets</b>		<u>403,798</u>	<u>30</u>	<u>422,051</u>	<u>31</u>	<u>506,749</u>	<u>41</u>
1XXX	<b>Total assets</b>		<u>\$ 1,360,283</u>	<u>100</u>	<u>\$ 1,373,748</u>	<u>100</u>	<u>\$ 1,233,203</u>	<u>100</u>

(Continued)

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(The balance sheets as of March 31, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2021		December 31, 2020		March 31, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>								
2120	Financial liabilities at fair value through profit or loss - current	6(2)	\$ -	-	\$ -	-	\$ 698	-
2150	Notes payable		48	-	25	-	412	-
2170	Accounts payable		83,840	6	88,144	6	47,373	4
2180	Accounts payable - related parties	7(2)	-	-	-	-	4,505	-
2200	Other payables	6(11)	173,042	13	85,986	6	163,259	13
2230	Current income tax liabilities		29,225	2	22,200	2	4,835	-
2250	Provisions for liabilities - current		499	-	400	-	-	-
2280	Current lease liabilities		6,649	1	7,192	1	7,924	1
2300	Other current liabilities	6(18)	12,462	1	17,741	1	7,759	1
21XX	<b>Current Liabilities</b>		<u>305,765</u>	<u>23</u>	<u>221,688</u>	<u>16</u>	<u>236,765</u>	<u>19</u>
<b>Non-current liabilities</b>								
2550	Provisions for liabilities - non-current		341	-	316	-	326	-
2570	Deferred income tax liabilities	6(25)	2,661	-	3,445	-	8,464	1
2580	Non-current lease liabilities		4,206	-	5,591	-	10,348	1
2600	Other non-current liabilities	6(12)	8,473	1	8,476	1	10,772	1
25XX	<b>Non-current liabilities</b>		<u>15,681</u>	<u>1</u>	<u>17,828</u>	<u>1</u>	<u>29,910</u>	<u>3</u>
2XXX	<b>Total Liabilities</b>		<u>321,446</u>	<u>24</u>	<u>239,516</u>	<u>17</u>	<u>266,675</u>	<u>22</u>
<b>Equity attributable to owners of parent</b>								
<b>Share capital</b>								
3110	Share capital - common stock	6(14)	399,616	29	396,723	29	402,533	33
3140	Advance receipts for share capital		-	-	965	-	-	-
<b>Capital surplus</b>								
3200	Capital surplus	6(15)	511,595	37	508,419	37	512,816	42
<b>Retained earnings</b>								
3310	Legal reserve	6(16)	95,799	7	95,799	7	85,219	7
3320	Special reserve		54,323	4	54,323	4	38,429	3
3350	Unappropriated retained earnings		122,180	9	212,854	16	65,977	5
<b>Other equity interest</b>								
3400	Other equity interest	6(17)	( 81,940)	( 6)	( 72,115)	( 5)	( 82,175)	( 7)
3500	Treasury shares	6(14)	( 62,736)	( 4)	( 62,736)	( 5)	( 56,271)	( 5)
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,038,837</u>	<u>76</u>	<u>1,134,232</u>	<u>83</u>	<u>966,528</u>	<u>78</u>
3XXX	<b>Total equity</b>		<u>1,038,837</u>	<u>76</u>	<u>1,134,232</u>	<u>83</u>	<u>966,528</u>	<u>78</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,360,283</u>	<u>100</u>	<u>\$ 1,373,748</u>	<u>100</u>	<u>\$ 1,233,203</u>	<u>100</u>

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

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars, except earnings (losses) per share)  
(UNAUDITED)

Items	Notes	Three months ended March 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(18) and 7	\$ 219,371	100	\$ 128,195	100
5000 Operating costs	6(5) and 7	( 150,757)	( 69)	( 89,962)	( 70)
5900 Net operating margin		<u>68,614</u>	<u>31</u>	<u>38,233</u>	<u>30</u>
Operating expenses	6(23)(24)				
6100 Selling expenses		( 22,260)	( 10)	( 20,490)	( 16)
6200 General and administrative expenses		( 19,076)	( 8)	( 18,401)	( 14)
6300 Research and development expenses		( 8,454)	( 4)	( 7,718)	( 6)
6000 Total operating expenses		( 49,790)	( 22)	( 46,609)	( 36)
6900 Operating profit (loss)		<u>18,824</u>	<u>9</u>	<u>8,376</u>	<u>( 6)</u>
Non-operating income and expenses					
7100 Interest income	6(19)	2,058	1	1,591	1
7010 Other income	6(20)	199	-	730	1
7020 Other gains and losses	6(21)	( 9,619)	( 5)	( 30,795)	( 24)
7050 Finance costs	6(22)	( 76)	-	( 127)	-
7060 Share of loss of associates and joint ventures accounted for using equity method	6(7)	( 4,723)	( 2)	( 6,639)	( 5)
7000 Total non-operating income and expenses		( 12,161)	( 6)	( 35,240)	( 27)
7900 Profit (loss) before income tax		6,663	3	( 43,616)	( 33)
7950 Income tax expense	6(25)	( 6,229)	( 3)	( 663)	( 1)
8200 Profit (loss) for the year		<u>\$ 434</u>	<u>-</u>	<u>(\$ 44,279)</u>	<u>( 34)</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8316 Total expenses, by nature	6(17)	(\$ 3,910)	( 2)	(\$ 19,045)	( 15)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	-	-	( 134)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		( 3,910)	( 2)	( 19,179)	( 15)
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(17)	( 5,915)	( 2)	( 8,649)	( 7)
8360 Components of other comprehensive income that will be reclassified to profit or loss		( 5,915)	( 2)	( 8,649)	( 7)
8300 Total other comprehensive loss for the year		<u>(\$ 9,825)</u>	<u>( 4)</u>	<u>(\$ 27,828)</u>	<u>( 22)</u>
8500 Total comprehensive loss for the year		<u>(\$ 9,391)</u>	<u>( 4)</u>	<u>(\$ 72,107)</u>	<u>( 56)</u>
Basic earnings (losses) per share	6(26)				
9750 Total basic earnings (losses) per share		<u>\$ 0.01</u>		<u>(\$ 1.13)</u>	
Diluted earnings (losses) per share	6(26)				
9850 Total diluted earnings (losses) per share		<u>\$ 0.01</u>		<u>(\$ 1.13)</u>	

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

TONS LIGHTLOGY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
THREE MONTHS ENDED MARCH 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

Notes	Equity attributable to owners of the parent										
	Share capital			Capital surplus			Retained earnings				Other equity interest
	Share capital - Common stock	Advance receipts for share capital	Total capital surplus, additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity
Three months ended March 31, 2020											
Balance at January 1, 2020	\$ 401,253	\$ 303	\$ 505,787	\$ 4,879	\$ 85,219	\$ 38,429	\$ 194,627	(\$ 81,791)	\$ 27,468	(\$ 33,992)	\$ 1,142,182
Loss for the three months ended March 31, 2020	-	-	-	-	-	-	( 44,279 )	-	-	-	( 44,279 )
Other comprehensive loss for the three months ended March 31, 2020	-	-	-	-	-	-	-	( 8,649 )	( 19,179 )	-	( 27,828 )
Total comprehensive loss	-	-	-	-	-	-	( 44,279 )	( 8,649 )	( 19,179 )	-	( 72,107 )
Appropriation and distribution of 2019 retained earnings	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	( 84,395 )	-	-	-	( 84,395 )
Share-based payment transaction - employee stock options	1,280	( 303 )	2,333	( 183 )	-	-	-	-	-	-	3,127
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	24	-	( 24 )	-	-
Treasury stock transactions	-	-	-	-	-	-	-	-	-	( 22,279 )	( 22,279 )
Balance at March 31, 2020	\$ 402,533	\$ -	\$ 508,120	\$ 4,696	\$ 85,219	\$ 38,429	\$ 65,977	(\$ 90,440)	\$ 8,265	(\$ 56,271)	\$ 966,528
Three months ended March 31, 2021											
Balance at January 1, 2021	\$ 396,723	\$ 965	\$ 503,171	\$ 5,248	\$ 95,799	\$ 54,323	\$ 212,854	(\$ 73,605)	\$ 1,490	(\$ 62,736)	\$ 1,134,232
Profit for the three months ended March 31, 2021	-	-	-	-	-	-	434	-	-	-	434
Other comprehensive loss for the three months ended March 31, 2021	-	-	-	-	-	-	-	( 5,915 )	( 3,910 )	-	( 9,825 )
Total comprehensive income (loss)	-	-	-	-	-	-	434	( 5,915 )	( 3,910 )	-	( 9,391 )
Appropriation and distribution of 2020 retained earnings	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	( 91,108 )	-	-	-	( 91,108 )
Share-based payment transaction - employee stock options	2,893	( 965 )	4,244	( 1,068 )	-	-	-	-	-	-	5,104
Balance at March 31, 2021	\$ 399,616	\$ -	\$ 507,415	\$ 4,180	\$ 95,799	\$ 54,323	\$ 122,180	(\$ 79,520)	(\$ 2,420)	(\$ 62,736)	\$ 1,038,837

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(UNAUDITED)

	Notes	Three months ended March 31	
		2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit (loss) before tax		\$ 6,663	(\$ 43,616)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(23)	12,518	12,284
Depreciation-right-of-use asset	6(9)(23)	2,340	2,257
Amortisation	6(23)	618	603
Expected credit (gain) loss	12(2)	( 345 )	1,416
Net loss on financial assets and liabilities at fair value through profit or loss	6(21)	10,027	32,257
Interest expense - lease liability	6(22)	76	127
Interest income	6(19)	( 2,058 )	( 1,591 )
Wages and salaries-employee stock options	6(13)	151	410
Share of loss of associates and joint ventures accounted for using the equity method	6(7)	4,723	6,639
Gain on disposal of property, plant and equipment	6(21)	( 242 )	( 209 )
Unrealized foreign exchange (gain) loss		( 815 )	408
Provision for (reversal of) warranty expense		26	( 48 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		777	( 47 )
Accounts receivable, net		( 25,701 )	77,295
Accounts receivable due from related parties		518	( 211 )
Other receivables		( 485 )	1,793
Inventories		( 11,874 )	( 11,896 )
Prepayments		2,931	( 1,366 )
Other current assets		806	1,056
Changes in operating liabilities			
Notes payable		24	364
Accounts payable		( 3,686 )	( 31,565 )
Accounts payable to related parties		-	( 5,607 )
Other payables		( 3,850 )	( 21,694 )
Contract liabilities		( 5,357 )	( 1,430 )
Other current liabilities		195	798
Other non-current liabilities		( 3 )	6
Cash (outflow) inflow generated from operations		( 12,023 )	18,433
Interest received		1,520	1,598
Interest paid		( 76 )	( 127 )
Income tax paid		( 143 )	( 4,212 )
Net cash flows (used in) from operating activities		( 10,722 )	15,692

(Continued)



TONS LIGHTOLOGY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(UNAUDITED)

	Notes	Three months ended March 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		\$ -	(\$ 8,676 )
Decrease (increase) in financial assets at amortised cost		1,884	( 15,938 )
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	2,942
Acquisition of property, plant and equipment	6(27)	( 6,477 )	( 3,404 )
Proceeds from disposal of property, plant and equipment		242	211
Decrease (increase) in refundable deposits		175	( 200 )
Acquisition of intangible deposits		( 1,280 )	( 40 )
Increase in other non-current assets		( 66 )	( 529 )
Net cash flows used in investing activities		( 5,522 )	( 25,634 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of principal portion of lease liabilities	6(9)(28)	( 2,031 )	( 1,896 )
Exercise of employee stock options		4,954	2,717
Repurchase of treasury stock	6(14)	-	( 21,522 )
Net cash flows from (used in) financing activities		2,923	( 20,701 )
Effect of exchange rate changes on cash equivalents		( 2,120 )	( 3,819 )
Net decrease in cash and cash equivalents		( 15,441 )	( 34,462 )
Cash and cash equivalents at beginning of period		353,565	309,160
Cash and cash equivalents at end of period		\$ 338,124	\$ 274,698

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Reviewed, not audited)

**1. ORGANISATION AND OPERATIONS**

Tons Lightology Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C) on August 20, 1992. On June 17, 2013, the Company’s stocks were officially listed on the Taipei Exchange. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in manufacturing and trading of lighting equipment and lamps.

**2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION**

These consolidated financial statements were reported to the Board of Directors on April 29, 2021.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

**(1) Effect of the adoption of new issuances of or amendments to International Financial**

**Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)**

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

**(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group**

None.

**(3) IFRSs issued by IASB but not yet endorsed by the FSC**

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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 International Accounting Standards Board
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting" as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

##### (2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less

present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs” ) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2020.

B. Subsidiaries included in the consolidated financial statements:

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Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			March 31, 2021	December 31, 2020	
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC. (WORLD EXTEND)	Reinvestment company	100	100	
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD. (HONG BO)	Reinvestment company	100	100	
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	100	
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED (LUMINOUS)	Reinvestment company	100	100	
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD (TITAN)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100	100	
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD (ZHONGSHAN TONS)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100	100	
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD (SHANGHAI TONS)	Sales of various lighting products and accessories	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)	
			March 31, 2020	Description
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC. (WORLD EXTEND)	Reinvestment company	100	
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD. (HONG BO)	Reinvestment company	100	
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD. (TL)	Sales of various lighting products and accessories	100	Note
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED (LUMINOUS)	Reinvestment company	100	
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD (TITAN)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100	
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD (ZHONGSHAN TONS)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100	
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD	Sales of various lighting products and accessories	100	

Note: On July 26, 2019, the Board of Directors of the Company resolved to dissolve the Company's indirect wholly-owned subsidiary, Tons Lighting Co., Ltd. as a result of increasing compliance costs. On December 15, 2020, the residual assets were allocated to the parent company, WORLD EXTEND HOLDING INC., and deregistration was completed.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(5) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There have been no significant change as of March 31, 2021. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand	\$ 800	\$ 648	\$ 690
Checking accounts and demand deposits	65,665	49,976	44,569
Time deposits	<u>271,659</u>	<u>302,941</u>	<u>229,439</u>
	<u>\$ 338,124</u>	<u>\$ 353,565</u>	<u>\$ 274,698</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's time deposits that did not meet short-term cash commitments were classified as 'financial assets at amortised cost', please refer to Note 6 (3).

(2) Financial assets/liabilities at fair value through profit or loss - current

<u>Item</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ 113,347	\$ 113,347	\$ 136,498
Forward foreign exchange contracts	1,393	2,966	-
Valuation adjustment	<u>( 20,611)</u>	<u>( 12,147)</u>	<u>( 35,802)</u>
	<u>\$ 94,129</u>	<u>\$ 104,166</u>	<u>\$ 100,696</u>
Financial liabilities held for trading			
Derivative instruments - forward foreign exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 698)</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Three months ended March 31,	
	2021	2020
Net loss on financial assets (liabilities) at fair value through profit or loss	(\$ 8,464)	(\$ 31,868)

B. The Group entered into contracts relating to derivative financial assets (liabilities) which were not accounted for under hedge accounting. The information is listed below:

Derivative financial assets (liabilities)	March 31, 2021	
	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2021.04.11~2022.03.17

Derivative financial assets (liabilities)	December 31, 2020	
	Contract amount (notional principal)	Contract period
Forward foreign exchange	USD 1,800 thousand	2021.01.12~2021.12.18

Derivative financial assets (liabilities)	March 31, 2020	
	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2020.04.13~2021.03.15

The Group entered into forward foreign exchange contracts to sell (sell USD and buy RMB) to hedge exchange rate risk of import and export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting. For the three months ended March 31, 2021 and 2020, the Group recognised net loss of \$1,563 thousand and \$389 thousand, respectively.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at amortised cost

	March 31, 2021	December 31, 2020	March 31, 2020
Time deposits	\$ 177,146	\$ 179,361	\$ 81,715

A. The above mentioned are the time deposits that do not meet short-term cash commitments.

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.



(4) Notes and accounts receivable (including related parties)

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Notes receivable	\$ 428	\$ 1,205	\$ 353
Less: Allowance for bad debts	-	-	-
	<u>\$ 428</u>	<u>\$ 1,205</u>	<u>\$ 353</u>
	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable	\$ 154,660	\$ 129,010	\$ 71,595
Less: Allowance for bad debts	( 1,233)	( 1,579)	( 1,539)
	<u>\$ 153,427</u>	<u>\$ 127,431</u>	<u>\$ 70,056</u>
Accounts receivable due from related parties	\$ -	\$ 518	\$ 393
Less: Allowance for bad debts	-	-	-
	<u>\$ -</u>	<u>\$ 518</u>	<u>\$ 393</u>

A. The ageing analysis of notes and accounts receivable (including related parties) that were past due but not impaired is as follows:

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 428	\$ 104,845	\$ 1,205	\$ 121,696	\$ 353	\$ 63,910
Up to 30 days	-	46,669	-	6,053	-	1,656
31 to 120 days	-	1,921	-	325	-	6,315
Over 120 days	-	1,225	-	1,454	-	107
	<u>\$ 428</u>	<u>\$ 154,660</u>	<u>\$ 1,205</u>	<u>\$ 129,528</u>	<u>\$ 353</u>	<u>\$ 71,988</u>

The above ageing analysis was based on past due date.

B. As of March 31, 2021, December 31, 2020 and March 31, 2020, all the Group's accounts and notes receivable arose from contracts with customers.

C. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

D. As at March 31, 2021, December 31, 2020 and March 31, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was the carrying amount of the notes and accounts receivable.

E. The Group does not hold any collateral as security.

(5) Inventories

	March 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 97,589	(\$ 4,313)	\$ 93,276
Work in progress	30,447	( 578)	29,869
Semi-finished goods	34,550	( 3,346)	31,204
Finished goods	29,177	( 9,116)	20,061
	<u>\$ 191,763</u>	<u>(\$ 17,353)</u>	<u>\$ 174,410</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 79,284	(\$ 3,093)	\$ 76,191
Work in progress	21,374	( 450)	20,924
Semi-finished goods	34,593	( 2,300)	32,293
Finished goods	43,507	( 9,118)	34,389
	<u>\$ 178,758</u>	<u>(\$ 14,961)</u>	<u>\$ 163,797</u>

	March 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 94,241	(\$ 3,127)	\$ 91,114
Work in progress	28,551	( 695)	27,856
Semi-finished goods	39,835	( 2,853)	36,982
Finished goods	27,107	( 10,066)	17,041
	<u>\$ 189,734</u>	<u>(\$ 16,741)</u>	<u>\$ 172,993</u>

The cost of inventories recognised as expense for the period:

	Three months ended March 31,	
	2021	2020
Cost of goods sold	\$ 148,813	\$ 86,345
Loss on market price decline and obsolescence	2,481	3,679
Loss on scrapping inventory	222	359
Expenses related to inventory	( 759)	( 421)
	<u>\$ 150,757</u>	<u>\$ 89,962</u>

(6) Financial assets at fair value through other comprehensive income - non-current

<u>Items</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 44,200	\$ 44,200	\$ 89,934
Unlisted stocks	8,481	8,481	8,481
Valuation adjustment	(2,685)	1,225	8,093
	<u>\$ 49,996</u>	<u>\$ 53,906</u>	<u>\$ 106,508</u>

- A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$49,996 thousand, \$53,906 thousand and \$106,408 thousand, respectively, as at March 31, 2021, December 31, 2020 and March 31, 2020.
- B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 3,910)	(\$ 19,075)
Reclassified to retained earnings due to derecognition	-	30
	<u>(\$ 3,910)</u>	<u>(\$ 19,045)</u>

- C. As at March 31, 2021, December 31, 2020 and March 31, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$49,996 thousand, \$53,906 thousand and \$106,408 thousand, respectively.
- D. The Group did not pledge non-current financial assets at fair value through other comprehensive income to others as collateral.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(7) Investments accounted for using equity method

A. Associates

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Insignificant associate:			
Art So Trading Limited	<u>\$ 32,690</u>	<u>\$ 37,413</u>	<u>\$ 50,238</u>

(a) The basic information of the associates is as follows:

Company name	Principal place of business	Shareholding ratio(%)			Nature of relationship	Methods of measurement
		March 31, 2021	December 31, 2020	March 31, 2020		
Art So Trading Limited	Samoa	48,57%	48,57%	48,57%	Owns at least 20% of the voting rights	Equity method

(b) Share of (loss)/profit of associates accounted for under equity method are as follows:

Investee	Three months ended March 31,	
	2021	2020
Art So Trading Limited	(\$ 4,723)	(\$ 6,639)

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(8) Property, plant and equipment

	Three months ended March 31, 2021					At March 31
	At January 1	Additions	Disposals	Transfers	Net exchange differences	
Cost						
Buildings and structures	\$ 390,733	\$ 1,200	\$ (212)	\$ 875	\$ (2,960)	\$ 389,636
Molding equipment	185,197	4,899	5,604	261	1,391	183,362
Machinery and equipment	132,485	123	32	-	999	131,577
Research and development equipment	28,310	188	178	651	219	28,752
Transportation equipment	14,322	-	572	-	103	13,647
Others	55,098	279	62	86	412	54,989
Construction in progress	974	1	-	(875)	1	99
	<u>\$ 807,119</u>	<u>\$ 6,690</u>	<u>\$ (6,660)</u>	<u>\$ 998</u>	<u>\$ (6,085)</u>	<u>\$ 802,062</u>
Accumulated depreciation						
Buildings and structures	\$ (187,128)	\$ (5,556)	\$ 212	\$ -	\$ 1,451	\$ (191,021)
Molding equipment	( 162,671)	( 3,883)	5,604	-	1,212	( 159,738)
Machinery and equipment	( 100,701)	( 1,419)	32	-	770	( 101,318)
Research and development equipment	( 25,424)	( 310)	178	-	192	( 25,364)
Transportation equipment	( 11,866)	( 301)	572	-	87	( 11,508)
Others	( 45,720)	( 1,049)	62	-	349	( 46,358)
	<u>(\$ 533,510)</u>	<u>(\$ 12,518)</u>	<u>\$ 6,660</u>	<u>\$ -</u>	<u>\$ 4,061</u>	<u>(\$ 535,307)</u>
	<u>\$ 273,609</u>					<u>\$ 266,755</u>

Three months ended March 31, 2020

Cost	Three months ended March 31, 2020				Net exchange differences	At March 31
	At January 1	Additions	Disposals	Transfers		
Buildings and structures	\$ 381,590	\$ -	\$ -	\$ -	\$ (4,431)	\$ 377,159
Molding equipment	170,357	3,434	-	1,068	2,032	172,827
Machinery and equipment	129,114	105	(42)	545	(1,507)	128,215
Research and development equipment	27,747	64	(106)	29	(322)	27,412
Transportation equipment	15,029	68	(1,996)	996	(158)	13,939
Others	60,600	203	(3,805)	43	(654)	56,387
Construction in progress	10,603	-	-	-	(123)	10,480
	<u>\$ 795,040</u>	<u>\$ 3,874</u>	<u>\$ 5,949</u>	<u>\$ 2,681</u>	<u>\$ 9,227</u>	<u>\$ 786,419</u>
Accumulated depreciation						
Buildings and structures	\$ (171,225)	\$ (5,104)	\$ -	\$ -	\$ 2,053	\$ (174,276)
Molding equipment	(145,107)	(3,936)	-	-	1,732	(147,311)
Machinery and equipment	(93,975)	(1,396)	40	-	1,107	(94,224)
Research and development equipment	(23,832)	(353)	106	-	280	(23,799)
Transportation equipment	(12,216)	(446)	(1,996)	-	118	(10,548)
Others	(49,239)	(1,049)	(3,805)	-	536	(45,947)
	<u>(\$ 495,594)</u>	<u>(\$ 12,284)</u>	<u>\$ 5,947</u>	<u>\$ -</u>	<u>\$ 5,826</u>	<u>(\$ 496,105)</u>
	<u>\$ 299,446</u>					<u>\$ 290,314</u>

For the three months ended March 31, 2021 and 2020, the Group has no property, plant and equipment that were pledged to others as collateral.

For the three months ended March 31, 2021 and 2020, the Group has no capitalised interest.

(9) Leasing arrangements—lessee

- A. The Group leases various assets including land, buildings, machinery and equipment. Rental contracts are typically made for periods of 1 to 47 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2021</u>	<u>December 31,2020</u>	<u>March 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 27,767	\$ 28,188	\$ 28,015
Buildings	10,731	12,840	18,219
Machinery and equipment	81	-	80
	<u>\$ 38,579</u>	<u>\$ 41,028</u>	<u>\$ 46,314</u>

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 210	\$ 207
Buildings	2,103	2,024
Machinery and equipment	27	26
	<u>\$ 2,340</u>	<u>\$ 2,257</u>

- C. For the three months ended March 31, 2021 and 2020, the additions to right-of-use assets amounted to \$109 thousand and \$16,362 thousand, respectively.
- D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 76	\$ 127

- E. For the three months ended March 31, 2021 and 2020, the Group's total cash outflow for leases amounted to \$2,107 thousand and \$2,023 thousand, respectively.

(10) Other non-current assets

	<u>March 31,2021</u>	<u>December 31,2020</u>	<u>March 31,2020</u>
Guarantee deposits paid	\$ 2,723	\$ 2,901	\$ 2,958
Prepayments for business facilities	2,409	3,022	3,534
Other non-current assets	1,911	2,264	1,792
	<u>\$ 7,043</u>	<u>\$ 8,187</u>	<u>\$ 8,284</u>

Information about the guarantee deposits paid that were pledged to others as collaterals is provided in Note 8.

(11) Other payables

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash dividends payable	\$ 91,108	\$ -	\$ 84,395
Salary and bonus payable	38,348	46,056	32,624
Payable for consumables and purchases	12,940	12,994	11,508
Insurance and pension expense payable	7,290	8,040	10,248
Housing fund payable	4,637	4,576	4,564
Others	18,719	14,320	19,920
	<u>\$ 173,042</u>	<u>\$ 85,986</u>	<u>\$ 163,259</u>

(12) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$9 thousand and \$18 thousand for the three months ended March 31, 2021 and 2020, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$37 thousand.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"),



covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The Company's Hong Kong branch contributes 5% of employees' salaries and wages (below the ceiling of HKD1,500) pursuant to the mandatory provident fund schemes. The accrued benefits is deposited in a specialised account in Manulife (International) Limited and can only be withdrawn when scheme members reach the age of 65. Other than the monthly contributions, the Group has no further obligations.
- (c) Titan Lighting Co. Ltd. and Zhongshan Tons Lighting Co. Ltd. have a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. On March 31, 2021 and 2020, abovementioned contribution percentage was 14% and 13%, respectively. Other than the monthly contributions, the Group has no further obligations.
- (d) The pension costs under defined contribution pension plans of the Group for the three months ended March 31, 2021 and 2020 were \$3,515 thousand and \$1,630 thousand, respectively.

(13) Share-based payment

- A. As at March 31, 2021, December 31, 2020 and March 31, 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousand)	Contract period	Vesting conditions	Actual turnover rate in the first quarter of 2021	Actual turnover rate in 2020
Fifth employee stock options	2016.12.23	600	5 years	2-4 years' service	-	2.70%
Sixth employee stock options	2018.11.02	600	5 years	2-4 years' service	-	5.00%

Type of arrangement	Grant date	Quantity granted (in thousand)	Contract period	Vesting conditions	Actual turnover rate in the first quarter of 2021	Estimated future turnover rate
Fifth employee stock options	2016.12.23	600	5 years	2-4 years' service	2.70%	-
Sixth employee stock options	2018.11.02	600	5 years	2-4 years' service	5.00%	-

B. Details of the share-based payment arrangements are as follows:

(a) Fifth employee stock options

	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	346	\$ 25.70	493	\$ 27.80
Options exercised	( 156)	25.70	( 97)	27.80
Options forfeited	-	-	( 1)	27.80
Options outstanding at March 31	<u>190</u>	25.70	<u>395</u>	27.80
Options exercisable at March 31	<u>190</u>		<u>253</u>	

(b) Sixth employee stock options

	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	518	\$ 25.70	598	\$ 27.80
Options exercised	( 37)	25.70	-	-
Options forfeited	-	-	( 12)	27.80
Options outstanding at March 31	<u>481</u>	25.70	<u>586</u>	27.80
Options exercisable at March 31	<u>188</u>		<u>-</u>	

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

	<u>Expiry date</u>	<u>March 31, 2021</u>		<u>December 31, 2020</u>	
		<u>No. of options</u>	<u>Exercise</u>	<u>No. of options</u>	<u>Exercise</u>
		<u>(in thousands)</u>	<u>price</u>	<u>(in thousands)</u>	<u>price</u>
Fifth employee stock options	2021.12.22	190	\$ 25.70	346	\$ 25.70
Sixth employee stock options	2023.11.01	481	25.70	518	25.70

	<u>Expiry date</u>	<u>March 31, 2021</u>	
		<u>No. of options</u>	<u>Exercise</u>
		<u>(in thousands)</u>	<u>price</u>
Fifth employee stock options	2021.12.22	395	\$ 27.80
Sixth employee stock options	2023.11.01	586	27.80

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee share options	2016.12.23	34.95	34.95	17.40%	5 years	-	0.94%	5.99
Employee share options	2018.11.02	29.90	29.90	28.28%	5 years	-	0.75%	7.75

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

E. Expenses incurred on share-based payment transactions are shown below:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Equity-settled - employee stock options	<u>151</u>	<u>410</u>

(14) Share capital

A. As of March 31, 2021, the Company's authorized capital was \$500 million, consisting of 50,000 thousand shares of ordinary stock (including 5 million shares reserved for employee stock options). The paid-in capital was \$399,616 thousand with a par value of \$10 (in dollars) per share. The total share capital was \$399,616 thousand.

- B. The employees exercised options for 289 thousand shares of common stock during the period from November 2, 2020 to February 17, 2021, and the subscription price was NT\$25.7 per share. The share issuance became effective on March 5, 2021, as resolved at the meeting of Board of Directors on February 26, 2021. The registration was completed on March 22, 2021.
- C. The employees exercised options for 19 thousand shares of common stock during the period from July 2, 2020 to October 22, 2020, and the subscription price was NT\$25.7 per share. The share issuance became effective on November 6, 2020, as resolved at the meeting of Board of Directors on October 30, 2020. The registration was completed on November 24, 2020.
- D. The employees exercised options for 12 thousand shares and 116 thousand shares of common stock during the period from November 6, 2019 to February 17, 2020, and the subscription price was NT\$19 and NT\$27.8 per share, respectively. The share issuance became effective on March 4, 2020, as resolved at the meeting of Board of Directors on February 26, 2020. The registration was completed on March 30, 2020.

(Unit: shares in thousands)

	2021	2020
At January 1	37,769	39,156
Employee stock options exercised	193	97
Purchase of treasury share	-	(778)
At March 31	<u>\$ 37,962</u>	<u>\$ 38,475</u>

E. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

	Three months ended March 31, 2021			
	No. of shares at beginning of the period	Increase in the period	Decrease in the period	No. of shares at end of the period
Reason for reacquisition				
Reissued to employees	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>

	Three months ended March 31, 2021			
	No. of shares at beginning of the period	Increase in the period	Decrease in the period	No. of shares at end of the period
Reason for reacquisition				
Reissued to employees	<u>1,000</u>	<u>778</u>	<u>-</u>	<u>1,778</u>

- (b) In order to encourage employees and strengthen coherence of the Company, the Board of Directors during its meeting on February 26, 2020 adopted a resolution to purchase 1,000 thousand treasury shares for the second time at a price between \$25 to \$35 per share from February 27, 2020 to April 26, 2020, which will be transferred to employees. As of March 31, 2020, the Company has purchased 778 thousand treasury shares with the price amounting to \$22,279 thousand.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (e) Pursuant to the R.O.C. Securities and Exchange Act, the 1st and 2nd purchase of treasury shares should be reissued to the employees within three and five years from the reacquisition date, respectively, and shares not reissued within the three-year or five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:
  - (a) Offset prior years' operating losses, if any.
  - (b) Set aside 10% of the remaining amount as legal reserve, and set aside or reverse special reserve when necessary.
  - (c) The remainder along with the unappropriated earnings of prior years is the accumulated distributable earnings. The appropriation of accumulated distributable earnings shall be proposed by the Board of Directors and be

resolved by the shareholders.

The Company is at the development stage. In line with current and future development plans and investment environment, and to respond to capital needs and domestic and foreign competition, as well as shareholders' benefits, balanced dividends and the Company's long-term financial plan, etc., the earnings shall be appropriated in compliance with the above regulations. The ratio of dividends to shareholders shall account for at least 50% of the accumulated distributable earnings, of which the ratio of cash dividends shall account for at least 10% of the total dividends distributed. However, the Board of Directors shall adjust the ratios based on current operating status and shall report to the shareholders for a resolution.

- B. Under a resolution made by the Board of Directors, which has more than 2/3 directors attended the meeting and more than 1/2 attended directors agreed, full or partial of the distributable dividends and bonus, capital surplus or legal reserve will be distributed in the form of cash, and it will be reported to the shareholders. The regulation in relation to approval from the shareholders as abovementioned is not applicable.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.  
(b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be the same as the amount reclassified from accumulated translation adjustment under shareholders' equity to retained earnings for the exemptions elected by the Group. The increase in special reserve as a result of retained earnings arising from the adoption of IFRS was \$38,429 thousand.
- E. The appropriations of 2020 earnings as proposed by the Board of Directors on February 26, 2021 and the appropriations of 2019 earnings as resolved at the shareholders' meeting on May 28, 2020 are detailed as follows:

	Years ended December 31,			
	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 12,910		\$ 10,580	
Special reserve	17,792		15,894	
Cash dividends	91,108	\$ 2.4	84,395	\$ 2.24
	<u>\$121,810</u>		<u>\$110,869</u>	

Apart from the cash dividends which have been resolved at the meeting of Board of Directors on February 26, 2021, the remaining items in the above appropriation of earnings are yet to be resolved by the shareholders.

- F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(24).

(17) Other equity items

	2021		2020	
	Currency translation	Unrealised gains (losses) on valuation	Currency translation	Unrealised gains (losses) on valuation
At January 1	(\$ 73,605)	\$ 1,490	(\$ 81,791)	\$ 27,468
Currency translation differences: –Group	( 5,915)	-	( 8,649)	-
Revaluation	-	( 3,910)	-	( 19,179)
Revaluation transferred to retained earnings – gross	-	-	-	( 30)
Revaluation transferred to retained earnings – tax	-	-	-	6
At March 31	<u>(\$ 79,520)</u>	<u>(\$ 2,420)</u>	<u>(\$ 90,440)</u>	<u>\$ 8,265</u>

(18) Operating revenue

	Three months ended March 31,	
	2021	2020
Sales revenue	\$ 219,371	\$ 128,195

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time.

Three months ended March 31, 2021											
ZHONGSHAN											
TONS LIGHTING CO., LTD.											
	TITAN LIGHTING CO., LTD.			TONS LIGHTING CO., LTD.			Others			Total	
	Europe	Asia	Oceania	Others	Europe	Asia	Oceania	Others	Asia	Asia	
Revenue from contracts	\$ 162,306	\$ 25,670	\$ 9,538	\$ 21	\$ 392	\$ 1,729	\$ 86	\$ 1	\$ 12,992	\$ 6,636	\$ 219,371
Three months ended March 31, 2020											
ZHONGSHAN											
TONS LIGHTING CO., LTD.											
	TITAN LIGHTING CO., LTD.			TONS LIGHTING CO., LTD.			Others			Total	
	Europe	Asia	Oceania	Others	Europe	Asia	Oceania	Others	Asia	Asia	
Revenue from contracts	\$ 93,372	\$ 15,391	\$ 7,676	\$ 364	\$ 1,052	\$ 1,072	\$ 161	\$ -	\$ 4,346	\$ 4,761	\$ 128,195



B. Contract liabilities (shown as 'other current liabilities')

The Group has recognised the following revenue-related contract liabilities:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Contract liabilities:			
Contract liabilities – advance sales receipts	\$ 11,675	\$ 17,047	\$ 5,849

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 13,502	\$ 4,261

(19) Interest income

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 2,058	\$ 1,591

(20) Other income

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Other income - others	\$ 199	\$ 730

(21) Other gains and losses

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Gains(Losses) on disposals of property, plant and equipment	\$ 242	\$ 209
Net currency exchange gain	167	1,254
Net loss on financial assets (liabilities) at fair value through profit or loss	( 10,027)	( 32,257)
Other losses	( 1)	( 1)
	<u>(\$ 9,619)</u>	<u>(\$ 30,795)</u>

(22) Finance costs

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest expense	\$ 76	\$ 127

Note: Interest expense arose from the lease liabilities discounted over the contract period upon the adoption of IFRS 16 starting from January 1, 2019.

(23) Expenses by nature

	Three months ended March 31,	
	2021	2020
Employee benefit expense	\$ 56,558	\$ 45,516
Depreciation charges on property, plant and equipment	12,518	12,284
Depreciation charges on right-of-use assets	2,340	2,257
Amortisation charges	618	603

(24) Employee benefit expense

	Three months ended March 31,	
	2021	2020
Wages and salaries	\$ 49,172	\$ 40,747
Labour and health insurance fees	1,045	670
Pension costs	3,524	1,648
Directors' remunerations	658	570
Other employee benefit expenses	2,159	1,881
	<u>\$ 56,558</u>	<u>\$ 45,516</u>

Note: For the three months ended March 31, 2021 and 2020, the Group had 605 and 675 employees, respectively, and had 5 non-employee directors for both periods.

- A. In accordance with the Articles of Incorporation of the Company, the current year's earnings, if profit, the Company shall appropriate 5% to 15% as the employees' compensation; if loss, shall first reserve the offset amount.
- B. For the three months ended March 31, 2021 and 2020, the accrued employees' compensation and directors' remuneration is as follows:

	Three months ended March 31,	
	2021	2020
Employees' compensation	\$ 525	\$ -
Directors' remuneration	88	-
	<u>\$ 613</u>	<u>\$ -</u>

The aforementioned amounts were recognised in salary expenses. The Group accrued expenses based on 9% and 1.5% of the pre-tax income that has not been accrued for employees' compensation and directors' remuneration, respectively, for the three months ended March 31, 2021, and the Group did not accrue the above expenses because the Group had loss before tax for the three months ended March 31, 2020. Employees' compensation and directors' remuneration for 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements. The employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' remuneration of the

Company as resolved at the meeting of Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the period	\$ 7,177	\$ 2,300
Prior year income tax overestimation	<u>-</u>	<u>(915)</u>
Total current tax	7,177	1,385
Deferred tax:		
Origination and reversal of temporary differences	<u>(948)</u>	<u>(722)</u>
Income tax expense	<u>\$ 6,229</u>	<u>\$ 663</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Temporary differences:		
Changes in fair value of financial assets at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ 134</u>

B. The Company’s income tax returns through 2018 have been assessed and approved by the Tax Authority.

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(26) Earnings (losses) per share

	<u>Three months ended March 31, 2021</u>		
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 434</u>	<u>37,908</u>	<u>\$ 0.01</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	434	37,908	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	15	
Employee stock options	-	235	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 434</u>	<u>38,158</u>	<u>\$ 0.01</u>
	<u>Three months ended March 31, 2020</u>		
		Weighted average number of ordinary shares outstanding	Losses per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent	<u>(\$ 44,279)</u>	<u>39,083</u>	<u>(\$ 1.13)</u>
<u>Diluted losses per share</u>			
Losses attributable to ordinary shareholders of the parent	( 44,279)	39,083	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	-	
Losses attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>(\$ 44,279)</u>	<u>39,083</u>	<u>(\$ 1.13)</u>

For the three months ended March 31, 2020, the Group's employee stock options had anti-dilutive effect. Therefore, it was not included in the calculation of diluted loss per share.

(27) Supplemental cash flow information

Investing activities with partial cash payments

	Three months ended March 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 6,690	\$ 3,874
Add: Opening balance of payable on equipment	755	1,788
Less: Ending balance of payable on equipment	( 968)	( 2,258)
Cash paid during the period	<u>\$ 6,477</u>	<u>\$ 3,404</u>

(28) Changes in liabilities from financing activities

	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities-gross
At January 1	\$ 1,126	\$ 12,783	\$ -	\$ 13,909
Changes in cash flow from financing activities	-	( 2,031)	-	( 2,031)
Impact of changes in foreign exchange rate	-	( 6)	-	( 6)
Changes in other non-cash items	-	109	91,108	91,217
At March 31, 2021	<u>\$ 1,126</u>	<u>\$ 10,855</u>	<u>\$ 91,108</u>	<u>\$ 103,089</u>

	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities-gross
At January 1	\$ 1,126	\$ 3,857	\$ -	\$ 4,983
Changes in cash flow from financing activities	-	( 1,896)	-	( 1,896)
Impact of changes in foreign exchange rate	-	6	-	6
Changes in other non-cash items	-	16,305	84,395	100,700
At March 31, 2020	<u>\$ 1,126</u>	<u>\$ 18,272</u>	<u>\$ 84,395</u>	<u>\$ 103,793</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
WeiSen Electronic Co., Ltd	Other related party (Note)
ARTSO INTERNATIONAL, INC.	Associate
BEIJING ARTSO FURNITURE CO.,LTD	Associate
Shanghai Art So Zhong Trading Limited	Associate

Note: On June 22, 2020, the Company was discharged as the corporate director of HEP TECH CO., LTD. (hereinafter "HEP") due to the expiration of the term, therefore, HEP and its subsidiaries were removed from the related parties. The following purchases and sales transactions were for the period from January 1, 2020 to June 22, 2020 and the balances of accounts receivable, accounts payable and other payables as of June 22, 2020 were no longer related party transactions.

(2) Significant related party transactions

A. Operating revenue:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods:		
-Associates	\$ -	\$ 578

Goods were sold based on the price lists in force and terms that would be available to third parties. The credit terms were 60 days for related parties and 30~90 days for third parties.

B. Notes and accounts receivable

	<u>March 31, 2021</u>	<u>December 31,2020</u>	<u>March 31, 2020</u>
Accounts receivable:			
-ARTSO INTERNATIONAL,	\$ -	\$ 473	\$ -
-Shanghai Art So Zhong Trading Limited	-	-	87
-BEIJING ARTSO FURNITURE CO., LTD	-	45	306
	<u>\$ -</u>	<u>\$ 518</u>	<u>\$ 393</u>

C. Purchases

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Purchases of raw materials:		
- Other related parties	\$ -	\$ 4,025

The purchases from related parties mostly were for starters, ballasts and transformers, which were based on the terms that would be available to third parties. The payment terms were 90 days after monthly billing for related parties and 30~90 days after monthly billing for third parties.

D. Accounts payable

	<u>March 31, 2021</u>	<u>December 31,2020</u>	<u>March 31, 2020</u>
Accounts payable:			
- WeiSen Electronic Co., Ltd.	\$ -	\$ -	\$ 4,505

(3) Key management compensation

	Three months ended March 31,	
	2021	2020
Short-term employee benefits	\$ 5,455	\$ 4,988
Post-employment benefits	123	139
Share-based payments	74	242
	<u>\$ 5,652</u>	<u>\$ 5,369</u>

8. PLEGGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value			Purpose
	March 31, 2021	December 31, 2020	March 31, 2020	
Restricted time deposits (shown as 'financial assets at amortised cost')	\$ 5,292	\$ 5,325	\$ 5,203	Construction and forward foreign exchange contracts
Guarantee deposits paid (shown as 'other non-current assets')	<u>2,723</u>	<u>2,901</u>	<u>2,958</u>	Construction and security deposits
	<u>\$ 8,015</u>	<u>\$ 8,226</u>	<u>\$ 8,161</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT  
COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There has been no significant change as of March 31, 2021. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2020.

(2) Financial instruments

A. Financial instruments by category

March 31, 2021 December 31, 2020 March 31, 2020

Financial assets

Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 94,129	\$ 104,166	\$ 100,696
Financial assets at fair value through other comprehensive income	49,996	53,906	106,408
Cash and cash equivalents	338,124	353,565	274,698
Financial assets at amortised cost	177,146	179,361	81,715
Notes receivable	428	1,205	353
Accounts receivable (including related parties)	153,427	127,949	70,449
Other receivables	4,604	3,615	3,146
Guarantee deposits paid	2,723	2,901	2,958
	<u>\$ 820,577</u>	<u>\$ 826,668</u>	<u>\$ 640,423</u>

Financial liabilities

Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ -	\$ -	\$ 698
Notes payable	48	25	412
Accounts payable (including related parties)	83,840	88,144	51,878
Other accounts payable	173,042	85,986	163,259
Guarantee deposits received	1,126	1,126	1,126
	<u>\$ 258,056</u>	<u>\$ 175,281</u>	<u>\$ 217,373</u>
Lease liability (including current portion)	<u>\$ 10,855</u>	<u>\$ 12,783</u>	<u>\$ 18,272</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's



operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB income and expenditures. Entities in the Group use natural hedge to decrease the risk exposure in the foreign currency, transacted with Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's risk management policy is to hedge anticipated cash flows (mainly from export sales and purchase of inventory) in each major foreign currency.
- v. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations and analysis of foreign currency market risk arising from significant foreign exchange variation are as follows:

Three months ended March 31, 2021

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss / Effect on other comprehensive income
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 1,734	28.535 \$	49,480	1% \$	495 \$
HKD:NTD	940	3.670	3,450	1%	35
EUR:NTD	1,729	33.480	57,887	1%	579
RMB:NTD	22,215	4.344	96,502	1%	965
RMB:USD	11,624	0.149	50,495	1%	505
USD:RMB	5,329	6.569	152,063	-1% (	1,521)
EUR:RMB	17	7.707	569	1%	6
USD:RMB (Note)	1,800	6.635	1,393	-1%	519
<u>Non-monetary items</u>					
USD:NTD	270	28.535 \$	7,704	1% \$	- \$ 77
<u>Investments accounted for using the equity method</u>					
USD:NTD	1,700	28.535 \$	48,510	1% \$	- \$ 485
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 5,575	28.485 \$	158,804	1% (\$	1,588) \$
RMB:NTD	15,595	4.319	67,355	1% (	674)

Note: The Group's subsidiaries have forward foreign exchange contracts. Foreign currency amount is the notional principal. Exchange rate is forward exchange rate that is estimated to be settled at the balance sheet date, and the book value is the amount recognised.

Year ended December 31, 2020

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 1,954	28.480 \$	55,650	1% \$	556 \$	-
HKD:NTD	700	3.673	2,571	1%	26	-
EUR:NTD	1,587	35.020	55,577	1%	556	-
RMB:NTD	18,143	4.377	79,412	1%	794	-
RMB:USD	11,564	0.149	50,616	1%	506	-
USD:RMB	5,890	6.507	167,747	-1% (	1,677)	-
EUR:RMB	6	8.001	210	1%	2	-
USD:RMB (Note)	2,000	6.626	2,966	-1%	580	-
<u>Non-monetary items</u>						
USD:NTD	270	28.480 \$	7,690	1% \$	- \$	77
<u>Investments accounted for using the equity method</u>						
USD:NTD	1,700	28.480 \$	48,416	1% \$	- \$	484
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 6,163	28.430 \$	175,214	1% (\$	1,752) \$	-
EUR:NTD	5	34.820	174	1% (	2)	-
RMB:NTD	14,579	4.352	63,448	1% (	634)	-

Note: The Group's subsidiaries have forward foreign exchange contracts. Foreign currency amount is the notional principal. Exchange rate is forward exchange rate that is estimated to be settled at the balance sheet date, and the book value is the amount recognised.

Three months ended March 31, 2020

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Foreign currency:</u>						
<u>functional currency)</u>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 2,353	30.175	\$ 71,002	1%	\$ 710	\$ -
HKD:NTD	360	3.868	1,392	1%	14	-
EUR:NTD	721	33.040	23,822	1%	238	-
RMB:NTD	13,368	4.230	56,547	1%	565	-
RMB:USD	17,101	0.140	72,337	1%	723	-
USD:RMB	5,760	7.103	173,808	-1%	( 1,738)	-
EUR:RMB	263	7.812	8,690	1%	87	-
<u>Non-monetary items</u>						
USD:NTD	337	30.175	\$ 10,169	1%	\$ -	\$ 102
<u>Investments accounted for using the equity method</u>						
USD:NTD	1,700	30.175	\$ 51,298	1%	\$ -	\$ 513
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 6,533	30.275	\$ 197,787	1%	(\$ 1,978)	\$ -
RMB:NTD	11,413	4.280	48,848	1%	( 488)	-
RMB:USD	5,626	0.141	24,079	1%	( 241)	-
USD:RMB (Note)	1,800	4.352	( 698)	-1%	544	-

Note: The Group's subsidiaries have forward foreign exchange contracts. Foreign currency amount is the notional principal. Exchange rate is forward exchange rate that is estimated to be settled at the balance sheet date, and the book value is the amount recognised.

- vi. Total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2021 and 2020 amounted to \$167 thousand and \$1,254 thousand, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- ii. The Group mainly invests in shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the three months ended March 31, 2021 and 2020 would have decreased/increased by \$941 thousand and \$1,007 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have decreased/increased by \$500 thousand and \$1,064 thousand, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

For the three months ended March 31, 2021 and 2020, the Group has no items with impact on profit (loss) due to changes in interest rates.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. For banks and financial institutions, the Group transacts with a variety of banks and financial institutions, mainly domestic and overseas well-known financial institutions, to avoid concentration in any single counterparty and to minimise credit risk. The Group can only enter into the financial services and loan agreement provided by banks and financial institutions after being approved by the Board of Directors or authorised management according to the Group's delegation of authorisation policy. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 1 year.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with product types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of March 31, 2021, December 31, 2020 and March 31, 2020, the loss rate methodology is as follows:

	Not past due	Up to 30 days past due	30~120 days past due	Over 120 days	Total
<u>March 31,2021</u>					
Expected loss rate	0.00%	0.00%	1.04%	99.02%	
Total book value	<u>\$ 104,845</u>	<u>\$ 46,669</u>	<u>\$ 1,921</u>	<u>\$ 1,225</u>	<u>\$ 154,660</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 20)</u>	<u>(\$ 1,213)</u>	<u>(\$ 1,233)</u>
	Not past due	Up to 30 days past due	30~120 days past due	Over 120 days	Total
<u>December 31,2020</u>					
Expected loss rate	0.00%	1.01%	19.69%	100.00%	
Total book value	<u>\$ 121,696</u>	<u>\$ 6,053</u>	<u>\$ 325</u>	<u>\$ 1,454</u>	<u>\$ 129,528</u>
Loss allowance	<u>\$ -</u>	<u>(\$ 61)</u>	<u>(\$ 64)</u>	<u>(\$ 1,454)</u>	<u>(\$ 1,579)</u>

	Not past due	Up to 30 days past due	30-120 days past due	Over 120 days	Total
<u>March 31, 2020</u>					
Expected loss rate	0.00%	0.00%	22.69%	99.07%	
Total book value	\$ 63,910	\$ 1,656	\$ 6,315	\$ 107	\$ 71,988
Loss allowance	\$ -	\$ -	(\$ 1,433)	(\$ 106)	(\$ 1,539)

viii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	2021	
	Accounts receivable	
At January 1	\$	1,579
Transferred to revenue	(	345)
Effect of exchange rate changes	(	1)
At March 31	\$	<u>1,233</u>
	2020	
	Accounts receivable	
At January 1	\$	125
Transferred to revenue		1,416
Effect of exchange rate changes	(	2)
At March 31	\$	<u>1,539</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. The Group invests surplus cash in interest bearing current accounts and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group's undrawn borrowing facilities amounted to \$110,308 thousand, \$130,115 thousand and \$140,963 thousand, respectively.
- iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The

amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
March 31, 2021					
Notes and accounts payable	\$ 83,888	\$ -	\$ -	\$ -	\$ -
Other payables	173,042	-	-	-	-
Lease liabilities	6,827	4,241	-	-	-

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
December 31, 2020					
Notes and accounts payable	\$ 88,169	\$ -	\$ -	\$ -	\$ -
Other payables	85,986	-	-	-	-
Lease liabilities	7,414	5,655	-	-	-

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
March 31, 2020					
Notes and accounts payable	\$ 47,785	\$ -	\$ -	\$ -	\$ -
Accounts payable - related parties	4,505	-	-	-	-
Other payables	163,259	-	-	-	-
Lease liabilities	8,293	6,314	4,241	-	-

Derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
March 31, 2020					
Forward exchange contracts	\$ 698	\$ -	\$ -	\$ -	\$ -

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.



Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, accounts receivable - related parties, other receivables, notes payable, accounts payable, accounts payable - related parties and other payables) are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

March 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 92,736	\$ 1,393	\$ -	\$ 94,129
Financial assets at fair value through other comprehensive income - equity securities	\$ 42,840	\$ -	\$ 7,156	\$ 49,996
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 101,200	\$ 2,966	\$ -	\$ 104,166
Financial assets at fair value through other comprehensive income - equity securities	\$ 46,750	\$ -	\$ 7,156	\$ 53,906
March 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 100,696	\$ -	\$ -	\$ 100,696
Financial assets at fair value through other comprehensive income - equity securities	\$ 98,789	\$ -	\$ 7,619	\$ 106,408
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	\$ -	\$ 698	\$ -	\$ 698

(b) The Group used market quoted prices as the fair values of the instruments in Level 1.

Based on the characteristics, the closing prices are used for emerging shares.

(c) Forward exchange contracts are usually valued based on the current forward exchange rate.

D. For the three months ended March 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. For the three months ended March 31, 2021 and 2020, movements on Level 3 are as follows:

	<u>2021</u>	<u>2020</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
At January 1	\$ 7,156	\$ 9,889
Gain recognized in other comprehensive income	-	642
Sold in the period	-	(2,942)
Effect of exchange rate changes	-	30
At March 31	<u>\$ 7,156</u>	<u>\$ 7,619</u>

F. For the three months ended March 31, 2021 and 2020, there was no transfer into or out from Level 3.

G. Experts and the Group's treasury department are in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at March 31, 2021	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 7,156	Market comparable companies	Pprice to book ratio	0.76	The higher the multiple, the higher the fair value

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 7,156	Market comparable companies	Price to book ratio	0.76	The higher the multiple, the higher the fair value
	Fair value at March 31, 2020	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 7,619	Market comparable companies	Price to book ratio	0.69	The higher the multiple, the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

				March 31, 2021	
				Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	
Financial assets					
Equity securities	Price to book ratio	± 5%	\$ 372 (		372)
				December 31, 2020	
				Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	
Financial assets					
Equity securities	Price to book ratio	± 5%	\$ 372 (		372)

		March 31, 2020			
		<u>Recognised in profit or loss</u>			
		<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets					
Equity securities	Price to book ratio	± 5%	\$	383	( 383)

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: Titan Lighting Co., Ltd. entered into forward foreign exchange contracts for the three months ended March 31, 2021. As of March 31, 2020, financial assets at fair value through profit or loss of \$1,393 thousand was recognized.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:  
Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the three months ended March 31, 2021 are provided in Note 13(1) J.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. Business organisation is divided into Tons Lightology Inc., Titan Lighting Co., Ltd. and Zhongshan Tons Lighting Co., Ltd. based on the nature. The Group's revenue is mainly from manufacturing and trading of lighting equipment and lamps.

(2) Measurement of segment information

A. The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Three months ended March 31, 2021			
	ZHONGSHAN			Total
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO.,LTD.	TONS LIGHTING CO.,LTD.	
Revenue from external customers	\$ 197,535	\$ 2,208	\$ 12,992	\$ 212,735
Inter-segment revenue	-	150,974	9,222	160,196
Segment revenue	\$ 197,535	\$ 153,182	\$ 22,214	\$ 372,931
Segment profit (loss) before tax	\$ 13,593	\$ 4,884	(\$ 1,632)	\$ 16,845

	Three months ended March 31, 2021			
	ZHONGSHAN			Total
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO.,LTD.	TONS LIGHTING CO.,LTD.	
Revenue from external customers	\$ 116,803	\$ 2,285	\$ 4,346	\$ 123,434
Inter-segment revenue	3,926	91,422	6,883	102,231
Segment revenue	\$ 120,729	\$ 93,707	\$ 11,229	\$ 225,665
Segment profit (loss) before tax	(\$ 2,949)	\$ 449	(\$ 6,156)	(\$ 8,656)

B. The Group's reportable operating segments are the result of the organization divided by operating business.

C. The Group's revenue is mainly from manufacturing and trading of lighting equipment and lamps.

D. The Group did not allocate income tax expense to reportable segments. The reportable amounts are in agreement with the amount stated in the report to the Chief

Operating Decision-Maker.

- E. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4. The Group's segment profit (loss) is measured with the operating profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segment.

(3) Reconciliation for segment income (loss)

- A. A reconciliation of total revenue after adjustment to the total revenue from continuing operating during the period is provided as follows:

	Three months ended March 31,	
	2021	2020
Reportable operating segments revenue after adjustment	\$ 372,931	\$ 225,665
Other operating segments revenue after adjustment	6,636	98,023
Total operating segments revenue	379,567	323,688
Elimination of intersegment loss	( 160,196)	( 195,493)
Total consolidated operating revenue	<u>\$ 219,371</u>	<u>\$ 128,195</u>

- B. A reconciliation of income or loss before tax after adjustment to the income before tax from continuing operating during the year is provided as follows :

	Three months ended March 31,	
	2021	2020
Reportable operating segments revenue (loss) after adjustment	\$ 16,845	(\$ 8,655)
Other operating segments loss after adjustment	( 10,410)	( 34,648)
Total operating segments revenue (loss)	6,435	( 43,303)
Elimination of intersegment revenue (loss)	228	( 313)
Total consolidated operating revenue (loss)	<u>\$ 6,663</u>	<u>(\$ 43,616)</u>

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
 Provision of endorsements and guarantees to others  
 Three months ended March 31, 2021

Table 1

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2021 (Note 4)	Actual amount drawn down (Note 4)	Amount of endorsements/ guarantees secured with collateral (Note 4)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)		Footnote	
											Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)		
1	HONG BO INVESTMENT CO., LTD.	TONS LIGHTOLOGY INC.	(3)	\$ 99,706	\$ 15,800	\$ 15,800	\$ 15,800	\$ -	11.09	\$ 99,706	N	Y	N	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.
- (1) Having business relationship.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorser/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total amount of and limit on endorsements/guarantees provided by HONG BO INVESTMENT CO., LTD. to others or a single party both are 70% of its current net assets.

Note 4: It was the joint guarantor for the construction contract undertaken by TONS LIGHTOLOGY INC.  
 Note 5: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

March 31, 2021

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of March 31, 2021			Footnote	
				Number of shares	Book value	Ownership (%)		Fair value
TONS LIGHTOLOGY INC.	Share ownership / TITAN AURORA INC.	None	Financial assets at fair value through other comprehensive income-non-current	1,900	\$ 7,156	19.00	\$ 7,156	-
TONS LIGHTOLOGY INC.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	1,700,000	42,840	4.59	42,840	-
HONG BO INVESTMENT CO., LTD.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through profit or loss -- current	3,680,000	92,736	9.94	92,736	-
		Total			142,732	Total	142,732	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.



TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NTS100 million or 20% of paid-in capital or more  
 Three months ended March 31, 2021

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Table 3

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)	Note 3
										Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)				
TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	147,635	95	90 days after monthly billing for purchases	Note 2	Note 1	( 215,132)	( 98)					

Note 1: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 90 days after monthly billing for purchases and payment is made timely according to the capital needs of subsidiaries.

Note 2: There are no purchases (sales) of the same products, thus, no third party transaction can be compared with.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

TONS LIGHTTOLOGY INC. AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

Three months ended March 31, 2021

Table 4

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2021 (Note 2)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts	Expressed in thousands of NTD (Except as otherwise indicated)
					Amount	Action taken			
TITAN LIGHTING CO., LTD.	TONS LIGHTTOLOGY INC.	Parent company	Accounts receivable \$215,132	2.67	\$ -	-	52,003	\$ -	

Note 1: Subsequent collection is the amount of receivables collected from related parties as of April 29, 2021.

Note 2: The transactions were eliminated when preparing the consolidated financial statements.

TONS LIGHTTOLOGY INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period  
Three months ended March 31, 2021

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	TONS LIGHTTOLOGY INC.	TITAN LIGHTING CO., LTD.	(1)	( Purchases )	( 147,635 )	90 days after monthly billing for purchases	67.30
0	TONS LIGHTTOLOGY INC.	TITAN LIGHTING CO., LTD.	(1)	( Accounts payable )	( 215,132 )	90 days after monthly billing for purchases	15.82

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Transaction amounts account for at least NTD 30 million.

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
Information on investees  
Three months ended March 31, 2021

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2021		Ownership (%)	Book value	Net profit (loss) of the investee for the three months ended March 31, 2021	Investment income (loss) recognised by the Company for the three months ended March 31, 2021	Footnote
				Balance as at March 31, 2021	Balance as at March 31, 2020	Number of shares	191					
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	\$ 545,972	\$ 545,972	18,333,402	100	\$ 864,359	(\$ 191)	\$ 37	Subsidiary (Note 1, 4)	
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	135,000	135,000	16,000,000	100	142,438	( 8,408)	( 8,408)	Subsidiary (Note 4)	
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	Samoa	Wholesale of furniture	70,000	70,000	1,700,000	48.57	32,690	( 7,639)	( 4,723)	Note 3	
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100	84,725	( 1,780)	-	Indirect subsidiary (Note 2,4)	
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	741,016	1,696	-	Indirect subsidiary (Note 2,4)	

Note 1: Including investment income (loss) used to offset against upstream transactions.

Note 2: The investees are the Company's second-tier subsidiaries and investee of such subsidiaries. Investment income (loss) is not disclosed.

Note 3: The investees are the Company's reinvestments accounted for using equity method.

Note 4: The transactions were eliminated when preparing the consolidated financial statements.

**TONS LIGHTLOGY INC. AND SUBSIDIARIES**  
Information on investments in Mainland China  
Three months ended March 31, 2021

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2021	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2021	Net income of investee as of March 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2021	Book value of investments in Mainland China as of March 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2021	Footnote
TITAN LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	\$ 349,625	(2)	\$ 368,845	\$ -	\$ 368,845	\$ 3,444	100.00	\$ 3,444	\$ 607,827	\$ 104,314	Note 1,2,3,4,5
ZHONGSHAN TONS LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	102,726	(2)	110,585	-	110,585	( 1,632)	100.00	( 1,632)	103,944	-	Note 1,2,4,5
SHANGHAI TONS LIGHTLOGY CO., LTD.	Sales of various lighting products and accessories	91,312	(2)	42,842	-	42,842	( 1,781)	100.00	( 1,781)	83,377	-	Note 1,2,4,5,6
Shanghai Grand Canyon LED Lighting Systems Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	33,356	(2)	901	-	901	-	14.14	-	-	-	Note 1,7
Grand Canyon (Su Zhou) Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	381,233	(2)	43,299	-	43,299	-	14.14	-	-	510	Note 1,7
ART SO ZHONG TRADING LIMITED	Trade of furniture	12,841	(2)	6,206	-	6,206	-	48.57	-	-	-	Note 1,8
Shanghai Art So Zhong Trading Limited	Trade of furniture	24,761	(2)	15,455	-	15,455	-	48.57	-	-	-	Note 1,8
BEIJING ARTSO FURNITURE CO.,LTD	Trade of furniture	24,761	(2)	17,730	-	17,730	-	48.57	-	-	-	Note 1,8

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
  - (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. (Tian Lighting Co., Ltd. and Zhongshan Tons Lighting Co., Ltd. reinvested through World Extend Holding Inc., Shanghai Grand Canyon LED Lighting Systems Co., Ltd. and Grand Canyon Opto Tech (Su Zhou) Co., Ltd. reinvested through StrongLED Lighting System (Cayman) Co., Ltd.) ART SO ZHONG TRADING LIMITED, Shanghai Art So Zhong Trading Limited and BEIJING ARTSO FURNITURE CO., LTD reinvested through ART SO TRADING LIMITED
  - (3) Others.
- Note 2: Investment income (loss) recognised by the Company for the three months ended March 31, 2021 is based on financial statements audited and attested by R.O.C. parent company's CPA.
- Note 3: Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021, including \$34,945 thousand for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger.
- Note 4: Paid-in capital of Tian Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS LIGHTTOLOGY CO., LTD. of USD \$12,253 thousand, USD \$3,600 thousand and USD \$3,200 thousand, respectively, was translated at the average buying and selling spot rate on March 31, 2021.
- Note 5: Accumulated investment amount in Tian Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS LIGHTTOLOGY CO., LTD. of USD \$11,816 thousand, USD \$3,577 thousand and USD \$1,400 thousand, respectively, was translated at the exchange rate at the initial investment.
- Note 6: SHANGHAI TONS LIGHTTOLOGY CO., LTD. has USD 3,200 thousand paid-in capital, which was composed by reinvestment of the third party, WORLD EXTEND HOLDING INC. through LUMINOUS HOLDING INCORPORATED of USD 1,800 thousand, and the remittances from Taiwan through WORLD EXTEND HOLDING INC and LUMINOUS HOLDING INCORPORATED to reinvest USD 1,400 thousand.
- Note 7: Shanghai Grand Canyon LED Lighting Systems Co., Ltd. and Grand Canyon Opto Tech (Su Zhou) Co., Ltd. reinvested through StrongLED Lighting System (Cayman) Co., Ltd. The investment was recorded as available-for-sale financial assets - non-current. Therefore, the Company did not recognise investment income (loss) and the investment at its book value individually for the investees in Mainland China.
- Note 8: ART SO ZHONG TRADING LIMITED, Shanghai Art So Zhong Trading Limited and BEIJING ARTSO FURNITURE CO., LTD reinvested through ART SO TRADING LIMITED. Therefore, the Company did not recognise investment income (loss) and the investment at its book value individually for the investees in Mainland China.

Company name	Investment amount approved by the investment Commission of the Ministry of Economic Affairs (MOEA) of MOEA	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
TONS LIGHTTOLOGY INC.	\$ 605,863	\$ 637,402
		\$ 623,302

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2021 was USD \$16,793 thousand and NTD \$44,200 thousand, including USD \$1,059 thousand for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger, the cash amounts of USD which was calculated at the actual exchange rate at outward remittance.

Note 2: Approved amount was USD \$20,785 thousand and NTD \$44,200 thousand (including own funds of USD \$1,800 thousand of the investee, World Extend Holding Inc., located in the third area and has been translated at the average buying and selling spot rate on March 31, 2021.

Note 3: Ceiling on investments was calculated based on the limit (60% of net assets) specified in "Regulations Governing Security Investment and Technical Cooperation in the Mainland Area" imposed by the Ministry of Economic Affairs.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Major shareholders information

March 31, 2021

Table 8

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
TANG, SHIH-CHUAN	3,535,633	8.84%
TONS LIGHTOLOGY INC.	2,000,000	5.00%

Description: If a company applies to the Taiwan Depository & Clearing Corporation for the information of the table, the following can be explained in the notes of the table.

(a) The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

(b) If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insiders, please refer to Market Observation Post System.