

**TONS LIGHTOLOGY INC. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2020 AND 2019**

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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.

## **Representation Letter**

In connection with the Consolidated Financial Statements of Affiliated Enterprises of TONS LIGHTOLOGY INC (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2020 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of TONS LIGHTOLOGY INC and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, TONS LIGHTOLOGY INC does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,  
TONS LIGHTOLOGY INC  
By

TANG, SHIH-CHUAN, Chairman  
February 26, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

***Opinion***

We have audited the accompanying consolidated balance sheets of Tons Lightology Inc. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

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

***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

### **Timing of recognising sales revenue.**

#### Description

Please refer to Note 4(29) for a description of accounting policy on sales revenue. Please refer to Note 6(18) for details of sales revenue.

The Group is primarily engaged in manufacturing and trading lighting equipment and lamps and the transaction mode is the parent company receives orders and transfers the orders to the subsidiaries for manufacturing and delivery. Sales revenues are recognised when the control of goods are transferred upon loading on board for shipping in accordance with the contract terms and the risk being transferred. Considering that the revenue might not be recognised in the proper period as the timing of recognition mainly occurs when loading from subsidiaries and such sales revenue recognition process involves many manual controls, we identified the timing of sales revenue recognition as one of the key areas of focus for this year's audit.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and evaluated the operating procedures and internal controls over sales revenue, and assessed the effectiveness on how the management controls the timing of recognising sales revenue.
- B. Performed sales cut-off test for a certain period before and after balance sheet date to assess the accuracy of the timing of sales revenues.

### **Inventory valuation**

#### Description

Please refer to Note 4(13) for a description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(5) for a description of inventory. As of December 31, 2020, the Group's inventory amounted to NT\$178,758 thousand and inventory valuation losses amounted to NT\$14,961 thousand.

The Group is primarily engaged in manufacturing and trading lighting equipment and lamps. Under the

Group's inventory policy, inventory valuation is measured at the lower of cost and net realisable value, which involves subjective judgement resulting in a high degree of estimation uncertainty. Thus, we identified inventory valuation as one of the key areas of focus for this year's audit.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of the Group's inventory policy and assessed the reasonableness of the policy.
- B. Reviewed annual inventory counting plan and observed the annual inventory counting event in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
- C. Obtained the Group's inventory aging report and verified dates of movements with supporting documents. Ensured the proper categorisation of inventory aging report in accordance with the Group's policy.
- D. Obtained the net realisable value statement of each inventory, assessed whether the estimation policy was consistently applied, tested the estimation basis of the net realisable value with relevant information, including verifying the sales and purchase prices with supporting evidence, and recalculated and evaluated the reasonableness of the inventory valuation.

#### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Tons Lightology Inc. as at and for the years ended December 31, 2020 and 2019.

#### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

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

to fraud or error.

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Hung, Shu-Hua

Liu, Mei Lan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 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**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 353,565	26	\$ 309,160	23
1110	Financial assets at fair value through profit or loss - current	6(2)	104,166	8	125,461	9
1136	Current financial assets at amortised cost	6(3) and 8	179,361	13	66,193	5
1150	Notes receivable, net	6(4)	1,205	-	305	-
1170	Accounts receivable, net	6(4)	127,431	9	148,801	11
1180	Accounts receivable - related parties	6(4) and 7(2)	518	-	187	-
1200	Other receivables		3,615	-	4,961	-
130X	Inventories	6(5)	163,797	12	163,065	12
1410	Prepayments		16,170	1	18,304	1
1470	Other current assets	8	1,869	-	3,949	-
11XX	<b>Current Assets</b>		<u>951,697</u>	<u>69</u>	<u>840,386</u>	<u>61</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	53,906	4	128,394	9
1550	Investments accounted for using equity method	6(7)	37,413	3	56,877	4
1600	Property, plant and equipment	6(8)	273,609	20	299,446	22
1755	Right-of-use assets	6(9)	41,028	3	32,589	3
1780	Intangible assets		4,337	-	1,681	-
1840	Deferred income tax assets	6(25)	3,571	-	4,437	-
1900	Other non-current assets	6(10) and 8	8,187	1	10,301	1
15XX	<b>Non-current assets</b>		<u>422,051</u>	<u>31</u>	<u>533,725</u>	<u>39</u>
1XXX	<b>Total assets</b>		<u>\$ 1,373,748</u>	<u>100</u>	<u>\$ 1,374,111</u>	<u>100</u>

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**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2120	Financial liabilities at fair value through profit or loss - current	6(2)	\$ -	-	\$ 318	-
2150	Notes payable		25	-	45	-
2170	Accounts payable		88,144	6	79,446	6
2180	Accounts payable - related parties	7(2)	-	-	10,159	1
2200	Other payables	6(11)	85,986	6	101,471	7
2230	Current income tax liabilities		22,200	2	7,662	-
2250	Provisions for liabilities - current		400	-	323	-
2280	Current lease liabilities		7,192	1	2,577	-
2300	Other current liabilities	6(18)	17,741	1	8,086	1
21XX	<b>Current Liabilities</b>		<u>221,688</u>	<u>16</u>	<u>210,087</u>	<u>15</u>
<b>Non-current liabilities</b>						
2550	Provisions for liabilities - non-current		316	-	375	-
2570	Deferred income tax liabilities	6(25)	3,445	-	9,421	1
2580	Non-current lease liabilities		5,591	-	1,280	-
2600	Other non-current liabilities	6(12)	8,476	1	10,766	1
25XX	<b>Non-current liabilities</b>		<u>17,828</u>	<u>1</u>	<u>21,842</u>	<u>2</u>
2XXX	<b>Total Liabilities</b>		<u>239,516</u>	<u>17</u>	<u>231,929</u>	<u>17</u>
<b>Equity attributable to owners of parent</b>						
Share capital 6(14)						
3110	Share capital - common stock		396,723	29	401,253	29
3140	Advance receipts for share capital		965	-	303	-
Capital surplus 6(15)						
3200	Capital surplus		508,419	37	510,666	37
Retained earnings 6(16)						
3310	Legal reserve		95,799	7	85,219	6
3320	Special reserve		54,323	4	38,429	3
3350	Unappropriated retained earnings		212,854	16	194,627	14
Other equity interest 6(17)						
3400	Other equity interest		( 72,115)	( 5)	( 54,323)	( 4)
3500	Treasury shares	6(14)	( 62,736)	( 5)	( 33,992)	( 2)
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,134,232</u>	<u>83</u>	<u>1,142,182</u>	<u>83</u>
3XXX	<b>Total equity</b>		<u>1,134,232</u>	<u>83</u>	<u>1,142,182</u>	<u>83</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,373,748</u>	<u>100</u>	<u>\$ 1,374,111</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**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(18) and 7	\$ 808,981	100	\$ 1,086,420	100
5000 Operating costs	6(5) and 7	( 514,057)	( 63)	( 665,967)	( 61)
5900 Net operating margin		<u>294,924</u>	<u>37</u>	<u>420,453</u>	<u>39</u>
Operating expenses	6(23)(24)				
6100 Selling expenses		( 87,321)	( 11)	( 114,781)	( 11)
6200 General and administrative expenses		( 86,663)	( 11)	( 98,574)	( 9)
6300 Research and development expenses		( 34,187)	( 4)	( 42,269)	( 4)
6000 Total operating expenses		<u>( 208,171)</u>	<u>( 26)</u>	<u>( 255,624)</u>	<u>( 24)</u>
6900 Operating profit		<u>86,753</u>	<u>11</u>	<u>164,829</u>	<u>15</u>
Non-operating income and expenses					
7100 Interest income	6(19)	6,598	1	7,027	1
7010 Other income	6(20)	10,697	1	11,220	1
7020 Other gains and losses	6(21)	19,146	2	18,953	( 2)
7050 Finance costs	6(22)	( 443)	-	( 179)	-
7060 Share of loss of associates and joint ventures accounted for using equity method	6(7)	( 19,464)	( 2)	( 13,123)	( 1)
7000 Total non-operating income and expenses		<u>16,534</u>	<u>2</u>	<u>( 14,008)</u>	<u>( 1)</u>
7900 Profit before income tax		<u>103,287</u>	<u>13</u>	<u>150,821</u>	<u>14</u>
7950 Income tax expense	6(25)	( 24,233)	( 3)	( 45,133)	( 4)
8200 Profit for the year		<u>\$ 79,054</u>	<u>10</u>	<u>\$ 105,688</u>	<u>10</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(12)	\$ 279	-	\$ 153	-
8316 Total expenses, by nature	6(17)	28,194	3	( 4,948)	( 1)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	( 98)	-	( 280)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>28,375</u>	<u>3</u>	<u>( 5,075)</u>	<u>( 1)</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations	6(17)	8,186	1	( 33,014)	( 3)
8360 Components of other comprehensive income that will be reclassified to profit or loss		<u>8,186</u>	<u>1</u>	<u>( 33,014)</u>	<u>( 3)</u>
8300 Total other comprehensive income (loss) for the year		<u>\$ 36,561</u>	<u>4</u>	<u>( \$ 38,089)</u>	<u>( 4)</u>
8500 Total comprehensive income for the year		<u>\$ 115,615</u>	<u>14</u>	<u>\$ 67,599</u>	<u>6</u>
Basic earnings per share	6(26)				
9750 Total basic earnings per share		<u>\$ 2.08</u>		<u>\$ 2.69</u>	
Diluted earnings per share	6(26)				
9850 Total diluted earnings per share		<u>\$ 2.05</u>		<u>\$ 2.65</u>	

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

**TONS LIGHTLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Notes	Equity attributable to owners of the parent					Other equity interest		Total equity		
	Common stock	Advance receipts for share capital	Additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)		Financial statements translation differences of foreign operations	Treasury shares
2019										
Balance at January 1, 2019	\$ 399,628	\$ -	\$ 501,714	\$ 4,111	\$ 74,663	\$ 38,429	\$ 191,466	(\$ 48,777)	\$ 32,666	\$ 1,193,900
Consolidated comprehensive income for the year	-	-	-	-	-	-	105,688	-	-	105,688
Other comprehensive income (loss) for the year	-	-	-	-	-	-	123	(33,014)	(5,198)	(38,089)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	105,811	(33,014)	(5,198)	67,599
Appropriation and distribution of 2018 retained earnings	-	-	-	-	-	-	(10,556)	-	-	(92,094)
Cash dividends	-	-	-	-	-	-	(92,094)	-	-	(92,094)
Share-based payment transaction - employee stock options	1,625	303	4,073	768	-	-	-	-	-	6,769
Treasury share transactions	(401,255)	(303)	(505,787)	(4,879)	(85,219)	(38,429)	(194,627)	(81,791)	(27,468)	(33,992)
Balance at December 31, 2019	\$ 401,253	\$ 303	\$ 505,787	\$ 4,879	\$ 85,219	\$ 38,429	\$ 194,627	(\$ 81,791)	\$ 27,468	\$ 1,142,182
2020										
Balance at January 1, 2020	\$ 401,253	\$ 303	\$ 505,787	\$ 4,879	\$ 85,219	\$ 38,429	\$ 194,627	(\$ 81,791)	\$ 27,468	\$ 1,142,182
Consolidated comprehensive income for the year	-	-	-	-	-	-	79,054	-	-	79,054
Other comprehensive income for the year	-	-	-	-	-	-	223	8,186	28,152	36,561
Total comprehensive income for the year	-	-	-	-	-	-	79,277	8,186	28,152	115,615
Appropriations and distribution of 2019 retained earnings	-	-	-	-	-	-	(79,054)	-	-	(92,094)
Legal reserve	-	-	-	-	10,580	-	(10,580)	-	-	-
Special reserve	-	-	-	-	-	15,894	(15,894)	-	-	-
Cash dividends	-	-	-	-	-	-	(84,395)	-	-	(84,395)
Share-based payment transaction - employee stock options	1,470	662	4,958	369	-	-	-	-	-	7,459
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	54,130	-	(54,130)	-
Purchase of treasury shares	(6,000)	-	(7,574)	-	-	-	(4,311)	-	-	(46,629)
Retirement of treasury shares	396,723	965	503,171	5,248	95,799	54,323	212,854	(73,605)	17,885	1,134,232
Balance at December 31, 2020	\$ 396,723	\$ 965	\$ 503,171	\$ 5,248	\$ 95,799	\$ 54,323	\$ 212,854	(\$ 73,605)	\$ 1,490	\$ 1,134,232

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

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 103,287	\$ 150,821
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(23)	48,615	49,658
Depreciation-right-of-use asset	6(9)(23)	9,181	10,049
Amortisation	6(23)	2,075	2,390
Expected credit loss (gain)	12(2)	1,452	( 891 )
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(21)	( 13,817 )	28,777
Interest expense - lease liability	6(22)	443	179
Interest income	6(19)	( 6,598 )	( 7,027 )
Dividend income	6(20)	( 2,690 )	( 7,861 )
Wages and salaries-employee stock options	6(13)	1,773	2,322
Share of loss of associates and joint ventures accounted for using the equity method	6(7)	19,464	13,123
(Gain) loss on disposal of property, plant and equipment	6(21)	( 133 )	786
Unrealized foreign exchange loss (gain)		1,254	( 7,533 )
Reversal of warranty expense		( 60 )	( 772 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		( 901 )	1,095
Accounts receivable, net		19,965	9,365
Accounts receivable due from related parties		( 331 )	( 194 )
Other receivables		2,552	( 2,970 )
Inventories		1,761	840
Prepayments		2,293	3,499
Other current assets		2,097	( 248 )
Changes in operating liabilities			
Notes payable		( 19 )	45
Accounts payable		7,409	( 14,724 )
Accounts payable to related parties		( 10,104 )	( 6,605 )
Other payables		( 13,500 )	( 6,785 )
Contract liabilities		9,762	( 4,145 )
Other current liabilities		( 36 )	181
Other non-current liabilities		( 2,010 )	( 914 )
Cash inflow generated from operations		183,184	212,461
Interest received		5,446	6,948
Dividend received		2,690	7,861
Interest paid		( 443 )	( 179 )
Income tax paid		( 14,878 )	( 50,264 )
Net cash flows from operating activities		<u>175,999</u>	<u>176,827</u>

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**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2020	2019
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at fair value through profit or loss		(\$ 11,730 )	(\$ 3,525 )
Proceeds from disposal of financial assets at fair value through profit or loss		44,787	-
Increase in financial assets at amortised cost		( 115,027 )	( 18,456 )
Proceeds from disposal of financial assets at fair value through other comprehensive income		102,682	-
Acquisition of investments accounted for using the equity method		-	( 70,000 )
Acquisition of property, plant and equipment	6(27)	( 15,518 )	( 24,311 )
Proceeds from disposal of property, plant and equipment		210	458
Decrease in refundable deposits		( 146 )	29,330
Acquisition of intangible deposits		( 4,731 )	( 503 )
Increase in other non-current assets		( 1,718 )	( 7,076 )
Net cash flows used in investing activities		( 1,191 )	( 94,083 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in guarantee deposits received	6(28)	-	( 118 )
Repayment of principal portion of lease liabilities	6(9)(28)	( 8,231 )	( 9,379 )
Cash dividends paid	6(16)(28)	( 84,395 )	( 92,094 )
Exercise of employee stock options		5,686	4,447
Repurchase of treasury stock	6(14)	( 46,629 )	( 33,992 )
Net cash flows used in financing activities		( 133,569 )	( 131,136 )
Effect of exchange rate changes on cash equivalents		3,166	( 9,346 )
Net increase (decrease) in cash and cash equivalents		44,405	( 57,738 )
Cash and cash equivalents at beginning of year		309,160	366,898
Cash and cash equivalents at end of year		\$ 353,565	\$ 309,160

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

**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 approved and authorised for issuance by the Board of Directors on February 26, 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 the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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.

(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
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 IFRSs 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 applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.



(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(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 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
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
  - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2020	December 31, 2019
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.	TONS LIGHTING CO., LTD. (TL)(Note)	Sales of various lighting products and accessories	-	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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2020	December 31, 2019
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

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 consolidate 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) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

**B. Translation of foreign operations**

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

**(5) Classification of current and non-current items**

**A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:**

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

**B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:**

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

The Group's time deposits which do not meet the definition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

At each reporting date, for accounts receivable, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	20 ~ 21 years
Molding equipment	3 ~ 6 years
Machinery and equipment	2 ~ 20 years
Equipment for research and development	5 ~ 11 years
Transportation equipment	4 ~ 6 years
Other assets	3 ~ 20 years

(16) Leasing arrangements (lessee)-right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

Fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Intangible assets

A. Patent is stated initially at its cost and amortised using the straight-line method over its estimated economic service life of 10 years.

B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

C. Other intangible assets are stated at cost and amortised on a straight-line basis over the estimated useful life of 3 years.



(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(23) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle

the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability,

provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment'.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(27) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(28) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Company's Board of Directors. Stock dividends are recorded as stock dividends to be distributed in the Company's financial statements in the period in which they are resolved by the Company's stockholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

Sales of goods

- A. The Group manufactures and sells a range of lighting equipment and lamps. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Sales revenue of lighting equipment and lamps is often recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Sales discounts and allowances are calculated based on accumulated sales amount over 12 months. The Group calculates revenue based on the contracts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. As of reporting date, sales discounts and allowances payable were recognised in short-term provisions. No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days after delivery, which is consistent with market practice.
- C. The Group's obligation to provide standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$163,797 thousand.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 648	\$ 816
Checking accounts and demand deposits	49,976	47,364
Time deposits	302,941	260,980
	<u>\$ 353,565</u>	<u>\$ 309,160</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

Items	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss:		
Listed stocks	\$ 113,347	\$ 129,394
Forward foreign exchange contracts	2,966	-
Valuation adjustment	(12,147)	(3,933)
	<u>\$ 104,166</u>	<u>\$ 125,461</u>
Financial liabilities held for trading		
Derivative instruments - forward foreign exchange contracts	\$ -	(\$ 318)

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

	Years ended December 31,	
	2020	2019
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	\$ 10,599	(\$ 29,403)

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:

	December 31, 2020	
	Contract amount (notional principal)	Contract period
Derivative financial assets (liabilities)		
Forward foreign exchange contracts	USD 1,800 thousand	2021.01.12~2021.12.18
	December 31, 2019	
	Contract amount (notional principal)	Contract period
Derivative financial assets (liabilities)		
Forward foreign exchange contracts	USD 1,800 thousand	2020.01.11~2020.12.15

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 years ended December 31, 2020 and 2019, the Group recognised net gain of \$3,218 thousand and \$626 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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Time deposits	\$ 179,361	\$ 66,193

A. The above mentioned are the time deposits that do not meet short-term cash commitments. As at December 31, 2020 and 2019, 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 amortised cost held by the Group was \$179,361 and \$66,193, respectively.

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>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 1,205	\$ 305
Less: Allowance for bad debts	-	-
	<u>\$ 1,205</u>	<u>\$ 305</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	\$ 129,010	\$ 148,926
Less: Allowance for bad debts	( 1,579)	( 125)
	<u>\$ 127,431</u>	<u>\$ 148,801</u>
Accounts receivable due from related parties	\$ 518	\$ 187
Less: Allowance for bad debts	-	-
	<u>\$ 518</u>	<u>\$ 187</u>

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 1,205	\$ 121,696	\$ 305	\$ 140,353
Up to 30 days	-	6,053	-	8,583
31 to 120 days	-	325	-	47
Over 120 days	-	1,454	-	130
	<u>\$ 1,205</u>	<u>\$ 129,528</u>	<u>\$ 305</u>	<u>\$ 149,113</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, all the Group's accounts and notes receivable arose from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$160,111 thousand.

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

D. As at December 31, 2020 and 2019, 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

	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>
	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 92,588	(\$ 2,250)	\$ 90,338
Work in progress	20,989	( 334)	20,655
Semi-finished goods	38,776	( 1,789)	36,987
Finished goods	23,879	( 8,819)	15,060
Inventory in transit	25	-	25
	<u>\$ 176,257</u>	<u>(\$ 13,192)</u>	<u>\$ 163,065</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2020	2019
Cost of goods sold	\$ 508,315	\$ 662,195
Loss on market price decline and obsolescence	1,592	3,123
Loss on scrapping inventory	6,049	4,119
Expenses related to inventory	( 1,899)	( 3,470)
	<u>\$ 514,057</u>	<u>\$ 665,967</u>



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

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 44,200	\$ 89,834
Unlisted stocks	8,481	11,393
Valuation adjustment	1,225	27,167
	\$ 53,906	\$ 128,394

- 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 \$53,906 thousand and \$128,394 thousand, respectively, as at December 31, 2020 and 2019.
- B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 28,152	(\$ 5,198)
Reclassified to retained earnings due to derecognition	( 54,130)	-
	(\$ 25,978)	(\$ 5,198)

- C. As at December 31, 2020 and 2019, 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 \$53,906 thousand and \$128,394 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 the equity method

- A. Associate:

	December 31, 2020	December 31, 2019
Insignificant associate:		
Art So Trading Limited	\$ 37,413	\$ 56,877

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

Company name	Principal place of	Shareholding ratio(%)		Nature of relationship	Methods of measurement
		December 31, 2020	December 31, 2019		
Art So Trading Limited	Samoa	48.57%	48.57%	Owns at least 20% of the voting rights	Equity method

(b) To meet the industrial investment requirement, the Board of Directors resolved to increase its investment in Art So Trading Limited on July 27, 2018. The Group acquired 48.57% equity interests in Art So Trading Limited on April 12, 2019, and goodwill of \$589 thousand arising from the acquisition of such investee was recognised as the cost of the investment in associate.

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

Investee	Years ended December 31,	
	2020	2019
Art So Trading Limited	(\$ 19,464)	(\$ 13,123)

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(8) Property, plant and equipment

Year ended December 31, 2020

	At January 1	Additions	Disposals	Transfers	Net exchange differences	At December 31
<b>Cost</b>						
Buildings and structures	\$ 381,590	\$ 903	\$ 7,809	\$ 9,607	\$ 6,442	\$ 390,733
Molding equipment	170,357	10,227	753	2,258	3,108	185,197
Machinery and equipment	129,114	443	516	1,258	2,186	132,485
Research and development equipment	27,747	187	201	111	466	28,310
Transportation equipment	15,029	67	1,987	990	223	14,322
Others	60,600	1,703	8,449	367	877	55,098
Construction in progress	10,603	955	-	(10,546)	(38)	974
	<u>\$ 795,040</u>	<u>\$ 14,485</u>	<u>\$ 19,715</u>	<u>\$ 4,045</u>	<u>\$ 13,264</u>	<u>\$ 807,119</u>
<b>Accumulated depreciation</b>						
Buildings and structures	(\$ 171,225)	\$ 20,564	\$ 7,809	\$ -	(\$ 3,148)	(\$ 187,128)
Molding equipment	( 145,107)	( 15,532)	721	-	( 2,753)	( 162,671)
Machinery and equipment	( 93,975)	( 5,536)	496	-	( 1,686)	( 100,701)
Research and development equipment	( 23,832)	( 1,368)	201	-	( 425)	( 25,424)
Transportation equipment	( 12,216)	( 1,453)	1,987	-	( 184)	( 11,866)
Others	( 49,239)	( 4,162)	8,424	-	( 743)	( 45,720)
	<u>(\$ 495,594)</u>	<u>(\$ 48,615)</u>	<u>\$ 19,638</u>	<u>\$ -</u>	<u>(\$ 8,939)</u>	<u>(\$ 533,510)</u>
	<u>\$ 299,446</u>					<u>\$ 273,609</u>

Year ended December 31, 2019

	At January 1	Additions	Disposals	Transfers	Net exchange differences	At December 31
<b>Cost</b>						
Buildings and structures	\$ 387,342	\$ 3,605	\$ -	\$ 5,446	\$ 14,803	\$ 381,590
Molding equipment	166,247	16,008	( 8,497)	3,198	( 6,599)	170,357
Machinery and equipment	128,349	1,158	( 3,433)	8,191	( 5,151)	129,114
Research and development equipment	28,638	185	( 254)	254	( 1,076)	27,747
Transportation equipment	14,811	1,283	( 527)	-	( 538)	15,029
Others	70,721	2,632	( 11,633)	1,055	( 2,175)	60,600
Construction in progress	16,211	394	-	( 5,591)	( 411)	10,603
	<u>\$ 812,319</u>	<u>\$ 25,265</u>	<u>(\$ 24,344)</u>	<u>\$ 12,553</u>	<u>(\$ 30,753)</u>	<u>\$ 795,040</u>
<b>Accumulated depreciation</b>						
Buildings and structures	(\$ 157,597)	\$ 20,271	\$ -	\$ -	\$ 6,643	(\$ 171,225)
Molding equipment	( 144,896)	( 13,919)	8,083	-	( 5,625)	( 145,107)
Machinery and equipment	( 95,538)	( 5,422)	3,197	-	( 3,788)	( 93,975)
Research and development equipment	( 23,597)	( 1,397)	238	-	924	( 23,832)
Transportation equipment	( 11,488)	( 1,690)	527	-	435	( 12,216)
Others	( 55,083)	( 6,959)	11,055	-	1,748	( 49,239)
	<u>(\$ 488,199)</u>	<u>(\$ 49,658)</u>	<u>\$ 23,100</u>	<u>\$ -</u>	<u>\$ 19,163</u>	<u>(\$ 495,594)</u>
	<u>\$ 324,120</u>					<u>\$ 299,446</u>

The Group has no property, plant and equipment that were pledged to others as collateral.

(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>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 28,188	\$ 28,551
Buildings	12,840	3,931
Machinery and equipment	-	107
	<u>\$ 41,028</u>	<u>\$ 32,589</u>

  

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 822	\$ 859
Buildings	8,252	9,078
Machinery and equipment	107	112
	<u>\$ 9,181</u>	<u>\$ 10,049</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets amounted to \$17,258 thousand and \$5,698 thousand, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 443	\$ 179

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases amounted to \$8,674 thousand and \$9,558 thousand, respectively.

(10) Other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Guarantee deposits paid	\$ 2,901	\$ 2,763
Prepayments for business facilities	3,022	5,531
Other non-current assets	2,264	2,007
	<u>\$ 8,187</u>	<u>\$ 10,301</u>

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

(11) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salary and bonus payable	\$ 46,056	\$ 57,815
Payable for consumables and purchases	12,994	13,841
Insurance and pension expense payable	8,040	11,179
Housing fund payable	4,576	4,657
Others	14,320	13,979
	<u>\$ 85,986</u>	<u>\$ 101,471</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) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 12,934	\$ 14,985
Fair value of plan assets	( 5,584)	( 5,342)
Net defined benefit liability	<u>\$ 7,350</u>	<u>\$ 9,643</u>

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(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
Year ended December 31, 2020			
Balance at January 1	\$ 14,985	(\$ 5,342)	\$ 9,643
Interest income	112	( 40)	72
	<u>15,097</u>	<u>( 5,382)</u>	<u>9,715</u>
Remeasurements:			
Return on plan assets(excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	271	-	271
Experience adjustments	( 397)	( 153)	( 550)
	<u>( 126)</u>	<u>( 153)</u>	<u>( 279)</u>
Pension fund contribution	-	( 49)	( 49)
Paid pension	( 2,037)	-	( 2,037)
Balance at December 31	<u>\$ 12,934</u>	<u>(\$ 5,584)</u>	<u>\$ 7,350</u>
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
Year ended December 31, 2019			
Balance at January 1	\$ 14,823	(\$ 4,116)	\$ 10,707
Interest income	148	( 42)	106
	<u>14,971</u>	<u>( 4,158)</u>	<u>10,813</u>
Remeasurements:			
Return on plan assets(excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	362	-	362
Experience adjustments	( 348)	( 167)	( 515)
	<u>14</u>	<u>( 167)</u>	<u>( 153)</u>
Pension fund contribution	-	( 1,017)	( 1,017)
Balance at December 31	<u>\$ 14,985</u>	<u>(\$ 5,342)</u>	<u>\$ 9,643</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time

deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

- (e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2020	2019
Discount rate	0.75%	1.00%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	\$ 271	(\$ 278)	(\$ 264)	\$ 259
December 31, 2019				
Effect on present value of defined benefit obligation	\$ 362	(\$ 372)	(\$ 356)	\$ 348

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$37 thousand.
- (g) As of December 31, 2020, the weighted average duration of that retirement plan is 7.27 years. The analysis of timing of the future pension payment was as follows:

2-5 years	\$	814
Over 5 years		5,424
	\$	6,238

- 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 December 31, 2020 and 2019, abovementioned contribution percentage was both 13%. 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 years ended December 31, 2020 and 2019 were \$2,736 thousand and \$16,652 thousand, respectively.

(13) Share-based payment

A. As at December 31, 2020 and 2019, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting	Actual turnover rate in 2020	Actual turnover rate in 2019	Estimated future turnover rate
Fourth employee	2014.11.13	600	5 years	2~4 years' service	-	-	-
Fifth employee stock options	2016.12.23	600	5 years	2~4 years' service	2.70%	2.63%	-
Sixth employee stock options	2018.11.02	600	5 years	2~4 years' service	5.00%	2.44%	-

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

(a) Fourth employee stock options

	2020		2019	
	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	-	-	116	\$ 20.50
Options exercised	-	-	( 78)	20.50
Options exercised	-	-	( 38)	19.00 (Note)
Options outstanding at December 31	-	-	-	19.00 (Note)
Options exercisable at December 31	-	-	-	-

Note: Price was adjusted due to the ex-dividend.

(b) Fifth employee stock options

	2020		2019	
	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	493	\$ 27.80	571	\$ 30.00
Options exercised	( 98)	27.80	-	-
Options exercised	( 47)	25.70(Note)	( 76)	27.80(Note)
Options forfeited	( 2)	27.80	( 2)	27.80(Note)
Options outstanding at December 31	<u>346</u>	25.70(Note)	<u>493</u>	27.80(Note)
Options exercisable at December 31	<u>346</u>		<u>351</u>	

Note: Price was adjusted due to the ex-dividend.

(c) Sixth employee stock options

	2020		2019	
	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	598	\$ 27.80	600	\$ 29.90
Options exercised	( 68)	25.70(Note)	-	-
Options forfeited	( 12)	27.80	( 2)	27.80(Note)
Options outstanding at December 31	<u>518</u>	25.70(Note)	<u>598</u>	27.80(Note)
Options exercisable at December 31	<u>225</u>		<u>-</u>	

Note: Price was adjusted due to the ex-dividend.

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

	December 31, 2020			December 31, 2019		
Expiry date	No. of options (in thousands)	Exercise price	No. of options (in thousands)	Exercise price		
Fifth employee stock options	2021.12.22	346 \$ 25.70	493	\$ 27.80		
Sixth employee stock options	2023.11.01	518 25.70	598	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 day	Stock price	Exercise price	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee share options	2014.11.13	28.20	28.20	38.16%	5 years	-	0.53%	9.36
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:

	Years ended December 31,	
	2020	2019
Equity-settled - employee stock options	\$ 1,773	\$ 2,322

#### (14) Share capital

- A. As of December 31, 2020, 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 \$396,723 thousand with a par value of \$10 (in dollars) per share. Advance receipts for ordinary shares amounting to \$965 thousand (equivalent to 96 thousand shares) arose from exercising employee stock options. The total share capital was \$397,688 thousand.
- B. 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.
- C. 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.
- D. The employees exercised options for 27 thousand shares and 58 thousand shares of common stock during the period from June 24, 2019 to October 31, 2019, and the subscription price was NT\$19 and NT\$27.8 per share, respectively. The share issuance became effective on November 6, 2019, as resolved at the meeting of Board of Directors on November 1, 2019. The registration was completed on November 26, 2019.
- E. The employees exercised options for 78 thousand shares of common stock during the period from January 1, 2019 to February 15, 2019, and the subscription price was NT\$20.5 per share. The share issuance became effective on March 6, 2019, as resolved at the meeting of Board of Directors on February 26, 2019. The registration was completed on March 25, 2019.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Unit: shares in thousands)	
	2020	2019
At January 1	39,156	39,963
Employee stock options exercised	213	193
Purchase of treasury share	( 1,600)	( 1,000)
At December 31	<u>37,769</u>	<u>39,156</u>

F. Treasury shares

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

Reason for reacquisition	Year ended December 31, 2020			
	No. of shares at beginning of the year	Increase in the year	Decrease in the year	No. of shares at end of the year
Reissued to employees	1,000	1,000	-	2,000
To enhance the Company's credit rating and the stockholders' equity	-	600	( 600)	-
	<u>1,000</u>	<u>1,600</u>	<u>( 600)</u>	<u>2,000</u>
Reason for reacquisition	Year ended December 31, 2019			
	No. of shares at beginning of the year	Increase in the year	Decrease in the year	No. of shares at end of the year
Reissued to employees	-	1,000	-	1,000

(b) The Board of Directors during its meeting on April 26, 2020 adopted a resolution to purchase 600 thousand treasury shares for the third time at a price between \$25 to \$35 per share from April 27, 2020 to June 26, 2020, which will be transferred to employees. As of September 30, 2020, the Company has purchased 600 thousand treasury shares with the price amounting to \$17,885 thousand. The Board of Directors during its meeting on June 29, 2020 adopted a resolution to change the purpose of the 3rd purchase of treasury shares amounting to 600 thousand shares from "reissued to employees" to "to enhance the Company's credit rating and the stockholders' equity". It was approved by the Financial Supervisory Commission on July 8, 2020. The Board of Directors resolved the retirement of the treasury shares on July 31, 2020 and the effective date was set on August 3, 2020. The registration was completed on August 27, 2020.

(c) 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. The Board of Directors during its meeting on February 26, 2019 adopted a resolution to purchase 1,000 thousand treasury shares for the first time at a price between \$25 to \$45 per share from February 27, 2019 to April 26, 2019, which will be transferred to employees. As of December 31, 2020, the Company has purchased 2,000 thousand treasury shares with the price amounting to \$62,736 thousand.

- (d) 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.
- (e) 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.
- (f) 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. (a) The appropriations of 2019 earnings as proposed by the Board of Directors on May 28, 2020 and the appropriations of 2018 earnings as resolved at the shareholders' meeting on May 29, 2019 are detailed as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 10,580		\$ 10,556	
Special reserve	15,894		-	
Cash dividends	84,395	\$ 2.24	92,094	\$ 2.3
	<u>\$ 110,869</u>		<u>\$ 102,650</u>	

- (b) The details about the appropriation of 2020 earnings which was proposed at the Board of Directors' meeting on February 26, 2021 are as follows:

	Year ended December 31, 2020	
	Amount	Dividend per share (in dollar)
Legal reserve	\$ 12,910	
Special reserve	17,792	
Cash dividends	91,108	\$ 2.4
	<u>\$ 121,810</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

	2020		2019	
	Currency translation	Unrealised gains (losses) on valuation	Currency translation	Unrealised gains (losses) on valuation
At January 1	(\$ 81,791)	\$ 27,468	(\$ 48,777)	\$ 32,666
Currency translation differences:				
- Group	8,186	-	( 33,014)	-
Revaluation	-	28,152	-	( 5,198)
Revaluation transferred to retained earnings – gross	-	( 54,130)	-	-
At December 31	<u>(\$ 73,605)</u>	<u>\$ 1,490</u>	<u>(\$ 81,791)</u>	<u>\$ 27,468</u>

(18) Operating revenue

	Years ended December 31,	
	2020	2019
Sales revenue	\$ 808,981	\$ 1,086,420

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A. Disaggregation of revenue from contracts with customers

Year ended December 31, 2020

	TONS LIGHTOLOGY INC.				TITAN LIGHTING CO., LTD.				ZHONGSHAN TONS LIGHTING CO., LTD.		
	Europe	Asia	Oceania	Others	Europe	Asia	Oceania	Others	Asia	Others	Total
	Revenue from contracts	\$557,019	\$110,884	\$52,459	\$962	\$2,491	\$6,320	\$573	\$2	\$41,541	\$36,730

Year ended December 31, 2019

	TONS LIGHTOLOGY INC.				TITAN LIGHTING CO., LTD.				ZHONGSHAN TONS LIGHTING CO., LTD.		
	Europe	Asia	Oceania	Others	Europe	Asia	Oceania	Others	Asia	Others	Total
	Revenue from contracts	\$712,853	\$146,886	\$66,399	\$2,576	\$2,665	\$784	\$662	\$8	\$121,440	\$32,147



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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contract liabilities:		
Contract liabilities - advance sales receipts	\$ <u>17,047</u>	\$ <u>7,286</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ <u>6,922</u>	\$ <u>10,234</u>

(19) Interest income

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ <u>6,598</u>	\$ <u>7,027</u>

(20) Other income

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Dividend income	\$ 2,690	\$ 7,861
Other income - others	8,007	3,359
	\$ <u>10,697</u>	\$ <u>11,220</u>

(21) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Gain (loss) on disposal of property, plant and equipment	\$ 133	(\$ 786)
Net currency exchange gain	5,261	10,696
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	13,817	( 28,777)
Other losses	( 65)	( 86)
	\$ <u>19,146</u>	\$ <u>18,953</u>

(22) Finance costs

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense	\$ <u>443</u>	\$ <u>179</u>

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

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$ 218,706	\$ 279,674
Depreciation charges on property, plant and equipment	48,615	49,658
Depreciation charges on right-of-use assets	9,181	10,049
Amortisation charges	2,075	2,390

(24) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 198,610	\$ 242,979
Labour and health insurance fees	3,436	3,944
Pension costs	2,808	16,758
Directors' remunerations	3,605	4,017
Other employee benefit expense	10,247	11,976
	<u>\$ 218,706</u>	<u>\$ 279,674</u>

Note: For the years ended December 31, 2020 and 2019, the Group had 655 and 750 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 years ended December 31, 2020 and 2019, the accrued employees' compensation and directors' remuneration is as follows:

	Years ended December 31,	
	2020	2019
Employees' compensation	\$ 8,691	\$ 11,219
Directors' remuneration	1,304	1,683
	<u>\$ 9,995</u>	<u>\$ 12,902</u>

The aforementioned amounts were recognised in salary expenses. The Group accrued expenses based on 8% and 1.2% of the pre-tax income that has not been accrued for employees' compensation and directors' remuneration, respectively, for the years ended December 31, 2020 and 2019.

Employees' compensation and directors' remuneration for 2020 and 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 and 2019 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:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profit for the year	\$ 31,703	\$ 38,233
Tax on undistributed surplus earnings	-	146
Prior year income tax overestimation	( 2,268)	( 689)
Total current tax	29,435	37,690
Deferred tax:		
Origination and reversal of temporary differences	( 5,202)	7,443
Income tax expense	<u>\$ 24,233</u>	<u>\$ 45,133</u>

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

	Years ended December 31,	
	2020	2019
Temporary differences:		
Remeasurement of defined benefit obligations	\$ 56	\$ 3
Changes in fair value of financial assets at fair value through other comprehensive income	36	250
	<u>\$ 92</u>	<u>\$ 280</u>
Current tax:		
Realised gain on valuation of proceeds from disposal of financial assets at fair value through other comprehensive income	<u>\$ 6</u>	<u>\$ -</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 28,804	\$ 44,596
Expenses disallowed by tax regulation	65	6,175
Tax exempt income by tax regulation	( 3,513)	( 5,095)
Prior year income tax overestimation	( 2,268)	( 689)
Change in assessment of realisation of deferred tax assets	( 167)	-
Basic tax on gains derived from the securities transactions	1,312	-
Tax on undistributed surplus earnings	-	146
Income tax expense	<u>\$ 24,233</u>	<u>\$ 45,133</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation and obsolescence losses	\$ 1,702	(\$ 404)	\$ -	\$ 1,298
Unrealised sales returns and discounts	66	15	-	81
Warranty liabilities	69	( 19)	-	50
Unallocated amount of accrued pension expense	581	( 403)	-	178
Remeasurement of defined benefit obligations	1,347	-	( 56)	1,291
Unrealised loss on financial assets at fair value through other comprehensive income	302	-	( 36)	266
Amount of allowance for bad debts that exceed the limit for tax purpose	-	51	-	51
Unused compensated absences	<u>370</u>	<u>( 14)</u>	<u>-</u>	<u>356</u>
	<u>4,437</u>	<u>( 774)</u>	<u>( 92)</u>	<u>3,571</u>
-Deferred tax liabilities:				
Amount of allowance for bad debts that exceed the limit for tax purpose	(\$ 167)	\$ 167	\$ -	\$ -
Gains (loss) on foreign long-term investments	( 8,251)	6,003	-	( 2,248)
Unrealised foreign exchange losses (gains)	<u>( 1,003)</u>	<u>( 194)</u>	<u>-</u>	<u>( 1,197)</u>
	<u>( 9,421)</u>	<u>5,976</u>	<u>-</u>	<u>( 3,445)</u>
	<u>(\$ 4,984)</u>	<u>\$ 5,202</u>	<u>(\$ 92)</u>	<u>\$ 126</u>

	2019			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation and obsolescence losses	\$ 1,488	\$ 214	\$ -	\$ 1,702
Unrealised sales returns and discounts	31	35	-	66
Warranty liabilities	68	1	-	69
Unallocated amount of accrued pension expense	764	( 183)	-	581
Remeasurement of defined benefit obligations	1,377	-	( 30)	1,347
Unrealised foreign exchange losses (gains)	639	( 639)	-	-
Unrealised loss on financial assets at fair value through other comprehensive income	552	-	( 250)	302
Unused compensated absences	308	62		370
	<u>5,227</u>	<u>( 510)</u>	<u>( 280)</u>	<u>4,437</u>
-Deferred tax liabilities:				
Amount of allowance for bad debts that exceed the limit for tax purpose	\$ -	(\$ 167)	\$ -	(\$ 167)
Gains (loss) on foreign long-term investments	( 2,488)	( 5,763)	-	( 8,251)
Unrealised foreign exchange losses (gains)	-	( 1,003)	-	( 1,003)
	<u>( 2,488)</u>	<u>( 6,933)</u>	<u>-</u>	<u>( 9,421)</u>
	<u>\$ 2,739</u>	<u>(\$ 7,443)</u>	<u>(\$ 280)</u>	<u>(\$ 4,984)</u>

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary difference unrecognised as deferred tax liabilities were \$68,222 and \$64,310 thousand, respectively.

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

(26) Earnings per share

Earnings per share of ordinary shares:

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 79,054	38,098	\$ 2.08
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	79,054	38,098	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	309	
- Employee stock options	-	180	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 79,054	38,587	\$ 2.05
	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 105,688	39,311	\$ 2.69
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	105,688	39,311	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	350	
- Employee stock options	-	227	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 105,688	39,888	\$ 2.65

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 14,485	\$ 25,265
Add: Opening balance of payable on equipment	1,788	834
Less: Ending balance of payable on equipment	( 755)	( 1,788)
Cash paid during the year	<u>\$ 15,518</u>	<u>\$ 24,311</u>

(28) Changes in liabilities from financing activities

	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities - gross
At January 1, 2020	\$ 1,126	\$ 3,857	\$ -	\$ 4,983
Changes in cash flow from financing activities	-	( 8,231)	( 84,395)	( 92,626)
Impact of changes in foreign exchange rate	-	( 44)	-	( 44)
Changes in other non-cash items	-	17,201	84,395	101,596
At December 31, 2020	<u>\$ 1,126</u>	<u>\$ 12,783</u>	<u>\$ -</u>	<u>\$ 13,909</u>

	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities - gross
At January 1, 2019	\$ 1,246	\$ -	\$ -	\$ 1,246
Effect of first-time adoption of IFRS	-	7,312	-	7,312
Changes in cash flow from financing activities	( 118)	( 9,379)	( 92,094)	( 101,591)
Impact of changes in foreign exchange rate	( 2)	( 116)	-	( 118)
Changes in other non-cash items	-	6,040	92,094	98,134
At December 31, 2020	<u>\$ 1,126</u>	<u>\$ 3,857</u>	<u>\$ -</u>	<u>\$ 4,983</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
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

	Years ended December 31,	
	2020	2019
Sales of goods:		
- Associates	\$ 1,376	\$ 1,327
- Other related parties	-	65
	<u>\$ 1,376</u>	<u>\$ 1,392</u>

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

	December 31, 2020	December 31, 2019
Accounts receivable:		
- ARTSO INTERNATIONAL, INC.	\$ 473.00	\$ -
- Shanghai Art So Zhong Trading Limited	-	97
- BEIJING ARTSO FURNITURE CO., LTD	45	90
	<u>\$ 518</u>	<u>\$ 187</u>

C. Purchases

	Years ended December 31,	
	2020	2019
Purchases of raw materials:		
- Other related parties	\$ 11,327	\$ 31,277

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

	December 31, 2020	December 31, 2019
Accounts payable:		
- WeiSen Electronic Co., Ltd.	\$ -	\$ 10,159



(3) Key management compensation

	Years ended December 31,	
	2020	2019
Short-term employee benefits	\$ 26,565	\$ 32,857
Post-employment benefits	523	565
Share-based payments	785	1,216
	<u>\$ 27,873</u>	<u>\$ 34,638</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Restricted time deposits (shown as 'financial assets at amortised cost')	\$ 5,325	\$ 4,305	Construction and forward foreign exchange contracts
Guarantee deposits paid (shown as 'other non-current assets')	2,901	2,763	Construction and security deposits
	<u>\$ 8,226</u>	<u>\$ 7,068</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

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders and issue new shares to reduce debt. The Group monitors capital on the basis of the debt-to-asset ratio. This ratio is calculated as net debt divided by total assets.

During the year ended December 31, 2020, the Group's strategy, which was unchanged from 2019, was to maintain the debt-to-asset ratio within 20% to 40%. The debt-to-asset ratios at December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 239,516	\$ 231,929
Total assets	\$ 1,373,748	\$ 1,374,111
Gearing ratio	17%	17%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 104,166	\$ 125,461
Financial assets at fair value through other comprehensive income	53,906	128,394
Cash and cash equivalents	353,565	309,160
Financial assets at amortised cost	179,361	66,193
Notes receivable	1,205	305
Accounts receivable (including related parties)	127,949	148,988
Other receivables	3,615	4,961
Guarantee deposits paid	2,901	2,763
	<u>\$ 826,668</u>	<u>\$ 786,225</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ -	\$ 318
Financial liabilities at amortised cost		
Notes payable	25	45
Accounts payable (including related parties)	88,144	89,605
Other accounts payable	85,986	101,471
Guarantee deposits received	1,126	1,126
	<u>\$ 175,281</u>	<u>\$ 192,565</u>
Lease liability (including current portion)	<u>\$ 12,783</u>	<u>\$ 3,857</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:

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December 31, 2020

	Sensitivity analysis					
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 1,954	28.480	\$ 55,650	1%	\$ 557	\$ -
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.

December 31, 2019

	Sensitivity analysis					
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	3,563	29.930 \$	106,641	1% \$	1,066 \$	-
HKD : NTD	1,021	3.819	3,899	1%	39	-
EUR : NTD	1,485	33.390	49,584	1%	496	-
RMB : NTD	13,644	4.280	58,396	1%	584	-
RMB : USD	18,501	0.143	79,184	1%	792	-
USD : RMB	7,170	6.964	214,598	-1% (	2,146)	-
EUR : RMB	237	7.803	7,913	1%	79	-
<u>Non-monetary items</u>						
USD : NTD	337	29.930 \$	10,086	1% \$	- \$	101
<u>Investments accounted for using the equity method</u>						
USD : NTD	1,700	29.930 \$	50,881	1% \$	- \$	509
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	8,038	30.030 \$	241,381	1% (\$	2,414) \$	-
EUR : NTD	235	33.790	7,941	1% (	79)	-
RMB : NTD	12,730	4.330	55,121	1% (	551)	-
RMB : USD	7,276	0.144	31,505	1% (	315)	-
USD : RMB (Note)	1,800	7.002 (	318)	-1%	543	-

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 years ended December 31, 2020 and 2019 amounted to \$5,261 thousand and \$10,696 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 years ended December 31, 2020 and 2019 would have decreased/increased by \$1,042 thousand and \$1,255 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 \$539 thousand and \$1,284 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 years ended December 31, 2020 and 2019, 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 reorganization 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 December 31, 2020 and 2019, the loss rate methodology is as follows:

	Not past due	Up to 30 days past due	30~120 days 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 due	Over 120 days	Total
<u>December 31, 2019</u>					
Expected loss rate	0.00%	0.00%	12.77%	91.54%	
Total book value	<u>\$140,353</u>	<u>\$ 8,583</u>	<u>\$ 47</u>	<u>\$ 130</u>	<u>\$ 149,113</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 6)</u>	<u>(\$ 119)</u>	<u>(\$ 125)</u>

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

	2020	
	Accounts receivable	
At January 1	\$	125
Provision for impairment		1,452
Effect of exchange rate changes		2
At December 31	\$	1,579
	2019	
	Accounts receivable	
At January 1	\$	1,021
Transferred to revenue	(	891)
Effect of exchange rate changes	(	5)
At December 31	\$	125

(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 December 31, 2020 and 2019, the Group's undrawn borrowing facilities amounted to \$130,115 thousand and \$105,105 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 non-derivative 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
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
December 31, 2019					
Notes and accounts payable	\$ 79,491	\$ -	\$ -	\$ -	\$ -
Accounts payable - related parties	10,159	-	-	-	-
Other payables	101,471	-	-	-	-
Lease liabilities	2,670	1,290	-	-	-

Non-derivative financial liabilities:

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					
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2019					
Forward exchange contracts	\$ 318	\$ -	\$ -	\$ -	\$ -

(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:

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	<u>\$ 101,200</u>	<u>\$ 2,966</u>	<u>\$ -</u>	<u>\$ 104,166</u>
Financial assets at fair value through other comprehensive income - equity securities	<u>\$ 46,750</u>	<u>\$ -</u>	<u>\$ 7,156</u>	<u>\$ 53,906</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2019	<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	<u>\$ 125,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,461</u>
Financial assets at fair value through other comprehensive income - equity securities	<u>\$ 118,505</u>	<u>\$ -</u>	<u>\$ 9,889</u>	<u>\$ 128,394</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 318</u>	<u>\$ -</u>	<u>\$ 318</u>

(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 years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. For the year ended December 31, 2020, movements on Level 3 are as follows:

	<u>2020</u>	<u>2019</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
At January 1	\$ 9,889	\$ 8,637
Gains recognised in other comprehensive income	179	1,252
Sold in the year	(2,912)	-
At December 31	<u>\$ 7,156</u>	<u>\$ 9,889</u>

- F. For the years ended December 31, 2020 and 2019, 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 December 31, 2020	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instruments:					
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 December 31, 2019	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 9,889	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:

			December 31, 2020	
			<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity securities	Price to book ratio	± 5%	\$ 372	(\$ 372)
			December 31, 2019	
			<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity securities	Price to book ratio	± 5%	\$ 510	(\$ 510)

### 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 NT\$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative financial instruments undertaken during the reporting periods: Titan Lighting Co., Ltd. entered into forward foreign exchange contracts for the year ended December 31, 2020. As of December 31, 2020, financial assets at fair value through profit or loss of \$2,966 thousand was recognised.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

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

- A. Basic information: Please refer to table 8.
- 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 year ended December 31, 2020 are provided in Note 13(1) J.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

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

The operating gains and losses are measured by the amount before tax and used as basis for performance appraisal. This measurement excludes the effects of non-recurring expenditures from the operating segments, equity-settled share-based payments and unrealised gains (losses) from financial assets.

(3) Information about segment profit or loss, assets and liabilities

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

	Year ended December 31, 2020			
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	\$ 721,324	\$ 9,386	\$ 41,541	\$ 772,251
Inter-segment revenue	6,800	546,551	48,199	601,550
Segment revenue	<u>\$ 728,124</u>	<u>\$ 555,937</u>	<u>\$ 89,740</u>	<u>\$ 1,373,801</u>
Segment profit before tax	<u>\$ 60,627</u>	<u>\$ 24,145</u>	<u>\$ 2,139</u>	<u>\$ 86,911</u>
Segment income (loss) including:				
Depreciation and amortisation	\$ 9,030	\$ 41,909	\$ 5,438	\$ 56,377
Income tax expense	19,581	3,195	146	22,922
Investment loss adopting equity method	( 19,464)	-	-	( 19,464)

Year ended December 31, 2019

	ZHONGSHAN			Total
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	TONS LIGHTING CO., LTD.	
Revenue from external customers	\$ 928,714	\$ 4,119	\$ 121,440	\$ 1,054,273
Inter-segment revenue	26,245	748,152	39,533	813,930
Segment revenue	<u>\$ 954,959</u>	<u>\$ 752,271</u>	<u>\$ 160,973</u>	<u>\$ 1,868,203</u>
Segment profit before tax	<u>\$ 67,444</u>	<u>\$ 73,627</u>	<u>\$ 23,140</u>	<u>\$ 164,211</u>
Segment income (loss) including:				
Depreciation and amortisation	\$ 12,525	\$ 41,385	\$ 4,973	\$ 58,883
Income tax expense	21,643	15,999	6,878	44,520
Investment loss adopting equity method	( 13,123)	-	-	( 13,123)

B. The Group's reportable operating segments are the result of the organisation 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 segments.

**(4) 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:

	Years ended December 31,	
	2020	2019
Reportable operating segments revenue after adjustment	\$ 1,373,801	\$ 1,868,203
Other operating segments revenue after adjustment	226,119	793,263
Total operating segments revenue	1,599,920	2,661,466
Elimination of intersegment revenue	( 790,939)	( 1,575,046)
Total consolidated operating revenue	<u>\$ 808,981</u>	<u>\$ 1,086,420</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:

	Years ended December 31,	
	2020	2019
Reportable operating segments income before tax after adjustment	\$ 86,911	\$ 164,211
Other operating segments income (loss) before tax after adjustment	16,682	( 14,046)
Total operating segments revenue	103,593	150,165
Elimination of intersegment (loss) income revenue	( 306)	656
Income before tax from continuing operations	\$ 103,287	\$ 150,821

(5) Information on products and services

Revenues from external customers are mainly from manufacturing and sales of lighting equipment and lamps. Details of revenue are as follows:

	Years ended December 31,	
	2020	2019
Sales revenue	\$ 808,981	\$ 1,086,420

(6) Geographical information

Revenues were calculated based on the location of customers. Non-current assets, including property, plant and equipment, right-of-use assets and intangible assets, were categorised based on the location of the assets.

The geographical information is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Europe	\$ 559,510	\$ -	\$ 715,518	\$ -
Asia	195,475	318,974	301,257	333,716
Oceania	53,032	-	67,061	-
Others	964	-	2,584	-
	\$ 808,981	\$ 318,974	\$ 1,086,420	\$ 333,716

(7) Major customer information

The major customer information is as follows:

		Years ended December 31,		
		2020	2019	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$ 179,783	TONS LIGHTOLOGY INC and TITAN LIGHTING CO.,	\$ 206,390	TONS LIGHTOLOGY INC and TITAN LIGHTING CO., LTD
B	85,250	TONS LIGHTOLOGY INC and TITAN LIGHTING CO.,	104,300	TONS LIGHTOLOGY INC and TITAN LIGHTING CO., LTD
C	<u>57,308</u>	TONS LIGHTOLOGY INC and TITAN LIGHTING CO.,	<u>59,564</u>	TONS LIGHTOLOGY INC and TITAN LIGHTING CO., LTD
	<u>\$ 322,341</u>		<u>\$ 370,254</u>	

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**TONS LIGHTTOLOGY INC. AND SUBSIDIARIES**  
 Provision of endorsements and guarantees to others  
 Year ended December 31, 2020

Table 1

Expressed in thousands of NTID  
 (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 guarantee amount as of December 31, 2020 (Note 4)	Outstanding guarantee amount at December 31, 2020 (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		Footnote	
											endorsements/ guarantees by parent company to subsidiary (Note 5)	endorsements/ guarantees by subsidiary to parent company (Note 5)		Provision of endorsements/ guarantees to the party in Mainland China (Note 5)
1	HONG BO INVESTMENT CO., LTD.	TONS LIGHTTOLOGY INC.	(3)	\$ 105,592	\$ 15,800	\$ 15,800	\$ 15,800	\$ -	10.47	\$ 105,592	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'.

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:  
 (1) Having business relationship.

- (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 LIGHTTOLOGY 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)

December 31, 2020

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 December 31, 2020			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	46,750	4.59	46,750	-
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	101,200	9.94	101,200	-
			Total		155,106	Total	155,106	

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

TONS LIGHTLOGY INC. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2020		Addition (Note 3)		Disposal (Note 3)		Balance as at December 31, 2020
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	
TONS LIGHTLOGY INC.	Stocks	Financial assets at fair value through other comprehensive income - non-current	HEP TECH CO., LTD.	-	3,861	72,775	-	3,861	99,740	72,775	26,965
		Financial assets at fair value through profit or loss - current		-	-	-	-	-	-	-	-
HONGBO INVESTMENT CO., LTD.	Stocks	Financial assets at fair value through profit or loss - current	HEP TECH CO., LTD.	-	2,102	39,623	-	2,102	44,787	39,623	5,164
				-	-	-	-	-	-	-	-

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

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Differences in transaction terms compared to third party transactions	Notes/accounts receivable (payable)		Footnote (Note 2)
									Balance	Percentage of total notes/accounts receivable (payable)	
TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	\$ 193,104	33	90 days after monthly billing for purchases	Note 2		\$ -	-	Note 3
TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	347,099	59	90 days after monthly billing for purchases	Note 2		( 227,151)	( 95)	Note 3
TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	Same ultimate parent	Purchases	183,002	100	90 days after monthly billing for purchases	Note 2		-	-	Note 3

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 LIGHTOLOGY INC. AND SUBSIDIARIES

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

Year ended December 31, 2020

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note 2)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
TITAN LIGHTING CO., LTD.	TONS LIGHTOLOGY INC.	Parent company	Accounts receivable \$227,151	1.53	\$ -	-	115,525	\$ -

Note 1: Subsequent collection is the amount of receivables collected from related parties as of February 26, 2021.

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period  
Year ended December 31, 2020

Table 6

Expressed in thousands ofNTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
0	TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	(1)	( Purchases )	\$ 193,104	90 days after monthly billing for purchases	23.87
0	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	(1)	( Purchases )	( 347,099 )	90 days after monthly billing for purchases	42.91
0	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	(1)	( Accounts payable )	( 227,151 )	90 days after monthly billing for purchases	16.54
1	TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	(3)	( Purchases )	( 183,002 )	90 days after monthly billing for purchases	22.62

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

Year ended December 31, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020		Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote	
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)				Book value
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	\$ 545,972	\$ 545,972	18,333,402	100	\$ 870,228	\$ 27,097	\$ 26,791	Subsidiary (Note 1, 6)
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	135,000	125,000	16,000,000	100	150,846	11,217	11,217	Subsidiary (Note 6)
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	Samoa	Wholesale of furniture	70,000	70,000	1,700,000	48.57	37,413	( 36,206)	( 19,464)	Note 3
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD.	Samoa	Sales of various lighting products and accessories	-	1,625	-	0	-	1,951	-	Indirect subsidiary (Note 2,4,5,6)
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100	87,135	( 561)	-	Indirect subsidiary (Note 2,6)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	744,673	25,564	-	Indirect subsidiary (Note 2,6)

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: 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, which was registered in Belize, as a result of increasing compliance costs.

Note 5: The subsidiary, Tons Lighting Co., Ltd, redomiciled from Belize to Samoa on June 9, 2020. On December 15, 2020, the residual assets were allocated to the parent company, WORLD EXTEND HOLDING INC., and deregistration was completed.

Note 6: The transactions were eliminated when preparing the consolidated financial statements.

**TONS LIGHTLOGY INC. AND SUBSIDIARIES**  
Information on investments in Mainland China  
Year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

Investee in Mainland China	Main business activities	Paid-in capital, \$	Investment method	Accumulated amount of remitance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Mainland China/ Taiwan to Taiwan for the year ended December 31, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
TITAN LIGHTING CO., LTD.	Main business activities Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	348,951	(2)	368,845	-	368,845	20,949	100.00	20,949	609,001	104,414	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	102,528	(2)	110,585	-	110,585	1,993	100.00	1,993	106,366	-	Note 1,2,4,5
SHANGHAI TONS LIGHTLOGY CO., LTD.	Sales of various lighting products and accessories	91,136	(2)	42,842	-	42,842	(533)	100.00	(533)	85,793	-	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	356,487	(2)	43,299	-	43,299	-	14.14	-	-	510	Note 1,7
ART SO ZHONG TRADING LIMITED	Trade of furniture	12,816	(2)	6,206	-	6,206	-	48.57	-	-	-	Note 1,8
Shanghai Art So Zhong Trading Limited	Trade of furniture	24,949	(2)	-	15,455	15,455	-	48.57	-	-	-	Note 1,8
BEIJING ARTSO FURNITURE CO.,LTD	Trade of furniture	24,949	(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 investees in Mainland China. (Titan 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 ARTISO FURNITURE CO., LTD reinvested through ART SO TRADING LIMITED)
- (3) Others.

Note 2: Investment income (loss) recognised by the Company for the year ended December 31, 2020 is based on financial statements audited and attested by R.O.C. patent company's CPA.  
 Note 3: Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020, 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 Titan Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS LIGHTING 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 December 31, 2020.  
 Note 5: Accumulated investment amount in Titan Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS LIGHTING 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 LIGHTING 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 ARTISO 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) (Note 1)	Ceiling on investments in Mainland China imposed by the investment Commission of the Ministry of Economic Affairs (MOEA) (Note 2)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)
TONS LIGHTING CO., LTD.	605,863	\$ 636,259	\$ 680,539

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 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 \$20,789 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 December 31, 2020).

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

TONS LIGHTLOGY INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2020

Table 9

Name of major shareholders	Number of shares held	Shares	Ownership (%)
TANG,SHIH-CHUAN		3,535,633	8.89%
TONS LIGHTLOGY INC.		2,000,000	5.03%

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.