

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2020 AND 2019

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only 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 Company's parent company only financial statements of the current period are stated as follows:

Timing of recognising sales revenue

Description

Please refer to Note 4(26) for a description of accounting policy on sales revenue. Please refer to Note 6(15) for details of sales revenue.

The Company is primarily engaged in manufacturing and trading lighting equipment and lamps and the transaction mode is the 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 shipment 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 several manual controls. Thus, 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

The Company is primarily engaged in manufacturing and trading lighting equipment and lamps and the transaction mode is the Company receives orders and transfers the orders to the subsidiaries for manufacturing and delivering. Considering that the inventory valuation policy of the Company's subsidiary (presented as investments accounted for using the equity method) is measured at the lower of cost and net realisable value, which involves subjective judgement resulting in a high degree of estimation uncertainty, we thus identified inventory valuation of the subsidiary (presented as investments accounted for using the equity method) 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 Company'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 inventory internal control.
- C. Obtained the Company inventory aging report and verified dates of movements with supporting documents. Ensured the proper categorisation of inventory aging report in accordance with the Company'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.

Responsibilities of management and those charged with governance for parent company only financial statements

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

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

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

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TONS LIGHTOLOGY INC. internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on TONS LIGHTOLOGY INC. ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within TONS LIGHTOLOGY INC. to express an opinion on the parent company only 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Hung, Shu-Hua

Liu, Mei-Lan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2021

The accompanying parent company only 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 parent company only 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.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 185,910	13	\$ 152,390	10
1136	Current financial assets at amortised cost	6(2) and 8	948	-	-	-
1150	Notes receivable, net	6(3)	1,205	-	305	-
1170	Accounts receivable, net	6(3)	121,662	8	138,339	9
1180	Accounts receivable - related parties	6(3) and 7	845	-	-	-
1200	Other receivables		467	-	2,835	-
130X	Inventories	6(4)	11,464	1	6,950	1
1410	Prepayments		5,330	-	5,022	-
1470	Other current assets		180	-	150	-
11XX	Current Assets		<u>328,011</u>	<u>22</u>	<u>305,991</u>	<u>20</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(5)	53,906	4	128,394	9
1550	Investments accounted for under equity method	6(6)	1,058,487	73	1,059,042	71
1600	Property, plant and equipment	6(7)	656	-	641	-
1755	Right-of-use assets	6(8)	11,774	1	1,997	-
1780	Intangible assets		4,337	-	1,681	-
1840	Deferred income tax assets	6(22)	3,571	-	4,437	-
1990	Other non-current assets, others	8	2,447	-	2,219	-
15XX	Non-current assets		<u>1,135,178</u>	<u>78</u>	<u>1,198,411</u>	<u>80</u>
1XXX	Total assets		<u>\$ 1,463,189</u>	<u>100</u>	<u>\$ 1,504,402</u>	<u>100</u>

(Continued)

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY 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	%
Current liabilities						
2150	Notes payable		\$ 25	-	\$ 45	-
2170	Accounts payable		9,764	1	1,682	-
2180	Accounts payable - related parties	7	230,527	16	275,659	18
2200	Other payables		26,792	2	28,864	2
2220	Other payables - related parties	7	1,035	-	24,746	2
2230	Current income tax liabilities	6(22)	21,079	1	2,276	-
2280	Current lease liabilities		6,331	-	1,080	-
2300	Other current liabilities	6(15)	15,642	1	6,416	1
21XX	Current Liabilities		<u>311,195</u>	<u>21</u>	<u>340,768</u>	<u>23</u>
Non-current liabilities						
2550	Provision for liabilities - non-current		249	-	345	-
2570	Deferred income tax liabilities	6(22)	3,445	-	9,421	-
2580	Non-current lease liabilities		5,591	-	921	-
2600	Net defined benefit liability - non-current	6(9)	8,477	1	10,765	1
25XX	Non-current liabilities		<u>17,762</u>	<u>1</u>	<u>21,452</u>	<u>1</u>
2XXX	Total Liabilities		<u>328,957</u>	<u>22</u>	<u>362,220</u>	<u>24</u>
Equity						
Share capital		6(11)				
3110	Share capital - common stock		396,723	27	401,253	27
3140	Advance receipts for share capital		965	-	303	-
Capital surplus						
3200	Capital surplus	6(12)	508,419	34	510,666	34
Retained earnings						
		6(13)				
3310	Legal reserve		95,799	7	85,219	6
3320	Special reserve		54,323	4	38,429	2
3350	Unappropriated retained earnings		212,854	15	194,627	13
Other equity interest						
3400	Other equity interest	6(14)	(72,115)	(5)	(54,323)	(4)
3500	Treasury shares	6(11)	(62,736)	(4)	(33,992)	(2)
3XXX	Total equity		<u>1,134,232</u>	<u>78</u>	<u>1,142,182</u>	<u>76</u>
3X2X	Total liabilities and equity		<u>\$ 1,463,189</u>	<u>100</u>	<u>\$ 1,504,402</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 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(15) and 7	\$ 728,124	100	\$ 954,958	100
5000	Operating costs	6(4) and 7	(587,541)	(81)	(797,401)	(83)
5900	Net operating margin		140,583	19	157,557	17
	Operating expenses	6(20)(21)				
6100	Selling expenses		(34,148)	(5)	(38,280)	(4)
6200	General & administrative expenses		(42,357)	(6)	(47,718)	(5)
6300	Research and development expenses		(4,680)	-	(5,931)	(1)
6000	Total operating expenses		(81,185)	(11)	(91,929)	(10)
6900	Operating profit		59,398	8	65,628	7
	Non-operating income and expenses					
7100	Interest income	6(16)	1,920	-	2,864	-
7010	Other income	6(17)	4,997	1	4,237	-
7020	Other gains and losses	6(18)	14,148	2	7,927	1
7050	Finance costs	6(19)	(372)	-	(89)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	18,544	3	46,764	5
7000	Total non-operating income and expenses		39,237	6	61,703	6
7900	Profit before income tax		98,635	14	127,331	13
7950	Income tax expense	6(22)	(19,581)	(3)	(21,643)	(2)
8200	Profit for the year		\$ 79,054	11	\$ 105,688	11
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(9)	\$ 279	-	\$ 153	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(14)	28,194	4	(4,948)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(98)	-	(280)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		28,375	4	(5,075)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income (loss), before tax, exchange differences on translation	6(14)	8,186	1	(33,014)	(3)
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		8,186	1	(33,014)	(3)
8300	Other comprehensive income (loss) for the year		\$ 36,561	5	(\$ 38,089)	(4)
8500	Total comprehensive income for the year		\$ 115,615	16	\$ 67,599	7
	Basic earnings per share					
9750	Total basic earnings per share	6(23)	\$ 2.08		\$ 2.69	
	Diluted earnings per share					
9850	Total diluted earnings per share	6(23)	\$ 2.05		\$ 2.65	

The accompanying notes are an integral part of these parent company only financial statements.

IONS LIGHTTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Share capital		Capital Surplus			Retained Earnings			Other equity interest			Total equity
	Notes	Common stock	Advance receipts for share capital	Additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	
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
Profit		-	-	-	-	-	-	105,688	-	-	-	105,688
Other comprehensive income (loss)	6(14)	-	-	-	-	-	-	123	(33,014)	(5,198)	-	(38,089)
Total comprehensive income		-	-	-	-	-	-	105,811	(33,014)	(5,198)	-	67,599
Appropriation and distribution of 2018		-	-	-	-	-	-	-	-	-	-	-
Legal reserve	6(13)	-	-	-	-	10,556	-	(10,556)	-	-	-	-
Cash dividends	6(13)	-	-	-	-	-	-	(92,094)	-	-	-	(92,094)
Share-based payment transactions - employees	6(10)	1,625	-	-	-	-	-	-	-	-	-	-
Treasury share transactions	6(11)	-	303	4,073	768	-	-	-	-	-	-	6,769
Balance at December 31, 2019		\$ 401,253	\$ 303	\$ 505,787	\$ 4,879	\$ 85,219	\$ 38,429	\$ 194,627	(\$ 81,791)	\$ 27,468	(33,992)	\$ 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	(33,992)	\$ 1,142,182
Profit		-	-	-	-	-	-	79,054	-	-	-	79,054
Other comprehensive income	6(14)	-	-	-	-	-	-	223	8,186	28,152	-	36,561
Total comprehensive income		-	-	-	-	-	-	79,277	8,186	28,152	-	115,615
Appropriations and distribution of 2019		-	-	-	-	-	-	-	-	-	-	-
Legal reserve	6(13)	-	-	-	-	10,580	-	(10,580)	-	-	-	-
Special reserve	6(13)	-	-	-	-	-	15,894	(15,894)	-	-	-	-
Cash dividends	6(13)	-	-	-	-	-	-	(84,395)	-	-	-	(84,395)
Share-based payment transactions - employees	6(10)	1,470	662	4,958	369	-	-	-	-	-	-	7,459
Disposal of investments in equity instruments at fair value through other comprehensive income	6(5)	-	-	-	-	-	-	54,130	-	(54,130)	-	-
Purchase of treasury shares	6(11)	-	-	-	-	-	-	(4,311)	-	-	(46,629)	(46,629)
Retirement of treasury shares	6(11)	(6,000)	-	(7,574)	-	-	-	-	-	-	17,885	-
Balance at December 31, 2020		\$ 396,723	\$ 965	\$ 503,171	\$ 5,248	\$ 95,799	\$ 54,323	\$ 212,854	(\$ 73,605)	\$ 1,490	(\$ 62,736)	\$ 1,134,232

The accompanying notes are an integral part of these parent company only financial statements.

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 98,635	\$ 127,331
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(20)	423	2,967
Depreciation-right-of-use asset	6(8)(20)	6,532	7,238
Amortisation	6(20)	2,075	2,320
Expected credit loss (gain)	12(2)	1,500	(633)
(Reversal of) provision for warranty expense		(96)	4
Interest expense - lease liability	6(8)	372	89
Interest income	6(16)	(1,920)	(2,864)
Dividend income		(850)	(3,719)
Wages and salaries-employee stock options	6(10)	1,773	2,322
Share of loss of subsidiary, associates and joint ventures	6(6)	(18,544)	(46,764)
Unrealised foreign exchange gain		(970)	(8,213)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(901)	1,095
Accounts receivable, net		15,156	7,523
Accounts receivable due from related parties		(845)	-
Other receivables		2,369	(2,534)
Inventories		(4,523)	2,711
Prepayments		(313)	(1,033)
Other current assets		(30)	(53)
Changes in operating liabilities			
Notes payable		(19)	47
Accounts payable		8,082	(133)
Accounts payable to related parties		(45,122)	56,754
Other payables		(2,003)	(344)
Other payables to related parties		(23,710)	5,049
Contract liabilities		9,316	258
Other current liabilities		(54)	171
Other non-current liabilities		(2,009)	(914)
Cash inflow generated from operations		44,324	148,675
Interest received		1,919	2,968
Dividend received		38,398	11,243
Interest paid		(372)	(89)
Income tax paid		(5,986)	(25,679)
Net cash flows from operating activities		<u>78,283</u>	<u>137,118</u>

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TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through profit or loss		\$ 102,682	\$ -
Increase in financial assets at amortised cost		(948)	-
Acquisition of investments accounted for using the equity		(10,000)	(70,000)
Acquisition of property, plant and equipment	6(7)(24)	(461)	(128)
Acquisition of intangible deposits		(4,731)	(502)
(Increase) decrease in refundable deposits		(242)	28,013
Net cash flows from (used in) investing activities		<u>86,300</u>	<u>(42,617)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in guarantee deposits received	6(25)	-	(120)
Repayment of principal portion of lease liabilities	6(8)	(6,387)	(7,234)
Cash dividends paid	6(13)	(84,395)	(92,094)
Excercise of employee stock options		5,686	4,447
Repurchase of treasury stock	6(11)	(46,629)	(33,992)
Net cash flows used in financing activities		<u>(131,725)</u>	<u>(128,993)</u>
Effect of exchange rate changes on cash equivalents		<u>662</u>	<u>8,168</u>
Net increase (decrease) in cash and cash equivalents		33,520	(26,324)
Cash and cash equivalents at beginning of year		<u>152,390</u>	<u>178,714</u>
Cash and cash equivalents at end of year		<u>\$ 185,910</u>	<u>\$ 152,390</u>

The accompanying notes are an integral part of these parent company only financial statements.

TONS LIGHTOLOGY INC.
NOTES TO THE PARENT COMPANY ONLY 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 is primarily engaged in manufacturing and trading of lighting equipment and lamps.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only 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 FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 IFRS7 ,‘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 Company’s financial condition and financial performance based on the Company’s assessment. The quantitative impact will be disclosed when the assessment is complete.

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

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

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

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company'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>	Effective date by International Accounting Standards Board
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 IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company'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 parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional and 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 company 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.

(4) 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.

(5) 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.

(6) 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 Company 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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

The Company'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.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company 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.

(9) Impairment of financial assets

At each reporting date, for accounts receivable, the Company 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 Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

(11) 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.

(12) Investments accounted for using equity method – subsidiaries

A. Associates are all entities over which the Company 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 Company's share of its subsidiaries' 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 Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary together with any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the subsidiary.
- 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 Company's ownership percentage of the associate, the Group recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
- E. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company'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 Company'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 Company 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.

(13) 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 Company 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. 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:

Transportation equipment	5 years
Office equipment	3 ~ 5 years
Leasehold improvements	3 years
Other assets	3 ~ 5 years

(14) Leased assets — lease (lessee)

- 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 Company. 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 Company 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:
- The amount of the initial measurement of lease liability;
 - Any lease payments made at or before the commencement date;
 - 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.

(15) Intangible assets

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

(16) Impairment of non-financial assets

The Company 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.

(17) 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.

(18) 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.

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Provisions

Provisions (including warranties) are recognised when the Company 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.

(21) 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 expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses 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 plans

- 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 with the Company 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 high-quality corporate bonds 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; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurement arising on 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 Company'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 Company 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', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation 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 distributed by shares, the Company calculates the number of shares based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment'.

(22) 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.

(23) 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 at the balance sheet date in the countries where the Company operates and generates 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 parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction 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 Company 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.

(24) 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.

(25) 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.

(26) Revenue recognition

Sales of goods

- A. The Company 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 Company 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 Company 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 Company'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.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company'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 Company'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 Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 121	\$ 141
Checking accounts and demand deposits	23,785	23,720
Time deposits	162,004	128,529
	<u>\$ 185,910</u>	<u>\$ 152,390</u>

A. The Company 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 Company has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Restricted time deposits	<u>\$ 948</u>	<u>\$ -</u>

A. The above mentioned are time deposits that do not meet short-term cash commitments. As at the year ended 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 Company were \$948 and \$0 thousand, respectively.

B. Information about the financial assets at amortised cost that were pledged to others as collateral is provided in Note 8.

(3) Notes and accounts receivable, net

	<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	\$ 123,162	\$ 138,339
Less: Allowance for bad debts	(1,500)	-
	<u>\$ 121,662</u>	<u>\$ 138,339</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable due from related parties	\$ 845	\$ -
Less: Allowance for bad debts	-	-
	<u>\$ 845</u>	<u>\$ -</u>

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 1,205	\$ 117,718	\$ 201	\$ 132,345
Up to 30 days	-	4,850	104	5,991
31 to 120 days	-	17	-	3
over 120 days	-	1,422	-	-
	<u>\$ 1,205</u>	<u>\$ 124,007</u>	<u>\$ 305</u>	<u>\$ 138,339</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, all the Company'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 \$147,272 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 Company's notes and accounts receivable was the carrying amount of the notes and accounts receivable.
- E. The Company did not hold any collateral.

(4) Inventories

	December 31, 2020		
	Cost	Allowance for slow-moving inventories and valuation loss	Book value
Goods	\$ 16,944	(\$ 5,972)	\$ 10,972
Raw materials	1,022	(530)	492
Finished goods	39	(39)	-
	<u>\$ 18,005</u>	<u>(\$ 6,541)</u>	<u>\$ 11,464</u>

	December 31, 2019		
	Cost	Allowance for slow-moving inventories and valuation loss	Book value
Goods	\$ 13,991	(\$ 7,677)	\$ 6,314
Raw materials	1,447	(811)	636
Finished goods	39	(39)	-
	<u>\$ 15,477</u>	<u>(\$ 8,527)</u>	<u>\$ 6,950</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2020	2019
Cost and expense of goods sold	\$ 586,990	\$ 796,361
Expenses related to inventory	551	1,040
	<u>\$ 587,541</u>	<u>\$ 797,401</u>

(5) 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
	<u>\$ 53,906</u>	<u>\$ 128,394</u>

A. The Company 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 as at December 31, 2020 and 2019, respectively.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<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)	-
	<u>(\$ 25,978)</u>	<u>(\$ 5,198)</u>

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 Company was \$53,906 thousand and \$128,394 thousand, respectively.

D. The Company 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).

(6) Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
WORLD EXTEND HOLDING INC.	\$ 870,228	\$ 872,536
HONG BO INVESTMENT CO., LTD.	150,846	129,629
Art So Trading Limited	37,413	56,877
	<u>\$ 1,058,487</u>	<u>\$ 1,059,042</u>

A. Subsidiaries

(a) The information regarding the Company's subsidiaries is provided in Note 4(3) in the consolidated financial statements for the year ended December 31, 2020.

(b) The Company's share of profit of subsidiaries accounted for using equity method for the years ended December 31, 2020 and 2019 amounted to \$38,008 thousand and \$59,887 thousand, respectively.

B. Associate:

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

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

Company name	Principal place of business	Shareholding ratio(%)		Nature of relationship	Methods of measurement
		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 Company 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)

(Remainder of page intentionally left blank)

(7) Property, plant and equipment

	2020					
	At January 1	Additions	Disposals	Transfers	Net exchange differences	At December 31
Cost						
Transportation equipment	\$ 1,143	\$ -	(\$ 571)	\$ -	\$ -	\$ 572
Office equipment	113	147	-	-	-	260
Leasehold improvements	3,730	-	(3,730)	-	-	-
Other facilities	898	191	(271)	-	-	818
Unfinished construction	-	99	-	-	-	99
	<u>\$ 5,884</u>	<u>\$ 437</u>	<u>(\$ 4,572)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,749</u>
Accumulated depreciation						
Transportation equipment	(\$ 1,000)	\$ 124	\$ 571	\$ -	\$ -	(\$ 553)
Office equipment	(43)	(40)	-	-	-	(83)
Leasehold improvements	(3,731)	-	3,730	-	1	-
Other facilities	(469)	(259)	271	-	-	(457)
	<u>(\$ 5,243)</u>	<u>(\$ 423)</u>	<u>\$ 4,572</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>(\$ 1,093)</u>
	<u>\$ 641</u>					<u>\$ 656</u>

2019

	At January 1	Additions	Disposals	Transfers	Net exchange differences	At December 31
Cost						
Machinery and equipment	\$ 265	\$ -	(\$ 265)	\$ -	\$ -	\$ -
Transportation equipment	1,670	-	(527)	-	-	1,143
Office equipment	242	31	(161)	-	1	113
Leasehold improvements	5,237	-	(1,507)	-	-	3,730
Other facilities	1,497	141	(740)	-	-	898
	<u>\$ 8,911</u>	<u>\$ 172</u>	<u>(\$ 3,200)</u>	<u>\$ -</u>	<u>1</u>	<u>\$ 5,884</u>
Accumulated depreciation						
Machinery and equipment	(\$ 265)	\$ -	\$ 265	\$ -	\$ -	\$ -
Transportation equipment	(1,263)	(264)	527	-	-	(1,000)
Office equipment	(183)	(21)	161	-	-	(43)
Leasehold improvements	(2,909)	(2,329)	1,507	-	-	(3,731)
Other facilities	(856)	(353)	740	-	-	(469)
	<u>(\$ 5,476)</u>	<u>(\$ 2,967)</u>	<u>\$ 3,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 5,243)</u>
	<u>\$ 3,435</u>					<u>\$ 641</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation: None for the years ended December 31, 2020 and 2019.

B. Information about the property, plant and equipment that were pledged to others as collaterals: None for the years ended December 31, 2020 and 2019.

(8) Leasing arrangements-lessee

A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 2 to 3 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>
Buildings	<u>\$ 11,774</u>	<u>\$ 1,997</u>
	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	<u>\$ 6,532</u>	<u>\$ 7,238</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets amounted to \$16,362 thousand and \$2,232 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	\$ 372	\$ 89

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases amounted to \$6,759 thousand and \$7,323 thousand, respectively.

(9) Pensions

A. (a) The Company has 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	<u>\$ 12,934</u>	<u>\$ 14,985</u>
Fair value of plan assets	<u>(5,584)</u>	<u>(5,342)</u>
Net defined benefit liability	<u>\$ 7,350</u>	<u>\$ 9,643</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Present value of defined benefit obligations
Year ended December 31, 2020			
Balance at January 1	\$ 14,985	(\$ 5,342)	\$ 9,643
Interest cost	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 obligations	Fair value of plan assets	Present value of defined benefit obligations
Year ended December 31, 2019			
Balance at January 1	\$ 14,823	(\$ 4,116)	\$ 10,707
Interest cost	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 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 Company for the year ending December 31, 2021 amounts to \$37.

(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
	\$	<u>6,238</u>

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.

(c) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019, were \$1,827 thousand and \$1,904 thousand, respectively.

(10) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions	Actual turnover rate in 2020	Actual turnover rate in 2019	Estimated future turnover rate
Fourth employee stock options	2014.11.13	600	5 years	2~4 years' service	0%	0%	0%
Fifth employee stock options	2016.12.23	600	5 years	2~4 years' service	2.70%	2.63%	0%
Sixth employee stock options	2018.11.02	600	5 years	2~4 years' service	5.00%	2.44%	0%

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 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 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 exercisable	(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 ex-dividend.

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

	Expiry date	December 31, 2020		December 31, 2019	
		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 date	Stock price	Exercise price	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee share options	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	<u>\$ 1,773</u>	<u>\$ 2,322</u>

(11) Share capital

- A. As of December 31, 2020, the Company's authorised 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 \$401,253 thousand with a par value of \$10 (in dollars) per share. Advance receipts for ordinary shares amounting to \$303 thousand (equivalent to 30 thousand shares) arose from exercising employee stock options. The total share capital was \$401,556 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, respectively. 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 not completed as of February 26, 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.
- F. The employees exercised options for 68 thousand shares of common stock during the period from July 13, 2018 to December 18, 2018, and the subscription price was NT\$20.5 in dollars per share. The share issuance became effective on December 26, 2018, as resolved at the meeting of Board of Directors on December 21, 2018. The registration was completed on January 11, 2019.
- G. The employees exercised options for 83 thousand shares of common stock during the period from November 13, 2017 to February 6, 2018, and the subscription price was NT\$21.7 per share. The share issuance became effective on March 6, 2018, as resolved at the meeting of Board of Directors on February 23, 2018. The registration was completed on March 20, 2018.

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>

H. 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 end of the period
	No. of shares at beginning of the period	Increase in the period	Decrease in the period	
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 end of the period
	No. of shares at beginning of the period	Increase in the period	Decrease in the period	
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, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (e) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-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.
- (f) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date at the first time repurchase and should be reissued to the employees within five years at the second time repurchase. The shares not transferred within the said time limit shall be deemed as not issued by the company, and amendment registration shall be processed. Treasury shares to enhance the Company’s credit rating and the stockholders’ equity should be retired within six months of acquisition.

(12) 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 Act 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.

(13) 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 year's 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 above mentioned 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 proposal of 2019 and 2018 earnings, which was resolved at the shareholders' meeting on May 28, 2020, and May 29, 2019, respectively, are detailed as follows:

	Years ended December 31,			
	2020		2019	
	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(21).

(14) Other equity items

	2020		2019	
	Currency translation	Unrealised gains (losses) on valuation	Currency translation	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-tax	-	(54,130)	-	-
At December 31	<u>(\$ 73,605)</u>	<u>\$ 1,490</u>	<u>(\$ 81,791)</u>	<u>\$ 27,468</u>

(15) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following major geographical regions:

Year ended December 31, 2020								
	Lamps					Service revenue		Total
	Europe	Asia	Oceania	America	Others	Asia	America	
Revenue from external customer contracts	\$ 557,019	\$110,884	\$ 52,459	\$ 962	\$ -	\$ -	\$ -	\$ 721,324
Inter-segment revenue	-	-	-	-	-	-	6,800	6,800
Total segment revenue	<u>\$ 557,019</u>	<u>\$110,884</u>	<u>\$ 52,459</u>	<u>\$ 962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,800</u>	<u>\$ 728,124</u>

Year ended December 31, 2019								
	Lamps					Service revenue		Total
	Europe	Asia	Oceania	America	Others	Asia	America	
Revenue from external customer contracts	\$ 712,853	\$146,886	\$ 66,399	\$ 2,310	\$ 265	\$ -	\$ -	\$ 928,713
Inter-segment revenue	-	190	-	-	-	-	26,055	26,245
Total segment revenue	<u>\$ 712,853</u>	<u>\$147,076</u>	<u>\$ 66,399</u>	<u>\$ 2,310</u>	<u>\$ 265</u>	<u>\$ -</u>	<u>\$ 26,055</u>	<u>\$ 954,958</u>

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

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

	December 31, 2020	December 31, 2019
Contract liabilities:		
Contract liabilities-advance sales receipts	\$ 15,043	\$ 5,763
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
	Years ended December 31,	
	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ 5,575	\$ 5,280

(16) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 1,920	\$ 2,864

(17) Other income

	Years ended December 31,	
	2020	2019
Other income-others	\$ 4,997	\$ 4,237

(18) Other gains and losses

	Years ended December 31,	
	2020	2019
Net currency exchange gain	\$ 14,202	\$ 7,977
Other losses	(54)	(50)
	<u>\$ 14,148</u>	<u>\$ 7,927</u>

(19) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense	<u>\$ 372</u>	<u>\$ 89</u>

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

(20) Expenses by nature

	Years ended December 31,					
	2020			2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense	\$ 5,373	\$ 55,736	\$ 61,109	\$ 6,139	\$ 61,565	\$ 67,704
Depreciation charges on property, plant and equipment	11	412	423	4	2,963	2,967
Depreciation charges on right-of-use assets	2,182	4,350	6,532	2,101	5,137	7,238
Amortisation charges	252	1,823	2,075	309	2,011	2,320

(21) Employee benefit expense

	Years ended December 31,					
	2020			2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Wages and salaries	\$ 4,514	\$ 44,690	\$ 49,204	\$ 5,155	\$ 49,357	\$ 54,512
Labour and health insurance fees	447	2,925	3,372	498	3,018	3,516
Pension costs	247	1,652	1,899	271	1,739	2,010
Directors' remunerations	-	3,605	3,605	-	4,017	4,017
Other employee benefit expense	165	2,864	3,029	215	3,434	3,649

A. As at December 31, 2020 and 2019, the Company had 52 and 54 employees, including 5 non-employee directors, respectively.

B. Average employee benefit expense in current year was \$1,223 ('total employee benefit expense in current year – total directors' remuneration in current year' / 'the number of employees in current year – the number of non-employee directors in current year'). Average employee benefit

- expense in previous year was \$1,300 ('total employee benefit expense in previous year – total directors' remuneration in previous year' / 'the number of employees in previous year – the number of non-employee directors in previous year').
- C. Average employees salaries in current year was \$1,047 (total salaries and wages in current year / 'the number of employees in current year - the number of non-employee directors in current year'). Average employees salaries in previous year was \$1,112 (total salaries and wages in previous year / 'the number of employees in previous year - the number of non-employee directors in previous year').
- D. Adjustments of average employee salaries and wages for the current year was -5.85% ('the average employee salaries and wages in current year - the average employee salaries and wages in previous year / the average employee salaries and wages in previous year). Adjustments of average employee salaries and wages for the previous year was 3.06% ('the average employee salaries and wages in previous year - the average employee salaries and wages for the past two years / the average employee salaries and wages for the past two years).
- E. The Company has an Audit Committee, thus, there was no supervisor.
- F. The Company's remuneration for directors includes directors' remuneration, traveling expenses and rewards paid to directors. Directors' return was based on standard rates within the same industry. Traveling expenses were based on the attendance of the Board of Directors. Directors' remuneration was regulated by the Company's Articles of Incorporation and reviewed by the remuneration committee and shall resolved by the Board of Directors and then reported to the shareholders. The individual directors' performance was assessed in accordance with "Self-Evaluation or Peer Evaluation of the Board of Directors", which were listed as the calculation basis of appropriation rate of individual salary and return in accordance with the 'management regulation of directors' remuneration and return'. The appropriation result shall be reviewed by the remuneration committee and approved by the Board of Directors, then the Company pays the salaries to directors. Managers and employees compensation including salary, award, and employee stock options were determined based on the position and responsibility, and referred to the standard rates of the same position in the same industry and 'Regulations on performance management' to assess individual performance. The assessment result will be listed as the computing bases according to the performance of employees' assessment. Managers' remuneration will be reviewed by the remuneration committee and resolved by the Board of Directors.
- G. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees 'compensation and directors' remuneration. The ratio shall not be lower than 5~15% for employees' compensation and shall not be higher than 2.5% for directors' remuneration. If a company has accumulated deficit, earnings should be reserved to cover losses first.
- H. 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.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 24,827	\$ 14,047
Tax on undistributed surplus earnings	-	146
Prior year income tax (over) underestimation	(44)	7
Total current tax	24,783	14,200
Deferred tax:		
Origination and reversal of temporary differences	(5,202)	7,443
Income tax expense	<u>\$ 19,581</u>	<u>\$ 21,643</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	\$ 30
Unrealised loss on financial assets at fair value through other comprehensive income	36	250
	<u>\$ 92</u>	<u>\$ 280</u>
Current tax:		
Realised gains on valuation from disposal of financial assets at fair value through other comprehensive income	<u>\$ 6</u>	<u>\$ -</u>

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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	\$ 19,727	\$ 25,466
Expenses disallowed by tax regulation	65	-
Tax exempt income by tax regulation	-	(3,976)
Prior year income tax (over) underestimation	(44)	7
Change in assessment of realisation of deferred tax assets	(167)	-
Tax on undistributed surplus earnings	-	146
Income tax expense	<u>\$ 19,581</u>	<u>\$ 21,643</u>

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

	2020			
	<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	\$ 1,702	(\$ 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	370	(14)	-	356
	<u>\$ 4,437</u>	<u>(\$ 774)</u>	<u>(\$ 92)</u>	<u>\$ 3,571</u>

		2020			
		January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
-Deferred tax liabilities:					
Amount of allowance for bad debts that exceed the limit for tax purpose	(\$ 167)	\$ 167	\$	-	\$ -
Gains on foreign long-term investments	(8,251)	6,003	-	-	(2,248)
Unrealised foreign exchange (gains) losses	(1,003)	(194)	-	-	(1,197)
	(\$ 9,421)	\$ 5,976	\$	-	(\$ 3,445)
	(\$ 4,984)	\$ 5,202	(\$ 92)	-	\$ 126
		2019			
		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	\$ 1,488	\$ 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
	\$ 5,227	(\$ 510)	(\$ 280)	-	\$ 4,437
-Deferred tax liabilities:					
Amount of allowance for bad debts that exceed the limit for tax purpose	\$ -	(\$ 167)	\$	-	(\$ 167)
Gains on foreign long-term investments	(2,488)	(5,763)	-	-	(8,251)
Unrealised foreign exchange losses (gains)	-	(1,003)	-	-	(1,003)
	(\$ 2,488)	(\$ 6,933)	\$	-	(\$ 9,421)
	\$ 2,739	(\$ 7,443)	(\$ 280)	-	(\$ 4,984)

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.

(23) Earnings per share

	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 for the year	<u>\$ 79,054</u>	<u>38,098</u>	<u>\$ 2.08</u>
<u>Diluted earnings per share</u>			
Profit for the year	79,054	38,098	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	309	
- Employee stock options	-	180	
Profit plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 79,054</u>	<u>38,587</u>	<u>\$ 2.05</u>
	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 for the year	<u>\$ 105,688</u>	<u>39,311</u>	<u>\$ 2.69</u>
<u>Diluted earnings per share</u>			
Profit for the year	105,688	39,311	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	350	
- Employee stock options	-	227	
Profit plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 105,688</u>	<u>39,888</u>	<u>\$ 2.65</u>

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 437	\$ 172
Add: Opening balance of payable on equipment	44	-
Less: Ending balance of payable on equipment	(20)	(44)
Cash paid during the year	<u>\$ 461</u>	<u>\$ 128</u>

(25) Changes in liabilities from financing activities

	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities - gross
At January 1, 2020	\$ 1,126	\$ 2,001	\$ -	\$ 3,127
Changes in cash flow from financing activities	-	(6,387)	(84,395)	(90,782)
Impact of changes in foreign exchange rate	-	(54)	-	(54)
Changes in other non-cash items	-	16,362	84,395	100,757
At December 31, 2020	<u>\$ 1,126</u>	<u>\$ 11,922</u>	<u>\$ -</u>	<u>\$ 13,048</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	-	7,047	-	7,047
Changes in cash flow from financing activities	(120)	(7,234)	(92,094)	(99,448)
Impact of changes in foreign exchange rate	-	(44)	-	(44)
Changes in other non-cash items	-	2,232	92,094	94,326
At December 31, 2019	<u>\$ 1,126</u>	<u>\$ 2,001</u>	<u>\$ -</u>	<u>\$ 3,127</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
WORLD EXTEND HOLDING INC. (WORLD EXTEND)	Subsidiary of the Company
LUMINOUS HOLDING INCORPORATED (LUMINOUS)	Subsidiary of the Company
TONS LIGHTING CO., LTD. (TL)	Subsidiary of the Company (Note)
GREATSUPER TECHNOLOGY LIMITED (GS)	Subsidiary of the Company
TITAN LIGHTING CO., LTD. (TITAN)	Subsidiary of the Company
ZHONGSHAN TONS LIGHTING CO., LTD. (ZHONGSHAN TONS)	Subsidiary of the Company
HONG BO INVESTMENT CO., LTD. (HONG BO)	Subsidiary of the Company
SHANGHAI TONS LIGHTOLOGY CO., LTD. (SHANGHAI TONS)	Subsidiary of the Company
ARTSO INTERNATIONAL,INC	Associate

Note: Because of the increase of regulation compliance cost, the Board of Directors of the Company resolved to dissolve the Company's indirect wholly-owned subsidiary, Tons Lighting Co., Ltd., on July 26, 2019, and distributed the residual assets to the parent company, World Extend Holding Inc. on December 15, 2020, to complete the retirement registration.

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2020	2019
Sales of goods:		
-ARTSO INTERNATIONAL,INC	\$ 1,063	\$ 337
-ZHONGSHAN TONS	-	190
Sales of services:		
-TL	6,800	26,055
	<u>\$ 7,863</u>	<u>\$ 26,582</u>

Revenues arising from sales of goods are mainly purchases of components on behalf of the above subsidiaries and the transaction prices are based on the original purchase prices plus certain profit margin. The credit term is 90 days after the shipment of goods and payments are collected according to the capital needs of the Company. There is no comparison for these transactions as the Company does not have similar products sold to the third parties.

Revenues arising from sales of goods are mainly sales of lamps to associates and the transaction prices are based on the mutual agreement by referring to market prices. The credit term is 60 days after monthly billings, which is available to the third parties.

Revenues arising from sales of services are consultation services, such as production management and technology research and development, the Company renders to the subsidiaries. The transaction prices are based on the actual cost plus certain profit margin and payment is collected according to the capital needs of the Company.

B. Accounts receivable

	Years ended December 31,	
	2020	2019
Accounts receivable:		
-ARTSO INTERNATIONAL, INC	\$ 473	\$ -
-TITAN	372	-
	<u>\$ 845</u>	<u>\$ -</u>

C. Purchases

	Years ended December 31,	
	2020	2019
Purchases of goods:		
-TITAN	\$ 347,099	\$ -
-TL	193,104	761,007
-ZHONGSHAN TONS	23,090	19,125
	<u>\$ 563,293</u>	<u>\$ 780,132</u>

- (a) Purchase transactions between the Company and subsidiaries mainly consists of the Company's purchases of lamps and related products from the indirect subsidiaries in Mainland China through the subsidiaries. Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 90 days after the purchases and payments are made according to the capital needs of the subsidiaries. There is no comparison for these transactions as the Company does not purchase similar products from the suppliers.
- (b) To meet the operational needs, the Company directly (or indirectly) sold raw materials amounting to \$705 thousand and \$2,873 thousand to the indirect subsidiaries in Mainland China. The processed goods would then be sold back to the Company and such transactions were not recognised as the Company's sales and purchase for the years ended December 31, 2020 and 2019. The amounts were eliminated in the Company's parent company only financial statements.

D. Payables to related parties

	December 31, 2020	December 31, 2019
Accounts payable:		
-TITAN	\$ 227,151	\$ -
-TL	-	273,110
-ZHONGSHAN TONS	3,376	2,549
	<u>\$ 230,527</u>	<u>\$ 275,659</u>

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

E. Other payables

	December 31, 2020	December 31, 2019
Other payables to related parties:		
-TITAN	\$ 1,035	\$ 24,746

Other payables to related parties mainly arose from collection of payments on behalf of related parties.

F. Endorsements and guarantees provided to related parties

Details of provision of endorsements and guarantees to others are provided in Note 13(1) B.

(3) Key management compensation

	Years ended December 31,	
	2020	2019
Salary and short-term employee benefits	\$ 22,700	\$ 26,158
Post-employment benefits	523	565
Share-based payments	785	1,216
	<u>\$ 24,008</u>	<u>\$ 27,939</u>

8. PLEGGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Guarantee deposits paid (shown as 'other non-current assets')	\$ 2,447	\$ 2,219	Security commitment deposits and Construction deposits paid
Restricted time deposits (shown as 'financial assets at amortised cost')	948	-	Construction deposits paid
	<u>\$ 3,395</u>	<u>\$ 2,219</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 Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders and issue new shares to reduce debt. The Company 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 Company'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	\$ 328,957	\$ 362,220
Total assets	\$ 1,463,189	\$ 1,504,402
Gearing ratio	<u>22%</u>	<u>24%</u>

(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 other comprehensive income	\$ 53,906	\$ 128,394
Financial assets at amortised cost/Loans and receivables / loans and receivables		
Cash and cash equivalents	\$ 185,910	\$ 152,390
Financial assets at amortised cost	948	\$ -
Notes receivable	1,205	305
Accounts receivable (including related parties)	122,507	138,339
Other receivables	467	2,835
Guarantee deposits paid	2,447	2,219
	<u>\$ 313,484</u>	<u>\$ 296,088</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 25	\$ 45
Accounts payable (including related parties)	240,291	277,341
Other accounts payable (including related parties)	27,827	53,610
Guarantee deposits received	1,126	1,126
Lease liability (including current portion)	11,922	2,001
	<u>\$ 281,191</u>	<u>\$ 334,123</u>

B. Financial risk management policies

- (a) The Company'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.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company'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. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company 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 Company treasury is responsible for hedging the entire foreign exchange risk exposure. Exchange rate risk is measured through a forecast of highly probable USD and RMB income and expenditures. The treasury uses natural hedge to decrease the risk exposure in the foreign currency.
- iii. The Company's risk management policy is to hedge anticipated cash flows (mainly from export sales and purchase of inventory) in each major foreign currency.

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v. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). 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:

Year ended December 31, 2020

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
<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	-
<u>Non-monetary items</u>						
USD : NTD	\$ 270	28.480 \$	7,690	1% \$	- \$	77
<u>Investments accounted for using equity method</u>						
USD : NTD	\$ 20,033	28.480 \$	570,540	1% \$	- \$	5,705
Financial liabilities						
<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)	-

Year ended December 31, 2019

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 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	-
<u>Non-monetary items</u>						
USD : NTD	\$ 337	29.930	\$ 10,086	1%	\$ -	\$ 101
<u>Investments accounted for using equity method</u>						
USD : NTD	\$ 20,033	29.930	\$ 599,588	1%	\$ -	\$ 5,996
<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)	-

vi. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to \$14,202 thousand and \$7,977 thousand, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.
- ii. The Company's investments in equity securities comprise 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, for the years ended December 31, 2020 and 2019, other components of equity would have increased/decreased 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 Company 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 Company 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 Company 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 Company 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 Company's delegation of authorisation policy. According to the Company's credit policy, each local entity in the Company 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 Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 1 year.
- iv. The Company 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 Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Company used the forecastability 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 past due	Over 120 days	Total
<u>December 31, 2020</u>					
Expected loss rate	0.00%	1.26%	100.00%	100.00%	
Total book value	<u>\$ 117,718</u>	<u>\$ 4,850</u>	<u>\$ 17</u>	<u>\$ 1,422</u>	<u>\$ 124,007</u>
Loss allowance	<u>\$ -</u>	<u>(\$ 61)</u>	<u>(\$ 17)</u>	<u>(\$ 1,422)</u>	<u>(\$ 1,500)</u>
	Not past due	Up to 30 days past due	30~120 days past due	Over 120 days	Total
<u>December 31, 2019</u>					
Expected loss rate	0.00%	0.00%	0.00%	0.00%	
Total book value	<u>\$ 132,345</u>	<u>\$ 5,991</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 138,339</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2020	
	Accounts receivable	
At January 1	\$	-
Provision for impairment		1,500
At December 31	<u>\$</u>	<u>1,500</u>
	2019	
	Accounts receivable	
At January 1	\$	633
Reversal of impairment loss	(633)
At December 31	<u>\$</u>	<u>-</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. The Company 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. The table below analyses the Company'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 <u>1 year</u>	Between 1 and 2 <u>years</u>	Between 2 and 3 <u>years</u>	Between 3 and 5 <u>years</u>	<u>Over 5 years</u>
December 31, 2020					
Notes payable	\$ 25	\$ -	\$ -	\$ -	\$ -
Accounts payable	9,764	-	-	-	-
Accounts payable -related parties	230,527	-	-	-	-
Other payables	26,792	-	-	-	-
Other payables- related parties	1,035	-	-	-	-
Lease liabilities	6,542	5,655	-	-	-

Non-derivative financial liabilities:

	Less than <u>1 year</u>	Between 1 and 2 <u>years</u>	Between 2 and 3 <u>years</u>	Between 3 and 5 <u>years</u>	<u>Over 5 years</u>
December 31, 2019					
Notes payable	\$ 45	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,682	-	-	-	-
Accounts payable -related parties	275,659	-	-	-	-
Other payables	28,864	-	-	-	-
Other payables- related parties	24,746	-	-	-	-
Lease liabilities	1,115	929	-	-	-

(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 Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, accounts receivable-related parties, other receivables, guarantee deposits paid, notes payable, accounts payable, accounts payable-related parties and other payables, other payable-related parties, guarantee deposits received, lease liabilities) 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 other comprehensive income-equity securities	<u>\$ 46,750</u>	<u>\$ -</u>	<u>\$ 7,156</u>	<u>\$ 53,906</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 other comprehensive income-equity securities	<u>\$ 118,505</u>	<u>\$ -</u>	<u>\$ 9,889</u>	<u>\$ 128,394</u>

(b) The Company 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.

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

E. For the years ended December 31, 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
Gain recognized in other comprehensive income	179	1,252
Sold in the period	(2,912)	-
At December 31	<u>\$ 7,156</u>	<u>\$ 9,889</u>

F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

G. Experts and the Company'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 instrument:					
Unlisted shares	\$ 7,156	Market comparable companies	Price to book ratio	0.76	The higher the multiple, the higher the fair value
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 9,889	Market comparable companies	Price to book ratio	0.69	The higher the multiple, the higher the fair value

I. The Company 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:

(Remainder of page intentionally left blank)

			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 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the 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

None.

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TONS LIGHTOLOGY INC.

Provision of endorsements and guarantees to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (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 10.47	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 5)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Footnote
1	HONG BO INVESTMENT CO., LTD.	TONS LIGHTOLOGY INC.	(3)	105,592 (Note 3)	15,800 (Note 4)	15,800 (Note 4)	-	10.47	105,592 (Note 3)	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 endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

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

Note 4: It was the joint guarantor for the construction contract undertaken by TONS LIGHTOLOGY INC.

Note 5: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

TONS LIGHTOLOGY INC.

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

Year ended December 31, 2020

Table 2

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 (%)	
TONS LIGHTOLOGY INC.	Share ownership / TITAN AURORA INC.	None	Financial assets at fair value through other comprehensive income-	1,900	7,156	19.00	7,156
TONS LIGHTOLOGY INC.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	non-current Financial assets at fair value through other comprehensive income-	1,700,000	46,750	4.59	46,750
HONG BO INVESTMENT CO., LTD.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	non-current 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 LIGHTOLOGY INC.

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	Number of shares (in thousands)	Amount
TONS LIGHTOLOGY 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 \$	-	-
HONG BO 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.

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)	Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	Footnote
						Unit price	Credit term	Balance	Notes/accounts receivable (payable)			
TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	\$ 193,104	33	90 days after purchases	Note 2	Note 1	\$ -	-	-	-
TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	347,099	59	90 days after purchases	Note 2	Note 1	(\$ 227,151)	(95)	
TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	Same ultimate parent	Purchases	183,002	100	90 days after purchases	Note 2	Note 1	-	-	-	

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.

TONS LIGHTOLOGY INC.

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	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
TIYAN LIGHTING CO., LTD.	TONS LIGHTOLOGY INC.	Parent company	Accounts receivable \$ 227,151	1.53	\$ -	-	\$ 115,525	\$ -

Expressed in thousands of NTTD
(Except as otherwise indicated)

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

TONS LIGHTOLOGY INC.

Significant inter-company transactions during the reporting period

Year ended December 31, 2020

Table 6

Expressed in thousands of NTID
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	TONS 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 NTID 30 million.

TONS LIGHTOLOGY INC.
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	(Note 1)
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
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	Samoa	Wholesale of furniture	70,000	70,000	1,700,000	49	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	-	-	-	1,951	-	Indirect subsidiary (Note 2 + 4 + 5)
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)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	25,564	25,564	-	Indirect subsidiary (Note 2)

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. moved its operating location from Belize to Samoa on June 9, 2020, and distributed residual assets to the parent company, World Extend Holding Inc. on December 15, 2020, to complete the retirement registration.

TONS LIGHTOLOGY INC.
Information on investments in Mainland China
Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital \$	Investment method	Amount remitted from Taiwan to				Ownership held by the Company (direct or indirect)	Investment income (loss) recognised 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
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted back 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					
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	\$ -	\$ -	\$ 20,949	100.00	\$ 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	106,566	-	Note 1,2,4,5	
SHANGHAI TONS LIGHTOLOGY CO., LTD.	Sales of various lighting products and accessories	91,136	(2)	42,842	-	42,842	(533)	100.00	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 ARTISO 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 reviewed and attested by R.O.C. parent company's CPA.

Note 3: Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 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 LIGHTOLOGY 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 LIGHTOLOGY 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 LIGHTOLOGY 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	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
TONS LIGHTOLOGY INC.	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 "Regulations Governing Security Investment and Technical Cooperation in the Mainland Area" imposed by the Ministry of Economic Affairs.

TONS LIGHTIOLOGY INC. AND SUBSIDIARIES

Major shareholders information
Year ended December 31, 2020

Table 9

Name of major shareholders	Number of shares held	Shares	Ownership (%)
TANG,SHIH-CHUAN		3,535,633	8.89%
TONS LIGHTIOLOGY 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.

TONS LIGHTOLOGY INC.
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020

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

Statement 1

Item	Summary	Amount
Petty cash		\$ 121
Cash in banks		
Demand deposit	TWD \$6,098 thousand	11,364
	HKD \$1,434 thousand, conversion rate \$3.673	
Foreign exchange deposits	USD \$233 thousand, conversion rate \$28.48	11,646
	EUR \$72 thousand, conversion rate \$35.02	
	HKD \$583 thousand, conversion rate \$3.673	
	RMB \$81 thousand, conversion rate \$4.377	
Checking deposits	TWD \$585 thousand	775
	HKD \$52 thousand, conversion rate \$3.673	
Time deposits	TWD \$84,490 thousand	162,004
	Period 2020.08.28~2021.07.29	
	Interest rate range 0.37% ~ 0.63%	
	USD \$220 thousand, conversion rate \$28.48	
	Period 2020.12.24~2021.01.11	
	Interest rate range 0.22%	
	RMB \$16,278 thousand, conversion rate \$4.377	
	Period 2020.07.21~2021.05.24	
	Interest rate range 1.30% ~ 2.75%	
		<u>\$ 185,910</u>

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TONS LIGHTOLOGY INC.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2020

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

Statement 2

Customer name	Summary	Amount	Note
Non-related parties:			
B Company		\$ 41,952	
C Company		10,208	
D Company		9,159	
A Company		7,811	
E Company		6,320	
F Company		6,245	
			The balance of each customer has not exceeded 5% of the accounts receivable
Others		<u>41,467</u>	
		123,162	
Less: Allowance for bad debts		(1,500)	
		<u>\$ 121,662</u>	
Related parties:			
ARTSO INTERNATIONAL, INC		\$ 473	
TITAN		<u>372</u>	
		<u>\$ 845</u>	

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TONS LIGHTOLOGY INC.
DETAILS OF INVENTORIES
DECEMBER 31, 2020

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

Statement 3

Item	Summary	Amount		Note
		Cost	Market price	Market price determination
Merchandise		\$ 16,944	\$ 10,972	Net realisable value
Materials		1,022	492	Replacement cost
Finished goods		39	-	Net realisable value
		<u>18,005</u>	<u>\$ 11,464</u>	
Less: Allowance for slow moving inventories and valuation loss		(<u>6,541</u>)		
		<u>\$ 11,464</u>		

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TONS LIGHTOLOGY INC.
MOVEMENT SUMMARY OF NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

Name	Opening balance			Additions			Reductions			Ending Balance		Pledged as collateral	Note
	Number of shares	Carrying amount		Number of shares	Amount		Number of shares	Amount		Number of shares	Fair value		
TITAN AURORA INC.	1,900	\$ 7,619	-	-	\$ -	-	(463)	-	-	1,900	7,156	None	-
GRIFFIN LIGHTING CO., LTD.	66,500	1,701	-	-	-	(66,500)	(1,701)	-	-	-	-	None	-
ANDERSEN LIGHTING CO., LTD	950,000	569	-	-	-	(950,000)	(569)	-	-	-	-	None	Note
StrongLED Lighting System (Cayman) Co., Ltd.	1,700,000	45,730	-	-	1,020	-	-	-	-	1,700,000	46,750	None	-
HEP TECH CO., LTD.	3,860,760	72,775	-	(3,860,760)	(72,775)	-	-	-	-	-	-	None	-
		\$ 128,394			\$ 1,020		(\$ 75,508)				\$ 53,906		

Note: Andersen Lighting Co., Ltd. is a limited company. The shareholding ratio is calculated proportionately to the contributed amount.

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TONS LIGHTOLOGY INC.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 5

Name	Opening balance		Additions		Reductions		Ending Balance		Market price or value per share		Pledged as collateral	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Fair value	Evaluation basis	Price (in dollars)		Total price
WORLD EXTEND HOLDING INC.	18,333,402	\$ 872,536	-	\$ 35,240	-	(37,548)	18,333,402	\$ 870,228	Equity method	\$ -	\$ 870,228	None
HONG BO INVESTMENT CO., LTD.	15,000,000	129,629	1,000,000	21,217	-	-	16,000,000	150,846	Equity method	-	150,846	None
ART SO TRADING-LIMITED	1,700,000	56,877	-	-	-	(19,464)	1,700,000	37,413	Equity method	-	37,413	None
		<u>\$ 1,059,042</u>		<u>\$ 56,457</u>		<u>(\$ 57,012)</u>		<u>\$ 1,058,487</u>			<u>\$ 1,058,487</u>	

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TONS LIGHTOLOGY INC.
DETAILS OF ACCOUNTS PAYABLE
DECEMBER 31, 2020

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

Statement 6

Customer name	Summary	Amount	Note
Non-related parties:			
A Company		\$ 6,442	
B Company		809	
C Company		559	
Others		1,954	Has not exceeded 5% of the accounts payable
		<u>\$ 9,764</u>	
Related parties:			
TITAN		227,151	
ZHONGSHAN TONS		3,376	
		<u>230,527</u>	
		<u>\$ 240,291</u>	

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TONS LIGHTOLOGY INC.
DETAILS OF SALES REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Statement 7

<u>Item</u>	<u>Quantity</u> <u>(in thousand pieces)</u>	<u>Amount</u>	<u>Note</u>
Lamps	2,763	\$ 723,183	
Less: Sale returns		(705)	
Sales rebates		(1,154)	
Add:Other sales of services		<u>6,800</u>	
		<u>\$ 728,124</u>	

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TONS LIGHTOLOGY INC.
DETAILS OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Statement 8

Item	Amount
Goods	
Goods at the beginning	\$ 13,991
Add: Goods purchased during the year	583,010
Raw materials transferred to goods	582
Less: Material cost transferred to expense	(339)
Disposal	(2,278)
Goods at the end	(16,944)
Cost of sales	578,022
Direct materials	
Raw materials at the beginning	\$ 1,447
Add: Material purchased during the year	1,739
Less: Material cost transferred to expense	(28)
Raw materials disposed	(266)
Raw materials sold	(583)
Purchases of processed goods outsourced to overseas subsidiaries	(705)
Raw materials transferred to goods	(582)
Raw materials at the end	(1,022)
Raw material consumption	-
Manufacturing overhead	8,385
Manufacturing cost	8,385
Finished goods at the beginning	39
Finished goods at the end	(39)
Cost of goods sold during the year	586,407
Cost of raw material sold	583
Allowance for slow-moving inventories and valuation loss	(1,984)
Inventory scrapped	2,544
Revenue from sale of scraps	(16)
Guarantee cost	7
Cost of goods sold	\$ 587,541

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TONS LIGHTOLOGY INC.
DETAILS OF MANUFACTURING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Statement 9

Item	Selling	Administrative	Research and development	Total
Wages and salaries (including pension)	\$ 18,015	\$ 30,430	\$ 3,275	\$ 51,720
Depreciation expense	3,142	1,523	97	4,762
Service expense	1,299	5,479	320	7,098
Advertisement expense	1,303	-	-	1,303
Other expenses	10,389	4,925	988	16,302
	<u>\$ 34,148</u>	<u>\$ 42,357</u>	<u>\$ 4,680</u>	<u>\$ 81,185</u>

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