

**TONS LIGHTOLOGY INC. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
JUNE 30, 2019 AND 2018**

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

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

#### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of Tons Lightology Inc. and subsidiaries (the "Group") as at June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

#### ***Scope of Review***

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

#### ***Basis for Qualified Conclusion***

As described in Note 6(6), the financial statements of investments accounted for under equity method were not reviewed by independent accountants. Those statements reflect the balance of investments accounted for under equity method of NT\$66,139 thousand, constituting 4% of the consolidated total assets as at June 30, 2019, profit (loss) before tax of both NT(\$3,861) thousand, constituting 15% and 8%, respectively, of the consolidated profit (loss) before tax, and total comprehensive income (loss) of both NT(\$3,861) thousand, constituting 406%, and 9%, respectively, of consolidated total comprehensive income (loss) for the three months and six months then ended.

## ***Conclusion***

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of investments accounted for under equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

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Liu, Mei-Lan

For and on behalf of PricewaterhouseCoopers, Taiwan

July 26, 2019

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Wang, Yu-Chuan

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

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

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

Assets	Notes	June 30, 2019		December 31, 2018		June 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 373,911	26	\$ 366,898	25	\$ 454,197	26
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		133,051	9	152,240	10	240,789	14
1136	Current financial assets at	6(3) and 8						
	amortised cost		33,183	2	49,917	3	80,410	5
1150	Notes receivable, net	6(4)	3,388	-	1,403	-	1,459	-
1160	Notes receivable due from related	6(4) and						
	parties	7(2)	200	-	-	-	-	-
1170	Accounts receivable, net	6(4)	164,857	11	157,687	11	148,962	9
1180	Accounts receivable - related	6(4) and						
	parties	7(2)	189	-	-	-	-	-
1200	Other receivables		2,711	-	1,994	-	3,547	-
130X	Inventories	6(5)	165,102	11	170,022	12	160,484	9
1410	Prepayments		21,120	2	22,176	2	27,329	2
1470	Other current assets		3,557	-	3,850	-	3,428	-
11XX	<b>Current Assets</b>		<u>901,269</u>	<u>61</u>	<u>926,187</u>	<u>63</u>	<u>1,120,605</u>	<u>65</u>
<b>Non-current assets</b>								
1517	Non-current financial assets at fair	6(7)						
	value through other comprehensive							
	income		131,309	9	133,342	9	209,874	12
1550	Investments accounted for using	6(6)						
	equity method		66,139	5	-	-	-	-
1600	Property, plant and equipment	6(8)	313,306	21	324,120	22	331,839	20
1755	Right-of-use assets	6(9)	36,700	3	-	-	-	-
1780	Intangible assets		2,521	-	3,568	-	4,754	-
1840	Deferred income tax assets		5,235	-	5,227	1	4,877	-
1900	Other non-current assets	6(10) and 8	19,482	1	76,091	5	45,201	3
15XX	<b>Non-current assets</b>		<u>574,692</u>	<u>39</u>	<u>542,348</u>	<u>37</u>	<u>596,545</u>	<u>35</u>
1XXX	<b>Total assets</b>		<u>\$ 1,475,961</u>	<u>100</u>	<u>\$ 1,468,535</u>	<u>100</u>	<u>\$ 1,717,150</u>	<u>100</u>

(Continued)

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2019		December 31, 2018		June 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>								
2120	Financial liabilities at fair value through profit or loss - current	6(2)	\$ 596	-	\$ 957	-	\$ 1,083	-
2150	Notes payable		17	-	-	-	5	-
2170	Accounts payable		99,904	7	97,148	7	98,510	6
2180	Accounts payable - related parties	7(2)	8,259	1	17,158	1	14,515	1
2200	Other payables	6(11)	207,625	14	110,892	8	212,971	12
2230	Current income tax liabilities		13,442	1	20,433	1	21,438	1
2250	Provisions for liabilities - current	6(14)	885	-	152	-	166	-
2280	Current lease liabilities	6(9)	4,969	-	-	-	-	-
2300	Other current liabilities	6(19)	8,530	1	12,306	1	10,479	1
21XX	<b>Current Liabilities</b>		<u>344,227</u>	<u>24</u>	<u>259,046</u>	<u>18</u>	<u>359,167</u>	<u>21</u>
<b>Non-current liabilities</b>								
2550	Provisions for liabilities - noncurrent	6(14)	808	-	1,148	-	615	-
2570	Deferred income tax liabilities		5,312	-	2,488	-	1,217	-
2580	Non-current lease liabilities	6(9)	1,117	-	-	-	-	-
2600	Other non-current liabilities		10,971	1	11,953	1	11,662	1
25XX	<b>Non-current liabilities</b>		<u>18,208</u>	<u>1</u>	<u>15,589</u>	<u>1</u>	<u>13,494</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>		<u>362,435</u>	<u>25</u>	<u>274,635</u>	<u>19</u>	<u>372,661</u>	<u>22</u>
<b>Equity attributable to owners of parent</b>								
<b>Share capital</b>								
3110	Share capital - common stock	6(15)	400,408	27	399,628	27	398,948	23
3140	Advance receipts for share capital		560	-	-	-	-	-
<b>Capital surplus</b>								
3200	Capital surplus	6(16)	508,795	34	505,825	34	504,032	29
<b>Retained earnings</b>								
3310	Legal reserve	6(17)	85,219	6	74,663	5	74,663	5
3320	Special reserve		38,429	3	38,429	3	38,429	2
3350	Unappropriated retained earnings		123,441	8	191,466	13	249,411	15
<b>Other equity interest</b>								
3400	Other equity interest	6(18)	( 9,334)	( 1)	( 16,111)	( 1)	79,006	4
3500	Treasury shares	6(15)	( 33,992)	( 2)	-	-	-	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,113,526</u>	<u>75</u>	<u>1,193,900</u>	<u>81</u>	<u>1,344,489</u>	<u>78</u>
3XXX	<b>Total equity</b>		<u>1,113,526</u>	<u>75</u>	<u>1,193,900</u>	<u>81</u>	<u>1,344,489</u>	<u>78</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>								
<b>Significant events after the balance sheet date</b>								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,475,961</u>	<u>100</u>	<u>\$ 1,468,535</u>	<u>100</u>	<u>\$ 1,717,150</u>	<u>100</u>

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

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)  
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(19)	\$ 294,439	100	\$ 291,084	100	\$ 520,219	100	\$ 506,083	100
5000 Operating costs	6(5)	( 181,287)	( 62)	( 192,059)	( 66)	( 327,094)	( 63)	( 336,201)	( 66)
5900 Net operating margin		<u>113,152</u>	<u>38</u>	<u>99,025</u>	<u>34</u>	<u>193,125</u>	<u>37</u>	<u>169,882</u>	<u>34</u>
<b>Operating expenses</b>	6(23)(24)								
6100 Selling expenses		( 35,333)	( 12)	( 30,329)	( 10)	( 62,835)	( 12)	( 57,360)	( 11)
6200 General and administrative expenses		( 23,320)	( 8)	( 21,867)	( 8)	( 45,031)	( 9)	( 59,495)	( 12)
6300 Research and development expenses		( 10,075)	( 3)	( 9,436)	( 3)	( 18,338)	( 3)	( 17,971)	( 4)
6000 Total operating expenses		<u>( 68,728)</u>	<u>( 23)</u>	<u>( 61,632)</u>	<u>( 21)</u>	<u>( 126,204)</u>	<u>( 24)</u>	<u>( 134,826)</u>	<u>( 27)</u>
6900 Operating profit		<u>44,424</u>	<u>15</u>	<u>37,393</u>	<u>13</u>	<u>66,921</u>	<u>13</u>	<u>35,056</u>	<u>7</u>
<b>Non-operating income and expenses</b>									
7010 Other income	6(20)	2,411	1	2,346	1	4,807	1	5,582	1
7020 Other gains and losses	6(21)	( 17,200)	( 6)	( 92,209)	( 32)	( 16,632)	( 3)	139,753	28
7050 Finance costs	6(22)	( 52)	-	-	-	( 92)	-	-	-
7060 Share of loss of associates and joint ventures accounted for using equity method		( 3,861)	( 1)	-	-	( 3,861)	( 1)	-	-
7000 Total non-operating income and expenses		<u>( 18,702)</u>	<u>( 6)</u>	<u>( 89,863)</u>	<u>( 31)</u>	<u>( 15,778)</u>	<u>( 3)</u>	<u>145,335</u>	<u>29</u>
7900 Profit (loss) before income tax		<u>25,722</u>	<u>9</u>	<u>( 52,470)</u>	<u>( 18)</u>	<u>51,143</u>	<u>10</u>	<u>180,391</u>	<u>36</u>
7950 Income tax expense	6(25)	( 11,858)	( 4)	( 11,296)	( 4)	( 16,518)	( 3)	( 17,083)	( 4)
8200 Profit (loss) for the year		<u>\$ 13,864</u>	<u>5</u>	<u>( \$ 63,766)</u>	<u>( 22)</u>	<u>\$ 34,625</u>	<u>7</u>	<u>\$ 163,308</u>	<u>32</u>
<b>Other comprehensive income</b>									
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>									
8316 Total expenses, by nature	6(18)	(\$ 3,084)	( 1)	(\$ 59,999)	( 21)	(\$ 2,034)	( 1)	\$ 82,298	16
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-	140	-	-	-	140	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>( 3,084)</u>	<u>( 1)</u>	<u>( 59,859)</u>	<u>( 21)</u>	<u>( 2,034)</u>	<u>( 1)</u>	<u>82,438</u>	<u>16</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>									
8361 Financial statements translation differences of foreign operations	6(16)	( 9,829)	( 4)	( 5,927)	( 2)	8,811	2	6,819	2
8360 Components of other comprehensive income that will be reclassified to profit or loss		<u>( 9,829)</u>	<u>( 4)</u>	<u>( 5,927)</u>	<u>( 2)</u>	<u>8,811</u>	<u>2</u>	<u>6,819</u>	<u>2</u>
8300 Total other comprehensive income (loss) for the period		<u>( \$ 12,913)</u>	<u>( 5)</u>	<u>( \$ 65,786)</u>	<u>( 23)</u>	<u>\$ 6,777</u>	<u>1</u>	<u>\$ 89,257</u>	<u>18</u>
8500 Total comprehensive income for the period		<u>\$ 951</u>	<u>-</u>	<u>( \$ 129,552)</u>	<u>( 45)</u>	<u>\$ 41,402</u>	<u>8</u>	<u>\$ 252,565</u>	<u>50</u>
<b>Basic earnings per share</b>	6(26)								
9750 Total basic earnings per share		<u>\$ 0.35</u>		<u>( \$ 1.60)</u>		<u>\$ 0.88</u>		<u>\$ 4.09</u>	
<b>Diluted earnings per share</b>	6(26)								
9850 Total diluted earnings per share		<u>\$ 0.35</u>		<u>\$ -</u>		<u>\$ 0.87</u>		<u>\$ 4.05</u>	

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

**TONS LIGHTLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
 (expressed in thousands of New Taiwan dollars)  
 (UNAUDITED)

Notes	Equity attributable to owners of the parent										Treasury shares	Total equity
	Share capital - common stock	Capital collected in advance	Additional paid-in capital	Employees stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Other equity interest (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets		
	\$ 398,118	\$ 537	\$ 498,848	\$ 3,409	\$ 62,555	\$ 38,429	\$ 189,770	(\$ 36,065)	\$ -	\$ 26,013	\$ -	\$ 1,181,614
	398,118	537	498,848	3,409	62,555	38,429	189,770	(36,065)	26,013	(26,013)	-	1,181,614
6(18)	-	-	-	-	-	-	163,308	-	-	-	-	163,308
	-	-	-	-	-	-	199	6,819	82,239	-	-	89,257
	-	-	-	-	-	-	163,507	6,819	82,239	-	-	252,565
6(16)	-	-	-	-	12,108	-	(12,108)	-	-	-	-	-
	-	-	-	-	-	-	(91,758)	-	-	-	-	(91,758)
	830	(537)	1,516	259	-	-	249,411	(29,246)	108,252	-	-	2,068
	\$ 398,948	\$ -	\$ 500,364	\$ 3,668	\$ 74,663	\$ 38,429	\$ 249,411	(\$ 29,246)	\$ 108,252	\$ -	\$ -	\$ 1,344,489
	\$ 399,628	\$ -	\$ 501,714	\$ 4,111	\$ 74,663	\$ 38,429	\$ 191,466	(\$ 48,777)	\$ 32,666	\$ -	\$ -	\$ 1,193,900
	-	-	-	-	-	-	34,625	-	-	-	-	34,625
6(18)	-	-	-	-	-	-	-	8,811	(2,034)	-	-	6,777
	-	-	-	-	-	-	34,625	8,811	(2,034)	-	-	41,402
6(16)	-	-	-	-	10,556	-	(10,556)	-	-	-	-	-
	-	-	-	-	-	-	(92,094)	-	-	-	-	(92,094)
	780	560	2,873	97	-	-	-	-	-	-	-	4,310
6(15)	-	-	-	-	-	-	-	-	-	-	(33,992)	(33,992)
	\$ 400,408	\$ 560	\$ 504,587	\$ 4,208	\$ 85,219	\$ 38,429	\$ 123,441	(\$ 39,966)	\$ 30,632	\$ -	(\$ 33,992)	\$ 1,113,526

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

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	Six months ended June 30,	
		2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 51,143	\$ 180,391
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(23)	25,419	24,555
Depreciation - right-of-use assets	6(9)(23)	5,197	-
Amortization	6(23)	1,193	1,363
Expected credit (gain) loss	12(2)	( 239 )	244
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(21)	18,814	( 134,009 )
Reversal of warranty expense	6(14)	( 353 )	( 9 )
Interest income	6(20)	( 3,975 )	( 4,536 )
Interest expense - lease liability	6(22)	92	-
Dividend income		( 89 )	( 140 )
Wages and salaries - employee stock options	6(13)	1,167	805
Share of loss of associates and joint ventures accounted for under equity method	6(6)	3,861	-
Loss on disposal of property, plant and equipment		687	154
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		( 2,005 )	370
Notes receivable due from related persons		( 200 )	-
Accounts receivable, net		( 6,956 )	6,612
Accounts receivable due from related parties		( 190 )	4
Other receivables		( 355 )	( 155 )
Inventories		6,745	( 3,587 )
Prepayments		1,433	( 6,448 )
Other current assets		337	187
Changes in operating liabilities			
Notes payable		17	( 53 )
Accounts payable		1,745	( 1,991 )
Accounts payable to related parties		( 9,164 )	2,320
Other payables		6,176	13,174
Contract liabilities		( 4,704 )	( 1,361 )
Other current liabilities		1,562	( 267 )
Other non-current liabilities		( 939 )	43
Cash inflow generated from operations		96,419	77,666
Interest received		3,624	4,718
Dividend received		89	140
Interest paid		( 92 )	-
Income tax paid		( 20,676 )	( 12,680 )
Net cash flows from operating activities		79,364	69,844

(Continued)



**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	Six months ended June 30,	
		2019	2018
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at fair value through profit or loss		(\$ 2,704 )	(\$ 5,000 )
Proceeds from disposal of financial assets at fair value through profit or loss		-	48,495
Decrease (increase) in financial assets at amortised cost		17,446	( 10,996 )
Acquisition of investments accounted for using equity method		( 70,000 )	-
Acquisition of property, plant and equipment	6(28)	( 9,959 )	( 18,363 )
Proceeds from disposal of property, plant and equipment		271	12
Decrease in refundable deposits		29,325	222
Acquisition of intangible assets		( 144 )	( 1,028 )
Increase in other non-current assets		( 4,883 )	( 2,773 )
Net cash flows (used in) from investing activities		( 40,648 )	10,569
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in guarantee deposits received		( 40 )	-
Lease principal repayment	6(9)	( 4,968 )	-
Exercise of employee stock options		3,143	1,264
Repurchase of treasury shares	6(15)	( 33,992 )	-
Net cash flows (used in) from financing activities		( 35,857 )	1,264
Effect of exchange rate changes on cash and cash equivalents		4,154	3,357
Net increase in cash and cash equivalents		7,013	85,034
Cash and cash equivalents at beginning of period		366,898	369,163
Cash and cash equivalents at end of period		\$ 373,911	\$ 454,197

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE  
INDICATED)  
(REVIEWED, NOT AUDITED)

**1. ORGANISATION AND OPERATIONS**

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

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

These consolidated financial statements were reported to the Board of Directors on July 26, 2019.

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

**(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ( “IFRS” ) as endorsed by the Financial Supervisory Commission( “FSC” )**

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

**IFRS 16, ‘Leases’**

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account

for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the “modified retrospective approach”). On January 1, 2019, the Group might increase ‘right-of-use asset’ and lease liability by \$38,171 and \$7,312, respectively.

- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by \$38,171 thousand, increased ‘lease liability’ by \$7,312 thousand and decreased other non-current assets and prepayments by \$30,517 thousand and \$342 thousand, respectively, with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
  - (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - (c) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
  - (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate range from 2.63% to 5.50%.
- E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. The amount of aforementioned present values is the same as the amount of lease liabilities recognised on January 1, 2019.

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to 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 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, 2021

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **(1) Compliance statement**

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34, "Interim Financial Reporting" as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

##### **(2) Basis of preparation**

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

The basis for preparation of consolidated financial statements are consistent with those for the year ended December 31, 2018.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			June 30, 2019	December 31, 2018	
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC. (WORLD EXTEND)	Reinvestment company	100	100	Note
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD. (HONG BO)	Reinvestment company	100	100	
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD. (TL)	Sales of various lighting products and accessories	100	100	
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	100	Note
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED (LUMINOUS)	Reinvestment company	100	100	
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD (TITAN)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100	100	Note
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD (ZHONGSHAN TONS)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			June 30, 2019	December 31, 2018	
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD (SHANGHAI TONS)	Sales of various lighting products and accessories	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			June 30, 2018		
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC. (WORLD EXTEND)	Reinvestment company	100		Note
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD. (HONG BO)	Reinvestment company	100		
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD. (TL)	Sales of various lighting products and accessories	100		
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100		Note
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED (LUMINOUS)	Reinvestment company	100		
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD (TITAN)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100		Note
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD (ZHONGSHAN TONS)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100		
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD (SHANGHAI TONS)	Sales of various lighting products and accessories	100		

Note : The subsidiary is material to the Company.

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

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

E. Significant restrictions: None.

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

(4) Financial assets at amortised cost

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

(5) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

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

### Effective 2019

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

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

Fixed payments, less any lease incentives receivable.

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

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

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee.

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

### (7) Employee benefits

#### A. Short-term employee benefits

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

#### B. Pensions

##### (a) Defined contribution plan

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

##### (b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is



determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability

- ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past-service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

#### C. Termination benefits

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

#### D. Employees' compensation and directors' and supervisors' remuneration

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

### (8) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(9) Share capital

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.

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

There have been no significant change as of June 30, 2019. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash on hand	\$ 632	\$ 686	\$ 810
Checking accounts and demand deposits	68,285	67,995	66,118
Time deposits	304,994	298,217	387,269
	<u>\$ 373,911</u>	<u>\$ 366,898</u>	<u>\$ 454,197</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group's time deposits that did not meet short-term cash commitments were classified as 'financial assets at amortised cost', please refer to Note 6 (3).
- C. Cash and cash equivalents amounting to \$4,521 thousand as forward foreign exchange margin pledged to others as collateral, and were classified as financial assets at amortized cost, please refer to Note 8 for more information.

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

Items	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets mandatorily measured at fair value through profit or loss:			
Listed stocks	\$ 126,770	\$ 126,770	\$ 98,054
Valuation adjustment	6,281	25,470	142,735
	<u>\$ 133,051</u>	<u>\$ 152,240</u>	<u>\$ 240,789</u>
Financial liabilities held for trading			
Derivative instruments-Forward foreign exchange contracts	(\$ 596)	(\$ 957)	(\$ 1,083)

- A. For the three months and six months ended June 30, 2019 and 2018, the Group recognises net (losses) gains on financial assets at fair value through profit or loss amounting to (\$19,868) thousand, (\$93,842) thousand, (\$19,188) thousand and \$137,301 thousand, respectively.
- B. The Group entered into contracts relating to derivative financial assets (liabilities) which were not accounted for under hedge accounting. The information is listed below:

June 30, 2019		
Derivative financial assets (liabilities)	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2019.07.25~2020.06.18
December 31, 2018		
Derivative financial assets (liabilities)	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2019.1.25~2019.12.16
June 30, 2018		
Derivative financial assets (liabilities)	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2018.07.11~2019.06.15

The Group entered into forward foreign exchange contracts to sell (sell USD and buy RMB) to hedge exchange rate risk of import and export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting. For the three months and six months

ended June 30, 2019 and 2018, the Group recognised net (loss) gain of (\$756) thousand, (\$4,070) thousand, \$374 thousand and (\$3,292) thousand, respectively.

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

(3) Financial assets at amortised cost

	June 30, 2019	December 31, 2018	June 30, 2018
Time deposits	\$ 33,183	\$ 49,917	\$ 80,410

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

B. Details of the Group's time deposits pledged to others as collateral are provided in Note 8.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	\$ 3,388	\$ 1,403	\$ 1,459
Less: Allowance for bad debts	-	-	-
	<u>\$ 3,388</u>	<u>\$ 1,403</u>	<u>\$ 1,459</u>

Notes receivable due from related parties	200	-	-
Less: Allowance for bad debts	-	-	-
	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable	\$ 165,641	\$ 158,708	\$ 149,316
Less: Allowance for bad debts	( 784)	( 1,021)	( 354)
	<u>\$ 164,857</u>	<u>\$ 157,687</u>	<u>\$ 148,962</u>

Accounts receivable due from related parties	189	-	-
Less: Allowance for bad debts	-	-	-
	<u>\$ 189</u>	<u>\$ -</u>	<u>\$ -</u>

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

	June 30, 2019		December 31, 2018		June 30, 2018	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 3,483	\$ 137,275	\$ 1,252	\$ 132,858	\$ 1,264	\$ 126,081
Up to 30 days	105	27,429	151	15,994	64	21,929
31 to 120 days	-	198	-	8,678	131	934
over 120 days	-	144	-	157	-	18
	<u>\$ 3,588</u>	<u>\$ 165,046</u>	<u>\$ 1,403</u>	<u>\$ 157,687</u>	<u>\$ 1,459</u>	<u>\$ 148,962</u>

The above ageing analysis was based on past due date.

B. As of June 30, 2019, December 31, 2018 and June 30, 2018, all the Group's accounts and notes

receivable arose from contracts with customers.

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

(5) Inventories

	June 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 89,458	(\$ 2,198)	\$ 87,260
Work in progress	18,533	( 845)	17,688
Semi-finished goods	36,946	( 1,572)	35,374
Finished goods	32,485	( 7,705)	24,780
	<u>\$ 177,422</u>	<u>(\$ 12,320)</u>	<u>\$ 165,102</u>
	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 98,111	(\$ 1,985)	\$ 96,126
Work in progress	22,581	( 491)	22,090
Semi-finished goods	34,877	( 1,382)	33,495
Finished goods	24,487	( 6,477)	18,010
Inventory in transit	301	-	301
	<u>\$ 180,357</u>	<u>(\$ 10,335)</u>	<u>\$ 170,022</u>
	June 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 99,249	(\$ 6,040)	\$ 93,209
Work in progress	17,201	( 503)	16,698
Semi-finished goods	33,581	( 3,239)	30,342
Finished goods	26,170	( 7,323)	18,847
Inventory in transit	1,388	-	1,388
	<u>\$ 177,589</u>	<u>(\$ 17,105)</u>	<u>\$ 160,484</u>

The cost of inventories recognised as expense for the period:

	Three months ended June 30,	
	2019	2018
Cost of goods sold	\$ 181,001	\$ 192,316
Gain on reversal of market price decline and obsolescence	( 119)	( 1,412)
Gain from sale of scraps	( 531)	( 872)
Gain on physical inventory	( 2)	( 2)
Loss on scrapping inventory	959	2,021
(Reversal) provision for warranty expenses	( 21)	8
	<u>\$ 181,287</u>	<u>\$ 192,059</u>

	Six months ended June 30,	
	2019	2018
Cost of goods sold	\$ 325,142	\$ 335,257
Loss on (gain on reversal of) market price decline and obsolescence	1,941 (	329)
Gain from sale of scraps	( 1,280) (	1,419)
Gain on physical inventory	( 2) (	2)
Loss on scrapping inventory	1,785	2,594
(Reversal) provision for warranty expenses	( 492)	100
	<u>\$ 327,094</u>	<u>\$ 336,201</u>

The Group reversed from a previous inventory write-down because obsolete and slow-moving inventories and inventories with decline in market value were partially sold or disposed by the Group for the three months ended June 30, 2019 and the three months and six months ended June 30, 2018.

(6) Investments accounted for using equity method

A. Details are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Insignificant associate:			
Art So Trading Limited	<u>\$ 66,139</u>	<u>\$ -</u>	<u>\$ -</u>

(a) 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.

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

	<u>Three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Investee</u>		
Art So Trading Limited	<u>(\$ 3,861)</u>	<u>\$ -</u>
	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Investee</u>		
Art So Trading Limited	<u>(\$ 3,861)</u>	<u>\$ -</u>

The investments accounted for using equity method are recognised based on share of profit (loss) of associates and joint ventures recognised in the unreviewed self-prepared financial statements provided by associate companies.

B. Associates

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

Company name	Principal place of business	Shareholding ratio (%)			Nature of relationship	Methods of measurement
		June 30, 2019	December 31, 2018	June 30, 2018		
Art So Trading Limited	Samoa	48.57%	0.00%	0.00%	Owens at least 20% of the voting rights	Equity method

(b) The carrying amount of the Company's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	Three months ended June 30,	
	2019	2018
Total comprehensive loss for the period	(\$ 3,861)	\$ -

  

	Six months ended June 30,	
	2019	2018
Total comprehensive loss for the period	(\$ 3,861)	\$ -

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

Items	June 30, 2019	December 31, 2018	June 30, 2018
Non-current items:			
Equity instruments			
Listed stocks	\$ 89,834	\$ 89,834	\$ 89,834
Unlisted stocks	11,393	11,393	11,393
Valuation adjustment	30,082	32,115	108,647
	<u>\$ 131,309</u>	<u>\$ 133,342</u>	<u>\$ 209,874</u>

A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$131,309 thousand, \$133,342 thousand and \$209,874 thousand, respectively, as at June 30, 2019, December 31, 2018 and June 30, 2018.

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

Equity instruments at fair value through other comprehensive income	Three months ended June 30,	
	2019	2018
Fair value change recognised in other comprehensive income	(\$ 3,084)	(\$ 60,085)

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 2,034)	\$ 82,239

C. The Group did not pledge non-current financial assets at fair value through other comprehensive income to others as collateral.

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(8) Property, plant and equipment

Six months ended June 30, 2019

	At January 1	Additions	Disposals	Transfers	Net exchange differences	At June 30
<b>Cost</b>						
Buildings and structures	\$ 387,342	\$ 2,123	\$ -	\$ 5,097	\$ 4,181	\$ 398,743
Molding equipment	166,247	6,563	( 1,790)	498	1,773	173,291
Machinery and equipment	128,349	279	( 2,984)	404	1,277	127,325
Research and development equipment	28,638	-	( 31)	-	314	28,921
Transportation equipment	14,811	-	( 527)	-	144	14,428
Others	70,721	1,372	( 7,948)	903	747	65,795
Construction in progress	16,211	( 54)	-	( 5,245)	223	11,135
	<u>\$ 812,319</u>	<u>\$ 10,283</u>	<u>(\$ 13,280)</u>	<u>\$ 1,657</u>	<u>\$ 8,659</u>	<u>\$ 819,638</u>
<b>Accumulated depreciation</b>						
Buildings and structures	(\$ 157,597)	\$ 10,269	\$ -	\$ -	\$ 1,639	(\$ 169,505)
Molding equipment	( 144,896)	( 6,990)	1,368	-	( 1,540)	( 152,058)
Machinery and equipment	( 95,538)	( 2,848)	2,784	-	( 897)	( 96,499)
Research and development equipment	( 23,597)	( 706)	20	-	( 254)	( 24,537)
Transportation equipment	( 11,488)	( 849)	527	-	( 106)	( 11,916)
Others	( 55,083)	( 3,757)	7,623	-	( 600)	( 51,817)
	<u>(\$ 488,199)</u>	<u>(\$ 25,419)</u>	<u>\$ 12,322</u>	<u>\$ -</u>	<u>(\$ 5,036)</u>	<u>(\$ 506,332)</u>
	<u>\$ 324,120</u>					<u>\$ 313,306</u>

Six months ended June 30, 2018

	At January 1	Additions	Disposals	Transfers	Net exchange differences	At June 30
<b>Cost</b>						
Buildings and structures	\$ 381,447	\$ 2,342	\$ -	\$ 4,293	\$ 2,272	\$ 390,354
Molding equipment	155,109	6,294	( 44)	2,421	863	164,643
Machinery and equipment	131,635	181	( 904)	52	983	131,947
Research and development equipment	26,507	654	-	654	149	27,964
Transportation equipment	15,139	-	( 56)	56	83	15,166
Others	90,076	4,263	( 3,777)	439	479	91,480
Construction in progress	10,428	5,506	-	( 4,470)	51	11,515
	<u>\$ 810,341</u>	<u>\$ 19,240</u>	<u>(\$ 4,725)</u>	<u>\$ 3,333</u>	<u>\$ 4,880</u>	<u>\$ 833,069</u>
<b>Accumulated depreciation</b>						
Buildings and structures	(\$ 141,642)	\$ 9,582	\$ -	\$ -	\$ 771	(\$ 151,995)
Molding equipment	( 135,463)	( 6,492)	44	-	( 765)	( 142,676)
Machinery and equipment	( 92,143)	( 3,539)	798	-	( 707)	( 95,591)
Research and development equipment	( 23,043)	( 525)	-	-	( 136)	( 23,704)
Transportation equipment	( 9,735)	( 1,018)	-	3	( 45)	( 10,795)
Others	( 76,407)	( 3,399)	3,770	-	( 433)	( 76,469)
	<u>(\$ 478,433)</u>	<u>(\$ 24,555)</u>	<u>\$ 4,612</u>	<u>\$ 3</u>	<u>(\$ 2,857)</u>	<u>(\$ 501,230)</u>
	<u>\$ 331,908</u>					<u>\$ 331,839</u>

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

(9) Leasing arrangements-lessee

Effective 2019

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

	<u>At June 30, 2019</u>	<u>Three months ended June 30, 2019</u>	<u>Six months ended June 30, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 30,417	\$ 219	438
Buildings	6,254	2,352	4,702
Machinery and equipment	29	28	57
	<u>\$ 36,700</u>	<u>\$ 2,599</u>	<u>\$ 5,197</u>

- C. For the years ended December 31, 2019 and 2018, the additions to right-of-use assets amounted to \$3,392 thousand and \$0, respectively.
- D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Three months ended June 30, 2019</u>	<u>Six months ended June 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 52	\$ 92

- E. For the six months ended June 30, 2019, the Group's total cash outflow for leases amounted to \$5,060 thousand.

(10) Other non-current assets

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Land use right	\$ -	\$ 30,517	\$ 31,784
Guarantee deposits paid	2,831	32,121	3,932
Prepayments for business facilities	13,483	9,387	4,124
Other non-current assets	3,168	4,066	5,361
	<u>\$ 19,482</u>	<u>\$ 76,091</u>	<u>\$ 45,201</u>

- A. In November 2007, the Group entered into a land use right contract with Zhongshan Administration for Industry & Commerce for use of the land in Xiaolan Town, Zhongshan Prefecture, Guangdong Province in China, with a term of 47 years. Rents have been paid on the contract date. The Group recognised rental expenses of \$224 thousand and \$445 thousand for the three months and six months ended June 30, 2018.
- B. Information about the guarantee deposits paid that were pledged to others as collaterals is provided in Note 8.

(11) Other payables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash dividends payable	\$ 92,094	\$ -	\$ 91,758
Salary and bonus payable	46,923	50,870	54,207
Insurance and pension expense payable	13,159	14,836	15,035
Payable for consumables and purchases	13,252	13,763	14,057
Exhibition and advertisement payable	9,670	41	7,482
Housing fund payable	5,124	5,054	5,161
Others	<u>27,403</u>	<u>26,328</u>	<u>25,271</u>
	<u>\$ 207,625</u>	<u>\$ 110,892</u>	<u>\$ 212,971</u>

(12) Pensions

- A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$26 thousand, \$36 thousand, \$53 thousand and \$71 thousand for the three months and six months ended June 30, 2019 and 2018, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to \$107 thousand.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company's Hong Kong branch contributes 5% of employees' salaries and wages (below the ceiling of HKD1,500) pursuant to the mandatory provident fund schemes. The accrued benefits is deposited in a specialised account in Manulife (International) Limited and can only be withdrawn when scheme members reach the age of 65.
- (c) Titan Lighting Co. Ltd. and Zhongshan Tons Lighting Co. Ltd. have a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based

on a certain percentage of employees' monthly salaries and wages. On June 30, 2019 and 2018, abovementioned contribution percentage was both 13%. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under defined contribution pension plans of the Group for the three months and six months ended June 30, 2019 and 2018, were \$4,151 thousand, \$3,762 thousand, \$8,406 thousand and \$7,519 thousand, respectively.

(13) Share-based payment

A. For the six months ended June 30, 2019 and 2018, the Group'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 the second quarter of 2019	Actual turnover rate in the second quarter of 2018	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	0%	2.56%	0%
Sixth employee stock options	2018.11.02	600	5 years	2~4 years' service	0%	0%	0%

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

(a) Fourth employee stock options

	June 30, 2019		June 30, 2018	
	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	243	\$ 21.70
Options exercised ( )	( 78)	20.50	( 59)	21.70
Options exercised ( )	( 2)	19.00 (Note)	-	-
Options outstanding at June 30	<u>36</u>	19.00 (Note)	<u>184</u>	20.5 (Note)
Options exercisable at June 30	<u>36</u>		<u>62</u>	

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

(b) Fifth employee stock options

	June 30, 2019		June 30, 2018	
	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	571	\$ 30.00	573	\$ 31.80
Options exercised	(54)	27.80(Note)	(2)	31.80
Options outstanding at June 30	<u>517</u>	27.80(Note)	<u>571</u>	30.00(Note)
Options exercisable at June 30	<u>231</u>		<u>-</u>	

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

(c) Sixth employee stock options

	June 30, 2019		June 30, 2018	
	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 and June 30	<u>600</u>	\$ 29.90	<u>-</u>	\$ -
Options outstanding at June 30	<u>600</u>	27.80(Note)	<u>-</u>	-
Options exercisable at June 30	<u>-</u>		<u>-</u>	

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

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

	Expiry date	June 30, 2019		December 31, 2018	
		No. of options (in thousands)	Exercise price	No. of options (in thousands)	Exercise price
Fourth employee stock options	2019.11.12	36	\$ 19.00	116	\$ 20.50
Fifth employee stock options	2021.12.22	517	27.80	571	30.00
Sixth employee stock options	2023.11.01	600	27.80	600	29.90

		June 30, 2018	
	Expiry date	No. of options (in thousands)	Exercise price
Fourth employee stock options	2019.11.12	184	\$ 20.50
Fifth employee stock options	2021.12.22	571	30.00

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	28.2	28.2	38.16%	5 years	-	0.53%	9.29
Employee share options	2016.12.23	34.95	34.95	17.40%	5 years	-	0.94%	5.92
Employee share options	2018.11.02	29.9	29.9	28.28%	5 years	-	0.75%	7.71

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:

	Three months ended June 30,	
	2019	2018
Equity-settled - employee stock options	\$ 853	\$ 406
	Six months ended June 30,	
	2019	2018
Equity-settled - employee stock options	\$ 1,167	\$ 805

(14) Provisions

	2019	
	Warranty provisions - current	Warranty provisions - non-current
At January 1	\$ 152	\$ 1,148
Additional provisions	733	-
Unused amounts reversed	-	(353)
Effects of foreign exchange	-	13
At June 30	\$ 885	\$ 808

	2018	
	<u>Warranty provisions - current</u>	<u>Warranty provisions - non-current</u>
At January 1	\$ 535	\$ 625
Unused amounts reversed	( 369)	( 9)
Effects of foreign exchange	-	( 1)
At June 30	<u>\$ 166</u>	<u>\$ 615</u>

Analysis of total provisions:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current	\$ 885	\$ 152	\$ 166
Non-current	808	1,148	615
	<u>\$ 1,693</u>	<u>\$ 1,300</u>	<u>\$ 781</u>

The Group's provision-current mainly arise from refund liabilities on lighting equipment lamps sold. Provision for refund liabilities is estimated based on historical warranty data of lighting equipment lamps.

The Group's provision-non-current mainly arise from warranties on lighting equipment lamps sold. Provision for warranty is estimated based on historical warranty data of lighting equipment lamps.

(15) Share capital

- A. As of June 30, 2019, the Company's authorized capital was \$500 million, consisting of 50,000 thousand shares of ordinary stock (including 5 million shares reserved for employee stock options). The paid-in capital was \$400,408 thousand with a par value of \$10 (in dollars) per share. Advance receipts for ordinary shares amounting to \$560 thousand (equivalent to 56 thousand shares) arose from exercising employee stock options. The total share capital was \$400,968 thousand.
- B. On February 26, 2019, the Board of Directors has resolved to subscribe common stock of 78 thousand shares with the effective date on March 6, 2019. The registration was completed on March 25, 2019.
- C. 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 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.
- D. 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.

	(Unit: shares in thousands)	
	<u>2019</u>	<u>2018</u>
At January 1	39,963	39,836
Employee stock options exercised	134	59
Purchase of treasury share	( 1,000)	-
At June 30	<u>39,097</u>	<u>39,895</u>

E. Treasury shares

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



Six months ended June 30, 2019

<u>Reason for reacquisition</u>	Six months ended June 30, 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) In order to encourage employees and strengthen coherence of the Company, the Board of Directors during its meeting on February 26, 2019 adopted a resolution to purchase 1,000 thousand treasury shares 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 June 30, 2019, the Company has purchased 1,000 thousand treasury shares with the price amounting to \$33,992 thousand.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (e) Pursuant to the R.O.C. Securities and Exchange Act, 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.

(16) Capital surplus

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

(17) 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, and dividends shall be preferably distributed in the form of shares. The ratio of cash dividends shall account for at least 10% of the total dividends distributed. However, the Board of Directors shall adjust the ratios based on current operating status and shall report to the shareholders for a resolution.

B. Under a resolution made by the Board of Directors, which has more than 2/3 directors attended

the meeting and more than 1/2 attended directors agreed, full or partial of the distributable dividends and bonus, capital surplus or legal reserve will be distributed in the form of cash, and it will be reported to the shareholders. The regulation in relation to approval from the shareholders as 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 Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be the same as the amount reclassified from accumulated translation adjustment under shareholders' equity to retained earnings for the exemptions elected by the Group. The increase in special reserve as a result of retained earnings arising from the adoption of IFRS was \$38,429 thousand.
- E. The appropriations of 2018 earnings as proposed by the Board of Directors on May 29, 2019 and the appropriations of 2017 earnings as resolved at the shareholders' meeting on May 30, 2018 are detailed as follows:

	Years ended December 31			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 10,556		\$ 12,108	
Cash dividends	92,094	\$ 2.3	91,758	\$ 2.3
	<u>\$ 102,650</u>		<u>\$ 103,866</u>	

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

(18) Other equity items

	2019		2018	
	Currency translation	Unrealised gains (losses) on valuation	Currency translation	Unrealised gains (losses) on valuation
At January 1	(\$ 48,777)	\$ 32,666	(\$ 36,065)	\$ 26,013
Currency translation differences:				
- Group	8,811	-	6,819	-
Revaluation	-	( 2,034)	-	82,298
Revaluation-tax	-	-	-	( 59)
At June 30	<u>(\$ 39,966)</u>	<u>\$ 30,632</u>	<u>(\$ 29,246)</u>	<u>\$ 108,252</u>

(19) Operating revenue

	Three months ended June 30,	
	2019	2018
Sales revenue	\$ 294,439	\$ 291,084

	Six months ended June 30,	
	2019	2018
Sales revenue	\$ 520,219	\$ 506,083

A. Disaggregation of revenue from contracts with customers

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

	Six months ended June 30, 2019				
	Europe	Asia	America	Others	Total
Revenue from contracts	\$350,747	\$140,284	\$ 1,085	\$28,103	\$520,219

	Six months ended June 30, 2018				
	Europe	Asia	America	Others	Total
Revenue from contracts	\$354,942	\$112,148	\$ 2,027	\$36,966	\$506,083

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

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

	June 30, 2019	December 31, 2018	June 30, 2018
Contract liabilities:			
Contract liabilities	\$ 6,888	\$ 11,499	\$ 9,596

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

	Three months ended June 30,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 320	\$ 3,757

	Six months ended June 30,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 10,106	\$ 10,421

(20) Other income

	Three months ended June 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 1,864	\$ 2,339
Other income-others	547	7
	<u>\$ 2,411</u>	<u>\$ 2,346</u>

	Six months ended June 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 3,975	\$ 4,536
Other income-others	832	1,046
	<u>\$ 4,807</u>	<u>\$ 5,582</u>

(21) Other gains and losses

	Three months ended June 30,	
	2019	2018
Loss on disposal of property, plant and equipment	(\$ 592)	(\$ 13)
Net currency exchange gain	4,024	5,730
Net loss on financial assets (liabilities) at fair value through profit or loss	( 20,624)	( 97,912)
Other losses	( 8)	( 14)
	<u>(\$ 17,200)</u>	<u>(\$ 92,209)</u>

	Six months ended June 30,	
	2019	2018
Loss on disposal of property, plant and equipment	(\$ 757)	(\$ 101)
Net currency exchange gain	2,947	5,866
Net (loss) gain on financial assets (liabilities) at fair value through profit or loss	( 18,814)	134,009
Other losses	( 8)	( 21)
	<u>(\$ 16,632)</u>	<u>\$ 139,753</u>

(22) Finance costs

	Three months ended June 30,	
	2019	2018
Interest expense	\$ 52	\$ -

	Six months ended June 30,	
	2019	2018
Interest expense	\$ 92	\$ -

(23) Expenses by nature

	Three months ended June 30,	
	2019	2018
Employee benefit expense	\$ 78,292	\$ 61,974
Depreciation charges on property, plant and equipment	12,585	12,393
Depreciation charges on right-of-use assets	2,599	-
Amortisation charges	590	679

	Six months ended June 30,	
	2019	2018
Employee benefit expense	\$ 143,103	\$ 131,874
Depreciation charges on property, plant and equipment	25,419	24,555
Depreciation charges on right-of-use assets	5,197	-
Amortisation charges	1,193	1,363

(24) Employee benefit expense

	Three months ended June 30,	
	2019	2018
Wages and salaries	\$ 69,340	\$ 53,390
Labour and health insurance fees	1,180	1,837
Pension costs	4,177	3,798
Directors' remunerations	869	137
Other employee benefit expense	2,726	2,812
	<u>\$ 78,292</u>	<u>\$ 61,974</u>

	Six months ended June 30,	
	2019	2018
Wages and salaries	\$ 126,080	\$ 112,754
Labour and health insurance fees	1,477	3,791
Pension costs	8,459	7,590
Directors' remunerations	1,747	2,650
Other employee benefit expense	5,340	5,089
	<u>\$ 143,103</u>	<u>\$ 131,874</u>

Note: For the six months ended June 30, 2019 and 2018, the Group had 736 and 686 employees, respectively, and had 5 non-employee directors for both periods.

A. In accordance with the amended Articles of Incorporation as resolved by the shareholders' meeting on May 30, 2018, the current year's earnings, if profit, the Company shall appropriate 5% to 15% as the employees' compensation; if loss, shall first reserve the offset amount. The ratio before amendment was 8% to 12% for employees' compensation and shall not be higher

than 2% for directors' remuneration.

- B. For the three months and six months ended June 30, 2019 and 2018, the accrued employees' compensation and directors' and supervisors' remuneration is as follows:

	Three months ended June 30,	
	2019	2018
Employees' compensation	\$ 1,651	(\$ 2,911)
Directors' and supervisors' remuneration	248	( 466)
	<u>\$ 1,899</u>	<u>(\$ 3,377)</u>
	Six months ended June 30,	
	2019	2018
Employees' compensation	\$ 3,705	\$ 9,250
Directors' and supervisors' remuneration	556	1,480
	<u>\$ 4,261</u>	<u>\$ 10,730</u>

For the six months ended June 30, 2019 and 2018, the aforementioned amounts were recognised in salary expenses, and accrued based on 8% and 1.2%, as well as 5% and 0.8% respectively, of the pretax income that has not been accrued for the above expenses of the current period.

Employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2018 financial statements. The employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended June 30,	
	2019	2018
Current tax:		
Current tax on profit for the period	\$ 9,605	\$ 19,120
Tax on undistributed surplus earnings	146	1,783
Prior year income tax underestimation	614	2
Total current tax	10,365	20,905
Deferred tax:		
Effect of taxation law amendments	-	140
Origination and reversal of temporary differences	1,493	( 9,749)
Income tax expense	<u>\$ 11,858</u>	<u>\$ 11,296</u>

	Six months ended June 30,	
	2019	2018
Current tax:		
Current tax on profit for the period	\$ 14,427	\$ 24,363
Tax on undistributed surplus earnings	146	1,783
Prior year income tax (over) underestimation	( 702)	339
Total current tax	13,871	26,485
Deferred tax:		
Effect of taxation law amendments	-	( 388)
Origination and reversal of temporary differences	2,647	( 9,014)
Income tax expense	\$ 16,518	\$ 17,083

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

	Three months ended June 30,	
	2019	2018
Impact of change in tax rate	\$ -	(\$ 140)
	Six months ended June 30,	
	2019	2018
Impact of change in tax rate	\$ -	(\$ 140)

B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings per share

Earnings per share of ordinary shares:

	Three months ended June 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 13,864	39,117	\$ 0.35

<u>Three months ended June 30, 2019</u>		
Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	13,864	39,117
Assumed conversion of all dilutive potential ordinary shares		
- Employees' compensation	-	53
- Employee stock options	-	108
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 13,864</u>	<u>\$ 0.35</u>
<u>Three months ended June 30, 2018</u>		
Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>		
Loss attributable to ordinary shareholders of the parent	(\$ 63,766)	(\$ 1.60)
<u>Six months ended June 30, 2019</u>		
Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 34,625	\$ 0.88
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	34,625	39,507
Assumed conversion of all dilutive potential ordinary shares		
- Employees' compensation	-	119
- Employee stock options	-	122
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 34,625</u>	<u>\$ 0.87</u>



Six months ended June 30, 2018

	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 163,308	39,885	\$ 4.09
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	163,308	39,885	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	243	
- Employee stock options	-	215	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 163,308	40,343	\$ 4.05

For the three months ended June 30, 2018, the employee stock options which were issued by the Group have anti-dilutive effect and the diluted deficit per share was not calculated.

(27) Operating leases

Prior to 2019

The Group leases real estate under non-cancellable operating lease agreements. The lease terms are between 2 and 3 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased every year to reflect market rental rates. Partial leases are charged extra rents following the changes of local price indexes. The Group recognised rental expenses of \$4,512 thousand and \$9,065 thousand for these leases in profit or loss for the three months and six months ended June 30, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December, 31, 2018	June 30, 2018
Not later than one year	\$ 7,736	\$ 9,437
Later than one year but not later than five years	-	2,658
	\$ 7,736	\$ 12,095

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	Six months ended June 30,	
	2019	2018
Purchase of property, plant and equipment	\$ 10,283	\$ 19,240
Add: Opening balance of payable on equipment	834	496
Less: Ending balance of payable on equipment	(1,158)	(1,373)
Cash paid during the period	<u>\$ 9,959</u>	<u>\$ 18,363</u>

(29) Changes in liabilities from financing activities

	Guarantee deposits received	Lease liabilities	Liabilities from financing activities - gross
At January 1	\$ 1,246	\$ -	\$ 1,246
Effect of first-time adoption of IFRS	-	7,312	7,312
Changes in cash flow from financing activities	(40)	(4,968)	(5,008)
Impact of changes in foreign exchange rate	(2)	2	-
Changes in other non-cash items	-	3,740	3,740
At June 30	<u>\$ 1,204</u>	<u>\$ 6,086</u>	<u>\$ 7,290</u>
	Guarantee deposits received	Lease liabilities	Liabilities from financing activities - gross
At January 1 and June 30	<u>\$ 1,246</u>	<u>\$ -</u>	<u>\$ 1,246</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions

A. Operating revenue

	Three months ended June 30,	
	2019	2018
Sales of goods:		
- Other related parties	\$ <u>607</u>	\$ <u>5</u>

	Six months ended June 30,	
	2019	2018
Sales of goods:		
- Other related parties	\$ <u>615</u>	\$ <u>8</u>

B. Notes and accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable:			
- ARTSO INTERNATIONAL, INC.	\$ <u>200</u>	\$ <u>-</u>	\$ <u>-</u>
Accounts receivable:			
- BEIJING ARTSO FURNITURE CO.,LTD	\$ <u>189</u>	\$ <u>-</u>	\$ <u>-</u>

C. Purchases

	Three months ended June 30,	
	2019	2018
Purchases of raw materials:		
- Other related parties	\$ <u>5,319</u>	\$ <u>8,669</u>

	Six months ended June 30,	
	2019	2018
Purchases of raw materials:		
- Other related parties	\$ <u>12,768</u>	\$ <u>16,936</u>

The purchases from related parties mostly were for starters, ballasts and transformers, and the payment term was 90 days after monthly billing.

D. Accounts payable

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts payable:			
- WeiSen Electronic Co., Ltd.	\$ <u>8,259</u>	\$ <u>17,158</u>	\$ <u>14,515</u>

(3) Key management compensation

	Three months ended June 30,	
	2019	2018
Short-term employee benefits	\$ 6,720	\$ 3,578
Post-employment benefits	140	159
Share-based payments	304	221
	<u>\$ 7,164</u>	<u>\$ 3,958</u>

	Six months ended June 30,	
	2019	2018
Short-term employee benefits	\$ 13,593	\$ 16,841
Post-employment benefits	280	318
Share-based payments	608	441
	<u>\$ 14,481</u>	<u>\$ 17,600</u>

8. PLEGGED ASSETS

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

Pledged asset	Book value			Purpose
	June 30, 2019	December 31, 2018	June 30, 2018	
Time deposits (shown as 'financial assets at amortised cost')	\$ 4,521	\$ 4,472	\$ -	Forward foreign exchange
Guarantee deposits paid (shown as 'other non-current assets')	2,831	32,121	3,932	Security and investment commitment deposits
	<u>\$ 7,352</u>	<u>\$ 36,593</u>	<u>\$ 3,932</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

The Group entered into leases for its plants under non-cancellable operating lease agreements as follows:

Lessee	Leased object	Period	Monthly rent
TONS LIGHTOLOGY INC.	4F., No.236, Bo'ai St., New Taipei City, Taiwan	2017.1.1 ~ 2019.12.31	\$443 thousand

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Due to the compliance cost increasing, the Board of Directors during its meeting on July 26, 2019 resolved to dissolve the Company's 100% indirectly held subsidiary, Tons Lighting Co., Ltd., located in Belize.

12. OTHERS

(1) Capital management

There have been no significant change as of June 30, 2019. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2018.

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 133,051	\$ 152,240	\$ 240,789
Financial assets at fair value through other comprehensive income	131,309	133,342	209,874
Financial assets at amortised cost			
Cash and cash equivalents	373,911	366,898	454,197
Financial assets at amortised cost	33,183	49,917	80,410
Notes receivable (including related parties)	3,588	1,403	1,459
Accounts receivable (including related parties)	165,046	157,687	148,962
Other receivables	2,711	1,994	3,547
Guarantee deposits paid	2,831	32,121	3,932
	<u>\$ 845,630</u>	<u>\$ 895,602</u>	<u>\$ 1,143,170</u>
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 596	\$ 957	\$ 1,083
Financial liabilities at amortised cost			
Notes payable	17	-	5
Accounts payable (including related parties)	108,163	114,306	113,025
Other accounts payable	207,625	110,892	212,971
Guarantee deposits received	1,204	1,246	1,246
	<u>\$ 317,605</u>	<u>\$ 227,401</u>	<u>\$ 328,330</u>

B. Financial risk management policies

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

liquidity.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB income and expenditures. Entities in the Group use natural hedge to decrease the risk exposure in the foreign currency, transacted with Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's risk management policy is to hedge anticipated cash flows (mainly from export sales and purchase of inventory) in each major foreign currency.

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v. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations and analysis of foreign currency market risk arising from significant foreign exchange variation are as follows:

June 30, 2019

	Foreign currency		Exchange rate	Book value (In thousands of NTD)	Degree of variation	Sensitivity analysis		Effect on other comprehensive income
	amount (In thousands)					Effect on profit or loss		
<b>(Foreign currency: functional currency)</b>								
<u>Financial assets</u>								
<u>Monetary items</u>								
USD : NTD	\$ 3,314	31.010 \$	102,767	1% \$	1,028 \$	-		
HKD : NTD	1,507	3.947	5,948	1%	59	-		
EUR : NTD	1,228	35.180	43,201	1%	432	-		
RMB : NTD	29,257	4.496	131,539	1%	1,315	-		
RMB : USD	19,525	0.145	87,784	1%	878	-		
USD : RMB	6,119	6.870	189,750	-1% (	1,898)	-		
EUR : RMB	196	7.826	6,895	1%	69	-		
<u>Non-monetary items</u>								
USD : NTD	\$ 337	31.010 \$	10,450	1% \$	- \$	105		
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD : NTD	\$ 7,014	31.110 \$	218,206	1% (\$	2,182) \$	-		
EUR : NTD	195	35.580	6,938	1% (	69)	-		
RMB : NTD	13,840	4.546	62,917	1% (	629)	-		
RMB : USD	9,225	0.146	41,937	1% (	419)	-		
USD : RMB(Note)	1,800	6.879 (	596)	-1%	561	-		

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

December 31, 2018

	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
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 3,146	30.665 \$	96,472	1% \$	965 \$	-
HKD : NTD	1,052	3.891	4,093	1%	41	-
EUR : NTD	1,279	35.000	44,765	1%	448	-
RMB : NTD	30,658	4.447	136,336	1%	1,363	-
RMB : USD	14,822	0.145	65,913	1%	659	-
USD : RMB	5,597	6.868	171,632	-1%	(1,716)	-
EUR : RMB	173	7.871	6,055	1%	61	-
<u>Non-monetary items</u>						
USD : NTD	\$ 337	30.665 \$	10,334	1% \$	- \$	103
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 6,353	30.765 \$	195,450	1% (	(1,955) \$	-
EUR : NTD	211	35.400	7,469	1% (	(75)	-
RMB : NTD	9,209	4.497	41,413	1% (	(414)	-
RMB : USD	5,872	0.146	26,406	1% (	(264)	-
USD : RMB (Note)	1,800	6.837	957	-1%	551	-

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



June 30, 2018

	Sensitivity analysis					
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>						
<b>Financial assets</b>						
<u>Monetary items</u>						
USD : NTD	\$ 4,562	30.410	\$ 138,730	1%	\$ 1,387	\$ -
HKD : NTD	1,284	3.851	4,945	1%	49	-
EUR : NTD	1,069	35.200	37,629	1%	376	-
RMB : NTD	37,062	4.568	169,299	1%	1,693	-
RMB : USD	15,866	0.150	72,476	1%	725	-
USD : RMB	5,593	6.632	170,083	-1%	( 1,701)	-
EUR : RMB	163	7.707	5,738	1%	57	-
<u>Non-monetary items</u>						
USD : NTD	\$ 337	30.410	10,248	1%	\$ -	\$ 102
<b>Financial liabilities</b>						
<u>Monetary items</u>						
USD : NTD	\$ 6,061	30.510	\$ 184,921	1%	(\$ 1,849)	\$ -
EUR : NTD	189	35.600	6,728	1%	( 67)	-
RMB : NTD	10,359	4.618	47,838	1%	( 478)	-
RMB : USD	7,982	0.151	36,861	1%	( 369)	-
USD : RMB(Note)	1,800	6.648	1,083	-1%	551	-

Note: The Group's subsidiaries have forward foreign exchange contracts. Foreign currency amount is the notional principal.

Exchange rate is forward exchange rate that is estimated to be settled at the balance sheet date, and the book value is the amount recognised.

- vi. Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2019 and 2018 amounted to \$4,024 thousand, \$5,730 thousand, \$2,947 thousand and \$5,866 thousand, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- ii. The Group mainly invests in shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the six months ended June 30, 2019 and 2018 would have increased/decreased by \$1,331 thousand and \$2,408 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,313 thousand and \$2,099 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 six months ended June 30, 2019 and 2018, the Group has no items with impact on profit (loss) due to changes in interest rates.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. The Group regularly examines credit of the bank that the Group used to deposit their capital based on the rating from independently rated parties (if no rating information can be referred, the Group will use loan-to-deposit ratio, non-performing loans ratio and capital adequacy ratio instead). In addition, the Group deposits the capital based on the rating in order to disperse credit risk to avoid centralised deposits. The Group deposits 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 after assessment. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the

Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 1 year.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On June 30, 2019, December 31, 2018 and June 30, 2018, the loss rate methodology is as follows:

June 30, 2019	Individual	Group	Total
Expected loss rate	-	0.47%	
Total book value	\$ -	\$ 165,830	\$ 165,830
Loss allowance	\$ -	\$ 784	\$ 784

December 31, 2018	Individual	Group	Total
Expected loss rate	-	0.64%	
Total book value	\$ -	\$ 158,708	\$ 158,708
Loss allowance	\$ -	\$ 1,021	\$ 1,021

June 30, 2018	Individual	Group	Total
Expected loss rate	-	0.24%	
Total book value	\$ -	\$ 149,316	\$ 149,316
Loss allowance	\$ -	\$ 354	\$ 354

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

	2019
	<u>Accounts receivable</u>
At January 1	\$ 1,021
Transferred to revenue	( 239)
Effect of exchange rate changes	<u>2</u>
At June 30	<u>\$ 784</u>
	2018
	<u>Accounts receivable</u>
At January 1	\$ 111
Provision for impairment	244
Effect of exchange rate changes	( 1)
At June 30	<u>\$ 354</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
June 30, 2019					
Notes and accounts payable	\$ 99,921	\$ -	\$ -	\$ -	\$ -
Accounts payable- related parties	8,259	-	-	-	-
Other payables	207,625	-	-	-	-
Lease liabilities	5,085	1,137	-	-	-

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
December 31, 2018					
Accounts payable	\$ 97,148	\$ -	\$ -	\$ -	\$ -
Accounts payable- related parties	17,158	-	-	-	-
Other payables	110,892	-	-	-	-

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
June 30, 2018					
Notes and accounts payable	\$ 98,515	\$ -	\$ -	\$ -	\$ -
Accounts payable -related parties	14,515	-	-	-	-
Other payables	212,971	-	-	-	-

Derivative financial liabilities:

June 30, 2019					
Forward exchange contracts	\$ 596	\$ -	\$ -	\$ -	\$ -

Derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
December 31, 2018					
Forward exchange contracts	\$ 957	\$ -	\$ -	\$ -	\$ -

Derivative financial liabilities:

June 30, 2018					
Forward exchange contracts	\$ 1,083	\$ -	\$ -	\$ -	\$ -

**(3) Fair value information**

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. Financial instruments not measured at fair value

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

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

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

June 30, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ 133,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,051</u>
Financial assets at fair value through other comprehensive income-equity securities	<u>\$ 122,672</u>	<u>\$ -</u>	<u>\$ 8,637</u>	<u>\$ 131,309</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 596</u>	<u>\$ -</u>	<u>\$ 596</u>
December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ 152,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,240</u>
Financial assets at fair value through other comprehensive income-equity securities	<u>\$ 124,705</u>	<u>\$ -</u>	<u>\$ 8,637</u>	<u>\$ 133,342</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 957</u>	<u>\$ -</u>	<u>\$ 957</u>
June 30, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ 240,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,789</u>
Financial assets at fair value through other comprehensive income-equity securities	<u>\$ 196,507</u>	<u>\$ -</u>	<u>\$ 13,367</u>	<u>\$ 209,874</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 1,083</u>	<u>\$ -</u>	<u>\$ 1,083</u>

(b) The Group used market quoted prices as the fair values of the instruments in Level 1. Based on the characteristics, the closing prices are used for emerging shares.

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

- D. For the six months ended June 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- E. For the six months ended June 30, 2019 and 2018, there was no transfer into or out from Level 3.
- F. Experts and the Group's treasury department are in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- G. 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 June 30, 2019	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 8,637	Market comparable companies	Net equity ratio and price to earnings ratio	0.59	The higher the multiple, the higher the fair value
	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 8,637	Market comparable companies	Net equity ratio and price to earnings ratio	0.59	The higher the multiple, the higher the fair value

	Fair value at June 30, 2018	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 13,367	Market comparable companies	Net equity ratio and price to earnings ratio	0.96~9.18	The higher the multiple, the higher the fair value

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

				June 30, 2019	
				Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	
Financial assets					
Equity securities	Net equity ratio and price to earnings ratio	± 5%	\$ 436	(\$ 436)	
				December 31, 2018	
				Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	
Financial assets					
Equity securities	Net equity ratio and price to earnings ratio	± 5%	\$ 425	(\$ 425)	
				June 30, 2018	
				Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	
Financial assets					
Equity securities	Net equity ratio and price to earnings ratio	± 5%	\$ 665	(\$ 665)	

#### (4) Retrospective restatement

Under IFRS 9, the time deposits, that do not meet short-term cash commitments, are recognised as 'financial assets at amortised cost', but were previously presented as 'other current assets'. Movements are as follows:



<u>Consolidated balance sheet affected items</u>	<u>Before restatement</u>	<u>Adjustments</u>	<u>After restatement</u>
<b><u>December 31, 2018</u></b>			
Financial assets at amortised cost	\$ -	\$ 49,917	\$ 49,917
Other current assets	53,767	( 49,917)	3,850
Other assets	1,414,768	-	1,414,768
Total affected assets	<u>\$ 1,468,535</u>	<u>\$ -</u>	<u>\$ 1,468,535</u>
Total affected liabilities	<u>\$ 274,635</u>	<u>\$ -</u>	<u>\$ 274,635</u>
Total affected equity	<u>\$ 1,193,900</u>	<u>\$ -</u>	<u>\$ 1,193,900</u>
Total affected liabilities and equity	<u>\$ 1,468,535</u>	<u>\$ -</u>	<u>\$ 1,468,535</u>

<u>Consolidated balance sheet affected items</u>	<u>Before restatement</u>	<u>Adjustments</u>	<u>After restatement</u>
<b><u>June 30, 2018</u></b>			
Financial assets at amortised cost	\$ -	\$ 80,410	\$ 80,410
Other current assets	83,838	( 80,410)	3,428
Other assets	1,633,312	-	1,633,312
Total affected assets	<u>\$ 1,717,150</u>	<u>\$ -</u>	<u>\$ 1,717,150</u>
Total affected liabilities	<u>\$ 372,661</u>	<u>\$ -</u>	<u>\$ 372,661</u>
Total affected equity	<u>\$ 1,344,489</u>	<u>\$ -</u>	<u>\$ 1,344,489</u>
Total affected liabilities and equity	<u>\$ 1,717,150</u>	<u>\$ -</u>	<u>\$ 1,717,150</u>

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- 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: None.
- 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 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative financial instruments undertaken during the reporting periods: Titan Lighting Co., Ltd. entered into forward foreign exchange contracts for the six months ended June 30, 2019. As of June 30, 2019, financial assets at fair value through profit or loss of \$596 thousand was

recognised.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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 six months ended June 30, 2019 are provided in Table 6.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	Six months ended June 30, 2019			
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	\$ 442,258	\$ 1,620	\$ 70,663	\$ 514,541
Inter-segment revenue	11,597	370,875	11,189	393,661
Segment revenue	<u>\$ 453,855</u>	<u>\$ 372,495</u>	<u>\$ 81,852</u>	<u>\$ 908,202</u>
Segment profit before tax	<u>\$ 19,207</u>	<u>\$ 31,628</u>	<u>\$ 13,841</u>	<u>\$ 64,676</u>

Six months ended June 30, 2018

	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	\$ 462,330	\$ 2,259	\$ 41,494	\$ 506,083
Inter - segment revenue	<u>17,038</u>	<u>369,758</u>	<u>11,062</u>	<u>397,858</u>
Segment revenue	<u>\$ 479,368</u>	<u>\$ 372,017</u>	<u>\$ 52,556</u>	<u>\$ 903,941</u>
Segment profit (loss) before tax	<u>\$ 43,038</u>	<u>\$ 8,789</u>	<u>(\$ 474)</u>	<u>\$ 51,353</u>

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

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

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

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

(3) Reconciliation for segment income (loss)

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

	Six months ended June 30	
	2019	2018
Reportable operating segments revenue after adjustment	\$ 908,202	\$ 903,941
Other operating segments revenue after adjustment	<u>382,200</u>	<u>368,022</u>
Total operating segments revenue	1,290,402	1,271,963
Elimination of intersegment revenue	<u>( 770,183)</u>	<u>( 765,880)</u>
Total consolidated operating revenue	<u>\$ 520,219</u>	<u>\$ 506,083</u>

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

	Six months ended June 30	
	2019	2018
Reportable operating segments income before tax after adjustment	\$ 64,676	\$ 51,353
Other operating segments income before tax after adjustment	( 14,022)	128,678
Total operating segments revenue	50,654	180,031
Elimination of intersegment revenue	489	360
Income before tax from continuing operations	<u>\$ 51,143</u>	<u>\$ 180,391</u>

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TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

June 30, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of June 30, 2019			Footnote	
				Number of shares	Book value	Ownership (%)		Fair value
TONS LIGHTOLOGY INC.	Share ownership / TITAN AURORA INC.	None	Financial assets at fair value through other comprehensive income-non-current	1,900	\$ 6,602	19.00	\$ 6,602	-
TONS LIGHTOLOGY INC.	Share ownership / GRIFFIN LIGHTING CO., LTD.	None	Financial assets at fair value through other comprehensive income-non-current	66,500	1,525	19.00	1,525	-
TONS LIGHTOLOGY INC.	Share ownership / ANDERSEN LIGHTING CO., LTD	None	Financial assets at fair value through other comprehensive income-non-current	-	510	19.00	510	Note 2
TONS LIGHTOLOGY INC.	Share / HEP TECH CO., LTD.	None	Financial assets at fair value through other comprehensive income-non-current	3,860,760	70,652	12.73	70,652	-
TONS LIGHTOLOGY INC.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	1,700,000	52,020	4.59	52,020	-
HONG BO INVESTMENT CO., LTD.	Share / HEP TECH CO., LTD.	None	Financial assets at fair value through profit or loss - current	2,102,000	38,467	6.93	38,467	-
HONG BO INVESTMENT CO., LTD.	Share / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through profit or loss - current	3,091,000	94,584	8.35	94,584	-
		Total			264,360	Total	264,360	

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

Note 2: Andersen Lighting Co., Ltd. is a limited company. The shareholding ratio is calculated proportionately to the contributed amount.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Six months ended June 30, 2019

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote (Note 2)	Footnote (Note 4)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)		
TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	\$ 377,883	98	30-60 days after purchases of goods	Note 1	Note 2	(\$ 260,523)	( 99)	Note 4	
TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	Same ultimate parent	Purchases	356,133	100	30-60 days after purchases of goods	Note 3	Note 2	( 215,152)	( 100)	Note 4	

Note 1: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 30-60 days after the purchases and payment is made timely according to the capital needs of subsidiaries.  
 Note 2: There are no purchases (sales) of the same products, thus, no third party transaction can be compared with.  
 Note 3: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 30-60 days after the shipment of goods.  
 Note 4: The transactions were eliminated when preparing the consolidated financial statements.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

Six months ended June 30, 2019

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2019 (Note 2)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
TONS LIGHTING CO., LTD.	TONS LIGHTOLOGY INC.	Parent company	Accounts receivable \$260,523	3.19	\$	-	\$ 37,167	\$ -
TITAN LIGHTING CO., LTD.	TONS LIGHTING CO., LTD.	Same ultimate parent	Accounts receivable \$215,152	3.60	-	-	37,106	-

Note 1: Subsequent collection is the amount of receivables collected from related parties as of July 26, 2019.

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Six months ended June 30, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account (Purchases)	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 )	( \$ )	377,883 30-60 days after purchases of goods	72.64
0	TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	(1)	( Accounts payable )	( )	260,523 30-60 days after purchases of goods	17.65
1	TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	(3)	( Purchases )	( )	356,133 30-60 days after purchases of goods	68.46
1	TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	(3)	( Accounts payable )	( )	215,152 30-60 days after purchases of goods	14.58

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 4: Transaction amounts account for at least 20% of the paid-in capital.



TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Information on investees  
Six months ended June 30, 2019

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six months ended June 30, 2019	Investment income (loss) recognised by the Company for the six months ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	\$ 545,972	\$ 545,972	18,333,402	100	\$ 870,543	\$ 41,567	\$ 42,056	Subsidiary (Note 1, 4)
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	125,000	125,000	15,000,000	100	136,336	( 19,216)	( 19,216)	Subsidiary (Note 4)
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	Samoa	Wholesale of furniture	70,000	-	1,700,000	48.57	66,139	( 20,812)	( 3,861)	Note 3
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD.	Belize	Sales of various lighting products and accessories	1,625	1,625	500,000	100	21,849	9,453	-	Indirect subsidiary (Note 2, 4)
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100	86,429	( 4,837)	-	Indirect subsidiary (Note 2, 4)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	745,862	36,937	-	Indirect subsidiary (Note 2, 4)

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

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

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

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

TONS LIGHTLOGY INC. AND SUBSIDIARIES  
Information on investments in Mainland China  
Six months ended June 30, 2019

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital \$	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee as of June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2019	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Footnote
					\$	\$							
TITAN LIGHTING CO., LTD.	Main business Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	380,563	(2)	368,845	-	368,845	26,558	100.00	26,558	615,678	66,296	Note 1,2,3,4,5	
ZHONGSHAN TONS LIGHTING CO., LTD.	Main business Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	111,816	(2)	110,585	-	110,585	9,814	100.00	9,814	101,052	-	Note 1,2,4,5	
SHANGHAI TONS LIGHTLOGY CO., LTD.	Main business Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	99,392	(2)	42,842	-	42,842	( 4,851)	100.00	( 4,851)	84,908	-	Note 1,2,4,5,6	
Shanghai Grand Canyon LED Lighting Systems Co., Ltd.	Main business Research, development, production and sales of LED semiconductor application and other products	33,356	(2)	901	-	901	-	12.59	-	-	-	Note 1,7	
Grand Canyon (Su Zhou) Co., Ltd.	Main business Research, development, production and sales of LED semiconductor application and other products	356,487	(2)	43,299	-	43,299	-	12.59	-	-	510	Note 1,7	
ART SO ZHONG TRADING LIMITED	Main business Trading of furniture	13,977	(2)	6,206	-	6,206	-	48.57	-	-	-	Note 1,8	
Shanghai Art So Zhong Trading Limited	Main business Trading of furniture	25,770	(2)	-	-	-	-	34.09	-	-	-	Note 1,8	
BEIJING ARTSO FURNITURE CO.,LTD	Main business Trading of furniture	25,770	(2)	-	-	-	-	34.09	-	-	-	Note 1,8	

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

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. (Tian Lighting Co., Ltd. and Zhongshan Tons Lighting Co., Ltd. reinvested through World Extend Holding Inc.; Shanghai Grand Canyon LED Lighting Systems Co., Ltd. and Grand Canyon Opto Tech (Su Zhou) Co., Ltd. reinvested through StrongLED Lighting System (Cayman) Co., Ltd.; ART SO ZHONG TRADING LIMITED, Shanghai Art So Zhong Trading Limited and BEIJING ARTSO FURNITURE CO.,LTD reinvested through ART SO TRADING LIMITED.)
- (3) Others.

Note 2: Investment income (loss) recognised by the Company for the six months ended June 30, 2019, 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, 2019, including \$34,945 thousand for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger.  
 Note 4: Paid-in capital of Tian Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS 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 June 28, 2019.  
 Note 5: Accumulated investment amount in Tian 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 Strong LED Lighting System (Cayman) Co., Ltd. The investment was recorded as available-for-sale financial assets - non-current. Therefore, the Company did not recognise investment income (loss) and the investment at its book value individually for the investees in Mainland China.  
 Note 8: ART SO ZHONG TRADING LIMITED, Shanghai Art So Zhong Trading Limited and BEIJING ARTSO FURNITURE CO., LTD reinvested through ART SO TRADING LIMITED. Therefore, the Company did not recognise investment income (loss) and the investment at its book value individually for the investees in Mainland China.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	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 the Ministry of Economic Affairs (MOEA)
TONS LIGHTOLOGY INC.	\$ 572,678	\$ 689,893	\$ 668,116

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019 was USD \$16,793 thousand and NTD \$44,200 thousand, including USD \$1,039 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 investees, World Extend Holding Inc., located in the third area and has been translated at the average buying and selling spot rate on June 28, 2019).

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.