TONS LIGHTOLOGY INC.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of Tons Lightology Inc. (the "Company") as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of the current period are stated as follows:

Timing of recognising sales revenue

Description

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

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

How our audit addressed the matter

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

A. Obtained an understanding and evaluated the operating procedures and internal controls over sales revenue, and assessed the effectiveness on how the management controls the timing of recognising sales revenue.

B. Performed sales cut-off test for a certain period before and after balance sheet date to assess the accuracy of the timing of sales revenues.

Inventory valuation

Description

The Company is primarily engaged in manufacturing and trading lighting equipment and lamps and the transaction mode is the Company receives orders and transfers the orders to the subsidiaries for manufacturing and delivering. Considering that the inventory valuation policy of the Company's subsidiary (presented as investments accounted for using the equity method) is measured at the lower of cost and net realisable value, which involves subjective judgement resulting in a high degree of estimation uncertainty, we thus identified inventory valuation of the subsidiary (presented as investments accounted for using the equity method) as one of the key areas of focus for this year's audit.

How our audit addressed the matter

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

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

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

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

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

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

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

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Liu, Mei-Lan | Wang, Yu-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2020

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and 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.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 152,390	10	$ 178,714	12
1150	Notes receivable, net	6(2)	305	-	1,403	-
1170	Accounts receivable, net	6(2)	138,339	9	145,236	10
1200	Other receivables		2,835	-	405	-
130X	Inventories	6(3)	6,950	1	9,665	1
1410	Prepayments		5,022	-	3,991	-
1470	Other current assets		150	-	97	-
11XX	**Current Assets**		305,991	20	339,511	23
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	128,394	9	133,342	9
1550	Investments accounted for under equity method	6(5)	1,059,042	71	982,788	66
1600	Property, plant and equipment	6(6)	641	-	3,435	-
1755	Right-of-use assets	6(7)	1,997	-	-	-
1780	Intangible assets		1,681	-	3,499	-
1840	Deferred income tax assets	6(21)	4,437	-	5,227	-
1990	Other non-current assets, others	8	2,219	-	30,238	2
15XX	**Non-current assets**		1,198,411	80	1,158,529	77
1XXX	**Total assets**		$ 1,504,402	100	$ 1,498,040	100

(Continued)

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2150	Notes payable		$ 45	-	$ -	-
2170	Accounts payable		1,682	-	1,815	-
2180	Accounts payable - related parties	7	275,659	18	218,911	15
2200	Other payables		28,864	2	29,183	2
2220	Other payables - related parties	7	24,746	2	19,696	1
2230	Current income tax liabilities	6(21)	2,276	-	13,755	1
2280	Current lease liabilities		1,080	-	-	-
2300	Other current liabilities	6(10)(15)	6,416	1	5,997	-
21XX	**Current Liabilities**		340,768	23	289,357	19
	Non-current liabilities					
2550	Provisions for liabilities - noncurrent	6(10)	345	-	341	-
2570	Deferred income tax liabilities	6(21)	9,421	-	2,488	-
2580	Non-current lease liabilities		921	-	-	-
2600	Net defined benefit liability - noncurrent	6(8)	10,765	1	11,954	1
25XX	**Non-current liabilities**		21,452	1	14,783	1
2XXX	**Total Liabilities**		362,220	24	304,140	20
	Equity					
	Share capital	6(11)				
3110	Share capital - common stock		401,253	27	399,628	27
3140	Advance receipts for share capital		303	-	-	-
	Capital surplus					
3200	Capital surplus	6(12)	510,666	34	505,825	33
	Retained earnings	6(13)				
3310	Legal reserve		85,219	6	74,663	5
3320	Special reserve		38,429	2	38,429	3
3350	Unappropriated retained earnings		194,627	13	191,466	13
	Other equity interest					
3400	Other equity interest	6(14)	(54,323)	(4)	(16,111)	(1)
3500	**Treasury shares**	6(11)	(33,992)	(2)	-	-
3XXX	**Total equity**		1,142,182	76	1,193,900	80
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 1,504,402	100	$ 1,498,040	100

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

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(15) and 7	$ 954,958	100	$ 956,000	100
5000	**Operating costs**	6(3) and 7	(797,401)	(83)	(795,694)	(83)
5900	**Net operating margin**		157,557	17	160,306	17
	Operating expenses	6(19)(20)				
6100	Selling expenses		(38,280)	(4)	(40,431)	(4)
6200	General and administrative expenses		(47,718)	(5)	(50,212)	(5)
6300	Research and development expenses		(5,931)	(1)	(6,069)	(1)
6000	**Total operating expenses**		(91,929)	(10)	(96,712)	(10)
6900	**Operating profit**		65,628	7	63,594	7
	Non-operating income and expenses					
7010	Other income	6(16)	7,101	-	7,744	1
7020	Other gains and losses	6(17)	7,927	1	(823)	-
7050	Finance costs	6(18)	(89)	-	-	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(5)	46,764	5	53,220	5
7000	**Total non-operating income and expenses**		61,703	6	60,141	6
7900	**Profit before income tax**		127,331	13	123,735	13
7950	Income tax expense	6(21)	(21,643)	(2)	(18,178)	(2)
8200	**Profit for the year**		$ 105,688	11	$ 105,557	11
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(8)	$ 153	-	($ 243)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(4,948)	(1)	5,766	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	(280)	-	1,135	-
8310	**Components of other comprehensive (loss) income that will not be reclassified to profit or loss**		(5,075)	(1)	6,658	1
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive loss, before tax, exchange differences on translation	6(14)	(33,014)	(3)	(12,712)	(2)
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(33,014)	(3)	(12,712)	(2)
8300	**Other comprehensive loss for the year**		($ 38,089)	(4)	($ 6,054)	(1)
8500	**Total comprehensive income for the year**		$ 67,599	7	$ 99,503	10
	Basic earnings per share					
9750	**Total basic earnings per share**	6(22)	$	2.69	$	2.65
	Diluted earnings per share					
9850	**Total diluted earnings per share**	6(22)	$	2.65	$	2.61

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

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Share capital		Capital surplus		Retained earnings			Other equity interest				
	Notes	Share capital - common stock	Advance receipts for share capital	Additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Treasury shares	Total equity
2018													
Balance at January 1, 2018		$ 398,118	$ 537	$ 498,848	$ 3,409	$ 62,555	$ 38,429	$ 189,770	($ 36,065)	$ -	$ 26,013	$ -	$ 1,181,614
Effect of restospective application and retrospective restatement		-	-	-	-	-	-	-	-	26,013	(26,013)	-	-
Balance at 1 January after adjustments		398,118	537	498,848	3,409	62,555	38,429	189,770	(36,065)	26,013	-	-	1,181,614
Comprehensive income for the year		-	-	-	-	-	-	105,557	-	-	-	-	105,557
Other comprehensive income(loss) for the year	6(14)	-	-	-	-	-	-	5	(12,712)	6,653	-	-	(6,054)
Total comprehensive income(loss) for the year		-	-	-	-	-	-	105,562	(12,712)	6,653	-	-	99,503
Appropriation and distibution of 2017 retained earnings													
Legal reserve appropriated	6(13)	-	-	-	-	12,108	-	(12,108)	-	-	-	-	-
Cash dividends	6(13)	-	-	-	-	-	-	(91,758)	-	-	-	-	(91,758)
Share-based payments transaction - employee stock options	6(9)	1,510	(537)	2,866	702	-	-	-	-	-	-	-	4,541
Balance at December 31, 2018		$ 399,628	$ -	$ 501,714	$ 4,111	$ 74,663	$ 38,429	$ 191,466	($ 48,777)	$ 32,666	$ -	$ -	$ 1,193,900
2019													
Balance at January 1, 2019		$ 399,628	$ -	$ 501,714	$ 4,111	$ 74,663	$ 38,429	$ 191,466	($ 48,777)	$ 32,666	$ -	$ -	$ 1,193,900
Comprehensive income for the year		-	-	-	-	-	-	105,688	-	-	-	-	105,688
Other comprehensive income (loss) for the year	6(14)	-	-	-	-	-	-	123	(33,014)	(5,198)	-	-	(38,089)
Total comprehensive income (loss) for the year		-	-	-	-	-	-	105,811	(33,014)	(5,198)	-	-	67,599
Appropriation and distrbution of 2018 retained earnings													
Legal reserve appropriated	6(13)	-	-	-	-	10,556	-	(10,556)	-	-	-	-	-
Cash dividends	6(13)	-	-	-	-	-	-	(92,094)	-	-	-	-	(92,094)
Share-based payments transaction - employee stock options	6(9)	1,625	303	4,073	768	-	-	-	-	-	-	-	6,769
Treasury stock transactions	6(11)	-	-	-	-	-	-	-	-	-	-	(33,992)	(33,992)
Balance at December 31, 2019		$ 401,253	$ 303	$ 505,787	$ 4,879	$ 85,219	$ 38,429	$ 194,627	($ 81,791)	$ 27,468	$ -	($ 33,992)	$ 1,142,182

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

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 127,331	$ 123,735
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(19)	2,967	3,440
Depreciation - right-of-use assets	6(7)(19)	7,238	-
Amortization	6(19)	2,320	2,581
Expected credit (gain) loss	12(2)	(633)	522
Provision for (reversal of) warranty expense	6(10)	4	(216)
Interest expense - lease liability	6(7)	89	-
Interest income	6(16)	(2,864)	(4,587)
Dividend income		(3,719)	(2,612)
Wages and salaries - employee stock options	6(9)	2,322	1,883
Share of loss of associates and joint ventures accounted for under equity method	6(5)	(46,764)	(53,220)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		1,095	422
Accounts receivable, net		7,523	3,790
Other receivables		(2,534)	1,035
Inventories		2,711	51
Prepayments		(1,033)	778
Other current assets		(53)	(6)
Changes in operating liabilities			
Notes payable		47	(59)
Accounts payable		(133)	(3,357)
Accounts payable to related parties		56,754	13,935
Other payables		(344)	(4,126)
Other payables to related parties		5,049	6,552
Contract liabilities		258	(3,897)
Other current liaiblities		171	(312)
Other non-current liabilities		(914)	91
Cash inflow generated from operations		156,888	86,423
Interest received		2,968	4,599
Dividend received		3,719	2,612
Interest paid		(89)	-
Income tax paid		(25,679)	(17,472)
Net cash flows from operating activities		137,807	76,162

(Continued)

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method		($ 70,000)	$ -
Acquisition of property, plant and equipment	6(6)(24)	(128)	(1,677)
Acquisition of intangible assets		(502)	(1,157)
Decrease (increase) in refundable deposits		28,013	(28,424)
Dividend income		7,524	64,240
Net cash flows (used in) from investing activities		(35,093)	32,982
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in guarantee deposits received	6(25)	(120)	-
Repayment of principal portion of lease liabilities	6(7)(25)	(7,234)	-
Cash dividends paid	6(13)	(92,094)	(91,758)
Exercise of employee stock options		4,447	2,658
Repurchase of treasury stock	6(11)	(33,992)	-
Net cash flows used in financing activities		(128,993)	(89,100)
Effect of exchange rate changes on cash and cash equivalents		(45)	176
Net (decrease) increase in cash and cash equivalents		(26,324)	20,220
Cash and cash equivalents at beginning of year		178,714	158,494
Cash and cash equivalents at end of year		$ 152,390	$ 178,714

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

TONS LIGHTOLOGY INC.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. ORGANISATION AND OPERATIONS

Tons Lightology Inc. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C) on August 20, 1992. On June 17, 2013, the Company's stocks were officially listed on the Taipei Exchange. The Company is primarily engaged in manufacturing and trading of lighting equipment and lamps.

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

These parent company only financial statements were approved and authorised for issuance by the Board of Directors on February 26, 2020.

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:

New Standards, Interpretations and Amendments	International Accounting Standards Board
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 Company's financial condition and financial performance based on the Company'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.

B. The Company 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 Company increased 'right-of-use asset' by $7,047 thousand and increased 'lease liability' by $7,047 thousand with respect to the lease contracts of lessees on January 1, 2019.

C. The Company 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 Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 2.63%.

E. The Company 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 Company

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

(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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

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

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

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

(5) Cash equivalents

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

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Inventories

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

(11) Investments accounted for using equity method – subsidiaries

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

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

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

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

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

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

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(13) Leased assets — lease (lessee)

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 Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

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

Fixed payments, less any lease incentives receivable.

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

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

(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.

(14) Leased assets/operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(15) Intangible assets

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

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

(16) Impairment of non-financial assets

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

(17) Notes and accounts payable

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

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

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Provisions

Provisions (including warranties) are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

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

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

C. Termination benefits

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

D. Employees', directors' and supervisors' remuneration

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

(22) <u>Employee share-based payment</u>

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

(23) <u>Income tax</u>

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

(24) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) Dividends

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

(26) Revenue recognition

Sales of goods

A. The Company manufactures and sells a range of lighting equipment and lamps. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Sales revenue of lighting equipment and lamps is often recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Sales discounts and allowances are calculated based on accumulated sales amount over 12 months. The Company calculates revenue based on the contracts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. As of reporting date, sales discounts and allowances payable were recognised in short-term provisions. No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days after delivery, which is consistent with market practice.

C. The Company's obligation to provide standard warranty terms is recognised as a provision.

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 141	$ 100
Checking accounts and demand deposits	23,720	21,006
Time deposits	128,529	157,608
	$ 152,390	$ 178,714

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

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

(2) Notes and accounts receivable, net

	December 31, 2019	December 31, 2018
Notes receivable	$ 305	$ 1,403
Less: Allowance for bad debts	-	-
	$ 305	$ 1,403

	December 31, 2019	December 31, 2018
Accounts receivable	$ 138,339	$ 145,869
Less: Allowance for bad debts	-	(633)
	$ 138,339	$ 145,236

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

	December 31, 2019		December 31, 2018	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	$ 201	$ 132,345	$ 1,252	$ 126,562
Up to 30 days	104	5,991	151	14,347
31 to 120 days	-	3	-	4,169
over 120 days	-	-	-	158
	$ 305	$ 138,339	$ 1,403	$ 145,236

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, all the Company's accounts and notes receivable arose from contracts with customers.

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

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was the carrying amount of the notes and accounts receivable.

E. The Company did not hold any collateral.

(3) Inventories

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

	December 31, 2018		
	Cost	Allowance for slow-moving inventories and valuation loss	Book value
Goods	$ 15,087	($ 6,451)	$ 8,636
Raw materials	1,369	(949)	420
Finished goods	39	(39)	-
Goods in transit	609	-	609
	$ 17,104	($ 7,439)	$ 9,665

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost and expense of goods sold	$ 796,361	$ 795,553
Expenses related to inventory	1,040	141
	$ 797,401	$ 795,694

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Listed stocks	$ 89,834	$ 89,834
Unlisted stocks	11,393	11,393
Valuation adjustment	27,167	32,115
	$ 128,394	$ 133,342

A. The Company has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $128,394 thousand and $133,342 thousand as at December 31, 2019 and 2018, respectively.

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	Years ended December 31, 2019	2018
Fair value change recognised in other comprehensive income	($ 5,198)	$ 6,653

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was $128,394 thousand and $133,342 thousand, respectively.

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

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(5) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
WORLD EXTEND HOLDING INC.	$ 872,536	$ 819,712
HONG BO INVESTMENT CO., LTD.	129,629	163,076
Art So Trading Limited	56,877	-
	$ 1,059,042	$ 982,788

A. Subsidiaries

(a) The information regarding the Company's subsidiaries is provided in Note 4(3) in the consolidated financial statements for the year ended December 31, 2019.

(b) The Company's share of profit of subsidiaries accounted for using equity method for the years ended December 31, 2019 and 2018 amounted to $59,887 thousand and $53,220 thousand, respectively.

B. Associate:

	December 31, 2019	December 31, 2018
Insignificant associate:		
Art So Trading Limited	$ 56,877	$ -

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

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

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

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

Investee	Years ended December 31,	
	2019	2018
Art So Trading Limited	($ 13,123)	$ -

(Remainder of page intentionally left blank)

(6) Property, plant and equipment

	2019					
	At January 1	Additions	Disposals	Transfers	Net exchange differences	At December 31
Cost						
Machinery and equipment	$ 265	$ -	($ 265)	$ -	$ -	$ -
Transportation equipment	1,670	-	(527)	-	-	1,143
Office equipment	242	31	(161)	-	1	113
Leasehold improvements	5,237	-	(1,507)	-	-	3,730
Other facilities	1,497	141	(740)	-	-	898
	$ 8,911	$ 172	($ 3,200)	$ -	$ 1	$ 5,884
Accumulated depreciation						
Machinery and equipment	($ 265)	$ -	$ 265	$ -	$ -	$ -
Transportation equipment	(1,263)	(264)	527	-	-	(1,000)
Office equipment	(183)	(21)	161	-	-	(43)
Leasehold improvements	(2,909)	(2,329)	1,507	-	-	(3,731)
Other facilities	(856)	(353)	740	-	-	(469)
	($ 5,476)	($ 2,967)	$ 3,200	$ -	$ -	($ 5,243)
	$ 3,435					$ 641

	2018					
	At January 1	Additions	Disposals	Transfers	Net exchange differences	At December 31
Cost						
Machinery and equipment	$ 358	$ -	($ 93)	$ -	$ -	$ 265
Transportation equipment	1,670	-	-	-	-	1,670
Office equipment	248	-	(10)	-	4	242
Leasehold improvements	6,675	1,333	(2,950)	174	5	5,237
Other facilities	1,224	344	(75)	-	4	1,497
Construction in progress	177	-	-	(177)	-	-
	$ 10,352	$ 1,677	($ 3,128)	($ 3)	$ 13	$ 8,911
Accumulated depreciation						
Machinery and equipment	($ 243)	($ 115)	$ 93	$ -	$ -	($ 265)
Transportation equipment	(929)	(334)	-	-	-	(1,263)
Office equipment	(120)	(70)	10	-	(3)	(183)
Leasehold improvements	(3,329)	(2,526)	2,950	-	(4)	(2,909)
Other facilities	(533)	(395)	75	-	(3)	(856)
	($ 5,154)	($ 3,440)	$ 3,128	$ -	($ 10)	($ 5,476)
	$ 5,198					$ 3,435

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation: None for the years ended December 31, 2019 and 2018.

B. Information about the property, plant and equipment that were pledged to others as collaterals: None for the years ended December 31, 2019 and 2018.

(7) Leasing arrangements-lessee

Effective 2019

A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	At December 31,2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Buildings	$ 1,997	$ 7,238

C. For the year ended December 31, 2019, the additions to right-of-use assets amounted to $2,232.

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

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 89

E. For the year ended December 31, 2019, the Company's total cash outflow for leases amounted to $7,323 thousand.

(8) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 14,985	$ 14,823
Fair value of plan assets	(5,342)	(4,116)
Net defined benefit liability	$ 9,643	$ 10,707

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

	Present value of defined benefit obligations	Fair value of plan assets	Present value of defined benefit obligations
Year ended December 31, 2019			
Balance at January 1	$ 14,823	($ 4,116)	$ 10,707
Interest cost	148	(42)	106
	14,971	(4,158)	10,813
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	362	-	362
Experience adjustments	(348)	(167)	(515)
	14	(167)	(153)
Pension fund contribution	$ -	($ 1,017)	($ 1,017)
Balance at December 31	$ 14,985	($ 5,342)	$ 9,643

	Present value of defined benefit obligations	Fair value of plan assets	Present value of defined benefit obligations
Year ended December 31, 2018			
Balance at January 1	$ 14,278	($ 3,905)	$ 10,373
Interest cost	196	(54)	142
	14,474	(3,959)	10,515
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	584	-	584
Experience adjustments	(235)	(105)	(340)
	349	(105)	244
Pension fund contribution	-	($ 52)	($ 52)
Balance at December 31	$ 14,823	($ 4,116)	$ 10,707

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2019	2018
Discount rate	1.000%	1.375%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	$ 362	($ 372)	($ 356)	$ 348
December 31, 2018				
Effect on present value of defined benefit obligation	$ 392	($ 404)	($ 388)	$ 378

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 amounts to $72.

(g) As of December 31, 2019, the weighted average duration of that retirement plan is 8.78 years. The analysis of timing of the future pension payment was as follows:

2-5 years	$ 702
Over 5 years	5,260
	$ 5,962

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's Hong Kong branch contributes 5% of employees' salaries and wages (below the ceiling of HKD1,500) pursuant to the mandatory provident fund schemes. The accrued benefits is deposited in a specialised account in Manulife (International) Limited and can only be withdrawn when scheme members reach the age of 65.

(c) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018, were $1,904 thousand and $1,933 thousand, respectively.

(9) Share-based payment

A. For the years ended December 31, 2019 and 2018, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions	Actual turnover rate in 2019	Actual turnover rate in 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	2.63%	2.56%	0%
Sixth employee stock options	2018.11.02	600	5 years	2~4 years' service	2.44%	0%	0%

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

(a) Fourth employee stock options

	2019		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	(38)	19.00(Note)	(68)	20.50
Options outstanding at December 31	-	19.00(Note)	116	20.50(Note)
Options exercisable at December 31	-		116	

Note : Price was adjusted due to ex-dividend.

(b) Fifth employee stock options

	2019		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 forfeited	(2)	27.80(Note)	(2)	31.80
Options exercised	(76)	27.80(Note)	-	-
Options outstanding at December 31	493	27.80(Note)	571	30.00 (Note)
Options exercisable at December 31	351		289	

Note: Price was adjusted due to ex-dividend.

(c) Sixth employee stock options

	2019		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	600	$ 29.90	-	$ -
Options forfeited	(2)	27.80(Note)	600	29.90
Options outstanding at December 31	598	27.80(Note)	600	29.90
Options exercisable at December 31	-		-	

Note: Price was adjusted due to ex-dividend.

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

		December 31, 2019		December 31, 2018	
	Expiry date	No. of options (in thousands)	Exercise price	No. of options (in thousands)	Exercise price
Fourth employee stock options	2019.11.12	-	$ 19.00	116	$ 20.50
Fifth employee stock options	2021.12.22	493	27.80	571	30.00
Sixth employee stock options	2023.11.01	598	27.80	600	29.90

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

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee share options	2014.11.13	28.20	28.20	38.16%	5 years	-	0.53%	9.36
Employee share options	2016.12.23	34.95	34.95	17.40%	5 years	-	0.94%	5.99
Employee share options	2018.11.02	29.90	29.90	28.28%	5 years	-	0.75%	7.75

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

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

	Years ended December 31	
	2019	2018
Equity-settled - employee stock options	$ 2,322	$ 1,883

(10) Provisions

	2019	
	Warranty provisions - current	Warranty provisions - non-current
At January 1	$ 152	$ 341
Additional provisions	171	4
At December 31	$ 323	$ 345

	2018	
	Warranty provisions - current	Warranty provisions - non-current
At January 1	$ 535	$ 557
Unused amounts reversed	(383)	(216)
At December 31	$ 152	$ 341

Analysis of total provisions:

	December 31, 2019	December 31, 2018
Current	$ 323	$ 152
Non-current	345	341
	$ 668	$ 493

The Company's provision including provision for refund liabilities and provision for warranty on lighting equipment and lamps sold. Provision for refund liabilities is estimated based on historical refund data of lighting equipment and lamps and provision for warranty is estimated based on historical warranty data of lighting equipment and lamps.

(11) Share capital

A. As of December 31, 2019, the Company's authorised capital was $500 million, consisting of 50,000 thousand shares of ordinary stock (including 5 million shares reserved for employee stock options). The paid-in capital was $401,253 thousand with a par value of $10 (in dollars) per share. Advance receipts for ordinary shares amounting to $303 thousand (equivalent to 30 thousand shares) arose from exercising employee stock options. The total share capital was $401,556 thousand.

B. The employees exercised options for 12 thousand shares and 116 thousand shares of common stock during the period from November 6, 2019 to February 17, 2020, and the subscription price was NT$19 and NT$27.8 per share, respectively. The share issuance became effective on March 4, 2020, as resolved at the meeting of Board of Directors on February 26, 2020. The registration was not completed as of February 26, 2020.

C. The employees exercised options for 27 thousand shares and 58 thousand shares of common stock during the period from June 24, 2019 to October 31, 2019, and the subscription price was NT$19 and NT$27.8 per share, respectively. The share issuance became effective on November 6, 2019, as resolved at the meeting of Board of Directors on November 1, 2019. The registration was completed on November 26, 2019.

D. The employees exercised options for 78 thousand shares of common stock during the period from January 1, 2019 to February 15, 2019, and the subscription price was NT$20.5 per share.

The share issuance became effective on March 6, 2019, as resolved at the meeting of Board of Directors on February 26, 2019. The registration was completed on March 25, 2019.

E. The employees exercised options for 68 thousand shares of common stock during the period from July 13, 2018 to December 18, 2018, and the subscription price was NT$20.5 in dollars per share. The share issuance became effective on December 26, 2018, as resolved at the meeting of Board of Directors on December 21, 2018. The registration was completed on January 11, 2019.

F. The employees exercised options for 83 thousand shares of common stock during the period from November 13, 2017 to February 6, 2018, and the subscription price was NT$21.7 per share. The share issuance became effective on March 6, 2018, as resolved at the meeting of Board of Directors on February 23, 2018. The registration was completed on March 20, 2018.

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

(Unit: shares in thousands)

	2019	2018
At January 1	39,963	39,836
Employee stock options exercised	193	127
Purchase of treasury share	(1,000)	-
At December 31	39,156	39,963

G. Treasury shares

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

	Year ended December 31, 2019			
Reason for reacquisition	No. of shares at beginning of the period	Increase in the period	Decrease in the period	No. of shares at end of 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 December 31, 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.

(12) Capital surplus

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

(13) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:

(a) Offset prior years' operating losses, if any.

(b) Set aside 10% of the remaining amount as legal reserve, and set aside or reverse special reserve when necessary.

(c) The remainder along with the unappropriated earnings of prior years is the accumulated distributable earnings. The appropriation of accumulated distributable earnings shall be proposed by the Board of Directors and be resolved by the shareholders.

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

B. Under a resolution made by the Board of Directors, which has more than 2/3 directors attended the meeting and more than 1/2 attended directors agreed, full or partial of the distributable dividends and bonus, capital surplus or legal reserve will be distributed in the form of cash, and it will be reported to the shareholders. The regulation in relation to approval from the shareholders as above mentioned is not applicable.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be the same as the amount reclassified from accumulated translation adjustment under shareholders' equity to retained earnings for the exemptions elected by the Group. The increase in special reserve as a result of retained earnings arising from the adoption of IFRS was $38,429 thousand.

E. (a) The appropriations proposal of 2018 and 2017 earnings, which was resolved at the shareholders' meeting on May 29, 2019, and May 30, 2018, respectively, 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
	$ 102,650		$ 103,866	

(b) The details about the appropriation of 2019 earnings which was proposed at the Board of Directors' meeting on February 26, 2020 are as follows:

	Year ended December 31, 2019	
	Amount	Dividend per share (in dollar)
Legal reserve	$ 10,581	
Special reserve	15,894	
Cash dividends	84,395	$ 2.15
	$ 110,870	

Apart from the cash dividends which have been resolved at the meeting of Board of Directors on February 26, 2020, the remaining items in the above appropriation of earnings are yet to be resolved by the shareholders.

F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(20).

(14) 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	(33,014)	-	(12,712)	-
Revaluation	-	(4,948)	-	5,766
Revaluation-tax	-	(250)	-	887
At December 31	($ 81,791)	$ 27,468	($ 48,777)	$ 32,666

(15) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

	Year ended December 31, 2019						
	Lamps				Service revenue		
	Asia	Europe	America	Others	Asia	America	Total
Revenue from external customer contracts	$146,886	$712,853	$ 2,310	$66,664	$ -	$ -	$ 928,713
Inter-segment revenue	190	-	-	-	-	26,055	26,245
Total segment revenue	$147,076	$712,853	$ 2,310	$66,664	$ -	$26,055	$ 954,958

	Year ended December 31, 2018						
	Lamps				Service revenue		
	Asia	Europe	America	Others	Asia	America	Total
Revenue from external customer contracts	$145,346	$704,715	$ 4,226	$75,453	$ -	$ -	$ 929,740
Inter-segment revenue	294	-	-	-	-	25,966	26,260
Total segment revenue	$145,640	$704,715	$ 4,226	$75,453	$ -	$25,966	$ 956,000

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

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

	December 31, 2019	December 31, 2018
Contract liabilities:		
Contract liabilities	$ 5,763	$ 5,514

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

	Years ended December 31,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 5,280	$ 9,263

(16) Other income

	Years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	$ 2,864	$ 4,587
Other income-others	4,237	3,157
	$ 7,101	$ 7,744

(17) Other gains and losses

	Years ended December 31,	
	2019	2018
Net currency exchange gain (loss)	$ 7,977	($ 779)
Other losses	(50)	(44)
	$ 7,927	($ 823)

(18) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense	$ 89	$ -

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

(19) Expenses by nature

	Years ended December 31,					
	2019			2018		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense	$ 6,139	$ 61,565	$ 67,704	$ 6,020	$ 59,817	$ 65,837
Depreciation charges on property, plant and equipment	4	2,963	2,967	51	3,389	3,440
Depreciation charges on right-of-use assets	2,101	5,137	7,238	-	-	-
Amortisation charges	309	2,011	2,320	342	2,239	2,581

(20) Employee benefit expense

	Years ended December 31,					
	2019			2018		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Wages and salaries	$ 5,155	$ 49,357	$ 54,512	$ 5,007	$ 47,854	$ 52,861
Labour and health insurance fees	498	3,018	3,516	531	3,210	3,741
Pension costs	271	1,739	2,010	267	1,808	2,075
Directors' remunerations	-	4,017	4,017	-	3,954	3,954
Other employee benefit expense	215	3,434	3,649	215	2,991	3,206

A. As at December 31, 2019 and 2018, the Company had 54 employees, including 5 non-employee directors for the both years.

B. Average employee benefit expense in current year was $1,300 ('total employee benefit expense in current year – total directors' remuneration in current year' / 'the number of employees in current year – the number of non-employee directors in current year'). Average employee benefit expense in previous year was $1,263 ('total employee benefit expense in previous year – total directors' remuneration in previous year' / 'the number of employees in previous year – the number of non-employee directors in previous year').

C. Average employees salaries in current year was $1,112 (total salaries and wages in current year / 'the number of employees in current year - the number of non-employee directors in current year'). Average employees salaries in previous year was $1,079 (total salaries and wages in previous year / 'the number of employees in previous year - the number of non-employee directors in previous year').

D. Adjustments of average employees salaries and wages was 3.06% ('the average employee salaries and wages in current year - the average employee salaries and wages in previous year' / the average employee salaries and wages in previous year).

E. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees 'compensation and directors' remuneration. The ratio shall not be lower than 5~15% for employees' compensation and shall not be higher than 2.5% for directors' remuneration. If a company has accmulated deficit, earnings should be reserved to cover losses first.

F. For the years ended December 31, 2019 and 2018, the accrued employees' compensation and directors' remuneration is as follows:

	Years ended December 31,	
	2019	2018
Employees' compensation	$ 11,219	$ 10,902
Directors' remuneration	1,683	1,635
	$ 12,902	$ 12,537

For the years ended December 31, 2019 and 2018, the aforementioned amounts were recognised in salary expenses, and accrued both based on 8% and 1.2%, respectively, of the pretax income that has not been accrued for the above expenses of the current period.

Employees' compensation and directors' remuneration for 2019 and 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the financial statements. The employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

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(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2019	Years ended December 31, 2018
Current tax:		
Current tax on profits for the year	$ 14,047	$ 24,021
Tax on undistributed surplus earnings	146	1,783
Prior year income tax underestimation	7	-
Total current tax	14,200	25,804
Deferred tax:		
Effect of taxation law amendments	-	(388)
Origination and reversal of temporary differences	7,443	(7,238)
Income tax expense	$ 21,643	$ 18,178

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

	Years ended December 31, 2019	Years ended December 31, 2018
Remeasurememt of defined benefit obligations	$ 30	($ 49)
Unrealised loss on financial assets at fair value through other comprehensive income	250	(946)
Impact of change in tax rate	-	(140)
	$ 280	($ 1,135)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2019	Years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	$ 25,466	$ 24,746
Expenses disallowed by tax regulation	(3,590)	(7,809)
Tax exempt income by tax regulation	(386)	(154)
Prior year income tax underestimation	7	-
Effect from changes in tax regulation	-	(388)
Tax on undistributed surplus earnings	146	1,783
Income tax expense	$ 21,643	$ 18,178

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

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

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation and obsolescence losses	$ 1,209	$ 279	$ -	$ 1,488
Unrealised sales returns and discounts	57	(26)	-	31
Warranty liabilities	94	(26)	-	68
Unallocated amount of accrued pension expense	634	130	-	764
Unrealised foreign exchange losses	179	460	-	639
Remeasurement of defined benefit obligations	1,129	-	248	1,377
Unrealised loss on financial assets at fair value through other comprehensive income	-	-	552	552
Unused compensated absences	208	100	-	308
	$ 3,510	$ 917	$ 800	$ 5,227
-Deferred tax liabilities:				
Amount of allowance for bad debts that exceed the limit for tax purpose	($ 182)	$ 182	$ -	$ -
Gains on foreign long-term investments	(9,015)	6,527	-	(2,488)
Unrealised gain on financial assets at fair value through other comprehensive income	(335)	-	335	-
	($ 9,532)	$ 6,709	$ 335	($ 2,488)
	($ 6,022)	$ 7,626	$ 1,135	$ 2,739

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the amounts of temporary difference unrecognised as deferred tax liabilities were $64,310 and $47,279 thousand, respectively.

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

F. 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 Company has assessed the impact of the change in income tax rate.

(22) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit for the year	$ 105,688	39,311	$ 2.69
Diluted earnings per share			
Profit for the year	105,688	39,311	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	350	
- Employee stock options	-	227	
Profit plus assumed conversion of all dilutive potential ordinary shares	$ 105,688	39,888	$ 2.65

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit for the year	$ 105,557	39,897	$ 2.65
Diluted earnings per share			
Profit for the year	105,557	39,897	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	352	
- Employee stock options	-	143	
Profit plus assumed conversion of all dilutive potential ordinary shares	$ 105,557	40,392	$ 2.61

(23) Operating leases

Prior to 2019

The Company 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. Some leases are charged extra rents following the changes of local price indexes. The Company recognised rental expenses of $7,672 thousand for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	$ 7,127
Later than one year but not later than five years	-
	$ 7,127

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31, 2019	Years ended December 31, 2018
Purchase of property, plant and equipment	$ 172	$ 1,677
Add: Opening balance of payable on equipment	-	-
Less: Ending balance of payable on equipment	(44)	-
Cash paid during the year	$ 128	$ 1,677

(25) Changes in liabilities from financing activities

	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities - gross
At January 1, 2019	$ 1,246	$ -	$ -	$ 1,246
Effect of first-time adoption of IFRS	-	7,047	-	7,047
Changes in cash flow from financing activities	(120)	(7,234)	(92,094)	(99,448)
Impact of changes in foreign exchange rate	-	(44)	-	(44)
Changes in other non-cash items	-	2,232	92,094	94,326
At December 31, 2019	$ 1,126	$ 2,001	$ -	$ 3,127

	Guarantee deposits received		Lease liabilities		Dividends payable		Liabilities from financing activities - gross	
At January 1, 2018	$	1,246	$	-	$	-	$	1,246
Changes in cash flow from financing activities		-		-	(	91,758)	(	91,758)
Changes in other non-cash items		-		-		91,758		91,758
At December 31, 2018	$	1,246	$	-	$	-	$	1,246

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,			
	2019		2018	
Sales of goods:				
-ZHONGSHAN TONS	$	190	$	294
-ARTSO INTERNATIONAL,INC		337		-
Sales of services:				
-TL		26,055		25,967
	$	26,582	$	26,261

Revenues arising from sales of goods are mainly purchases of components on behalf of the above subsidiaries and the transaction prices are based on the original purchase prices plus certain profit margin. The credit term is 30~60 days after the shipment of goods and payments are collected according to the capital needs of the Company. There is no comparison for these transactions as the Company does not have similar products sold to the third parties.

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

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

B. Purchases

	Years ended December 31, 2019	Years ended December 31, 2018
Purchases of goods:		
-TL	$ 761,007	$ 763,031
-ZHONGSHAN TONS	19,125	20,242
	$ 780,132	$ 783,273

(a) Purchase transactions between the Company and subsidiaries are mainly consists of the Company's purchases of lamps and related products from the indirect subsidiaries in Mainland China through the subsidiaries. Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 30~60 days after the purchases and payments are made according to the capital needs of the subsidiaries. There is no comparison for these transactions as the Company does not purchase similar products from the suppliers.

(b) To meet the operational needs, the Company directly (or indirectly) sold raw materials amounting to $2,873 thousand and $12,714 thousand to the indirect subsidiaries in Mainland China. The processed goods would then be sold back to the Company and such transactions were not recognised as the Company's sales and purchase for the years ended December 31, 2019 and 2018. The amounts were eliminated in the Company's parent company only financial statements.

C. Payables to related parties

	December 31, 2019	December 31, 2018
Accounts payable:		
-TL	$ 273,110	$ 213,941
-ZHONGSHAN TONS	2,549	4,970
	$ 275,659	$ 218,911

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

D. Other payables

	December 31, 2019	December 31, 2018
Other payables to related parties:		
-TITAN	$ 24,746	$ 19,696

E. Endorsements and guarantees provided to related parties

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

(3) Key management compensation

	Years ended December 31, 2019	Years ended December 31, 2018
Salary and short-term employee benefits	$ 26,158	$ 25,611
Post-employment benefits	565	599
Share-based payments	1,216	1,019
	$ 27,939	$ 27,229

8. PLEDGED ASSETS

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

Pledged asset	Book value December 31, 2019	Book value December 31, 2018	Purpose
Guarantee deposits paid (shown as 'other non-current assets')	$ 2,219	$ 30,238	Security and investment commitment deposits

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Detail of operating leases are provided in Note 6 (23).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In order to encourage employees and strengthen coherence of the Company, the Board of Directors during its meeting on February 26, 2020 adopted a resolution to purchase 1,000 thousand treasury shares at a price between NT$25 to NT$35 per share from February 27, 2020 to April 26, 2020, which will be transferred to the employees.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2019, the Company's strategy, which was unchanged from 2018, was to maintain the debt-to-asset ratio within 20% to 40%. The debt-to-asset ratios at December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 362,220	$ 304,140
Total assets	$ 1,504,402	$ 1,498,040
Gearing ratio	24%	20%

(Remainder of page intentionally left blank)

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through other comprehensive income	$ 128,394	$ 133,342
Financial assets at amortised cost/Loans and receivables / loans and receivables		
Cash and cash equivalents	$ 152,390	$ 178,714
Notes receivable	305	1,403
Accounts receivable (including related parties)	138,339	145,236
Other receivables	2,835	405
Guarantee deposits paid	2,219	30,238
	$ 296,088	$ 355,996

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at amortised cost		
Notes payable	$ 45	$ -
Accounts payable (including related parties)	277,341	220,726
Other accounts payable (including related parties)	53,610	48,879
Guarantee deposits received	1,126	1,246
Lease liability (including current	2,001	-
	$ 334,123	$ 270,851

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. The Company treasury is responsible for hedging the entire foreign exchange risk exposure. Exchange rate risk is measured through a forecast of highly probable USD and RMB income and expenditures. The treasury uses natural hedge to decrease the risk exposure in the foreign currency.

iii. The Company's risk management policy is to hedge anticipated cash flows (mainly from export sales and purchase of inventory) in each major foreign currency.

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

	December 31, 2019					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD : NTD	$ 3,563	29.930	$ 106,641	1%	$ 1,066	$ -
HKD : NTD	1,021	3.819	3,899	1%	39	-
EUR : NTD	1,485	33.390	49,584	1%	496	-
RMB : NTD	13,644	4.280	58,396	1%	584	-
Non-monetary items						
USD : NTD	$ 337	29.930	$ 10,086	1%	$ -	$ 101
Investments accounted for using equity method						
USD : NTD	$ 20,033	29.930	$ 599,588	1%	$ -	$ 5,996
Financial liabilities						
Monetary items						
USD : NTD	$ 8,038	30.030	$ 241,381	1%	(2,414)	$ -
EUR : NTD	235	33.790	7,941	1%	(79)	-
RMB : NTD	12,730	4.330	55,121	1%	(551)	-

	December 31, 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
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
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	-
Non-monetary items						
USD : NTD	$ 337	30.665	$ 10,334	1%	$ -	$ 103
Investments accounted for using equity method						
USD : NTD	$ 18,333	30.665	$ 562,181	1%	$ -	$ 5,622
Financial liabilities						
Monetary items						
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)	-

vi. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to ($7,977 thousand) and ($779 thousand), respectively.

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.

ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2019 and 2018, other components of equity would have increased/decreased by $1,284 thousand and $1,333 thousand, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

For the years ended December 31, 2019 and 2018, the Company has no items with impact on profit (loss) due to changes in interest rates.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. For banks and financial institutions, the Company transacts with a variety of banks and financial institutions, mainly domestic and overseas well-known financial institutions, to avoid concentration in any single counterparty and to minimise credit risk. The Company can only enter into the financial services and loan agreement provided by banks and financial institutions after being approved by the Board of Directors or authorised management according to the Company's delegation of authorisation policy. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 1 year.

iv. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.

vi. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2019 and 2018, the loss rate methodology is as follows:

December 31, 2019	Individual	Group	Total
Expected loss rate	-	0.00%	
Total book value	$ -	$ 138,339	$ 138,339
Loss allowance	$ -	$ -	$ -

December 31, 2018	Individual	Group	Total
Expected loss rate	-	0.43%	
Total book value	$ -	$ 145,869	$ 145,869
Loss allowance	$ -	$ 633	$ 633

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

	2019
	Accounts receivable
At January 1	$ 633
Transferred to revenue	(633)
At December 31	$ -

	2018
	Accounts receivable
At January 1	$ 111
Provision for impairment	522
At December 31	$ 633

(c) Liquidity risk

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

ii. The Company invests surplus cash in interest bearing current accounts and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Accounts receivable	$ 1,815	$ -	$ -	$ -	$ -
Accounts payable-related parties	218,911	-	-	-	-
Other payables	29,183	-	-	-	-
Other payables-related parties	19,696	-	-	-	-

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

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

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

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income-equity securities	$ 118,505	$ -	$ 9,889	$ 128,394

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income-equity securities	$ 124,705	$ -	$ 8,637	$ 133,342

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

D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

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

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

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 December 31, 2019	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 9,889	Market comparable companies	Net equity ratio and price to earnings ratio	0.69	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 instrument:					
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

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

			December 31, 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%	$ 510	($ 510)

			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)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital: 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 3.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative financial instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

A.Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2019 are provided in Note 13(1) J.

14. SEGMENT INFORMATION

None.

TONS LIGHTOLOGY INC.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 4)	Actual amount drawn down (Note 4)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 5)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Footnote
1	HONG BO INVESTMENT CO., LTD.	TONS LIGHTOLOGY INC.	(3)	$ 90,740	$ 15,800	$ 15,800	$ 15,800	$ -	12.19	$ 90,740	N	Y	N	-

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

(1) The Company is '0'.

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

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

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

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

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

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

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

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

TONS LIGHTOLOGY INC.

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

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2019 Number of shares	Book value	Ownership (%)	Fair value	Footnote
TONS LIGHTOLOGY INC.	Share ownership / TITAN AURORA INC.	None	Financial assets at fair value through other comprehensive income-non-current	1,900	$ 7,619	19.00	$ 7,619	-
TONS LIGHTOLOGY INC.	Share ownership / GRIFFIN LIGHTING CO., LTD.	None	Financial assets at fair value through other comprehensive income-non-current	66,500	1,701	19.00	1,701	-
TONS LIGHTOLOGY INC.	Share ownership / ANDERSEN LIGHTING CO., LTD	None	Financial assets at fair value through other comprehensive income-non-current	-	569	19.00	569	Note 2
TONS LIGHTOLOGY INC.	Share ownership / HEP TECH CO., LTD.	None	Financial assets at fair value through other comprehensive income-non-current	3,860,760	72,775	12.73	72,775	-
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	45,730	4.59	45,730	-
HONG BO INVESTMENT CO., LTD.	Share ownership / HEP TECH CO., LTD.	None	Financial assets at fair value through profit or loss – current	2,102,000	39,623	6.93	39,623	-
HONG BO INVESTMENT CO., LTD.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through profit or loss – current	3,091,000	85,838	8.62	85,838	-
				Total	253,855	Total	253,855	

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.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	$ 761,007	97	30~60 days after purchases of goods	Note 1	Note 2	($ 273,110)	(99)	
TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	Same ultimate parent	Purchases	721,696	100	30~60 days after purchases of goods	Note 3	Note 2	(227,905)	(100)	

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.

TONS LIGHTOLOGY INC.

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

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	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 $273,110	3.12	$ -	-	$ 106,814	$ -
TITAN LIGHTING CO., LTD.	TONS LIGHTING CO., LTD.	Same ultimate parent	Accounts receivable $227,905	3.53	-	-	107,515	-

Note 1: Subsequent collection is the amount of receivables collected from related parties as of February 26, 2020.

TONS LIGHTOLOGY INC.

Significant inter-company transactions during the reporting period

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction				
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account		Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	(1)	(Purchases)	($	761,007)	30~60 days after purchases of goods	70.05
0	TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	(1)	(Accounts payable)	(	273,110)	30~60 days after purchases of goods	19.88
1	TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	(3)	(Purchases)	(	721,696)	30~60 days after purchases of goods	66.43
1	TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	(3)	(Accounts payable)	(	227,905)	30~60 days after purchases of goods	16.59

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.

Information on investees

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	$ 545,972	$ 545,972	18,333,402	100	$ 872,536	$ 85,154	$ 85,810	Subsidiary (Note 1)
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	125,000	125,000	15,000,000	100	129,629	(25,923)	(25,923)	Subsidiary
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	Samoa	Wholesale of furniture	70,000	-	1,700,000	48.57	56,877	(37,653)	(13,123)	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	22,798	11,193	-	Indirect subsidiary (Note 2)
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100	86,359	(548)	-	Indirect subsidiary (Note 2)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	747,459	74,518	-	Indirect subsidiary (Note 2)

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

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

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

Note 4: On July 26, 2019, the Board of Directors of the Company resolved to dissolve the Company's indirect wholly-owned subsidiary, Tons Lighting Co., Ltd, which was registered in Beliz, as a result of increasing compliance costs.

TONS LIGHTOLOGY INC.

Information on investments in Mainland China

Year ended December 31, 2019

Table 7

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 year ended December 31, 2019: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
TITAN LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	$ 367,330	(2)	$ 368,845	$ -	$ -	$ 368,845	$ 57,628	100.00	$ 57,628	$ 616,664	$ 66,866	Note. 1,2,3,4,5
ZHONGSHAN TONS LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	107,928	(2)	110,585	-	-	110,585	16,262	100.00	16,262	102,612	-	Note 1,2,4,5
SHANGHAI TONS LIGHTOLOGY CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	95,936	(2)	42,842	-	-	42,842	(535)	100.00	(535)	84,917	-	Note 1,2,4,5,6
ShangHai Grand Canyon LED Lighting Systems Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	33,356	(2)	901	-	-	901	-	12.85	-	-	-	Note 1,7
Grand Canyon (Su Zhou) Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	356,487	(2)	43,299	-	-	43,299	-	12.85	-	-	510	Note 1,7
ART SO ZHONG TRADING LIMITED	Trade of furniture	13,491	(2)	-	6,206	-	6,206	-	48.57	-	-	-	Note 1,8
Shanghai Art So Zhong Trading Limited	Trade of furniture	24,539	(2)	-	-	-	-	-	48.57	-	-	-	Note 1,8
BEIJING ARTSO FURNITURE CO.,LTD	Trade of furniture	24,539	(2)	-	17,730	-	17,730	-	48.57	-	-	-	Note 1,8

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

(1) Directly invest in a company in Mainland China.

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

(3) Others.

Note 2: Investment income (loss) recognised by the Company for the year ended December 31, 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 Titan Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS LIGHTOLOGY CO., LTD. of USD $12,253 thousand, USD $3,600 thousand and USD $3,200 thousand, respectively, was translated at the average buying and selling spot rate on December 31, 2019.

Note 5: Accumulated investment amount in Titan Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS LIGHTOLOGY CO., LTD. of USD $11,816 thousand ,USD $3,577 thousand and USD $1,400 thousand, respectively, was translated at the exchange rate at the initial investment.

Note 6: SHANGHAI TONS LIGHTOLOGY CO., LTD. has USD 3,200 thousand paid-in capital, which was composed by reinvestment of the third party, WORLD EXTEND HOLDING INC, through LUMINOUS HOLDING INCORPORATED of USD 1,800 thousand, and the remittances from Taiwan through WORLD EXTEND HOLDING INC and LUMINOUS HOLDING INCORPORATED to reinvest USD 1,400 thousand.

Note 7: ShangHai Grand Canyon LED Lighting Systems Co., Ltd. and Grand Canyon Opto Tech (Su Zhou) Co., Ltd. reinvested through StrongLED Lighting System (Cayman) Co., Ltd. The investment was recorded as available-for-sale financial assets - non-current. Therefore, the Company did not recognise investment income (loss) and the investment at its book value individually for the investees in Mainland China.

Note 8: ART SO ZHONG TRADING LIMITED, Shanghai Art So Zhong Trading Limited and BEIJING 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 investeesin Mainland China.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Notes 2)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
TONS LIGHTOLOGY INC.	$ 590,408	$ 667,441	$ 685,309

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 was USD $16,793 thousand and NTD $44,200 thousand, including USD $1,059 thousand for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger, the cash amounts of USD which was calculated at the actual exchange rate at outward remittance.

Note 2: Approved amount was USD $20,789 thousand and NTD $44,200 thousand (including own funds of USD $1,800 thousand of the investee, World Extend Holding Inc., located in the third area and has been translated at the average buying and selling spot rate on December 31, 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.

TONS LIGHTOLOGY INC.
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 1

Items		Summary	Amount
Petty cash			$ 141
Cash in banks			
Demand deposit	TWD	$8,037 thousand	11,983
	HKD	$1,025 thousand, conversion rate $3.849	
Foreign exchange deposits	USD	$265 thousand, conversion rate $29.930	11,017
	EUR	$13 thousand, conversion rate $33.390	
	HKD	$694 thousand, conversion rate $3.819	
	RMB	$3 thousand, conversion rate $4.280	
Checking deposits	TWD	$587 thousand	720
	HKD	$34 thousand, conversion rate $3.849	
Time deposits	TWD	$53,398 thousand	128,529
	Period	2019.10.18~2020.07.09	
	Interest rate range	0.58% ~ 0.77%	
	USD	$1,265 thousand, conversion rate $29.930	
	Period	2019.12.18~2020.01.13	
	Interest rate range	0.75% ~ 1.61%	
	RMB	$8,708 thousand, conversion rate $4.280	
	Period	2019.04.22~2020.05.27	
	Interest rate range	2.45% ~ 2.80%	
			$ 152,390

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TONS LIGHTOLOGY INC.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 2

Customer name	Summary	Amount	Note
Non-related parties:			
C Company		$ 21,575	
A Company		21,112	
B Company		18,227	
D Company		12,660	
E Company		10,574	
Others		54,191	The balance of each customer has not exceeded 5% of the accounts receivable
		138,339	
Less: Allowance for bad debts		-	
		$ 138,339	

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TONS LIGHTOLOGY INC.
DETAILS OF INVENTORIES
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 3

Items	Summary	Amount		Note
		Cost	Market price	Market price determination
Merchandise		$ 13,991	$ 6,314	Net realisable value
Materials		1,447	636	Replacement cost
Finished goods		39	-	Net realisable value
		15,477	$ 6,950	
Less: Allowance for slow-moving inventories and valuation loss		(8,527)		
		$ 6,950		

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TONS LIGHTOLOGY INC.
MOVEMENT SUMMARY OF NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHSIVE INCOME
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 4

Name	Opening balance		Additions		Reductions		Ending balance		Pledged as collateral	Note
	Number of shares	Carrying amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Fair value		
TITAN AURORA INC.	1,900	$ 6,602	-	$ 1,017	-	-	1,900	$ 7,619	None	-
GRIFFIN LIGHTING CO., LTD.	66,500	1,525	-	176	-	-	66,500	1,701	None	-
ANDERSEN LIGHTING CO., LTD	-	510	-	59	-	-	-	569	None	Note
StrongLED Lighting System (Cayman) Co., Ltd.	1,700,000	66,215	-	-	-	($ 20,485)	1,700,000	45,730	None	-
HEP TECH CO., LTD.	3,860,760	58,490	-	14,285	-	-	3,860,760	72,775	None	-
		$ 133,342		$ 15,537		($ 20,485)		$ 128,394		

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

Statement 5

TONS LIGHTOLOGY INC.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Name	Opening balance		Additions		Reductions		Ending balance		Evaluation	Market price or value per share		Pledged as
	Number of share	Amount	Number of share	Amount	Number of share	Amount	Number of share	Amount	basis	Price (in dollars)	Total price	collateral
WORLD EXTEND HOLDING INC.	18,333,402	$ 819,712	-	$ 52,824	-	-	18,333,402	$ 872,536	Equity method	$ -	$ 872,536	None
HONG BO INVESTMENT CO., LTD.	14,000,000	163,076	1,000,000	-	-	(33,447)	15,000,000	129,629	Equity method	-	129,629	None
ART SO TRADING-LIMITED	-	-	1,700,000	70,000	-	(13,123)	1,700,000	56,877	Equity method	-	56,877	
		$ 982,788		$ 122,824		($ 46,570)		$ 1,059,042			$ 1,059,042	

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TONS LIGHTOLOGY INC.
DETAILS OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 6

Customer name	Summary	Amount		Note
Non-related parties:				
A Company		$	599	
B Company			496	
C Company			229	
D Company			105	
Others			253	Has not exceeded 5% of the accounts payable
		$	1,682	
Related parties:				
TL		$	273,110	
ZHONGSHAN TONS			2,549	
		$	275,659	
		$	277,341	

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TONS LIGHTOLOGY INC.
DETAILS OF SALES REVENUE
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 7

Items	Quantity (in thousand pieces)	Amount	Note
Lamps	3,366	$ 930,608	
Less: Sale returns		(780)	
Sales rebates		(925)	
Add:Other sales of services		26,055	
		$ 954,958	

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TONS LIGHTOLOGY INC.
DETAILS OF COST OF GOODS SOLD
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 8

Items		Amount
Goods		
Goods at the beginning	$	15,087
Add: Goods purchased during the year		784,929
Raw materials transferred to goods		100
Less: Material cost transferred to expense	(	399)
Disposal	(	47)
Goods at the end	(	13,991)
The cost of sales		785,679
Direct materials		
Raw materials at the beginning	$	1,369
Add: Material purchased during the year		4,521
Less: Material cost transferred to expense	(	43)
Raw materials sold	(	1,427)
Purchases of processed goods outsourced to overseas subsidiaries	(	2,873)
Raw materials transferred to goods	(	100)
Raw materials at the end	(	1,447)
Raw material consumption		-
Manufacturing overhead		9,255
Manufacturing cost		9,255
Finished goods at the beginning		39
Finished goods at the end	(	39)
Cost of goods sold during the year		794,934
Cost of raw material sold		1,427
Allowance for slow-moving inventories and valuation loss		1,089
Inventory scrapped		47
Guarantee cost	(	96)
Cost of goods sold	$	797,401

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TONS LIGHTOLOGY INC.
DETAILS OF MANUFACTURING EXPENSE
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 9

Item	Selling	Administrative	Research and development	Total
Wages and salaries (including pension)	$ 18,336	$ 34,881	$ 4,218	$ 57,435
Depreciations expense	6,499	1,507	93	8,099
Service expense	426	5,448	237	6,111
Advertisement expense	4,087	30	-	4,117
Other expense	8,932	5,852	1383	16,167
	$ 38,280	$ 47,718	$ 5,931	$ 91,929

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