

**TONS LIGHTOLOGY INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2018 AND 2017**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Tons Lightology Inc. and subsidiaries (the “Group”) as at March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Wang, Yu-Chuan

Yang, Ming-Chin

For and on behalf of PricewaterhouseCoopers, Taiwan

April 27, 2018

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

Assets	Notes	March 31, 2018		December 31, 2017		March 31, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 414,083	23	\$ 369,163	26	\$ 505,376	37
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		332,650	18	148,029	10	86,434	6
1150	Notes receivable, net	6(3)	789	-	1,824	-	2,418	-
1170	Accounts receivable, net	6(3)	126,791	7	155,804	11	114,688	8
1180	Accounts receivable - related	6(3) and 7						
	parties		3	-	4	-	-	-
1200	Other receivables		2,388	-	3,557	-	1,455	-
130X	Inventories	6(4)	162,475	9	156,027	11	162,822	12
1410	Prepayments		18,633	1	20,806	1	25,725	2
1470	Other current assets	6(5)	99,281	6	71,854	5	44,787	3
11XX	Current Assets		<u>1,157,093</u>	<u>64</u>	<u>927,068</u>	<u>64</u>	<u>943,705</u>	<u>68</u>
Non-current assets								
1517	Total non-current financial assets	6(6)						
	at fair value through other							
	comprehensive income		269,873	15	-	-	-	-
1523	Available-for-sale financial assets -	12(4)						
	noncurrent		-	-	127,576	9	125,220	9
1600	Property, plant and equipment, net	6(7)	334,966	18	331,908	23	244,030	18
1780	Intangible assets		5,386	-	5,087	1	1,286	-
1840	Deferred income tax assets	6(22)	4,088	-	3,510	-	5,242	-
1900	Other non-current assets	6(8)	46,738	3	45,758	3	64,332	5
15XX	Non-current assets		<u>661,051</u>	<u>36</u>	<u>513,839</u>	<u>36</u>	<u>440,110</u>	<u>32</u>
1XXX	Total assets		<u>\$ 1,818,144</u>	<u>100</u>	<u>\$ 1,440,907</u>	<u>100</u>	<u>\$ 1,383,815</u>	<u>100</u>

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2018		December 31, 2017		March 31, 2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
2120	Financial liabilities at fair value	12(4)					
	through profit or loss - current		\$ -	\$ -	\$ -	904	-
2150	Notes payable		15	59	-	-	-
2170	Accounts payable		75,837	99,934	7	97,878	7
2180	Accounts payable - related parties	7	13,466	12,144	1	-	-
2200	Other payables	6(9)	113,788	105,588	7	96,751	7
2230	Current income tax liabilities	6(22)	10,717	7,484	-	14,865	1
2250	Provisions for liabilities - current		288	535	-	484	-
2300	Other current liabilities	6(17)	16,106	11,773	1	8,225	1
21XX	Current Liabilities		<u>230,217</u>	<u>237,517</u>	<u>16</u>	<u>219,107</u>	<u>16</u>
Non-current liabilities							
2550	Provisions for liabilities - noncurrent	6(12)	579	625	-	1,285	-
2570	Deferred income tax liabilities	6(22)	10,316	9,532	1	1,555	-
2600	Other non-current liabilities		11,638	11,619	1	13,585	1
25XX	Non-current liabilities		<u>22,533</u>	<u>21,776</u>	<u>2</u>	<u>16,425</u>	<u>1</u>
2XXX	Total Liabilities		<u>252,750</u>	<u>259,293</u>	<u>18</u>	<u>235,532</u>	<u>17</u>
Equity attributable to owners of parent							
Share capital							
		6(13)					
3110	Share capital - common stock		398,948	398,118	28	394,176	28
3140	Advance receipts for share capital		-	537	-	-	-
Capital surplus							
3200	Capital surplus	6(14)	503,627	502,257	35	500,786	36
Retained earnings							
		6(15)					
3310	Legal reserve		62,555	62,555	4	50,054	4
3320	Special reserve		38,429	38,429	3	38,429	3
3350	Unappropriated retained earnings		416,844	189,770	13	204,177	15
Other equity interest							
3400	Other equity interest	6(16)	144,991	(10,052)	(1)	(39,339)	(3)
31XX	Equity attributable to owners of the parent		<u>1,565,394</u>	<u>1,181,614</u>	<u>82</u>	<u>1,148,283</u>	<u>83</u>
3XXX	Total equity		<u>1,565,394</u>	<u>1,181,614</u>	<u>82</u>	<u>1,148,283</u>	<u>83</u>
Significant commitments and contingent liabilities							
		9					
3X2X	Total liabilities and equity		<u>\$ 1,818,144</u>	<u>\$ 1,440,907</u>	<u>100</u>	<u>\$ 1,383,815</u>	<u>100</u>

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(UNAUDITED)

		Three months ended March 31			
Items	Notes	2018		2017	
		AMOUNT	%	AMOUNT	%
4000	Sales revenue	\$ 214,999	100	\$ 210,347	100
5000	Operating costs	(144,142)	(67)	(137,506)	(65)
5900	Net operating margin	<u>70,857</u>	<u>33</u>	<u>72,841</u>	<u>35</u>
	Operating expenses				
6100	Selling expenses	(27,031)	(13)	(23,342)	(11)
6200	General and administrative expenses	(37,628)	(17)	(22,645)	(11)
6300	Research and development expenses	(8,535)	(4)	(8,101)	(4)
6000	Total operating expenses	<u>(73,194)</u>	<u>(34)</u>	<u>(54,088)</u>	<u>(26)</u>
6900	Operating (loss) profit	<u>(2,337)</u>	<u>(1)</u>	<u>18,753</u>	<u>9</u>
	Non-operating income and expenses				
7010	Other income	3,236	2	3,093	2
7020	Other gains and losses	231,962	108	(1,119)	(1)
7000	Total non-operating income and expenses	<u>235,198</u>	<u>110</u>	<u>1,974</u>	<u>1</u>
7900	Profit before income tax	<u>232,861</u>	<u>109</u>	<u>20,727</u>	<u>10</u>
7950	Income tax expense	(5,787)	(3)	(3,556)	(2)
8200	Profit for the period	<u>\$ 227,074</u>	<u>106</u>	<u>\$ 17,171</u>	<u>8</u>
	Other comprehensive income				
	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Total expenses, by nature	\$ 142,297	66	\$ -	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss	<u>142,297</u>	<u>66</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Financial statements translation differences of foreign operations	12,746	6	(38,532)	(18)
8362	Unrealized gain on valuation of available-for-sale financial assets	-	-	4,100	2
8360	Components of other comprehensive income that will be reclassified to profit or loss	<u>12,746</u>	<u>6</u>	<u>(34,432)</u>	<u>(16)</u>
8300	Total other comprehensive income for the period	<u>\$ 155,043</u>	<u>72</u>	<u>(\$ 34,432)</u>	<u>(16)</u>
8500	Total comprehensive income for the period	<u>\$ 382,117</u>	<u>178</u>	<u>(\$ 17,261)</u>	<u>(8)</u>
	Basic earnings per share				
9750	Total basic earnings per share	<u>\$ 5.69</u>		<u>\$ 0.43</u>	
	Diluted earnings per share				
9850	Total diluted earnings per share	<u>\$ 5.62</u>		<u>\$ 0.43</u>	

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

TONS LIGHTLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

Notes	Equity attributable to owners of the parent										Total equity
	Capital			Retained Earnings			Other equity interest				
	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) on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	
Three months ended March 31, 2017											
Balance at January 1, 2017	\$ 390,689	\$ 3,252	\$ 491,889	\$ 3,723	\$ 50,054	\$ 38,429	\$ 187,006	(\$ 23,355)	\$ -	\$ 18,448	\$ 1,160,135
Profit for the three months ended March 31, 2017	-	-	-	-	-	-	17,171	-	-	-	17,171
Other comprehensive (loss) income for the three months ended March 31, 2017	-	-	-	-	-	-	-	(38,532)	-	4,100	(34,432)
Share-based payment transactions- employee stock options	3,487	(3,252)	6,721	(1,547)	-	-	-	-	-	-	5,409
Balance at March 31, 2017	<u>\$ 394,176</u>	<u>\$ -</u>	<u>\$ 498,610</u>	<u>\$ 2,176</u>	<u>\$ 50,054</u>	<u>\$ 38,429</u>	<u>\$ 204,177</u>	<u>(\$ 61,887)</u>	<u>\$ -</u>	<u>\$ 22,548</u>	<u>\$ 1,148,283</u>
Three months ended March 31, 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
Effects of retrospective application and retrospective restatement	-	-	-	-	-	-	-	-	26,013	(26,013)	-
Balance at January 1 after restatement	398,118	537	498,848	3,409	62,555	38,429	189,770	(36,065)	26,013	-	1,181,614
Profit for the three months ended March 31, 2018	-	-	-	-	-	-	227,074	-	-	-	227,074
Other comprehensive (loss) income for the three months ended March 31, 2018	-	-	-	-	-	-	-	12,746	142,297	-	155,043
Share-based payment transactions- employee stock options	830	(537)	1,516	(146)	-	-	-	-	-	-	1,663
Balance at March 31, 2018	<u>\$ 398,948</u>	<u>\$ -</u>	<u>\$ 500,364</u>	<u>\$ 3,263</u>	<u>\$ 62,555</u>	<u>\$ 38,429</u>	<u>\$ 416,844</u>	<u>(\$ 23,319)</u>	<u>\$ 168,310</u>	<u>\$ -</u>	<u>\$ 1,565,394</u>

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 232,861	\$ 20,727
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(20)	12,162	10,232
Amortisation	6(20)	684	375
Provision (reversal of provision) for doubtful accounts		15	(198)
Reversal of warranty expenses	6(12)	(47)	(265)
Interest income	6(18)	(2,197)	(2,411)
Dividend income		(140)	(351)
Wages and salaries-employee stock options	6(11)	399	501
Net gain on financial assets and liabilities at fair value through other comprehensive income	6(19)	(231,921)	(3,394)
Loss (gain) on disposal of property, plant and equipment	6(7)(19)	88	(197)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net	6(3)	1,033	2,690
Accounts receivable, net		29,085	48,497
Accounts receivable due from related parties		1	-
Other receivables		1,248	201
Inventories	6(4)	(3,743)	(22,221)
Prepayments		2,445	(4,064)
Other current assets		(527)	35
Changes in operating liabilities			
Notes payable		(42)	(7)
Accounts payable		(25,608)	(5,901)
Accounts payable to related parties	7(2)	1,095	-
Others payables		4,973	(10,470)
Contact liabilities	6(17)	4,202	(3,705)
Other current liabilities		(164)	915
Other non-current liabilities		20	8
Cash inflow generated from operations		25,922	30,997
Interest received		2,151	2,761
Dividend received		140	351
Income tax paid	6(22)	(2,368)	(3,262)
Net cash flows from operating activities		25,845	30,847

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss	6(2)	(\$ 1,150)	(\$ 13,501)
Proceeds from disposal of financial assets at fair value through profit or loss	6(2)	48,495	-
Increase (decrease) in other non-current assets		(26,717)	33,690
Acquisition of property, plant and equipment	6(25)	(6,060)	(2,417)
Proceeds from disposal of property, plant and equipment	6(7)	11	197
Acquisition of intangible deposits		(980)	-
Decrease in refundable deposits		231	-
Increase in other non-current assets		(1,795)	(18,129)
Net cash flows from (used in) investing activities		12,035	(160)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in guarantee deposits received		-	671
Exercise of employee stock options	6(11)	1,264	4,908
Net cash flows from financing activities		1,264	5,579
Effect of exchange rate changes on cash equivalents		5,776	(19,954)
Net increase in cash and cash equivalents		44,920	16,312
Cash and cash equivalents at beginning of period		369,163	489,064
Cash and cash equivalents at end of period		\$ 414,083	\$ 505,376

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018 AND 2017

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

1. ORGANIZATION AND OPERATIONS

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

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

These consolidated financial statements were reported to the Board of Directors on April 27, 2018.

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 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>International Accounting Standards Board</u>
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

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

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January, 1, 2019
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 16, 'Leases'	January, 1, 2019
IFRS 17, 'Insurance contracts'	January, 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January, 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January, 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January, 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January, 1, 2019

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

IFRS 16, 'Leases'

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

The Group will adopt the modified retrospective transitional provisions of IFRS 16 'Lease', and classify the effects on the lease contract of lessee to January 1, 2019 in accordance with IFRS 16.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34, “Interim Financial Reporting” as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income / available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In initially adopting the new standards under IFRS 9 and IFRS 15 as endorsed by the FSC effective from 2018, the Group has elected to adopt using the modified retrospective approach. The Group did not restate the 2017 financial statements and its accompanying notes.
The financial statements for the three months ended March 31, 2018 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

- A. **Basis for preparation of consolidated financial statements**
The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2017.
- B. **Subsidiaries included in the consolidated financial statements:**

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			March 31, 2018	December 31, 2017	
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC. (WORLD HONG BO INVESTMENT CO., LTD. (HONG TONS LIGHTING CO., LTD. (TL)	Reinvestment company	100	100	Note 1
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD. (HONG TONS LIGHTING CO., LTD. (TL)	Reinvestment company	100	100	
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	100	Note 1
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED (LUMINOUS)	Reinvestment company	100	100	
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD (TITAN)	Design of products, manufacturing of hardware parts, production and trading of lighting	100	100	Note 1
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD (ZHONGSHAN TONS)	Design of products, manufacturing of hardware parts, production and trading of lighting	100	100	
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD (SHANGHAI TONS)	Sales of various lighting products and accessories	100	100	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			March 31, 2017	Description
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Reinvestment company	100	Note 1
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Reinvestment company	100	
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD. (TL)	Sales of various lighting products and	100	(Note)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	Note 1
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED (LUMINOUS)	Reinvestment company	100	
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD (TITAN)	Design of products, manufacturing of hardware parts, production and trading of lighting products and	100	Note 1
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD (ZHONGSHAN TONS)	Design of products, manufacturing of hardware parts, production and trading of lighting	100	
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD (SHANGHAI TONS)	Sales of various lighting products and accessories	100	Note 2

Note 1: The subsidiary is material to the Company.

Note 2: On July 11, 2016, the Board of Directors approved the reinvestment in Mainland China and the establishment of a subsidiary, Shanghai Tons Lightology Co., Ltd., through Luminous Holding Incorporated for business development. The establishment was completed on January 2017.

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

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

E. Significant restrictions: None.

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

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

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(6) Accounts and notes receivable

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

(7) Impairment of financial assets

At each reporting date, for accounts receivable, the Group recognises the impairment provision for

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

(8) Derecognition of financial assets

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

(9) 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.

(10) Non-hedging and embedded derivatives

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

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

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

(a) Hybrid (combined) contracts; or

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

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

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

(12) Income taxes

If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(13) Revenue recognition

A. Sales of goods

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

B. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

There have been no significant change as of March 31, 2018. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2017.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand	\$ 612	\$ 773	\$ 783
Checking accounts and demand deposits	81,681	70,416	90,542
Time deposits	331,790	297,974	414,051
	<u>(\$ 414,083)</u>	<u>\$ 369,163</u>	<u>\$ 505,376</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group's time deposits with maturity over three months that did not meet short-term cash commitments were classified as 'other current assets', please refer to Note 6 (5).
- C. The Group has no cash and cash equivalents pledged to others.

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

Items	March 31, 2018
Financial assets mandatorily measured at fair value through profit or loss:	
Listed stocks	\$ 93,087
Forward foreign exchange contracts	2,985
Valuation adjustment	236,578
Total	<u>\$ 332,650</u>

- A. For the three months ended March 31, 2018, the Group recognises net gains on financial assets at fair value through profit or loss amounting to \$231,143 thousand.
- B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	March 31, 2018	
<u>Derivative financial assets</u>	<u>Contract amount (notional principal)</u>	<u>Contract period</u>
Forward foreign exchange contracts	USD 1,800 thousands	2018.4.11~2019.3.17

The Group entered into forward foreign exchange contracts to sell (sell USD and buy RMB) to hedge exchange rate risk of import and export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting. For the three months ended March 31, 2018, the Group recognised net gain of \$778 thousand.

- C. The Group has no financial assets at fair value through profit or loss pledged to others.
- D. The information on December 31, 2017, and March 31, 2017, is provided in Note 12(4).

(3) Notes and Accounts receivable, net (including related parties)

	March 31, 2018	December 31, 2017	March 31, 2017
Notes receivable	\$ 789	\$ 1,824	\$ 2,418
Accounts receivable	\$ 126,917	\$ 155,915	\$ 116,001
Accounts receivable due from related parties	3	4	-
Less: Allowance for bad debts	(126)	(111)	(1,313)
	<u>\$ 126,794</u>	<u>\$ 155,808</u>	<u>\$ 114,688</u>

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

	March 31, 2018	December 31, 2017	March 31, 2017
Up to 30 days	\$ 125,108	\$ 115,304	\$ 112,207
31 to 90 days	1,700	532	2,255
91 to 180 days	112	83	1,539
	<u>\$ 126,920</u>	<u>\$ 115,919</u>	<u>\$ 116,001</u>

The above ageing analysis was based on past due date.

B. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	March 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 97,761	(\$ 6,612)	\$ 91,149
Work in progress	21,708	(472)	21,236
Semi-finished goods	39,799	(4,416)	35,383
Finished goods	21,864	(7,157)	14,707
	<u>\$ 181,132</u>	<u>(\$ 18,657)</u>	<u>\$ 162,475</u>
	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 97,148	(\$ 6,504)	\$ 90,644
Work in progress	17,104	(419)	16,685
Semi-finished goods	36,285	(3,827)	32,458
Finished goods	22,841	(6,601)	16,240
	<u>\$ 173,378</u>	<u>(\$ 17,351)</u>	<u>\$ 156,027</u>

The cost of inventories recognised as expense for the period:

	Three months ended March 31	
	2018	2017
Cost of goods sold	\$ 142,941	\$ 136,558
Loss on market price decline and obsolescence	1,083	645
Gain from sale of scraps	(547)	(678)
Loss on scrapping inventory	573	1,099
(Reversal of) provision for warranty expenses	92	(118)
	<u>\$ 144,142</u>	<u>\$ 137,506</u>

(5) Other current assets

	March 31, 2018	December 31, 2017	March 31, 2017
Time deposits	\$ 95,094	\$ 68,262	\$ 40,899
Others	4,187	3,592	3,888
	<u>\$ 99,281</u>	<u>\$ 71,854</u>	<u>\$ 44,787</u>

The time deposits mentioned above did not meet the requirement of short-term commitments.

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

Items	March 31, 2018
Non-current items:	
Equity instruments	
Listed stocks	\$ 89,834
Unlisted stocks	11,393
Valuation adjustment	168,646
Total	<u>\$ 269,873</u>

A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$269,873 thousand as at March 31, 2018.

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

	March 31, 2018
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	<u>\$ 142,297</u>

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

D. The information on December 31, 2017, and March 31, 2017, is provided in Note 12(4).

(7) Property, plant and equipment

Three months ended March 31, 2018

	At January 1	Additions	Disposals	Transfers	Net exchange differences	At March 31
Cost						
Buildings and structures	\$ 381,447	\$ -	\$ -	304	\$ 6,853	\$ 388,604
Molding equipment	155,109	3,652	-	1,251	2,824	162,836
Machinery and equipment	131,635	52	(120)	52	2,395	134,014
Research and development equipment	26,507	-	-	-	476	26,983
Transportation equipment	15,139	-	-	-	242	15,381
Others	90,076	2,115	(581)	64	1,473	93,147
Construction in progress	10,428	2,286	-	(307)	200	12,607
	<u>\$ 810,341</u>	<u>\$ 8,105</u>	<u>(\$ 701)</u>	<u>\$ 1,364</u>	<u>\$ 14,463</u>	<u>\$ 833,572</u>
Accumulated depreciation						
Buildings and structures	(\$ 141,642)	\$ 4,745	\$ -	\$ -	\$ 2,581	(\$ 148,968)
Molding equipment	(135,463)	(3,142)	-	-	(2,457)	(141,062)
Machinery and equipment	(92,143)	(1,757)	23	-	(1,701)	(95,578)
Research and development equipment	(23,043)	(245)	-	-	(416)	(23,704)
Transportation equipment	(9,735)	(516)	-	-	(162)	(10,413)
Others	(76,407)	(1,757)	579	-	(1,296)	(78,881)
	<u>(\$ 478,433)</u>	<u>(\$ 12,162)</u>	<u>\$ 602</u>	<u>\$ -</u>	<u>(\$ 8,613)</u>	<u>(\$ 498,606)</u>
	<u>\$ 331,908</u>					<u>\$ 334,966</u>

Three months ended March 31, 2017

	At January 1	Additions	Disposals	Transfers	Net exchange differences	At March 31
Cost						
Buildings and structures	\$ 298,539	\$ -	\$ -	\$ -	\$ 13,579	\$ 284,960
Molding equipment	149,181	1,934	(181)	641	(6,850)	144,725
Machinery and equipment	135,410	-	(161)	-	(6,298)	128,951
Research and development equipment	26,864	-	-	-	(1,221)	25,643
Transportation equipment	15,369	980	(1,042)	-	(621)	14,686
Others	83,982	736	(600)	-	(3,674)	80,444
Construction in progress	5,185	-	-	-	(228)	4,957
	<u>\$ 714,530</u>	<u>\$ 3,650</u>	<u>\$ 1,984</u>	<u>\$ 641</u>	<u>\$ 32,471</u>	<u>\$ 684,366</u>
Accumulated depreciation						
Buildings and structures	(\$ 126,022)	\$ 3,807	\$ -	\$ -	\$ 5,835	(\$ 123,994)
Molding equipment	(129,398)	(2,945)	181	-	(5,960)	(126,202)
Machinery and equipment	(92,062)	(1,773)	171	-	(4,384)	(89,280)
Research and development equipment	(22,257)	(286)	-	-	(1,019)	(21,524)
Transportation equipment	(8,868)	(533)	(1,042)	-	360	(7,999)
Others	(74,340)	(888)	590	-	(3,301)	(71,337)
	<u>(\$ 452,947)</u>	<u>\$ 10,232</u>	<u>\$ 1,984</u>	<u>\$ -</u>	<u>\$ 20,859</u>	<u>(\$ 440,336)</u>
	<u>\$ 261,583</u>					<u>\$ 244,030</u>

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

(8) Other non-current assets

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Land use right	\$ 32,380	\$ 32,028	\$ 31,554
Prepayments for business facilities	5,050	4,773	22,897
Other non-current assets	<u>9,308</u>	<u>8,957</u>	<u>9,881</u>
	<u>\$ 46,738</u>	<u>\$ 45,758</u>	<u>\$ 64,332</u>

In November 2007, the Group entered into a land use right contract with Zhongshan Administration for Industry & Commerce for use of the land in Xiaolan Town, Zhongshan Prefecture, Guangdong Province in China, with a term of 47 years. Rents have been paid on the contract date. The Group recognised rental expenses of \$221 thousand and \$217 thousand for the three months ended March 31, 2018 and 2017, respectively.

(9) Other payables

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Salary and bonus payable	\$ 52,334	\$ 52,913	\$ 39,513
Insurance and pension expense payable	15,239	13,370	14,474
Payable for consumables and purchases	14,443	13,372	13,529
Housing provident fund payable	5,226	4,469	4,968
Others	<u>26,546</u>	<u>21,464</u>	<u>24,267</u>
	<u>\$ 113,788</u>	<u>\$ 105,588</u>	<u>\$ 96,751</u>

(10) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, 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 Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$35 and \$31 for the three months ended March 31, 2018 and 2017, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to \$142 thousand.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based

on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

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

(c) Titan Lighting Co. Ltd. and Zhongshan Tons Lighting Co. Ltd, have a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. On January 1, 2018 and 2017, abovementioned contribution percentage was both 13%. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under defined contribution pension plans of the Group for the three months ended March 31, 2018 and 2017, were \$3,757 thousand and \$3,994 thousand, respectively.

(11) Share-based payment

A. For the three months ended March 31, 2018 and 2017, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions	Actual turnover rate in the first quarter of 2018	Actual turnover rate in the first quarter of 2017	Estimated future turnover rate
Third (1) employee stock options	2012.03.21	600	5 years	2~4 years' service	0%	0%	0%
Third (2) employee stock options	2012.12.26	70	5 years	2~4 years' service	0%	0%	0%
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	2.56%	6.52%	0%

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

(a) Third (1) employee stock options

	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	-	\$ -	86	\$ 22.70
Options exercised	-	-	(86)	22.70
Options outstanding at December 31	<u>-</u>		<u>-</u>	
Options exercisable at December 31	<u>-</u>		<u>-</u>	

(b) Third (2) employee stock options

	2018		2017	
	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	-	\$ -	4	\$ 21.90
Options exercised	-	-	(4)	21.90
Options outstanding at March 31	<u>-</u>		<u>-</u>	
Options exercisable at March 31	<u>-</u>		<u>-</u>	

(c) Fourth employee stock options

	2018		2017	
	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	243	\$ 21.70	390	\$ 23.80
Options exercised	(59)	21.70	(120)	23.80
Options outstanding at March 31	<u>184</u>	21.70	<u>270</u>	23.80
Options exercisable at March 31	<u>62</u>		<u>220</u>	

(d) Fifth employee stock options

	2018		2017	
	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	573	\$ 31.80	600	\$ 34.95
Options forfeited	(2)	31.80	(15)	34.95
Options outstanding at March 31	<u>571</u>	31.80	<u>585</u>	34.95
Options exercisable at March 31	<u>-</u>		<u>-</u>	

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

	Expiry date	March 31, 2018		December 31, 2017	
		No. of options (in thousands)	Exercise price	No. of options (in thousands)	Exercise price
Third (1) employee stock options	2017.3.20	-	\$ -	-	\$ -
Third (2) employee stock options	2017.12.25	-	-	-	-
Fourth employee stock options	2019.11.12	184	21.70	243	21.70
Fifth employee stock options	2021.12.22	571	31.80	573	31.80

	Expiry date	March 31, 2017	
		No. of options (in thousands)	Exercise price
Third (1) employee stock options	2017.3.20	-	\$22.70
Third (2) employee stock options	2017.12.25	-	21.90
Fourth employee stock options	2019.11.12	270	23.80
Fifth employee stock options	2021.12.22	585	34.95

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

	Three months ended March 31,	
	2018	2017
Equity-settled - employee stock options	\$ <u>399</u>	\$ <u>501</u>

(12) Provisions – non-current

	<u>Warranty provisions</u>	
	<u>2018</u>	
At January 1	\$	625
Unused amounts reversed	(	47)
Effects of foreign exchange		<u>1</u>
At March 31	\$	<u>579</u>

Analysis of total provisions:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Non-current	\$ <u>579</u>	\$ <u>625</u>	\$ <u>1,285</u>

The Group gives warranties on lighting equipment lamps sold. Provision for warranty is estimated based on historical warranty data of lighting equipment lamps.

(13) Share capital

- A. As of March 31, 2018, the Company's authorized capital was \$500 million, consisting of 50,000 thousand shares of ordinary stock (including 5 million shares reserved for employee stock options). The paid-in capital was \$398,948 thousand with a par value of \$10 (in dollars) per share.
- B. The employees excised options for 83 thousand shares of common stock. 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.
- C. The stockholders at their annual stockholders' meeting on May 26, 2017 adopted a resolution to increase capital for 394 thousand shares with a par value of \$10 (in dollars), through capitalization of unappropriated retained earnings of \$3,942 thousand. The capital increase had been resolved by the Board of Directors and the effective date had been set on July 24, 2017. On August 4, 2017, the registration was completed.

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

	(Unit: shares in Thousands)	
	<u>2018</u>	<u>2017</u>
At January 1	39,836	39,207
Employee stock options exercised	<u>59</u>	<u>211</u>
At March 31	<u>39,895</u>	<u>39,418</u>

(14) Capital surplus

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

(15) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:
 - (a) Offset prior years' operating losses, if any.

- (b) Set aside 10% of the remaining amount as legal reserve, and set aside or reverse special reserve when necessary.
- (c) The remainder along with the unappropriated earnings of prior years is the accumulated distributable earnings. The appropriation of accumulated distributable earnings shall be proposed by the Board of Directors and be resolved by the shareholders.
The Company is at the development stage. In line with current and future development plans and investment environment, and to respond to capital needs and domestic and foreign competition, as well as shareholders' benefits, balanced dividends and the Company's long-term financial plan, etc., the earnings shall be appropriated in compliance with the above regulations. The ratio of dividends to shareholders shall account for at least 50% of the accumulated distributable earnings, and dividends shall be preferably distributed in the form of shares. The ratio of cash dividends shall account for at least 10% of the total dividends distributed. However, the Board of Directors shall adjust the ratios based on current year's operating status and shall report to the shareholders for a resolution.
- B. 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.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be the same as the amount reclassified from accumulated translation adjustment under shareholders' equity to retained earnings for the exemptions elected by the Group. The increase in special reserve as a result of retained earnings arising from the adoption of IFRS was \$38,429 thousand.
- D. The appropriations proposal of 2017 and 2016 earnings, which was proposed at the meeting of Board of Directors on February 23, 2018 and resolved at the shareholders' meeting on May 26, 2017, respectively, are detailed as follows:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 12,108		\$ 12,501	
Stock dividends	-	\$ -	3,942	\$ 0.1
Cash dividends	91,758	2.3	102,486	2.6
	<u>\$ 103,866</u>		<u>\$ 118,929</u>	

- E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(21).

(16) Other equity items

	2018		2017	
	Currency translation	Unrealised gains (losses) on valuation	Currency translation	Unrealised gains (losses) on valuation
At January 1	(\$ 36,065)	\$ 26,013	(\$ 23,355)	\$ 18,448
Currency translation differences: - Group	12,746	-	(38,532)	-
Revaluation	-	142,297	-	4,100
At March 31	<u>(\$ 23,319)</u>	<u>\$ 168,310</u>	<u>(\$ 61,887)</u>	<u>\$ 22,548</u>

(17) Operating revenue

	Three months ended March 31, 2018
Sales revenue	<u>\$ 214,999</u>

A. Disaggregation of revenue from contracts with customers
Please refer to Note 14 for details.

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

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

	March 31, 2018
Contract liabilities:	
Contract liabilities	<u>\$ 15,236</u>

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

	Three months ended March 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>\$ 6,664</u>

C. Related disclosures for 2017 operating revenue are provided in Note 12(5) B.

(18) Other income

	Three months ended March 31,	
	2018	2017
Interest income:		
Interest income from bank deposits	\$ 2,197	\$ 2,411
Other income-others	1,039	682
	<u>\$ 3,236</u>	<u>\$ 3,093</u>

(19) Other gains and losses

	Three months ended March 31,	
	2018	2017
(Loss) gain on disposal of property, plant and equipment	(\$ 88)	\$ 197
Net currency exchange gain (loss)	136	(4,709)
Net gain on financial assets at fair value through profit or loss	231,921	3,394
Other gains and losses	(7)	(1)
	<u>\$ 231,962</u>	<u>\$ 1,119</u>

(20) Expenses by nature

	Three months ended March 31,	
	2018	2017
Employee benefit expense	\$ 69,900	\$ 56,921
Depreciation charges on property, plant and equipment	12,162	10,232
Amortisation expense	684	375

(21) Employee benefit expense

	Three months ended March 31,	
	2018	2017
Wages and salaries	\$ 61,877	\$ 48,271
Employee stock options	399	501
Labour and health insurance fees	1,954	2,264
Pension costs	3,792	4,025
Other personnel expenses	1,878	1,860
	<u>\$ 69,900</u>	<u>\$ 56,921</u>

Note: For the three months ended March 31, 2018 and 2017, the Group had 696 and 767 employees excluding 114 and 57 contract employees, respectively.

- A. A ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 8% to 12% for employees' compensation and shall not be higher than 2% for directors' remuneration. If a company has accumulated deficit, earnings should be retained to cover losses. The amendments to the Articles of Incorporation of the Company has been approved by the Board of Directors on April 13, 2018. In accordance with the amended Articles of Incorporation, the appropriation ratios for the employees' compensation and directors' remuneration were changed into 5%~15% and below 2.5%, respectively. The proposal in relation to the amendments is based on the resolution at the shareholders' meeting in 2018.
- B. For the three months ended March 31, 2018 and 2017, the accrued employees' compensation and directors' and supervisors' remuneration is as follows:

	Three months ended March 31,	
	2018	2017
Employees' compensation	\$ 12,161	\$ 1,805
Directors' and supervisors' remuneration	1,946	319
	<u>\$ 14,107</u>	<u>\$ 2,124</u>

The aforementioned amounts were recognised in salary expenses, and accrued based on 5 % and 0.8%, respectively, of the pretax income that has not been accrued for the above expenses of the current period. For the three months ended March 31, 2018, employees' compensation and directors' and supervisors' remuneration was accrued based on 8.5 % and 1.5%, respectively, of the pretax income that has not been accrued for the above expenses of the current period.

Employees' compensation and directors' and supervisors' remuneration for 2017 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 financial statements. The employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 5,243	\$ 4,290
Prior year income tax underestimation (overestimation)	337 (	713)
Total current tax	5,580	3,577
Deferred tax:		
Effect of taxation law amendments	(528)	-
Origination and reversal of temporary differences	735 (	21)
Income tax expense	<u>\$ 5,787</u>	<u>\$ 3,556</u>

B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

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

(23) Earnings per share

Earnings per share of ordinary shares

Three months ended March 31, 2018

	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 227,074	39,875	\$ 5.69
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	227,074	39,875	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	282	
- Employee stock options	-	262	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 227,074	40,419	\$ 5.62

Three months ended March 31, 2017

	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 17,171	39,739	\$ 0.43
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	17,171	39,739	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	66	
- Employee stock options	-	172	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 17,171	39,977	\$ 0.43

The earnings per share for the three months ended March 31, 2017, was calculated with the number of weighted average outstanding shares after retrospective adjustment.

(24) Operating leases

The Group leases real estate under non-cancellable operating lease agreements. The lease terms are between 2 and 3 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased every year to reflect market rental rates. Partial leases are charged extra rents following the changes of local price indexes. The Group recognised rental expenses of \$4,553 and \$4,509 thousand, for these leases in profit or loss for the three months ended March 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Not later than one year	\$ 11,458	\$ 13,320	\$ 11,349
Later than one year but not later than five years	3,987	5,316	9,303
	\$ 15,445	\$ 18,636	\$ 20,652

(25) Supplemental cash flow information

Investing activities with partial cash payments

	Three months ended March 31,	
	2018	2017
Purchase of property, plant and equipment	\$ 8,105	\$ 3,650
Add: Opening balance of payable on equipment	496	497
Less: Ending balance of payable on equipment	(2,541)	(1,730)
Cash paid during the period	\$ 6,060	\$ 2,417

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
WeiSen Electronic Co., Ltd	Other related parties (Note)

Note: On June 20, 2017, the Group was elected as juristic person director of HEP TECH CO., LTD. (hereinafter "HEP"), and the Group became a related party of "HEP " and its subsidiaries starting from the same day.

(2) Significant related party transactions

A. Operating revenue

	Three months ended March 31,	
	2018	2017
Sales of goods:		
- Other related parties	\$ 3	\$ -

B. Accounts receivable

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable:			
- Other related parties	\$ 3	\$ 4	\$ -

C. Purchases

	Three months ended March 31,	
	2018	2017
Purchases of raw materials:		
- Other related parties	\$ 8,267	\$ -

The purchases from related parties mostly were starter, ballast and transformer, the payment term was 90 days after monthly billing.

D. Accounts payable

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts payable:			
- WeiSen Electronic Co., Ltd.	\$ 13,466	\$ 12,144	\$ -

(3) Key management compensation

	Three months ended March 31,	
	2018	2017
Short-term employee benefits	\$ 13,263	\$ 6,373
Post-employment benefits	159	176
Share-based payments	220	275
	<u>\$ 13,642</u>	<u>\$ 6,824</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

Details of the endorsements/guarantees provided for subsidiaries are provided in Note 13(1).

(2) Commitments

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

Lessee	Leased object	Period	Monthly rent
TONS LIGHTOLOGY INC.	4F., No.236, Bo'ai St., New Taipei City, Taiwan	2017.1.1 ~ 2019.12.31	443 thousand
ZHONGSHAN TONS LIGHTING CO., LTD.	No. 6 HuaCheng Rd., ZhongShan, GuangDong Province, China	2018.1.1 ~ 2018.12.31	682 thousand

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

During the three months ended March 31, 2018, the Group's strategy, which was unchanged from 2017, was to maintain the debt-to-asset ratio within 20% to 40%. The debt-to-asset ratios at March 31, 2018, December 31, 2017 and March 31, 2017, were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Total liabilities	\$ 252,750	\$ 259,293	\$ 235,532
Total assets	\$ 1,818,144	\$ 1,440,907	\$ 1,383,815
Gearing ratio	14%	18%	17%

(2) Financial instruments

A. Financial instruments by category

	March 31, 2018	March 31, 2017
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$332,650	\$86,434
Financial assets at fair value through other comprehensive income		

	March 31, 2018	March 31, 2017
Available-for-sale financial assets	269,873	125,220
Financial assets at amortised cost/Loans and receivables / loans and receivables		
Cash and cash equivalents	414,873	505,376
Notes receivable	789	2,418
Accounts receivable (including related parties)	126,794	114,688
Other accounts receivable	2,388	1,455
Guarantee deposits paid	3,933	3,576
	<u>\$ 1,151,300</u>	<u>\$ 839,167</u>
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Financial liabilities held for trading	\$ -	\$ 904
Financial liabilities at amortised cost		
Notes payable	15	-
Accounts payable (including related parties)	89,303	97,878
Other accounts payable	113,788	96,751
Guarantee deposits received	1,246	2,500
	<u>\$ 204,352</u>	<u>\$ 198,033</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly

- probable USD and RMB income and expenditures. Entities in the Group use natural hedge to decrease the risk exposure in the foreign currency, transacted with Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
 - iv. The Group's risk management policy is to hedge anticipated cash flows (mainly from export sales and purchase of inventory) in each major foreign currency.

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

March 31, 2018

		Sensitivity analysis					
Foreign currency		Book value		Effect on		Effect on other	
amount	Exchange	(In thousands	Degree of	Effect on	comprehensive		
(In thousands)	rate	ofNTD)	variation	profit or loss	income		
\$ 3,441	29.055 \$	99,978	1%	\$ 1,000	\$	-	
959	3.678	3,527	1%	35			
1,515	35.670	54,040	1%	540			
28,097	4.622	129,864	1%	1,299			
18,187	0.159	84,060	1%	841			
5,050	6.263	146,728	-1%	(1,467)			
170	7.719	6,064	1%	61			
1,800	6.305	2,985	-1%	528			
\$ 337	29.055 \$	9,792	1%	\$ -	\$	98	

(Foreign currency: functional currency)

Financial assets

Monetary items

USD : NTD

HKD : NTD

EUR : NTD

RMB : NTD

RMB : USD

USD : RMB

EUR : RMB

USD : RMB (Note)

Non-monetary items

USD : NTD

March 31, 2018

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 5,998	29.155	\$ 174,872	1%	(1,749)	\$ -
EUR : NTD	216	36.070	7,791	1%	(78)	-
RMB : NTD	12,659	4.672	59,143	1%	(591)	-
RMB : USD	10,703	0.160	50,004	1%	(500)	-

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

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

December 31, 2017

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 3,257	29.710	\$ 96,765	1%	\$ 968	\$ -
EUR : NTD	1,485	35.370	52,524	1%	525	-
RMB : NTD	24,808	4.540	112,628	1%	1,126	-
RMB : USD	16,387	0.153	74,397	1%	744	-
USD : RMB	4,932	6.519	146,530	-1%	(1,465)	-
EUR : RMB	130	7.792	4,598	1%	46	-
USD : RMB (Note)	1,800	6.550	2,162	-1%	539	-
<u>Non-monetary items</u>						
USD : NTD	\$ 337	29.710	\$ 10,012	1%	\$ -	\$ 100
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 5,744	29.810	\$ 171,229	1%	(\$ 1,712)	\$ -
EUR : NTD	196	35.770	7,011	1%	(70)	-
RMB : NTD	10,916	4.590	50,104	1%	(501)	-
RMB : USD	9,186	0.154	42,164	1%	(422)	-

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

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

March 31, 2017

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 4,972	30.280	\$ 150,552	1%	\$ 1,505	\$ -
HKD : NTD	1,149	3.874	4,451	1%	45	-
EUR : NTD	564	32.230	18,178	1%	182	-
RMB : NTD	32,682	4.382	143,213	1%	1,432	-
RMB : USD	27,079	0.145	118,660	1%	1,187	-
USD : RMB	4,425	6.882	133,989	-1%	(1,340)	-
EUR : RMB	99	7.359	3,191	1%	32	-
<u>Non-monetary items</u>						
USD : NTD	\$ 337	30.280	\$ 10,204	1%	\$ -	\$ 102
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 4,617	30.380	\$ 140,264	1%	(\$ 1,403)	\$ -
EUR : NTD	153	32.630	4,992	1%	(50)	-
RMB : NTD	10,119	4.432	44,847	1%	(448)	-
RMB : USD	9,257	0.146	41,027	1%	(410)	-
USD : RMB (Note)	1,800	6.944	904	-1%	552	-

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

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

vi. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2018 and 2017 amounted to \$136 and (\$4,709) thousand, respectively.

(a) Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets.
- ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the three months ended March 31, 2018 and 2017 would have increased/decreased by \$3,327 thousand and \$864 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,699 thousand and \$1,252 thousand, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

For the three months ended March 31, 2018 and 2017, the Group has no items with impact on profit (loss) due to changes in interest rates.

(b) Credit risk

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

- iii. The Group adopts 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.
- iv. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 1 year.
- vi. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On March 31, 2018, the loss rate methodology is as follows:

	Individual	Group	Total
<u>March 31, 2018</u>			
Expected loss rate	-	0.099%	
Total book value	\$ -	\$ 126,920	\$ 126,920
Loss allowance	\$ -	\$ 126	\$ 126

- viii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

	2018
	<u>Accounts receivable</u>
At January 1	\$ 111
Provision for impairment	15
At March 31	<u>\$ 126</u>

- ix. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

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

derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative
financial liabilities

		Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
March 31, 2018	<u>Within 1 year</u>				
Notes and accounts receivable	\$75,852	\$ -	\$ -	\$ -	\$ -
Accounts payable-related parties	13,466	-	-	-	-
Other payables	113,788	-	-	-	-

Non-derivative financial liabilities:

		Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
December 31, 2017	<u>1 year</u>				
Notes payable and accounts payable	\$ 99,993	\$ -	\$ -	\$ -	\$ -
Accounts payable-related parties	12,144	-	-	-	-
Other payables	105,588	-	-	-	-

Non-derivative financial liabilities:

		Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
March 31, 2017	<u>Less than 1 year</u>				
Notes payable and accounts payable	\$ 97,878	\$ -	\$ -	\$ -	\$ -
Other payables	96,751	-	-	-	-

Derivative financial liabilities:

		Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
March 31, 2018	<u>Less than 1 year</u>				
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -	\$ -

Derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Derivative financial liabilities March 31, 2017	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5	Over 5 years
Forward foreign exchange contracts	\$904	\$ -	\$ -	\$ -	\$ -

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

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

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

<u>March 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 329,665	\$ 2,985	\$ -	\$ 332,650
Financial assets at fair value through other comprehensive income-Equity securities	\$ 256,506	\$ -	\$ 13,367	\$ 269,873
<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 145,867	\$ 2,162	\$ -	\$ 148,029
Financial assets at fair value through other comprehensive income-Equity securities	\$ 114,209	\$ -	\$ 13,367	\$ 127,576
<u>March 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 86,434	\$ -	\$ -	\$ 86,434
Financial assets at fair value through other comprehensive income -Equity securities	\$ 105,329	\$ -	\$ 19,891	\$ 125,220
Liabilities				
Financial liabilities at fair value through profit or loss	\$ -	\$ 904	\$ -	\$ 904

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

- D. For the three months ended March 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.
- E. For the three months ended March 31, 2018 and 2017, there was no transfer into or out from Level 3.
- F. Experts and the Group's treasury department are in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the

fair value.

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity					
Unlisted shares	\$ 13,367	Market comparable companies	Net equity ratio and price to earnings ratio	0.96~9.18	The higher the multiple, the higher the fair value
	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity					
Unlisted shares	\$ 13,367	Market comparable companies	Net equity ratio and price to earnings ratio	0.96~9.18	The higher the multiple, the higher the fair value
	Fair value at March 31 , 2017	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 19,891	Market comparable companies	Price-book ratio and price to earnings	0.91~9.07	The higher the multiple, the higher the fair value

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

				<u>March 31, 2018</u>	
				<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>		<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets					
Equity securities	Net equity ratio and price to earnings ratio	± 5%	\$	660	(\$ 660)
				<u>December 31, 2017</u>	
				<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>		<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets					
Equity securities	Net equity ratio and price to earnings ratio	±5%	\$	683	(\$ 683)
				<u>March 31, 2017</u>	
				<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>		<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets					
Equity securities	Net equity ratio and price to earnings ratio	±5%	\$	962	(\$ 962)

(4) Effects on initial application of IFRS 9, 'Leases' and information of applying IAS 39 in 2017 and in the first quarter of 2017

A. Summaries of adopting significant accounting policies in 2017:

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

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

- (i) Hybrid (combined) contracts; or
- (ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Available-for-sale financial assets

- i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired as a result of one events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (iv) The disappearance of an active market for that financial asset because of financial difficulties;
 - (v) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (vi) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

	Measured at fair value through profit or loss	Available-for-sale-equity Measured at fair value through other comprehensive income-equity	Total	Effects	
				Retained earnings	Other equity
IAS3 9	\$ 148,029	\$ 127,576	\$ 275,605	\$ 290,754	(\$ 10,052)
IFRS 9	\$ 148,029	\$ 127,576	\$ 275,605	\$ 290,754	(\$ 10,052)

Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)". Due to all belong to equity instruments, therefore, no retained earnings and other equity interest will be increased/decreased upon initial application of IFRS 9.

C. The significant accounts as of March 31, 2017 and for the year ended December 31, 2017 are as follows:

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

Items	December 31, 2017	March 31, 2017
Financial assets items:		
Listed stocks	\$ 111,495	\$ 86,675

<u>Items</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Valuation adjustment	34,372	(241)
	145,867	86,434
Financial assets held for trading		
Non-hedging derivatives financial instruments		
-Forward foreign exchange contracts	2,162	-
	<u>\$ 148,029</u>	<u>\$ 86,434</u>

Items

Financial liabilities items:

Financial liabilities held for trading

Non-hedging derivatives financial instruments

-Forward foreign exchange contracts	<u>\$ -</u>	<u>(\$ 904)</u>
-------------------------------------	-------------	-----------------

- i. The Group recognised net profit amounting to \$4,153 thousand and \$1,099 thousand on financial assets held for trading for the year ended December 31, 2017 and for the three months ended March 31, 2017. The Group recognised net profit amounting to \$36,907 thousand and \$2,295 thousand on financial assets at fair value through profit or loss for the year ended December 31, 2017 and for the three months ended March 31, 2017.
- ii. The non-hedging derivative instruments transaction and contract information are as follows:

<u>Derivative instruments</u>	<u>December 31, 2017</u>		<u>March 31, 2017</u>	
	Contract amount	Expiry date	Contract amount	Expiry date
Current items:				
Forward foreign exchange contracts	USD 1,800 thousand	2018.01.14 to 2018.12.16	USD 1,800 thousand	2017.04.15 to 2018.03.18

Forward foreign exchange contracts

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

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

(b) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2017</u>		<u>March 31, 2017</u>	
Non-current items:				
Listed stocks	\$	89,834	\$	89,834
Unlisted stocks		11,393		11,393

<u>Items</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Valuation adjustment	26,349	23,993
	<u>\$ 127,576</u>	<u>\$ 125,220</u>

The Group recognised \$7,565 thousand and \$4,100 thousand in other comprehensive income for fair value change and reclassified \$0 from equity to profit or loss for the year ended December 31, 2017 and for the three months ended March 31, 2017, respectively.

D. Credit risk information for the year ended December 2017 and as at March 31, 2017 are as follows:

(A) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Group 1	\$ 93,904	\$ 78,383
Group 2	22,473	22,293
Group 3	12,521	7,399
Group 4	2,122	79
	<u>\$ 131,020</u>	<u>\$ 108,154</u>

Group 1: Existing customers (more than 6 months from the initial transaction), which are within the list of top 10 customers of the Group.

Group 2: Existing customers (more than 6 months from the first transaction), which are within the list of top 11 to 30 customers of the Group.

Group 3: Other customers.

Group 4: New customers (less than 6 months from the first transaction).

(b) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Up to 30 days	\$ 24,284	\$ 4,053
31 to 60 days	325	2,250
61 to 90 days	207	5
91 to 120 days	25	65
151 to 180 days	-	282
	<u>\$ 24,841</u>	<u>\$ 6,655</u>

The above ageing analysis was based on past due date.

(c) Movement analysis of financial assets allowance were impaired is as follows:

On December 31, 2017 and March 31, 2017, the Group's accounts receivable that has been impaired amounted to \$58 thousand and \$1,192 thousand, respectively.

	<u>December 31, 2017</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
Beginning balance of the period	\$ 693	\$ 840	\$ 1,533
Reversal of impairment loss	(635)	(770)	(1,405)

	December 31, 2017		
	Individual provision	Group provision	Total
Effect of exchange rate changes	-	(17)	(17)
Ending balance of the period	\$ 58	\$ 53	\$ 111
	March 31, 2017		
	Individual provision	Group provision	Total
Beginning balance of the period	\$ 693	\$ 840	\$ 1,533
Provision for impairment	499	-	499
Reversal of impairment loss	-	(697)	(697)
Effect of exchange rate changes	-	(22)	(22)
Ending balance of the period	\$ 1,192	\$ 121	\$ 1,313

(5) Effects of initial application of IFRS 15

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 and for the three months ended March 31, 2017 are set out below:

(a) Sales of goods

- i. The Group manufactures and sells of lighting equipment and lamps. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- ii. The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 and for three months ended March 31, 2017 are as follows:

	Year ended December 31, 2017	For the three months ended March 31, 2017
Sales revenue	\$ 986,926	\$ 210,347

D. The effects and description of current balance sheets items if the Group continues adopting above accounting policies in 2018 are as follows:

<u>Balance sheet items</u>	<u>Description</u>	<u>March 31, 2018</u>		
		<u>Balance by using IFRS15</u>	<u>Balance by using previous accounting polices</u>	<u>Effects from changes in accounting polices</u>
Contract liabilities	-	\$ 15,236	\$ 15,236	\$ -

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: Titan Lighting Co., Ltd. entered into forward foreign exchange contracts for the three months ended March 31, 2018. As of December 31, 2018, financial assets at fair value through profit or loss of \$2,985 thousand was recognised.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the three months ended March 31, 2018 and 2017 are provided in Note 13(1) J.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by

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

(2) Segment information

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

	Three months ended March 31, 2018			
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	\$ 199,888	\$ 1,838	\$ 13,273	\$ 214,999
Revenue from internal customers	9,955	159,487	5,161	174,603
Segment revenue	<u>\$ 209,843</u>	<u>\$ 161,325</u>	<u>\$ 18,434</u>	<u>\$ 389,602</u>
Segment profit (loss) before tax	<u>\$ 12,810</u>	<u>(\$ 3,983)</u>	<u>(\$ 2,542)</u>	<u>\$ 6,285</u>
	Three months ended March 31, 2017			
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	\$ 194,717	\$ 1,635	\$ 13,995	\$ 210,347
Revenue from internal customers	5,633	161,846	1,506	168,985
Segment revenue	<u>\$ 200,350</u>	<u>\$ 163,481</u>	<u>\$ 15,501</u>	<u>\$ 379,332</u>
Segment profit (loss) before tax	<u>\$ 11,425</u>	<u>\$ 9,567</u>	<u>(\$ 2,769)</u>	<u>\$ 18,223</u>

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

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

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

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

(3) Reconciliation for segment income (loss)

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

	Three months ended March 31,	
	2018	2017
Reportable operating segments revenue after adjustment	\$ 389,602	\$ 379,332
Other operating segments revenue after adjustment	157,696	162,700
Total operating segments revenue	547,298	542,032
Elimination of intersegment revenue	(332,299)	(331,685)
Total consolidated operating revenue	<u>\$ 214,999</u>	<u>\$ 210,347</u>

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

	Three months ended March 31,	
	2018	2017
Reportable operating segments income before tax after adjustment	\$ 6,285	\$ 18,223
Other operating segments income before tax after adjustment	225,815	2,803
Total operating segments revenue	232,100	21,026
Elimination of intersegment (loss) revenue	761	(299)
Income before tax from continuing operations	<u>\$ 232,861</u>	<u>\$ 20,727</u>

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
Three-month period ended December 31, 2018

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	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 March 31, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2018	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			Footnote
			endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)								parent company to subsidiary (Note 5)	subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	
0	TONS LIGHTOLOGY INC.	GREATSUPER TECHNOLOGY LIMITED	(3)			\$ 313,079	\$ 43,793	\$ -	-	0.00	\$ 626,158	Y	N	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 six categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Ceiling on total endorsements/guarantees to others is 40% of the Company's current net assets.

Note 4: Limit on endorsements/guarantees to a single party is 20% of the Company's current net assets.

Note 5: Maximum outstanding endorsement/guarantee amount of USD \$1.5 million was translated into NTD using the average rate of buying and selling spot rate of the month when the maximum amount incurred.

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Three-month period ended December 31, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of March 31, 2018			Footnote	
				Number of shares	Book value	Ownership (%)		Fair value
TONS LIGHTOLOGY INC.	Share ownership / TITAN AURORA INC.	None	Financial assets at fair value through other comprehensive income- non-current	1,900	\$ 9,306	19.00	9,306	-
TONS LIGHTOLOGY INC.	Share ownership / GRIFFIN LIGHTING CO., LTD.	None	Financial assets at fair value through other comprehensive income- non-current	66,500	3,136	19.00	3,136	-
TONS LIGHTOLOGY INC.	Share ownership / ANDERSEN LIGHTING CO., LTD	None	Financial assets at fair value through other comprehensive income- non-current	-	925	19.00	925	Note 2
TONS LIGHTOLOGY INC.	Stock / HEP TECH CO., LTD.	None	Financial assets at fair value through other comprehensive income- non-current	3,860,760	52,506	12.73	52,506	-
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	204,000	4.59	204,000	-
HONG BO INVESTMENT CO., LTD.	Stock / HEP TECH CO., LTD.	None	Financial assets at fair value through profit or loss - current	2,093,000	28,465	6.90	28,465	-
HONG BO INVESTMENT CO., LTD.	Stock / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through profit or loss - current	2,510,000	301,200	6.78	301,200	-
			Total		599,538	Total	599,538	

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

Three-month period ended December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
						Unit price	Credit term	Balance			
TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	\$ 158,265	97	30-60 days after purchases of goods	Note 1	Note 2	(\$ 206,667)	(98)	Note 4
TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	Same ultimate parent	Purchases	153,342	100	30-60 days after purchases of goods	Note 3	Note 2	(184,795)	(100)	Note 4

Note 1: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 30-60 days after the purchases and payment is made timely according to the capital needs of subsidiaries.

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

Note 3: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 30-60 days after the shipment of goods.

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

TONS LIGHTTOLOGY INC. AND SUBSIDIARIES

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

Three-month period ended December 31, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2018 (Note 2)	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
				Turnover rate	Amount			Action taken
TONS LIGHTING CO., LTD.	TONS LIGHTTOLOGY INC.	Parent company	Accounts receivable \$206,667	3.10	\$ -	\$ 49,830	\$ -
TITAN LIGHTING CO., LTD.	TONS LIGHTING CO., LTD.	Same ultimate parent	Accounts receivable \$184,795	3.39	-	49,747	-

Note 1: Subsequent collection is the amount of receivables collected from related parties as of April 27, 2018.

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period
Three-month period ended December 31, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)	
					Amount (Note 4)	Transaction terms		
0	TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	(1)	(Purchases)	(\$	158,265)	30~60 days after purchases of goods	73.61
0	TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	(1)	(Accounts payable )	(	206,667)	30~60 days after purchases of goods	11.37
1	TONS LIGHTING CO., LTD.	TTAN LIGHTING CO., LTD.	(3)	(Purchases )	(	153,342)	30~60 days after purchases of goods	71.32
1	TONS LIGHTING CO., LTD.	TTAN LIGHTING CO., LTD.	(3)	(Accounts payable )	(	184,795)	30~60 days after purchases of goods	10.16

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 LIGHTLOGY INC. AND SUBSIDIARIES

Information on investees

Three-month period ended December 31, 2018

Table 6

Expressed in thousands of NT\$
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2018		Book value	Net profit (loss) of the investee for the three-month period ended March 31, 2018	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Footnote
				Balance as at March 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)				
TONS LIGHTLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	\$ 545,972	\$ 545,972	18,333,402	100	\$ 800,796	\$ 12,220	\$ 11,459	Subsidiary (Note 1, 3)
TONS LIGHTLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	125,000	125,000	12,500,000	100	371,360	227,756	227,756	Subsidiary (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	970	(4,995)	-	Indirect subsidiary (Note 2, 3)
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100	99,075	(1,636)	-	Indirect subsidiary (Note 2, 3)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	685,307	(5,594)	-	Indirect subsidiary (Note 2, 3)

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 transactions were eliminated when preparing the consolidated financial statements.

TONS LIGHTLOGY INC. AND SUBSIDIARIES
Information on investments in Mainland China

These month period ended March 31, 2018

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to			Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three- month periods ended March 31, 2018	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted back to Taiwan for the years ended March 31, 2018	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018					
TITAN LIGHTING CO., LTD.	Main business activities Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	\$ 356,609	(2)	\$ -	\$ -	\$ 368,845	100.00 (\$ 4,320)	\$ 576,060	\$ 20,066	Note 1,2,3,4,5	
ZIONGSIAN TONS LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	104,778	(2)	-	-	110,585	100.00 (2,542)	80,798	-	Note 1,2,4,5	
SHANGHAI TONS LIGHTLOGY CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	93,136	(2)	-	-	42,842	100.00 (1,641)	97,650	-	Note 1,2,4,5,6	
ShungHai Grand Canyon LED Lighting Systems Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	33,356	(2)	-	-	901	11.06	-	-	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	11.06	-	510	Note 1,7,8	

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.; ShungHai Grand Canyon LED Lighting Systems Co., Ltd. and Grand Canyon Opto Tech (Su Zhou) Co., Ltd. reinvested through StrongLED Lighting System (Cayman) Co., Ltd.)

(3) Others.

Note 2: Investment income (loss) recognised by the Company for the years ended December 31, 2017 is based on financial statements audited and attested by R.O.C. parent company's CPA.

Note 3: Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017, 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 LIGHTLOGY CO., LTD. of USD \$12,253 thousand, USD \$3,600 thousand and USD \$3,200 thousand, respectively, was translated at the average buying and

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

Note 6: SHANGHAI TONS LIGHTLOGY CO., LTD. has USD 2,200 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

Note 7: ShungHai 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.

Note 8: Grand Canyon Opto Tech (Su Zhou) Co., Ltd. was renamed as Grand Canyon (Su Zhou) Co., Ltd. on January 30, 2018

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
TONS LIGHTOLOGY INC.	566,472 \$	585,340 \$	939,236

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018 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 \$18,593 thousand and NTD \$44,200 thousand, and has been translated at the average buying and selling spot rate on March 31, 2018.

Note 3: The approved USD \$18,593 thousand includes USD \$1,800 thousand, own funds of the investee located in the third area, World Extend Holding Inc.

Note 4: 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.