TONS LIGHTOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 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.

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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 June 30, 2018 and 2017, and the related consolidated statements of comprehensive income, for the three mpnths and six months then ended, as well as the statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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 June 30, 2018 and 2017, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

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For and on behalf of PricewaterhouseCoopers, Taiwan

July 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 June 30, 2018 and 2017 are reviewed, not audited)

			June 30, 2018		December 31, 2017		June 30, 2017	
	Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 454,197	26	$ 369,163	26	$ 423,106	30
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	240,789	14	148,029	10	96,298	7
1150	Notes receivable, net	6(3)	1,459	-	1,824	-	763	-
1170	Accounts receivable, net	6(3)	148,962	9	155,804	11	138,815	10
1180	Accounts receivable - related parties	6(3) and 7	-	-	4	-	6	-
1200	Other receivables		3,547	-	3,557	-	1,997	-
130X	Inventories	6(4)	160,484	9	156,027	11	155,643	11
1410	Prepayments		27,329	2	20,806	1	27,335	2
1470	Other current assets	6(5)	83,838	5	71,854	5	69,668	5
11XX	**Current Assets**		1,120,605	65	927,068	64	913,631	65
	Non-current assets							
1517	Total non-current financial assets at fair value through other comprehensive income	6(6)	209,874	12	-	-	-	-
1523	Available-for-sale financial assets - noncurrent	12(4)	-	-	127,576	9	119,357	8
1600	Property, plant and equipment	6(7)	331,839	20	331,908	23	319,441	23
1780	Intangible assets		4,754	-	5,087	1	959	-
1840	Deferred income tax assets	6(22)	4,877	-	3,510	-	4,139	-
1900	Other non-current assets	6(8)	45,201	3	45,758	3	51,308	4
15XX	**Non-current assets**		596,545	35	513,839	36	495,204	35
1XXX	**Total assets**		$ 1,717,150	100	$ 1,440,907	100	$ 1,408,835	100

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2018 and 2017 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%	June 30, 2017 AMOUNT	%
	Current liabilities							
2120	Financial liabilities at fair value through profit or loss - current	6(2)	$ 1,083	-	$ -	-	$ -	-
2150	Notes payable		5	-	59	-	31	-
2170	Accounts payable		98,510	6	99,934	7	73,699	5
2180	Accounts payable - related parties	7	14,515	1	12,144	1	13,479	1
2200	Other payables	6(9)	212,971	12	105,588	7	206,672	15
2220	Other payables - related parties	7	-	-	-	-	610	-
2230	Current income tax liabilities	6(22)	21,438	1	7,484	-	7,622	1
2250	Provisions for liabilities - current		166	-	535	-	844	-
2300	Other current liabilities	6(17)	10,479	1	11,773	1	12,881	1
21XX	**Current Liabilities**		359,167	21	237,517	16	315,838	23
	Non-current liabilities							
2550	Provisions for liabilities - noncurrent	6(12)	615	-	625	-	976	-
2570	Deferred income tax liabilities	6(22)	1,217	-	9,532	1	1,555	-
2600	Other non-current liabilities		11,662	1	11,619	1	13,341	1
25XX	**Non-current liabilities**		13,494	1	21,776	2	15,872	1
2XXX	**Total Liabilities**		372,661	22	259,293	18	331,710	24
	Equity attributable to owners of parent							
	Share capital	6(13)						
3110	Share capital - common stock		398,948	23	398,118	28	394,176	28
3140	Advance receipts for share capital		-	-	537	-	-	-
3150	Stock dividends to be distributed		-	-	-	-	3,942	-
	Capital surplus							
3200	Capital surplus	6(14)	504,032	29	502,257	35	501,280	35
	Retained earnings	6(15)						
3310	Legal reserve		74,663	5	62,555	4	62,555	4
3320	Special reserve		38,429	2	38,429	3	38,429	3
3350	Unappropriated retained earnings		249,411	15	189,770	13	108,443	8
	Other equity interest							
3400	Other equity interest	6(16)	79,006	4	(10,052)	(1)	(31,700)	(2)
31XX	**Equity attributable to owners of the parent**		1,344,489	78	1,181,614	82	1,077,125	76
3XXX	**Total equity**		1,344,489	78	1,181,614	82	1,077,125	76
	Significant commitments and contingent liabilities	9						
	Significant events after the balance sheet date	11						
3X2X	**Total liabilities and equity**		$ 1,717,150	100	$ 1,440,907	100	$ 1,408,835	100

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)
(Reviewed, not audited)

			Three months ended June 30				Six months ended June 30			
			2018		2017		2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(17)	$ 291,084	100	$ 246,060	100	$ 506,083	100	$ 456,407	100
5000	**Operating costs**	6(4)	(192,059)	(66)	(158,791)	(65)	(336,201)	(66)	(296,297)	(65)
5900	**Net operating margin**		99,025	34	87,269	35	169,882	34	160,110	35
	Operating expenses	6(20)(21)								
6100	Selling expenses		(30,329)	(10)	(26,367)	(11)	(57,360)	(11)	(49,709)	(11)
6200	General and administrative expenses		(21,867)	(8)	(25,121)	(10)	(59,495)	(12)	(47,766)	(10)
6300	Research and development expenses		(9,436)	(3)	(8,645)	(3)	(17,971)	(4)	(16,746)	(4)
6000	**Total operating expenses**		(61,632)	(21)	(60,133)	(24)	(134,826)	(27)	(114,221)	(25)
6900	**Operating profit**		37,393	13	27,136	11	35,056	7	45,889	10
	Non-operating income and expenses									
7010	Other income	6(18)	2,346	1	2,184	1	5,582	1	5,277	1
7020	Other gains and losses	6(19)	(92,209)	(32)	660	-	139,753	28	(459)	-
7000	**Total non-operating revenue and expenses**		(89,863)	(31)	2,844	1	145,335	29	4,818	1
7900	**Profit (loss) before income tax**		(52,470)	(18)	29,980	12	180,391	36	50,707	11
7950	Income tax expense	6(22)	(11,296)	(4)	(6,785)	(2)	(17,083)	(4)	(10,341)	(2)
8200	**Profit (loss) for the period**		($ 63,766)	(22)	$ 23,195	10	$ 163,308	32	$ 40,366	9
	Other comprehensive income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Total expenses, by nature	6(16)	($ 59,999)	(21)	$ -	-	$ 82,298	16	$ -	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	140	-	-	-	140	-	-	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		(59,859)	(21)	-	-	82,438	16	-	-
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(16)	(5,927)	(2)	13,502	5	6,819	2	(25,030)	(6)
8362	Unrealized loss on valuation of available-for-sale financial assets	6(16)	-	-	(5,863)	(2)	-	-	(1,763)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(5,927)	(2)	7,639	3	6,819	2	(26,793)	(6)
8300	**Total other comprehensive (loss) income for the period**		($ 65,786)	(23)	$ 7,639	3	$ 89,257	18	($ 26,793)	(6)
8500	**Total comprehensive (loss) income for the period**		($ 129,552)	(45)	$ 30,834	13	$ 252,565	50	$ 13,573	3
	Basic (loss) earnings per share									
9750	**Total basic(loss) earnings per share**	6(23)	($ 1.60)		$ 0.58		$ 4.09		$ 1.01	
	Diluted earnings per share									
9850	**Total diluted(loss) earnings per share**	6(23)	($ 1.60)		$ 0.58		$ 4.05		$ 1.01	

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

		Equity attributable to owners of the parent											
		Share capital			Capital surplus		Retained earnings			Other equity interest			
	Notes	Share capital - common stock	Advance receipts for share capital	Stock dividends to be distributed	Additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total equity
Six months ended June 30, 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 six months ended June 30, 2017		-	-	-	-	-	-	-	40,366	-	-	-	40,366
Other comprehensive loss for the six months ended June 30, 2017	6(16)	-	-	-	-	-	-	-	-	(25,030)	-	(1,763)	(26,793)
Total other comprehensive income (loss) income		-	-	-	-	-	-	-	40,366	(25,030)	-	(1,763)	13,573
Appropriation and distribution of 2016 retained earnings													
Legal reserve appropriated	6(15)	-	-	-	-	-	12,501	-	(12,501)	-	-	-	-
Stock dividends	6(15)	-	-	3,942	-	-	-	-	(3,942)	-	-	-	-
Cash dividends	6(15)	-	-	-	-	-	-	-	(102,486)	-	-	-	(102,486)
Share-based payment transactions-employee stock options	6(11)	3,487	(3,252)	-	6,721	(1,053)	-	-	-	-	-	-	5,903
Balance at June 30, 2017		$ 394,176	$ -	$ 3,942	$ 498,610	$ 2,670	$ 62,555	$ 38,429	$ 108,443	($ 48,385)	$ -	$ 16,685	$ 1,077,125
Six months ended June 30, 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 1 January after adjustments		398,118	537	-	498,848	3,409	62,555	38,429	189,770	(36,065)	26,013	-	1,181,614
Profit for the six months ended June 30, 2018		-	-	-	-	-	-	-	163,308	-	-	-	163,308
Other comprehensive income for the six months ended June 30, 2018	6(16)(22)	-	-	-	-	-	-	-	199	6,819	82,239	-	89,257
Total other comprehensive income		-	-	-	-	-	-	-	163,507	6,819	82,239	-	252,565
Appropriation and distribution of 2017 retained earnings													
Legal reserve appropriated	6(15)	-	-	-	-	-	12,108	-	(12,108)	-	-	-	-
Cash dividends	6(15)	-	-	-	-	-	-	-	(91,758)	-	-	-	(91,758)
Share-based payment transactions-employee stock options	6(11)	830	(537)	-	1,516	259	-	-	-	-	-	-	2,068
Balance at June 30, 2018		$ 398,948	$ -	$ -	$ 500,364	$ 3,668	$ 74,663	$ 38,429	$ 249,411	($ 29,246)	$ 108,252	$ -	$ 1,344,489

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)
(Reviewed, not audited)

	Notes	Six months ended June 30 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 180,391	$ 50,707
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(20)	24,555	21,071
Amortisation	6(20)	1,363	754
Provision (reversal of provision) for doubtful accounts	12(2)	244	(328)
Reversal of warrantly expenses	6(12)	(9)	(577)
Interest income	6(18)	(4,536)	(4,478)
Dividend income		(140)	(351)
Wages and salaries-employee stock options	6(11)	805	995
Net gain on financial assets and liabilities at fair value through other comprehensive income	6(19)	(134,009)	761
Loss (gain) on disposal of property, plant and equipment	6(7)(19)	101	(2)
Property, plant and equipment transferred to expenses	6(7)	53	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net	6(3)	370	4,374
Accounts receivable, net		6,612	24,401
Accounts receivable due from related parties	7(2)	4	(6)
Other receivables		(155)	(120)
Inventories	6(4)	(3,587)	(12,036)
Prepayments		(6,448)	(8,171)
Other current assets		187	424
Changes in operating liabilities			
Notes payables		(53)	25
Accounts payable		(1,991)	(31,516)
Accounts payables to related parties	7(2)	2,320	13,432
Other payables		13,174	(3,445)
Other payables to related parties	7(2)	-	607
Contact liabilities	6(17)	(1,361)	947
Other current liabilities		(267)	1,252
Other non-current liabilities		43	15
Cash inflow generated from operations		77,666	58,735
Interest received		4,718	4,624
Dividend received		140	351
Income tax paid	6(22)	(12,680)	(16,208)
Net cash flows from operating activities		69,844	47,502

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Six months ended June 30 2018	Six months ended June 30 2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss	6(2)	($ 5,000)	($ 27,727)
Proceeds from disposal of financial assets at fair value through profit or loss	6(2)	48,495	-
Increase (decrease) in other non-current assets		(10,996)	8,460
Acquisition of property, plant and equipment	6(25)	(18,363)	(82,553)
Proceeds from disposal of property, plant and equipment		12	203
Acquisition of intangible deposits		(1,028)	(48)
Decrease (increase) in refundable deposits		222	(818)
Increase in other non-current assets		(2,773)	(3,250)
Net cash flows from (used in) investing activities		10,569	(105,733)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in guarantee deposits received		-	419
Exercise of employee stock options	6(11)	1,264	4,908
Net cash flows from financing activities		1,264	5,327
Effect of exchange rate changes on cash equivalents		3,357	(13,054)
Net increase (decrease) in cash and cash equivalents		85,034	(65,958)
Cash and cash equivalents at beginning of period		369,163	489,064
Cash and cash equivalents at end of period		$ 454,197	$ 423,106

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 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 July 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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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

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

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

Except for the following, the above standards and interpretations have no significant impact to the 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.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has material impact to the Group.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group intends not to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"), and the effects will be adjusted on January 1, 2019.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 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 adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach and the financial statements for the year ended December 31, 2017 and the second quarter was not restated. The financial statements for the year ended December 31, 2017 and the second quarter was 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 and details of significant accounts.

(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 (%) June 30, 2018	Ownership (%) December 31, 2017	Description
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC. (WORLD EXTEND)	Reinvestment company	100	100	Note 1
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD. (HONG	Reinvestment company	100	100	
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD. (TL)	Sales of various lighting products and accessories	100	100	
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	100	Note 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 products and accessories	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 products and accessories	100	100	
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD (SHANGHAI TONS)	Sales of various lighting products and accessories	100	100	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%) June 30, 2017	Description
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC. (WORLD EXTEND)	Reinvestment company	100	Note 1
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD. (HONG BO)	Reinvestment company	100	
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD. (TL)	Sales of various lighting products and accessories	100	
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	Note 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 accessories	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 products and accessories	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 in 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 tax

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

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 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.

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

There have been no significant changes as of June 30, 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

	June, 30, 2018	December 31, 2017	June, 30, 2017
Cash on hand	$ 810	$ 773	$ 814
Checking accounts and demand deposits	66,118	70,416	71,087
Time deposits	387,269	297,974	351,205
	$ 454,197	$ 369,163	$ 423,106

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	June 30, 2018
Financial assets mandatorily measured at fair value through profit or loss:	
Listed stocks	$ 98,054
Valuation adjustment	142,735
Total	$ 240,789
Financial liabilities held for trading	
Derivative instruments-Forward foreign exchange contracts	($ 1,083)

A. For the three months and six months ended June 30, 2018, the Group recognises net (losses) gains on financial assets at fair value through profit or loss amounting to ($93,842) thousand and $137,301 thousand, respectively.

B. The Group entered into contracts relating to derivative financial liabilities which were not accounted for under hedge accounting. The information is listed below:

	June 30, 2018	
Derivative financial assets (liabilities)	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousands	2018.7.11~2019.6.5

The Group entered into forward foreign exchange contracts to sell (sell USD and buy RMB) to hedge exchange rate risk of import and export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting. For the three months and six months ended June 30, 2018, the Group recognised net loss of $4,070 thousand and $3,292 thousand, respectively.

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

D. The information on financial assets at fair value through profit or loss as of December 31, 2017, and June 30, 2017, is provided in Note 12(4).

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

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable	$ 1,459	$ 1,824	$ 763
Accounts receivable	$ 149,316	$ 155,915	$ 139,997
Accounts receivable due from related parties	-	4	6
Less: Allowance for bad debts	(354)	(111)	(1,182)
	$ 148,962	$ 155,808	$ 138,821

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	$ 1,264	$ 126,081	$ 1,588	$ 131,020	$ 507	$ 119,207
Up to 30 days	64	21,929	236	24,284	256	19,347
31 to 120 days	131	934	-	504	-	267
over 121 days	-	18	-	-	-	-
	$ 1,459	$ 148,962	$ 1,824	$ 155,808	$ 763	$ 138,821

The above ageing analysis was based on past due date.

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

(4) Inventories

	June 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	$ 99,249	($ 6,040)	$ 93,209
Work in progress	17,201	(503)	16,698
Semi-finished goods	33,581	(3,239)	30,342
Finished goods	26,170	(7,323)	18,847
Inventory in transit	1,388	-	1,388
	$ 177,589	($ 17,105)	$ 160,484

	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
	$ 173,378	($ 17,351)	$ 156,027

	June 30, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	$ 96,361	($ 7,079)	$ 89,282
Work in progress	15,267	(1,096)	14,171
Semi-finished goods	35,937	(4,539)	31,398
Finished goods	25,516	(7,191)	18,325
Inventory in transit	2,467	-	2,467
	$ 175,548	($ 19,905)	$ 155,643

The cost of inventories recognised as expense for the period:

	Three months ended June 30	
	2018	2017
Cost of goods sold	$ 192,316	$ 157,336
(Gain on reversal of) loss on market price decline and obsolescence	(1,412)	5
Gain from sale of scraps	(872)	(891)
Gain on physical inventory	(2)	(4)
Loss on scrapping inventory	2,021	2,255
Provision for warranty expenses	8	90
	$ 192,059	$ 158,791

	Six months ended June 30,	
	2018	2017
Cost of goods sold	$ 335,257	$ 293,894
(Gain on reversal of) loss on market price decline and obsolescence	(329)	650
Gain from sale of scraps	(1,419)	(1,569)
Gain on physical inventory	(2)	(4)
Loss on scrapping inventory	2,594	3,354
Provision (reversal of) for warranty expenses	100	(28)
	$ 336,201	$ 296,297

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

(5) Other current assets

	June 30, 2018	December 31, 2017	June 30, 2017
Time deposits	$ 80,410	$ 68,262	$ 66,103
Others	3,428	3,592	3,565
	$ 83,838	$ 71,854	$ 69,668

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	June 30, 2018
Non-current items:	
Equity instruments	
Listed stocks	$ 89,834
Unlisted stocks	11,393
Valuation adjustment	108,647
Total	$ 209,874

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 $209,874 thousand as at June 30, 2018.

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

	June 30, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	$ 82,239

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 available-for-sale financial assets as of December 31, 2017 and June 30, 2017, is provided in Note 12(4).

(7) Property, plant and equipment

	Six months ended June 30, 2018					
	At January 1	Additions	Disposals	Transfers	Net exchange differences	At June 30
Cost						
Buildings and structures	$ 381,447	$ 2,342	$ -	$ 4,293	$ 2,272	$ 390,354
Molding equipment	155,109	6,294	(44)	2,421	863	164,643
Machinery and equipment	131,635	181	(904)	52	983	131,947
Research and development equipment	26,507	654	-	654	149	27,964
Transportation equipment	15,139	-	-	(56)	83	15,166
Others	90,076	4,263	(3,777)	439	479	91,480
Construction in progress	10,428	5,506	-	(4,470)	51	11,515
	$ 810,341	$ 19,240	($ 4,725)	$ 3,333	$ 4,880	$ 833,069
Accumulated depreciation						
Buildings and structures	($ 141,642)	($ 9,582)	$ -	$ -	($ 771)	($ 151,995)
Molding equipment	(135,463)	(6,492)	44	-	(765)	(142,676)
Machinery and equipment	(92,143)	(3,539)	798	-	(707)	(95,591)
Research and development equipment	(23,043)	(525)	-	-	(136)	(23,704)
Transportation equipment	(9,735)	(1,018)	-	3	(45)	(10,795)
Others	(76,407)	(3,399)	3,770	-	(433)	(76,469)
	($ 478,433)	($ 24,555)	$ 4,612	$ 3	($ 2,857)	($ 501,230)
	$ 331,908					$ 331,839

	Six months ended June 30, 2017					
	At January 1	Additions	Disposals	Transfers	Net exchange differences	At June 30
Cost						
Buildings and structures	$ 298,539	$ 72,650	$ -	$ -	($ 8,217)	$ 362,972
Molding equipment	149,181	3,041	(194)	632	(4,221)	148,439
Machinery and equipment	135,410	582	(944)	273	(4,221)	131,100
Research and development equipment	26,864	-	-	-	(762)	26,102
Transportation equipment	15,369	1,185	(1,258)	-	(389)	14,907
Others	83,982	1,328	(1,556)	6,578	(2,300)	88,032
Construction in progress	5,185	3,730	-	(3,730)	(142)	5,043
	$ 714,530	$ 82,516	($ 3,952)	$ 3,753	($ 20,252)	$ 776,595
Accumulated depreciation						
Buildings and structures	($ 126,022)	($ 7,492)	$ -	$ -	$ 3,549	($ 129,965)
Molding equipment	(129,398)	(5,855)	194	-	3,652	(131,407)
Machinery and equipment	(92,062)	(3,477)	801	-	2,988	(91,750)
Research and development equipment	(22,257)	(565)	-	-	631	(22,191)
Transportation equipment	(8,868)	(1,095)	1,258	-	236	(8,469)
Others	(74,340)	(2,587)	1,498	-	2,057	(73,372)
	($ 452,947)	($ 21,071)	$ 3,751	$ -	$ 13,113	($ 457,154)
	$ 261,583					$ 319,441

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

(8) Other non-current assets

	June 30, 2018	December 31, 2017	June 30, 2017
Land use right	$ 31,784	$ 32,028	$ 31,904
Prepayments for business facilities	4,124	4,773	-
Other non-current assets	9,293	8,957	19,404
	$ 45,201	$ 45,758	$ 51,308

In November 2007, the Group entered into a land use right contract with Zhongshan Administration for Industry & Commerce for use of the land in Xiaolan Town, Zhongshan Prefecture, Guangdong Province in China, with a term of 47 years. Rents have been paid on the contract date. The Group recognised rental expenses of $224 thousand, $212 thousand, $445 thousand and $429 thousand for the three months and six months ended June 30, 2018 and 2017, respectively.

(9) Other payables

	June 30, 2018	December 31, 2017	June 30, 2017
Cash dividends payable	$ 91,758	$ -	$ 102,486
Salary and bonus payable	54,207	52,913	43,173
Insurance and pension expense payable	15,035	13,370	14,180
Payable for consumables and purchases	14,057	13,372	13,429
Others	37,914	25,933	33,404
	$ 212,971	$ 105,588	$ 206,672

(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 $36 thousand, $31 thousand, $71 thousand and $62 thousand for the three months and six months ended June 30, 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 and six months ended June 30, 2018 and 2017, were $3,762 thousand, $3,772 thousand, $7,519 thousand and $7,766 thousand, respectively.

(11) Share-based payment

A. For the six months ended June 30, 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 second quarter of 2018	Actual turnover rate in the second 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%	10.87%	0%

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

(a) Third (1) 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	-	$ -	86	$ 22.70
Options exercised	-	-	(86)	22.70
Options outstanding at June 30	-		-	
Options exercisable at June 30	-		-	

(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 June 30	-		-	
Options exercisable at June 30	-		-	

(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 June 30	184	20.50(Note)	270	21.70(Note)
Options exercisable at June 30	62		220	

Note : Price was adjusted due to ex-right.

(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	(21)	34.95
Options outstanding at June 30	571	30.00 (Note)	579	31.80 (Note)
Options exercisable at June 30	-		-	

Note: Price was adjusted due to ex-right.

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

		June 30, 2018		December 31, 2017	
	Expiry date	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	20.50	243	21.70
Fifth employee stock options	2021.12.22	571	30.00	573	31.80

		June 30, 2017	
	Expiry date	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	270	21.70
Fifth employee stock options	2021.12.22	579	31.80

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

	Three months ended June 30,	
	2018	2017
Equity-settled - employee stock options	$ 406	$ 494

	Six months ended June 30,	
	2018	2017
Equity-settled-employee stock options	$ 805	$ 995

(12) Provisions – non-current

	Warranty provisions
	2018
At January 1	$ 625
Unused amounts reversed	(9)
Effects of foreign exchange	(1)
At June 30	$ 615

Analysis of total provisions:

	June 30, 2018	December 31, 2017	June 30, 2017
Non-current	$ 615	$ 625	$ 976

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 June 30, 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 exercised options for 83 thousand shares of common stock during the period from November 13, 2017 to February 8, 2018, and the subscription price was NT$21.7 per share. The share issuance became effective on March 6, 2018, as resolved at the meeting of Board of Directors on February 23, 2018. The registration was completed on March 20, 2018.

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.

D. The employees exercised 2012 Third (1), 2012 Third (2) and 2014 Fourth employee stock options for 117 thousand shares, 7 thousand shares, 225 thousand shares for a total of 349 thousand shares of common stock during the period from November 1, 2016 to February 15, 2017, and the subscription price was NT$22.7, NT$21.9 and NT$23.8, respectively. On February 24, 2017, the Board of Directors at their meeting resolved that the effective date of issuing new shares was March 3, 2017. The registration has been completed on March 17, 2017.

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

(Unit: shares in Thousands)

	2018	2017
At January 1	39,836	39,207
Employee stock options exercised	59	211
At June 30	39,895	39,418

(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 resolved at the shareholders' meeting on May 30, 2018, and 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
	$ 103,866		$ 118,929	

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	6,819	-	(25,030)	-
Revaluation	-	82,298	-	(1,763)
Revaluation-tax	-	(59)	-	-
At June 30	($ 29,246)	$ 108,252	($ 48,385)	$ 16,685

(17) Operating revenue

	Three months ended June 30, 2018	Six months ended June 30, 2018
Sales revenue	$ 291,084	$ 506,083

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:

	June 30, 2018
Contract liabilities:	
Contract liabilities	$ 9,596

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

	Three months ended June 30, 2018	Six months ended June 30, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	$ 3,757	$ 10,421

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

(18) Other income

	Threeee months ended June 30,	
	2018	2017
Interest income:		
Interest income from bank deposits	$ 2,339	$ 2,067
Other income-others	7	117
	$ 2,346	$ 2,184

	Six months ended June 30,	
	2018	2017
Interest income:		
Interest income from bank deposits	$ 4,536	$ 4,478
Other income-others	1,046	799
	$ 5,582	$ 5,277

(19) Other gains and losses

	Three months ended June 30,	
	2018	2017
Loss on disposal of property, plant and equipment	($ 13)	($ 195)
Net currency exchange gain	5,730	5,017
Net gain on financial assets (liabilities) at fair value through profit or loss	(97,912)	(4,155)
Other gains and losses	(14)	(7)
	($ 92,209)	$ 660

	Six months ended June 30,	
	2018	2017
(Loss) gain on disposal of property, plant and equipment	($ 101)	$ 2
Net currency exchange gain	5,866	308
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	134,009	(761)
Other gains and losses	(21)	(8)
	$ 139,753	($ 459)

(20) Expenses by nature

	Three months ended June 30,	
	2018	2017
Employee benefit expense	$ 61,974	$ 61,335
Depreciation charges on property, plant and equipment	12,393	10,839
Amortisation expense	679	379

	Six months ended June 30,	
	2018	2017
Employee benefit expense	$ 131,874	$ 118,256
Depreciation charges on property, plant and equipment	24,555	21,071
Amortisation expense	$ 1,363	$ 754

(21) Employee benefit expense

	Three months ended June 30,	
	2018	2017
Wages and salaries	$ 53,390	$ 52,091
Labour and health insurance fees	1,837	2,029
Pension costs	3,798	3,803
Directors' remunerations	137	775
Other personnel expenses	2,812	2,637
	$ 61,974	$ 61,335

	Six months ended June 30,	
	2018	2017
Wages and salaries	$ 112,754	$ 99,688
Labour and health insurance fees	3,791	4,293
Pension costs	7,590	7,828
Directors' remunerations	2,650	1,449
Other personnel expenses	5,089	4,998
	$ 131,874	$ 118,256

Note: On June 30, 2018 and 2017, the Group had 686 and 748 employees, respectively, and had 5 directors for both periods.

A. In accordance with the amended Articles of Incorporation as resolved at the shareholders' meeting on May 30, 2018, the current year's earnings, if profit, the Company shall appropriate 5% to 15% as employees' compensation; if loss, shall first reserve the offset amount. The ratio before amendment was 8% to 12% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the three months and six months ended June 30, 2018 and 2017, the accrued employees' compensation and directors' and supervisors' remuneration is as follows:

	Three months ended June 30,	
	2018	2017
Employees' compensation	($ 2,911)	$ 2,647
Directors' and supervisors' remuneration	(466)	467
	($ 3,377)	$ 3,114

	Six months ended June 30,	
	2018	2017
Employees' compensation	$ 9,250	$ 4,452
Directors' and supervisors' remuneration	1,480	786
	$ 10,730	$ 5,238

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 six months ended June 30, 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 June 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	$ 19,120	$ 5,003
Tax on undistributed surplus earnings	1,783	556
Prior year income tax underestimation	2	124
Total current tax	20,905	5,683
Deferred tax:		
Effect of taxation law amendments	140	-
Origination and reversal of temporary differences	(9,749)	1,102
Income tax expense	$ 11,296	$ 6,785

	Six months ended June 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	$ 24,363	$ 9,293
Tax on undistributed surplus earnings	1,783	556
Prior year income tax overestimation	339	(589)
Total current tax	26,485	9,260
Deferred tax:		
Effect of taxation law amendments	(388)	-
Origination and reversal of temporary differences	(9,014)	1,081
Income tax expense	$ 17,083	$ 10,341

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

	Three months ended June 30,	
	2018	2017
Impact of change in tax rate	($ 140)	$ -

	Six months ended June 30,	
	2018	2017
Impact of change in tax rate	($ 140)	$ -

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

A. Earnings per share of ordinary shares

	Three months ended June 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Loss attributable to ordinary shareholders of the parent	($ 63,766)	39,895	($ 1.60)

	Three months ended June 30, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 23,195	39,812	$ 0.58
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	23,195	39,812	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	82	
- Employee stock options	-	94	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 23,195	39,988	$ 0.58

	Three months ended June 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 163,308	39,885	$ 4.09
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	163,308	39,885	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	243	
- Employee stock options	-	215	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 163,308	40,343	$ 4.05

	Six months ended June 30, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 40,366	39,774	$ 1.01
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	40,366	39,774	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	138	
- Employee stock options	-	132	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 40,366	40,044	$ 1.01

A. The earnings per share for the three months and six months ended June 30, 2017 was calculated with the number of weighted average outstanding shares after retrospective adjustment.

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

(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 $4,512 thousand, $4,413 thousand, $9,065 thousand and $8,922, thousand for these leases in profit or loss for the three months and six months ended June 30, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Not later than one year	$ 9,437	$ 13,320	$ 9,286
Later than one year but not later than five years	2,658	5,316	7,974
	$ 12,095	$ 18,636	$ 17,260

(25) Supplemental cash flow information

Investing activities with partial cash payments

	Six months ended June 30, 2018	Six months ended June 30, 2017
Purchase of property, plant and equipment	$ 19,240	$ 82,516
Add: Opening balance of payable on equipment	496	497
Less: Ending balance of payable on equipment	(1,373)	(460)
Cash paid during the period	$ 18,363	$ 82,553

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. Following purchase and sale transactions were calculated from June 20, 2017 to June 30, 2017; accounts receivable, accounts payable and other payables were calculated by using the balance on June 30, 2017.

(2) Significant related party transactions

A. Operating revenue

	Three months ended June 30, 2018	Three months ended June 30, 2017
Sales of goods:		
- Other related parties	$ 5	$ -

	Six months ended June 30,2018	From June 20, 2017 to June 30, 2017
Sales of goods:		
- Other related parties	$ 8	$ -

B. Accounts receivable

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts receivable:			
- Other related parties	$ -	$ 4	$ 6

C. Purchases

	Three months ended June 30,2018	From June 20, 2017 to June 30, 2017
Purchases of raw materials:		
- Other related parties	$ 8,669	$ 2,973

	Six months ended June 30,2018	From June 20, 2017 to June 30, 2017
Purchases of raw materials:		
- Other related parties	$ 16,936	$ 2,973

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

D. Accounts payable

	June 30,2018	December 31, 2017	June 30, 2017
Accounts payable:			
- WeiSen Electronic Co., Ltd.	$ 14,515	$ 12,144	$ 13,479

E. Other payables

	June 30, 2018	December 31, 2017	June 30, 2017
Other payables:			
- Other related parties	$ -	$ -	$ 610

(3) Key management compensation

	Three months ended June 30,	
	2018	2017
Short-term employee benefits	$ 3,578	$ 6,879
Post-employment benefits	159	176
Share-based payments	221	274
	$ 3,958	$ 7,329

	Six months ended June 30,	
	2018	2017
Short-term employee benefits	$ 16,841	$ 13,252
Post-employment benefits	318	352
Share-based payments	441	549
	$ 17,600	$ 14,153

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	687 thousand

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. To attract and keep talented employees and strengthen coherence of the Company as well as create higher profit for the Company and shareholders, the Board of Directors has resolved 'Sixth issuance of option and option plan' on July 27, 2018. The total issuance units are 600,000, and the Company needs to issue 600,000 common shares due to the exercising of options.

B. Due to the investment demand of industry, the Company's Board of Directors resolved to create new investment in ArtSo Trading Limited (hereinafter ArtSo) on July 27, 2018. The expected investment amount was limited to $75 million.

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 six months ended June 30, 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 June 30, 2018, December 31, 2017 and June 30, 2017, were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Total liabilities	$ 372,661	$ 259,293	$ 331,710
Total assets	$ 1,717,150	$ 1,440,907	$ 1,408,835
Gearing ratio	22%	18%	24%

(2) Financial instruments

A. Financial instruments by category

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	$ 240,789	$ 148,029	$ 96,298
Financial assets at fair value through other comprehensive income	209,874	-	-
Available-for-sale financial assets	-	127,576	119,357
Financial assets at amortised cost/Loans and receivable / loans and receivables			
Cash and cash equivalents	454,197	369,163	423,106
Notes receivable	1,459	1,824	763
Accounts receivable (including related parties)	148,962	155,808	138,821
Other receivables	3,547	3,557	1,997
Guarantee deposits paid	3,932	4,131	4,432
Other financial assets(note)	80,410	68,262	66,103
	$ 1,143,170	$ 878,350	$ 850,877

Note: These are time deposits that did not meet the requirement of short-term commitments.

	June 30, 2018	December 31, 2017	June 30, 2017
Financial liabilities			
Financial liabilities measured at fair value through profit or loss			
Financial liabilities held for trading	$ 1,083	$ -	$ -
Financial liabilities at amortised cost			
Notes payable	5	59	31
Accounts payable (including related	113,025	112,078	87,178
Other accounts payable (including related parties)	212,971	105,588	207,282
Guarantee deposits received	1,246	1,246	2,248
	$ 328,330	$ 218,971	$ 296,739

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:

	June 30, 2018					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 4,562	30.410	$ 138,730	1%	$ 1,387	$ -
HKD：NTD	1,284	3.851	4,945	1%	49	-
EUR：NTD	1,069	35.200	37,629	1%	376	-
RMB：NTD	37,062	4.568	169,299	1%	1,693	-
RMB：USD	15,866	0.150	72,476	1%	725	-
USD：RMB	5,593	6.632	170,083	-1%	(1,701)	-
EUR：RMB	163	7.707	5,738	1%	57	-
Non-monetary items						
USD：NTD	$ 337	30.410	$ 10,248	1%	$ -	$ 102

	June 30, 2018					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial liabilities						
Monetary items						
USD：NTD	$ 6,061	30.510	$ 184,921	1%	(1,849)	$ -
EUR：NTD	189	35.600	6,728	1%	(67)	-
RMB：NTD	10,359	4.618	47,838	1%	(478)	-
RMB：USD	7,982	1.151	36,861	1%	(369)	-
USD：RMB (Note)	1,800	6.648	1,083	-1%	551	-

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

	December 31, 2017					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD : NTD	$ 3,257	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	-
Non-monetary items						
USD : NTD	$ 337	29.710	$ 10,012	1%	$ -	$ 100
Financial liabilities						
Monetary items						
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.

	June 30, 2017					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD : NTD	$ 3,639	30.370	$ 110,516	1%	$ 1,105	$ -
HKD : NTD	1,179	3.867	4,559	1%	46	-
EUR : NTD	1,387	34.520	47,879	1%	479	-
RMB : NTD	34,366	4.461	153,307	1%	1,533	-
RMB : USD	12,223	0.147	54,527	1%	(545)	-
USD : RMB	4,527	6.781	137,485	-1%	(1,375)	-
EUR : RMB	112	7.74	3,866	1%	39	-
USD : RMB (Note)	1,800	6.812	770	-1%	551	-
Non-monetary items						
USD : NTD	$ 337	30.370	10,235	1%	$ -	$ 102
Financial liabilities						
Monetary items						
USD : NTD	$ 5,731	30.470	$ 176,624	1%	($ 1,746)	$ -
EUR : NTD	106	34.920	3,702	1%	(37)	-
RMB : NTD	6,821	4.511	30,770	1%	(308)	-
RMB : USD	5,655	0.148	25,510	1%	255	-

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 and six months ended June 30, 2018 and 2017 amounted to $5,730 thousand, $5,017 thousand $5,866 thousand and $308 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 six months ended June 30, 2018 and 2017 would have increased/decreased by $2,408 thousand and $963 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity and available-for-sale equity investment would have increased/decreased by $2,099 thousand and $1,194 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 six months ended June 30, 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. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 1 year.

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

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On June 30, 2018, the loss rate methodology is as follows:

June 30, 2018	Individual	Group	Total
Expected loss rate	-	0.23%	
Total book value	$ -	$ 150,775	$ 150,775
Loss allowance	$ -	$ 354	$ 354

vii. 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
	Accounts receivable
At January 1	$ 111
Provision for impairment	244
Effect of exchange rate changes	(1)
At June 30	$ 354

viii. Credit risk information for the second quarter 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

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

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

June 30, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Notes payable and accounts payable	$ 73,730	$ -	$ -	$ -	$ -
Accounts payable to related parties	13,479				
Other payables	206,672	-	-	-	-
Other payables to related parties	610				

Derivative financial liabilities:

June 30, 2018	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	$ 1,083	$ -	$ -	$ -	$ -

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 :

June 30, 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	$ -	$ -	$ -	$ -	$ -

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

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

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

June 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ 240,789	$ -	$ -	$ 240,789
Financial assets at fair value through other comprehensive income-Equity	$ 196,507	$ -	$ 13,367	$ 209,874
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss	$ -	$ 1,083	$ -	$ 1,083

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
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	$ 114,209	$ -	$ 13,367	$ 127,576

June 30, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ 95,528	$ 770	$ -	$ 96,298
Financial assets at fair value through other comprehensive income -Equity securities	$ 99,466	$ -	$ 19,891	$ 119,357

(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 six months ended June 30, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. For the six months ended June 30, 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 June 30, 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 June 30 , 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:

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

	Input	Change	December 31, 2017 Recognised in other comprehensive income Favourable change	Unfavourable change
Financial assets				
Equity securities	Net equity ratio and price to earnings ratio	±5%	$ 683	($ 683)

	Input	Change	June 30, 2017 Recognised in other comprehensive income Favourable change	Unfavourable change
Financial assets				
Equity securities	Net equity ratio and price to earnings ratio	±5%	$ 950	($ 950)

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017 and in the second quarter of 2017

A. Summary of significant accounting policies adopted 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:

				Effects	
	Measured at fair value through profit or loss	Available-for-sale-equity Measured at fair value through other comprehensive income-equity	Total	Retained earnings	Other equity
IAS 39	$ 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 June 30, 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		June 30, 2017	
Financial assets items:				
Listed stocks	$	111,495	$	101,594
Valuation adjustment		34,372	(	6,066)
		145,867		95,528
Financial assets held for trading				
Non-hedging derivatives financial instruments				
-Forward foreign exchange contracts		2,162		770
	$	148,029	$	96,298

Items	December 31, 2017		June 30, 2017	
Financial liabilities items:				
Financial liabilities held for trading				
Non-hedging derivatives financial instruments				
-Forward foreign exchange contracts	$	-	$	-

i. The Group recognised net profit amounting to $4,153 thousand, 1,669 thousand and $2,768 thousand on financial assets held for trading for the year ended December 31, 2017 and for the three months and six months ended June 30, 2017, respectively. The Group recognised net profit amounting to $36,907 thousand, ($5,824) thousand and ($3,529) thousand on financial assets at fair value through profit or loss for the year ended December 31, 2017 and for the three months and six months ended June 30, 2017, respectively.

ii. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2017		June 30, 2017	
	Contract amount		Contract amount	
Derivative instruments	(Notional principal)	Expiry date	(Notional principal)	Expiry date
Current items:				
Forward foreign exchange contracts	USD 1,800 thousand	2018.01.14 to 2018.12.16	USD 1,800 thousand	2017.07.16 to 2018.06.17

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

Items		December 31, 2017		June 30, 2017
Non-current items:				
Listed stocks	$	89,834	$	89,834
Unlisted stocks		11,393		11,393
Valuation adjustment		26,349		18,130
	$	127,576	$	119,357

The Group recognised $7,565 thousand, ($5,863) thousand and ($1,763) 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 and six months ended June 30, 2017, respectively.

D. Credit risk information for the year ended December 2017 and as at June 30, 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:

		December 31, 2017		June 30, 2017
Group 1	$	93,904	$	88,109
Group 2		22,473		21,436
Group 3		12,521		9,316
Group 4		2,122		346
	$	131,020	$	119,207

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:

		December 31, 2017		June 30, 2017
Up to 30 days	$	24,284	$	19,347
31 to 60 days		325		233
61 to 90 days		207		34
91 to 120 days		25		-
	$	24,841	$	19,614

The above ageing analysis was based on past due date.

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

On June 30 2017, the Group's accounts receivable that has been impaired amounted to $1,182 thousand.

	June 30, 2017		
	Individual provision	Group provision	Total
Beginning balance of the period	$ 693	$ 840	$ 1,533
Provision for impairment	489	-	489
Reversal of impairment loss	-	(817)	(817)
Effect of exchange rate changes	-	(23)	(23)
Ending balance of the period	$ 1,182	$ -	$ 1,182

(5) Effects of initial application of IFRS15 and information on application IAS11 and IAS18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 and for the three months and six months ended June 30, 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 three months and six months ended June 30, 2017 are as follows:

	Three months ended June 30,2017	Six months ended June 30,2017
Sales revenue	$ 246,060	$ 456,407

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

		June 30, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting polices	Effects from changes in accounting policies
Contract liabilities	-	$ 9,596	$ 9,596	$ -

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 six months ended June 30, 2018. As of June 30, 2018, financial liabilities at fair value through profit or loss of $1,083 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 six months ended June 30, 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:

	Six months ended June 30, 2018			
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	$ 462,330	$ 2,259	$ 41,494	$ 506,083
Revenue from internal customers	17,038	369,758	11,062	397,858
Segment revenue	$ 479,368	$ 372,017	$ 52,557	$ 903,941
Segment profit (loss) before tax	$ 43,038	$ 8,789	($ 474)	$ 51,353

	Six months ended June 30, 2017			
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	$ 419,730	$ 2,489	$ 34,188	$ 456,407
Revenue from internal customers	12,136	345,424	3,023	360,583
Segment revenue	$ 431,866	$ 347,913	$ 37,211	$ 816,990
Segment profit (loss) before tax	$ 36,461	$ 20,120	($ 2,708)	$ 53,873

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

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

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

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

(3) Reconciliation for segment income (loss)

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

	Six months ended June 30,	
	2018	2017
Reportable operating segments revenue after adjustment	$ 903,941	$ 816,990
Other operating segments revenue after adjustment	368,022	348,705
Total operating segments revenue	1,271,963	1,165,695
Elimination of intersegment revenue	(765,880)	(709,288)
Total consolidated operating revenue	$ 506,083	$ 456,407

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

	Six months ended June 30,	
	2018	2017
Reportable operating segments income before tax after adjustment	$ 51,353	$ 53,873
Other operating segments income before tax after adjustment	128,678	(3,446)
Total operating segments revenue	180,031	50,427
Elimination of intersegment (loss) revenue	360	280
Income before tax from continuing operations	$ 180,391	$ 50,707

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Six months ended June 30, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at June 30, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 5)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Footnote
0	TONS LIGHTOLOGY INC.	GREATSUPER TECHNOLOGY LIMITED	(3)	$ 268,898	$ 43,793	$ -	$ -	$ -	0.00	$ 537,796	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 seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

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

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

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

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

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

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

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

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

Note 4: 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)

Six months ended June 30, 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 June 30, 2018 Number of shares	Book value	Ownership (%)	Fair value	Footnote
TONS LIGHTOLOGY INC.	Share ownership / TITAN AURORA INC.	None	Financial assets at fair value through other comprehensive income-non-current	1,900	$ 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	58,297	12.73	58,297	-
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	138,210	4.59	138,210	-
HONG BO INVESTMENT CO., LTD.	Stock / HEP TECH CO., LTD.	None	Financial assets at fair value through profit or loss – current	2,093,000	31,604	6.90	31,604	-
HONG BO INVESTMENT CO., LTD.	Stock / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through profit or loss – current	2,573,000	209,185	6.95	209,185	-
				Total	450,663	Total	450,663	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Andersen Lighting Co., Ltd. is a limited company. The shareholding ratio is calculated proportionately to the contributed amount.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

Six months ended June 30, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	$ 368,837	97	30~60 days after purchases of goods	Note 1	Note 2	($ 215,629)	(98)	Note 4
TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	Same ultimate parent	Purchases	357,025	100	30~60 days after purchases of goods	Note 3	Note 2	(193,229)	(100)	Note 4

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

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

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

Six months ended June 30, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2018 (Note 2)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
TONS LIGHTING CO., LTD.	TONS LIGHTOLOGY INC.	Parent company	Accounts receivable $215,629	3.53	$ -	-	$ 111,636	$ -
TITAN LIGHTING CO., LTD.	TONS LIGHTING CO., LTD.	Same ultimate parent	Accounts receivable $193,229	3.85	-	-	111,452	-

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

Six months ended June 30, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 4)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	(1)	(Purchases)	($ 368,837)	30~60 days after purchases of goods	72.88
0	TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	(1)	(Accounts payable)	(215,629)	30~60 days after purchases of goods	12.56
1	TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	(3)	(Purchases)	(357,025)	30~60 days after purchases of goods	70.55
1	TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	(3)	(Accounts payable)	(193,229)	30~60 days after purchases of goods	11.25

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Information on investees

Six months ended June 30, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at June 30, 2018					
Investor	Investee	Location	Main business activities	Balance as at June 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the six months ended June 30, 2018	Investment income (loss) recognised by the Company for the six months ended June 30, 2018	Footnote
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	$ 545,972	$ 545,972	18,333,402	100	$ 802,948	($ 3,040)	($ 2,680)	Subsidiary (Note 1, 3)
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	140,000	125,000	14,000,000	100	277,510	133,906	133,906	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	509	(5,527)	-	Indirect subsidiary (Note 2, 3)
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100	96,524	(3,145)	-	Indirect subsidiary (Note 2, 3)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	690,082	5,621	-	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 LIGHTOLOGY INC. AND SUBSIDIARIES

Information on investments in Mainland China

Six months ended June 30, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2018: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee as of June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2018	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2018	Footnote
TITAN LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	$ 373,211	(2)	$ 368,845	$ -	$ -	$ 368,845	$ 6,077	100.00	$ 6,077	$ 579,685	$ 66,296	Note 1,2,3,4,5
ZHONGSHAN TONS LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	109,656	(2)	110,585	-	-	110,585	(474)	100.00	(474)	81,923	-	Note 1,2,4,5
SHANGHAI TONS LIGHTOLOGY CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	97,472	(2)	42,842	-	-	42,842	(3,156)	100.00	(3,156)	95,026	-	Note 1,2,4,5,6
ShangHai Grand Canyon LED Lighting Systems Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	33,356	(2)	901	-	-	901	-	11.23	-	-	-	Note 1,7
Grand Canyon (Su Zhou) Co., Ltd.	Research, development, production and sales of LED semiconductor application and other	356,487	(2)	43,299	-	-	43,299	-	11.23	-	-	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.; ShangHai Grand Canyon LED Lighting Systems Co., Ltd. and Grand Canyon Opto Tech (Su Zhou) Co., Ltd. reinvested through StrongLED Lighting System (Cayman) Co., Ltd.)

(3) Others.

Note 2: Investment income (loss) recognised by the Company for the six months ended June 30, 2018 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, 2018, including $34,945 thousand for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger.

Note 4: Paid-in capital of Titan Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS LIGHTOLOGY CO., LTD. of USD $12,253 thousand, USD $3,600 thousand and USD $3,200 thousand, respectively, was translated at the average buying and selling spot rate on June 30, 2018.

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

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

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

Note 8: 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 June 30, 2018 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Notes 2,3)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
TONS LIGHTOLOGY INC.	$ 566,472	$ 610,533	$ 806,673

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 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 June 30, 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.