

**TONS LIGHTOLOGY INC. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
MARCH 31, 2017 AND 2016**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have reviewed the accompanying consolidated balance sheets of Tons Lightology Inc. and subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission (FSC).

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Wang, Yu-Chuan

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Hung, Shu-Hua

For and on behalf of PricewaterhouseCoopers, Taiwan

April 28, 2017

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

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

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2017, DECEMBER 31, 2016 AND MARCH 31, 2016**  
(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2017 and 2016 are reviewed, not audited)

Assets	Notes	March 31, 2017		December 31, 2016		March 31, 2016		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 505,376	37	\$ 489,064	34	\$ 626,831	42
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		86,434	6	71,505	5	35,495	2
1150	Notes receivable, net		2,418	-	5,189	-	1,969	-
1170	Accounts receivable, net	6(3)	114,688	8	163,547	12	158,802	11
1200	Other receivables		1,455	-	2,073	-	5,587	-
130X	Inventories, net	6(4)	162,822	12	147,574	10	169,496	11
1410	Prepayments		25,725	2	22,530	2	22,641	2
1470	Other current assets	6(5)	44,787	3	82,213	6	4,184	-
11XX	<b>Current Assets</b>		<u>943,705</u>	<u>68</u>	<u>983,695</u>	<u>69</u>	<u>1,025,005</u>	<u>68</u>
<b>Non-current assets</b>								
1523	Available-for-sale financial assets -	6(6)						
	noncurrent		125,220	9	121,120	9	123,085	8
1600	Property, plant and equipment, net	6(7)	244,030	18	261,583	18	301,687	20
1780	Intangible assets		1,286	-	1,672	-	2,195	-
1840	Deferred income tax assets	6(22)	5,242	-	5,221	-	3,574	-
1900	Other non-current assets	6(8)	64,332	5	49,514	4	50,550	4
15XX	<b>Non-current assets</b>		<u>440,110</u>	<u>32</u>	<u>439,110</u>	<u>31</u>	<u>481,091</u>	<u>32</u>
1XXX	<b>Total assets</b>		<u>\$ 1,383,815</u>	<u>100</u>	<u>\$ 1,422,805</u>	<u>100</u>	<u>\$ 1,506,096</u>	<u>100</u>

(Continued)

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2017, DECEMBER 31, 2016 AND MARCH 31, 2016**  
(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2017 and 2016 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2017		December 31, 2016		March 31, 2016		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>								
2120	Financial liabilities at fair value through profit or loss - current	6(2)	\$ 904	-	\$ 2,067	-	\$ 39	-
2150	Notes payable		-	-	8	-	-	-
2170	Accounts payable		97,878	7	108,311	7	100,546	7
2200	Other payables	6(9)	96,751	7	110,002	8	131,237	9
2230	Current income tax liabilities	6(22)	14,865	1	14,689	1	20,963	1
2300	Other current liabilities		8,709	1	11,566	1	11,663	1
21XX	<b>Current Liabilities</b>		<u>219,107</u>	<u>16</u>	<u>246,643</u>	<u>17</u>	<u>264,448</u>	<u>18</u>
<b>Non-current liabilities</b>								
2550	Provisions for liabilities - noncurrent	6(12)	1,285	-	1,565	-	528	-
2570	Deferred income tax liabilities	6(22)	1,555	-	1,555	-	1,718	-
2600	Other non-current liabilities		13,585	1	12,907	1	12,192	1
25XX	<b>Non-current liabilities</b>		<u>16,425</u>	<u>1</u>	<u>16,027</u>	<u>1</u>	<u>14,438</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>		<u>235,532</u>	<u>17</u>	<u>262,670</u>	<u>18</u>	<u>278,886</u>	<u>19</u>
<b>Equity attributable to owners of parent</b>								
<b>Share capital</b>								
3110	Share capital - common stock	6(13)	394,176	28	390,689	28	382,180	25
3140	Advance receipts for share capital	6(13)	-	-	3,252	-	-	-
<b>Capital surplus</b>								
3200	Capital surplus	6(14)	500,786	36	495,612	35	493,270	33
<b>Retained earnings</b>								
3310	Legal reserve	6(15)	50,054	4	50,054	4	35,593	2
3320	Special reserve	6(15)	38,429	3	38,429	3	38,429	3
3350	Unappropriated retained earnings	6(15)	204,177	15	187,006	13	229,515	15
<b>Other equity interest</b>								
3400	Other equity interest	6(16)	( 39,339)	( 3)	( 4,907)	( 1)	48,223	3
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,148,283</u>	<u>83</u>	<u>1,160,135</u>	<u>82</u>	<u>1,227,210</u>	<u>81</u>
3XXX	<b>Total equity</b>		<u>1,148,283</u>	<u>83</u>	<u>1,160,135</u>	<u>82</u>	<u>1,227,210</u>	<u>81</u>
<b>Significant commitments and contingent liabilities</b>								
<b>Significant events after the balance sheet date</b>								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,383,815</u>	<u>100</u>	<u>\$ 1,422,805</u>	<u>100</u>	<u>\$ 1,506,096</u>	<u>100</u>

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

**TONS LIGHTOLOGY INC. SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**THREE MONTHS ENDED MARCH 31, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)  
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended March 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(17)	\$ 210,347	100	\$ 286,373	100
5000 Operating costs	6(4)	( 137,506)	( 65)	( 179,853)	( 63)
5900 Net operating margin		<u>72,841</u>	<u>35</u>	<u>106,520</u>	<u>37</u>
Operating expenses	6(20)(21)				
6100 Selling expenses		( 23,342)	( 11)	( 26,999)	( 10)
6200 General & administrative expenses		( 22,645)	( 11)	( 29,580)	( 10)
6300 Research and development expenses		( 8,101)	( 4)	( 9,612)	( 3)
6000 Total operating expenses		( 54,088)	( 26)	( 66,191)	( 23)
6900 Operating profit		<u>18,753</u>	<u>9</u>	<u>40,329</u>	<u>14</u>
Non-operating income and expenses					
7010 Other income	6(18)	3,093	2	3,816	1
7020 Other gains and losses	6(19)	( 1,119)	( 1)	3,073	1
7000 Total non-operating income and expenses		<u>1,974</u>	<u>1</u>	<u>6,889</u>	<u>2</u>
7900 Profit before income tax		20,727	10	47,218	16
7950 Income tax expense	6(22)	( 3,556)	( 2)	( 9,332)	( 3)
8200 Profit for the period		<u>\$ 17,171</u>	<u>8</u>	<u>\$ 37,886</u>	<u>13</u>
Other comprehensive income, net					
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(16)	(\$ 38,532)	( 18)	(\$ 6,105)	( 2)
8362 Unrealized gain on valuation of available-for-sale financial assets	6(16)	4,100	2	9,082	3
8399 Income tax relating to the components of other comprehensive income	6(22)	-	-	1,032	1
8360 Components of other comprehensive income that will be reclassified to profit or loss		( 34,432)	( 16)	4,009	2
8300 Total other comprehensive (loss) income for the period		<u>(\$ 34,432)</u>	<u>( 16)</u>	<u>\$ 4,009</u>	<u>2</u>
8500 Total comprehensive (loss) income for the period		<u>(\$ 17,261)</u>	<u>( 8)</u>	<u>\$ 41,895</u>	<u>15</u>
9750 Basic earnings per share (in dollars)	6(23)	\$ 0.44		\$ 0.97	
9850 Diluted earnings per share (in dollars)	6(23)	\$ 0.43		\$ 0.96	

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

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**THREE MONTHS ENDED MARCH 31, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

Notes	Equity attributable to owners of the parent								Total equity	
	Share Capital		Capital Surplus			Retained Earnings		Other Equity Interest		
	Share capital - common stock	Advance receipts for share capital	Additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		Unrealized gain or loss on available-for-sale financial assets
<b>Three months ended March 31, 2016</b>										
	\$ 381,378	\$ -	\$ 486,574	\$ 5,016	\$ 35,593	\$ 38,429	\$ 191,629	\$ 33,197	\$ 11,017	\$ 1,182,833
	Profit for the three months ended March 31, 2016									
							37,886			37,886
	Other comprehensive income for the three months ended March 31, 2016									
								( 6,105 )	10,114	4,009
	Share-based payment transactions-employee stock options									
	802		2,007	( 327 )						2,482
	<u>\$ 382,180</u>	<u>\$ -</u>	<u>\$ 488,581</u>	<u>\$ 4,689</u>	<u>\$ 35,593</u>	<u>\$ 38,429</u>	<u>\$ 229,515</u>	<u>\$ 27,092</u>	<u>\$ 21,131</u>	<u>\$ 1,227,210</u>
<b>Three months ended March 31, 2017</b>										
	\$ 390,689	\$ 3,252	\$ 491,889	\$ 3,723	\$ 50,054	\$ 38,429	\$ 187,006	(\$ 23,355)	\$ 18,448	\$ 1,160,135
	Profit for the three months ended March 31, 2017									
							17,171			17,171
	Other comprehensive income for the three months ended March 31, 2017									
								( 38,532 )	4,100	( 34,432 )
	Share-based payment transactions-employee stock options									
	3,487	( 3,252 )	6,721	( 1,547 )						5,409
	<u>\$ 394,176</u>	<u>\$ -</u>	<u>\$ 498,610</u>	<u>\$ 2,176</u>	<u>\$ 50,054</u>	<u>\$ 38,429</u>	<u>\$ 204,177</u>	<u>(\$ 61,887)</u>	<u>\$ 22,548</u>	<u>\$ 1,148,283</u>

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	2017	2016
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 20,727	\$ 47,218
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(20)	10,232	11,955
Amortisation	6(20)	375	389
(Reversal of provision) for doubtful accounts	6(3)	( 198 )	321
Reversal of provision for warranty expenses	6(12)	( 265 )	( 169 )
Interest income	6(18)	( 2,411 )	( 2,858 )
Dividend income		( 351 )	( 900 )
Wages and salaries-employee stock options	6(11)	501	488
Net profit on financial assets and liabilities at fair value through profit or loss	6(19)	( 3,394 )	( 1,657 )
Gain on disposal of property, plant and equipment	6(7)(19)	( 197 )	( 402 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		2,690	( 575 )
Accounts receivable, net	6(3)	48,497	26,589
Other receivables		201	( 1,020 )
Inventories	6(4)	( 22,221 )	7,880
Prepayments		( 4,064 )	( 4,344 )
Other current assets		35	( 1,995 )
Changes in operating liabilities			
Notes payable		( 7 )	-
Accounts payable		( 5,901 )	( 21,453 )
Other payables		( 10,470 )	( 1,150 )
Prepayments		( 3,705 )	1,390
Other current liabilities		915	7
Other non-current liabilities		8	( 2,743 )
Cash inflow generated from operations		30,997	56,971
Interest received		2,761	3,454
Dividend received		351	900
Income tax paid	6(22)	( 3,262 )	( 2,933 )
Net cash flows from operating activities		<u>30,847</u>	<u>58,392</u>

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at fair value through profit or loss	6(2)	(\$ 13,501 )	(\$ 17,458 )
Decrease in other current assets		33,690	-
Acquisition of property, plant and equipment	6(25)	( 2,417 )	( 7,570 )
Proceeds from disposal of property, plant and equipment	6(7)	197	844
Acquisition of intangible assets		-	( 629 )
Decrease in refundable deposits		-	1
(Increase) decrease in other non-current assets		( 18,129 )	52
Net cash flows used in investing activities		( 160 )	( 24,760 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase (decrease) in guarantee deposits received		671	( 74 )
Exercise of employee stock options	6(11)	4,908	1,994
Net cash flows from financing activities		5,579	1,920
Effect of exchange rate changes on cash equivalents		( 19,954 )	( 4,303 )
Net increase in cash and cash equivalents		16,312	31,249
Cash and cash equivalents at beginning of period		489,064	595,582
Cash and cash equivalents at end of period		\$ 505,376	\$ 626,831

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



TONS LIGHTOLOGY INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2017 AND 2016

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

1. ORGANIZATION AND OPERATIONS

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

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

These consolidated financial statements were reported to the Board of Directors on April 28, 2017.

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 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	January 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS as endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customer' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

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

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

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction Contracts', IAS

18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

#### C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

#### D. 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.

#### E. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

### 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, 2016, 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, 2016.

(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) Available-for-sale financial assets measured at fair value.
  - (c) Liabilities on cash-settled share-based payment arrangements measured at fair value.
  - (d) 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 judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

The basis for preparation of consolidated financial statements are consistent with those for the year ended December 31, 2016.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			March 31, 2017	December 31, 2016	
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC. (WORLD EXTEND)	Reinvestment company	100	100	Note 1
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD. (HONG BO)	Reinvestment company	100	100	
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD. (TL)	Sales of various lighting products and accessories	100	100	
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	100	Note 1
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED (LUMINOUS)	Reinvestment company	100	100	Note 2
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD (TITAN)	Design of products, manufacturing of hardware parts, production and trading of lighting products and	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	100	100	
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD (SHANGHAI TONS)	Sales of various lighting products and accessories	100	-	Note 3

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			March 31, 2016	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	-	Note 2
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD (TITAN)	Design of products, manufacturing of hardware parts, production and trading of lighting	100	Note 1
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD (ZHONGSHAN TONS)	Design of products, manufacturing of hardware parts, production and trading of lighting	100	
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD (SHANGHAI TONS)	Sales of various lighting products and accessories	-	Note 3

Note 1: The subsidiary is material to the Company.

Note 2: On July 11, 2016, the Board of Directors has approved the establishment of a subsidiary, Luminous Holding Incorporated, for business development. The establishment was completed in the same year.

Note 3: On July 11, 2016, the Board of Directors has approved the reinvestment in Mainland and the establishment of a subsidiary, Shanghai Tons Lightology Co., Ltd., through Luminous Holding Incorporated for business development. The establishment was completed on

January 2017.

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

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

E. Significant restrictions: None.

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

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

There have been no significant changes as of March 31, 2017. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2016.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	\$ 783	\$ 1,295	\$ 828
Checking accounts and demand deposits	90,542	80,538	116,826
Time deposits	414,051	402,234	509,177
Cash equivalents	-	4,997	-
	<u>\$ 505,376</u>	<u>\$ 489,064</u>	<u>\$ 626,831</u>

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

B. Cash equivalents are notes issued under repurchase agreement and meets requirements of short-term and high liquidity.

C. 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).

D. The Group has no cash and cash equivalents pledged to others.

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

Items	March 31, 2017	December 31, 2016	December 31, 2015
<u>Non-current items:</u>			
Listed stocks	\$ 86,675	\$ 74,040	\$ 35,097
Valuation adjustment	( 241)	( 2,535)	398
Total	<u>\$ 86,434</u>	<u>\$ 71,505</u>	<u>\$ 35,495</u>
<u>Current items:</u>			
Financial liabilities held for trading			
Non-hedging derivatives			
- Forward foreign exchange contracts	(\$ 904)	(\$ 2,067)	(\$ 39)



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

March 31, 2017		
Financial instruments	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousands	2017.4.15~2018.3.18
December 31, 2016		
Financial instruments	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousands	2017.1.16~2017.12.24
March 31, 2016		
Financial instruments	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousands	2016.4.17~2017.3.17

The Group entered into forward foreign exchange contracts to sell (sell USD and buy RMB) to hedge exchange rate risk of import and export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting. For the three months ended March 31, 2017 and 2016, the Group recognised net gain of \$1,099 thousand and \$1,136 thousand, respectively.

B. The Group recognised net gain of \$2,295 and \$521 on financial assets designated as at fair value through profit or loss for the three months ended March 31, 2017 and 2016, respectively.

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

(3) Accounts receivable, net

	March 31, 2017	December 31, 2016	March 31, 2016
Accounts receivable	\$ 116,001	\$ 165,080	\$ 161,965
Less: Allowance for bad debts	( 1,313)	( 1,533)	( 3,163)
	<u>\$ 114,688</u>	<u>\$ 163,547</u>	<u>\$ 158,802</u>

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:

	March 31, 2017	December 31, 2016	March 31, 2016
Group 1	\$ 78,383	\$ 99,472	\$ 81,232
Group 2	22,293	24,889	24,023
Group 3	7,399	12,857	14,488
Group 4	79	1,765	1,400
	<u>\$ 108,154</u>	<u>\$ 138,983</u>	<u>\$ 121,143</u>

Group 1: Existing customers (more than 6 months from the first transaction) who are within the

list of top 10 customers of the Group.

Group 2: Existing customers (more than 6 months from the first transaction) who are within the list of top 11~30 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 financial assets that were past due but not impaired is as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Up to 30 days	\$ 4,053	\$ 21,079	\$ 30,761
31 to 60 days	2,250	1,219	3,779
61 to 90 days	5	2,575	1,437
91 to 120 days	65	237	818
121 to 150 days	-	-	100
151 to 180 days	282	294	1,526
181 to 210 days	-	-	231
211 to 240 days	-	-	399
	<u>\$ 6,655</u>	<u>\$ 25,404</u>	<u>\$ 39,051</u>

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired is as follows:

As of March 31, 2017, December 31, 2016 and March 31, 2016, the Group's accounts receivable that were impaired amounted to \$1,192 thousand, \$693 thousand and \$1,771 thousand respectively.

D. Movements on the Group's provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	\$ 693	\$ 840	\$ 1,533
Provision for impairment	499	-	499
Reversal of impairment	-	( 697)	( 697)
Effects of foreign exchange	-	( 22)	( 22)
At March 31	<u>\$ 1,192</u>	<u>\$ 121</u>	<u>\$ 1,313</u>
	2016		
	Individual provision	Group provision	Total
At January 1	\$ 1,771	\$ 1,079	\$ 2,850
Provision for impairment	-	321	321
Effects of foreign exchange	-	( 8)	( 8)
At March 31	<u>\$ 1,771</u>	<u>\$ 1,392</u>	<u>\$ 3,163</u>

E. The Group does not hold any collateral as security.

(4) Inventories

March 31, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 98,891	(\$ 7,209)	\$ 91,682
Work in process	17,720	( 1,165)	16,555
Semi-finished goods	38,502	( 4,793)	33,709
Finished goods	27,352	( 6,476)	20,876
Total	<u>\$ 182,465</u>	<u>(\$ 19,643)</u>	<u>\$ 162,822</u>

December 31, 2016			
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 87,516	(\$ 7,313)	\$ 80,203
Work in process	16,699	( 1,065)	15,634
Semi-finished goods	37,442	( 4,706)	32,736
Finished goods	25,584	( 6,583)	19,001
Total	<u>\$ 167,241</u>	<u>(\$ 19,667)</u>	<u>\$ 147,574</u>

March 31, 2016			
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 105,824	(\$ 9,857)	\$ 95,967
Work in process	16,459	( 1,578)	14,881
Semi-finished goods	46,745	( 7,191)	39,554
Finished goods	26,369	( 7,275)	19,094
Total	<u>\$ 195,397</u>	<u>(\$ 25,901)</u>	<u>\$ 169,496</u>

Three months ended March 31				
	2017		2016	
Cost of goods sold	\$	136,558	\$	181,025
Loss on (gain on reversal of) market value decline and obsolete and slow- moving inventories		645 (		1,256)
Gain from sale of scraps	(	678)	(	1,137)
Loss on scrapping inventory		1,099		1,157
(Reversal of) provision for warranty expenses	(	118)		64
	<u>\$</u>	<u>137,506</u>	<u>\$</u>	<u>179,853</u>

The Group reversed a previous inventory write-down because obsolete and slow-moving inventories and inventories with decline in market value were partially sold by the Group for the three months ended March 31, 2016.

(5) Other current assets

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Time deposits	\$ 40,899	\$ 78,108	\$ -
Other	<u>3,888</u>	<u>4,105</u>	<u>4,184</u>
	<u>\$ 44,787</u>	<u>\$ 82,213</u>	<u>\$ 4,184</u>

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

(6) Non-current available-for-sale financial assets

<u>Items</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Non-current items:			
Listed stocks	\$ 89,834	\$ 89,834	\$ 89,834
Unlisted stocks	11,393	11,393	11,393
Valuation adjustment	<u>23,993</u>	<u>19,893</u>	<u>21,858</u>
Total	<u>\$ 125,220</u>	<u>\$ 121,120</u>	<u>\$ 123,085</u>

The Group recognised gain of \$4,100 and \$10,114 in other comprehensive income for fair value change for the three months ended March 31, 2017 and 2016, respectively, and did not reclassify any amount from equity to profit or loss for the three months ended March 31, 2017 and 2016.

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(7) Property, plant and equipment

	Three months ended March 31, 2017					
	At January 1	Additions	Disposals	Transfers	Net exchange differences	At March 31
<b>Cost</b>						
Buildings and structures	\$ 298,539	\$ -	\$ -	\$ -	\$ 13,579	\$ 284,960
Molding equipment	149,181	1,934	(181)	641	(6,850)	144,725
Machinery	135,410	-	(161)	-	(6,298)	128,951
Research and development equipment	26,864	-	-	-	(1,221)	25,643
Transportation equipment	15,369	980	(1,042)	-	(621)	14,686
Others	83,982	736	(600)	-	(3,674)	80,444
Construction in progress	5,185	-	-	-	(228)	4,957
	<u>\$ 714,530</u>	<u>\$ 3,650</u>	<u>\$ 1,984</u>	<u>\$ 641</u>	<u>\$ 32,471</u>	<u>\$ 684,366</u>
<b>Accumulated depreciation</b>						
Buildings and structures	(\$ 126,022)	\$ 3,807	\$ -	\$ -	\$ 5,835	\$ 123,994
Molding equipment	( 129,398)	( 2,945)	181	-	( 5,960)	( 126,202)
Machinery	( 92,062)	( 1,773)	171	-	( 4,384)	( 89,280)
Research and development equipment	( 22,257)	( 286)	-	-	( 1,019)	( 21,524)
Transportation equipment	( 8,868)	( 533)	( 1,042)	-	( 360)	( 7,999)
Others	( 74,340)	( 888)	( 590)	-	( 3,301)	( 71,337)
	<u>(\$ 452,947)</u>	<u>\$ 10,232</u>	<u>\$ 1,984</u>	<u>\$ -</u>	<u>\$ 20,859</u>	<u>(\$ 440,336)</u>
	<u>\$ 261,583</u>					<u>\$ 244,030</u>

Three months ended March 31, 2016

	At January 1	Additions	Disposals	Transfers	Net exchange differences	At March 31
<b>Cost</b>						
Buildings and structures	\$ 326,307	\$ -	\$ -	-	(\$ 1,503)	\$ 324,804
Molding equipment	154,354	5,005	(2,890)	-	(744)	155,725
Machinery	145,097	-	-	-	(601)	144,496
Research and development equipment	29,015	-	-	-	(134)	28,881
Transportation equipment	16,287	572	(368)	-	(69)	16,422
Others	88,103	779	(334)	538	(415)	88,671
Construction in progress	5,655	269	-	(507)	(23)	5,394
	<u>\$ 764,818</u>	<u>\$ 6,625</u>	<u>(\$ 3,592)</u>	<u>\$ 31</u>	<u>(\$ 3,489)</u>	<u>\$ 764,393</u>
<b>Accumulated depreciation</b>						
Buildings and structures	(\$ 120,779)	\$ 4,288	\$ -	-	\$ 622	(\$ 124,445)
Molding equipment	( 133,977)	( 3,719)	2,460	-	( 636)	( 134,600)
Machinery	( 92,239)	( 2,051)	-	-	( 391)	( 93,899)
Research and development equipment	( 22,696)	( 371)	-	-	( 111)	( 22,956)
Transportation equipment	( 7,284)	( 689)	368	-	( 40)	( 7,565)
Others	( 79,090)	( 837)	322	-	( 364)	( 79,241)
	<u>(\$ 456,065)</u>	<u>(\$ 11,955)</u>	<u>\$ 3,150</u>	<u>\$ -</u>	<u>2,164</u>	<u>(\$ 462,706)</u>
	<u>\$ 308,753</u>					<u>\$ 301,687</u>

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

(8) Other non-current assets

	March 31, 2017	December 31, 2016	March 31, 2016
Land use right	\$ 31,554	\$ 33,279	\$ 36,554
Prepayments for business facilities	22,897	7,292	6,777
Other non-current assets	9,881	8,943	7,219
	<u>\$ 64,332</u>	<u>\$ 49,514</u>	<u>\$ 50,550</u>

In November 2007, the Group entered into a land use right contract with Zhongshan Administration for Industry & Commerce for use of the land in Xiaolan Town, Zhongshan Prefecture, Guangdong Province in China, with a term of 47 years. Rents have been paid on the contract date. The Group recognised rental expenses of \$217 and \$242 for the three months ended March 31, 2017 and 2016, respectively.

(9) Other payables

	March 31, 2017	December 31, 2016	March 31, 2016
Salary and bonus payable	\$ 39,513	\$ 52,621	\$ 54,996
Insurance and pension expense payable	14,474	14,910	14,427
Payable for consumables and purchases	13,529	14,465	16,603
Housing fund payable	4,968	5,367	6,423
Payable for investment	2,283	3,149	14,382
Others	21,984	19,490	24,406
	<u>\$ 96,751</u>	<u>\$ 110,002</u>	<u>\$ 131,237</u>

(10) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$31 thousand and \$53 thousand for the three months ended March 31, 2017 and 2016, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to \$124.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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 subsidiaries have a defined contribution plan. Monthly contributions to endowment insurance or pension reserves in accordance with the pension regulations of local government are based on certain percentage of employees' monthly salaries and wages.

(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, 2017 and 2016, abovementioned contribution percentage was both 13%. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under defined contribution pension plans of the Group for the three months ended March 31, 2017 and 2016 were \$3,994 and \$3,668, respectively.

(11) Share-based payment

A. For the three months ended March 31, 2017 and 2016, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting condition	Actual turnover rate in the first quarter of 2017	Actual turnover rate in the first quarter of 2016	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%	3.33%	0%
Fifth employee stock options	2016.12.23	600	5 years	2~4 years' service	6.52%	-	0%

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

(a) Third (1) employee stock options

	2017		2016	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding opening balance	86	\$ 22.70	276	\$ 24.90
Options exercised	(86)	22.70	(75)	24.90
Options outstanding at March 31	-		201	24.90
Options exercisable at March 31	-		201	



## (b) Third (2) employee stock options

	2017		2016	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding opening balance	4	\$ 21.90	14	\$ 24.00
Options exercised	(4)	21.90	(5)	24.00
Options outstanding at March 31	<u>-</u>		<u>9</u>	24.00
Options exercisable at March 31	<u>-</u>		<u>5</u>	

## (c) Fourth employee stock options

	2017		2016	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding opening balance	390	\$ 23.80	508	\$ 26.10
Options forfeited	-	-	(3)	26.10
Options exercised	(120)	23.80	-	-
Options outstanding at March 31	<u>270</u>	23.80	<u>505</u>	26.10
Options exercisable at March 31	<u>220</u>		<u>-</u>	

## (d) Fifth employee stock options

	2017		2016	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding opening balance	600	\$ 34.95	-	\$ -
Options forfeited	(15)	34.95	-	-
Options outstanding at March 31	<u>585</u>	34.95	<u>-</u>	-
Options exercisable at March 31	<u>-</u>		<u>-</u>	

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

	Expiry date	March 31, 2017		December 31, 2016	
		No. of options (in thousands)	Exercise price	No. of options (in thousands)	Exercise price
Third (1) employee stock options	2017.3.20	-	\$ 22.70	86	\$ 22.70
Third (2) employee stock options	2017.12.25	-	21.90	4	21.90
Fourth employee stock options	2019.11.12	270	23.80	390	23.80
Fifth employee stock options	2021.12.22	585	34.95	600	34.95

  

	Expiry date	March 31, 2016	
		No. of options (in thousands)	Exercise price
Third (1) employee stock options	2017.3.20	201	\$ 24.90
Third (2) employee stock options	2017.12.25	9	24.00
Fourth employee stock options	2019.11.12	505	26.10

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

	Three months ended March 31,	
	2017	2016
Equity-settled - employee stock options	\$ 501	\$ 488

(12) Provisions – non-current

	Warranty provisions	
	2016	
At January 1	\$	1,565
Unused amounts reversed	(	265)
Effects of foreign exchange	(	15)
At March 31	\$	1,285

Analysis of total provisions:

	March 31, 2017	December 31, 2016	March 31, 2016
Non-current	\$ 1,285	\$ 1,565	\$ 528

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

(13) Share capital

A. As of March 31, 2017, 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 \$394,176 with a par value of \$10 (in dollars) per share. Total share capital was \$394,176.

- B. The stockholders at their annual stockholders' meeting on May 31, 2016 adopted a resolution to increase capital for 764 thousand shares with a par value of \$10 (in dollars), through capitalization of unappropriated retained earnings of \$7,644. The capital increase had been resolved by the Board of Directors and the effective date has been set on August 1, 2016. As of August 16, 2016, the registration has not yet been completed.

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

	(Unit: shares in Thousands)	
	2017	2016
At January 1	39,207	38,138
Employee stock options exercised	211	80
At March 31	<u>39,418</u>	<u>38,218</u>

(14) Capital surplus

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

(15) Retained earnings

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

- (a) Offset prior years' operating losses, if any.
- (b) Set aside 10% of the remaining amount as legal reserve, and set aside or reverse special reserve when necessary.
- (c) The remainder along with the unappropriated earnings of prior years is the accumulated distributable earnings. The appropriation of accumulated distributable earnings shall be proposed by the Board of Directors and be resolved by the shareholders.

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

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

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

(b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be the same as the amount reclassified from accumulated translation adjustment under shareholders' equity to retained earnings for the exemptions elected by the Group. The increase

in special reserve as a result of retained earnings arising from the adoption of IFRS was \$38,429.

D. The appropriations of 2016 earnings as proposed by the Board of Directors on February 24, 2017 and the appropriations of 2015 earnings as resolved by the shareholders on May 31, 2016 are as follows:

	Years ended December 31,	
	2016	20
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 12,501	\$ 14,461
Stock dividends	3,942	\$ 0.1 7,644
Cash dividends	102,486	2.6 107,010
	<u>\$ 118,929</u>	<u>\$ 129,115</u>

As of April 28, 2017, the abovementioned appropriation of 2016 earnings has not yet been approved by the shareholders.

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

(16) Other equity items

	2017		2016	
	Currency translation	Available-for-sale investment	Currency translation	Available-for-sale investment
At January 1	(\$ 23,355)	\$ 18,448	\$ 33,197	\$ 11,017
Currency translation differences: - Group	( 38,532)	-	( 6,105)	-
Revaluation	-	4,100	-	9,082
Revaluation - tax	-	-	-	1,032
At March 31	<u>(\$ 61,887)</u>	<u>\$ 22,548</u>	<u>\$ 27,092</u>	<u>\$ 21,131</u>

(17) Operating revenue

	Three months ended March 31,	
	2017	2016
Sales revenue	<u>\$ 210,347</u>	<u>\$ 286,373</u>

(18) Other income

	Three months ended March 31,	
	2017	2016
Interest income:		
Interest income from bank deposits	\$ 2,411	\$ 2,858
Other interest income	682	958
	<u>\$ 3,093</u>	<u>\$ 3,816</u>

(19) Other gains and losses

	Three months ended March 31,	
	2017	2016
Net currency exchange (loss) gain	(\$ 4,709)	\$ 1,019
Net gain on financial assets at fair value through profit or loss	3,394	1,657
Gain on disposal of property, plant and equipment	197	402
Others	( 1)	( 5)
	<u>(\$ 1,119)</u>	<u>\$ 3,073</u>

(20) Expenses by nature

	Three months ended March 31,	
	2017	2016
Employee benefit expense	\$ 56,921	\$ 73,870
Depreciation charges on property, plant and equipment	10,232	11,955
Amortisation expense	375	389

(21) Employee benefit expense

	Three months ended March 31,	
	2017	2016
Wages and salaries	\$ 48,271	\$ 64,471
Employee stock options	501	488
Labour and health insurance fees	2,264	2,509
Pension costs	4,025	3,721
Other personnel expenses	1,860	2,681
	<u>\$ 56,921</u>	<u>\$ 73,870</u>

Note: Wages and salaries include wages to contractors. For the three months ended March 31, 2017 and 2016, the Group had 767 (not including 57 contractors) and 917 employees (not including 84 contractors), respectively.

- A. A ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 8% to 12% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration. If a company has accumulated deficit, earnings should be retained to cover losses.
- B. For the three months ended March 31, 2017 and 2016, the accrued employees' compensation and directors' and supervisors' remuneration is as follows:

	Three months ended March 31,	
	2017	2016
Employees' compensation	\$ 1,805	\$ 4,520
Directors' and supervisors' remuneration	319	714
	<u>\$ 2,124</u>	<u>\$ 5,234</u>

The aforementioned amounts were recognised in salary expenses. For the three months ended March 31, 2017, 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. For the three months ended March 31, 2016, employees' compensation and directors' and supervisors' remuneration were accrued based on 9.5% 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 2016 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2016 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 by the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2017	2016
Current tax:		
Current tax on profits for the period	\$ 4,290	\$ 8,596
Adjustments in respect of prior years	( 713)	21
Total current tax	3,577	8,617
Deferred tax:		
Origination and reversal of temporary differences	( 21)	715
Income tax expense	<u>\$ 3,556</u>	<u>\$ 9,332</u>

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

	Three months ended March 31,	
	2017	2016
Unrealised gain (loss) on available-for-sale financial assets	\$ -	(\$ 1,032)

B. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	March 31, 2017	December 31, 2016	March 31, 2016
Earnings generated in and after 1998	<u>\$ 204,177</u>	<u>\$ 187,006</u>	<u>\$ 229,515</u>

D. As of March, 31, 2017, December 31, 2016, and March 31, 2016, the balance of the imputation tax credit account was \$17,724, \$17,724 and \$12,046, respectively. The creditable tax rate was 12.83% for the year ended December 31, 2015 and is estimated to be 9.48% for the year ended December 31, 2016.

E. Under the Income Tax Law, for distribution of earnings generated in and after 1998, the imputation tax credit which can be allocated to shareholders residing in R.O.C. is calculated based on the creditable tax rate at the date of dividend distribution. Actual imputation tax credit allocated to shareholders is based on the balance of the imputation tax credit account as of the date of dividend distribution. Therefore, the expected creditable tax rate for the 2016 earnings may differ from the actual creditable tax rate used to allocate imputation tax credits to the shareholders. According to Tai-Cai-Shui-Zi No. 10204562810 issued by the Ministry of Finance, when calculating the creditable tax rate during the year of first-time adoption of IFRSs, the cumulative unappropriated earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

(23) Earnings per share

Three months ended March 31, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 17,171	39,342	\$ 0.44
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	17,171	39,342	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	56	
- Employee stock options	-	76	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 17,171	39,474	\$ 0.43

Three months ended March 31, 2016			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 37,886	\$ 38,940	\$ 0.97
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	37,886	38,940	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	120	
- Employee stock options	-	321	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 37,886	39,381	\$ 0.96

The abovementioned weighted average number of outstanding shares was retrospectively adjusted proportionately to the capitalised amount of unappropriated earnings for the three months ended March 31, 2016.

(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 \$4,509 and \$4,163 for these leases in profit or loss for the three months ended March 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Not later than one year	\$ 11,349	\$ 13,928	\$ 12,691
Later than one year but not later than five years	9,303	10,632	6,727
	<u>\$ 20,652</u>	<u>\$ 24,560</u>	<u>\$ 19,418</u>

(25) Supplemental cash flow information

Investing activities with partial cash payments

	Three months ended March 31,	
	2017	2016
Purchase of property, plant and equipment	\$ 3,650	\$ 6,625
Add: Opening balance of payable on equipment	497	2,151
Less: Ending balance of payable on equipment	(1,730)	(1,206)
Cash paid during the period	<u>\$ 2,417</u>	<u>\$ 7,570</u>

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Three months ended March 31,	
	2017	2016
Short-term employee benefits	\$ 6,373	\$ 9,289
Post-employment benefits	176	158
Share-based payments	275	302
	<u>\$ 6,824</u>	<u>\$ 9,749</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

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

(2) Commitments

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

Lessee	Leased object	Period	Monthly rent
TONS LIGHTOLOGY INC.	4F., No.236, Bo'ai St., New Taipei City, Taiwan	2017.1.1 ~ 2019.12.31	\$ 443
ZHONGSHAN TONS LIGHTING CO., LTD.	No. 6 HuaCheng Rd., ZhongShan, GuangDong Province, China	2016.1.1 ~ 2017.12.31	670

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.



## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders and issue new shares to reduce debt. The Group monitors capital on the basis of the debt-to-asset ratio. This ratio is calculated as net debt divided by total assets. During the year ended December 31, 2017, the Group's strategy, which was unchanged from 2016, was to maintain the debt-to-asset ratio within 20% to 40%. The debt-to-asset ratios at March 31, 2017, December 31, 2016 and March 31, 2016 were as follows:

	March 31, 2017	December 31, 2016	March 31, 2017
Total liabilities	\$ 235,532	\$ 262,670	\$ 278,886
Total assets	\$ 1,383,815	\$ 1,422,805	\$ 1,506,096
Gearing ratio	17%	18%	19%

### (2) Financial instruments

#### A. Fair value information of financial instruments

- (a) Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

	March 31, 2017			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss	\$ 86,434	\$ 86,434	\$ -	\$ -
Available-for-sale financial assets	125,220	105,329	-	19,891
	<u>\$ 211,654</u>	<u>\$ 191,763</u>	<u>\$ -</u>	<u>\$ 19,891</u>
	December 31, 2016			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss	\$ 71,505	\$ 71,505	\$ -	\$ -
Available-for-sale financial assets	121,120	101,229	-	19,891
	<u>\$ 192,625</u>	<u>\$ 172,734</u>	<u>\$ -</u>	<u>\$ 19,891</u>
	March 31, 2016			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss	\$ 35,495	\$ 35,495	\$ -	\$ -
Available-for-sale financial assets	123,085	107,419	-	15,666
	<u>\$ 158,580</u>	<u>\$ 142,914</u>	<u>\$ -</u>	<u>\$ 15,666</u>

- (b) The methods and assumptions of fair value measurement are as follows:

Available-for-sale financial assets: There is no quoted market price available, the fair value is determined by using valuation techniques or counterparty quotes.

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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (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. 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 various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use natural hedge to decrease the risk exposure in the foreign currency, transacted with Group treasury.
- iii. The Group treasury's risk management policy is to hedge anticipated cash flows (mainly from export sales and purchase of inventory) in each major foreign currency.

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

		March 31, 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
<b>(Foreign currency: functional currency)</b>							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : NTD	\$	4,972	30.28	\$ 150,552	1%	\$ 1,505	-
HKD : NTD		1,149	3.874	4,451	1%	45	-
EUR : NTD		564	32.230	18,178	1%	182	-
RMB : NTD		32,682	4.382	143,213	1%	1,432	-
RMB : USD		27,079	0.145	118,660	1%	( 1,187)	-
USD : RMB		4,425	6.882	133,989	1%	1,340	-
EUR : RMB		99	7.359	3,191	1%	32	-
<u>Non-monetary items</u>							
USD : NTD	\$	337	30.28	\$ 10,204	1%	\$ -	102
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : NTD	\$	4,617	30.38	\$ 140,264	1%	(\$ 1,403)	-
EUR : NTD		153	32.630	4,992	1%	( 50)	-
RMB : NTD		10,119	4.432	44,847	1%	( 448)	-
RMB : USD		9,257	0.146	41,027	1%	410	-
USD : RMB (Note)		1,800	6.944	904	1%	( 552)	-

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

		December 31, 2016			
		Sensitivity analysis			
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 4,565	32.200	\$ 146,993	1%	\$ 1,470
EUR : NTD	1,197	33.700	40,339	1%	403
RMB : NTD	29,015	4.592	133,237	1%	1,332
RMB : USD	25,152	0.143	115,498	1%	( 1,155)
USD : RMB	4,227	6.985	136,109	1%	1,361
<u>Non-monetary items</u>					
USD : NTD	\$ 337	32.200	\$ 10,851	1%	\$ -
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 5,570	32.300	\$ 179,911	1%	(\$ 1,799)
RMB : NTD	8,232	4.642	38,213	1%	( 382)
RMB : USD	7,748	0.144	35,966	1%	360
USD : RMB (Note)	1,800	6.973	2,067	1%	( 580)

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

March 31, 2016

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 6,927	32.135	\$ 222,599	1%	\$ 2,226	\$ -
EUR : NTD	1,429	36.310	51,887	1%	519	-
RMB : NTD	22,996	4.947	113,761	1%	1,138	-
RMB : USD	6,555	0.154	32,428	1%	( 324)	-
USD : RMB	4,363	6.473	140,205	1%	1,402	-
<u>Non-monetary items</u>						
USD : NTD	\$ 337	32.135	\$ 10,829	1%	\$ -	\$ 108
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 6,999	32.235	\$ 225,613	1%	(\$ 2,256)	\$ -
USD : RMB	2,337	6.473	75,333	1%	( 753)	-
USD : RMB (Note)	1,800	6.4875	39	1%	( 582)	-

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.

E. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2017 and 2016, amounted to (\$4,709) and \$1,019, respectively.

### Interest rate risk

For the three months ended March 31, 2017 and 2016, the Group has no items with impact on profit (loss) due to changes in interest rates.

### Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. 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, other components of equity for the three months ended March 31, 2017 and 2016 would have increased/decreased by \$1,252 and \$1,231, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

### (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. 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. 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 management. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.
- ii. For the three months ended March 31, 2017 and 2016, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(3) Accounts receivable.
- iv. The ageing analysis of financial assets that were past due but not impaired is provided in Note 6(3) Accounts receivable.
- v. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset in Note 6.

### (c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting

takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

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

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
March 31, 2017					
Accounts payable	\$ 97,878	\$ -	\$ -	\$ -	\$ -
Other payables	96,751	-	-	-	-

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
December 31, 2016					
Accounts payable	\$ 108,319	\$ -	\$ -	\$ -	\$ -
Other payables	110,002	-	-	-	-

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
March 31, 2016					
Accounts payable	\$ 100,546	\$ -	\$ -	\$ -	\$ -
Other payables	131,237	-	-	-	-

Derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
March 31, 2017					
Forward exchange contracts	\$ 904	\$ -	\$ -	\$ -	\$ -

Derivative financial liabilities:

December 31, 2016	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	\$ 2,067	\$ -	\$ -	\$ -	\$ -

Derivative financial liabilities:

March 31, 2016	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	\$ 39	\$ -	\$ -	\$ -	\$ -

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A.

B. 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.

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 at March 31, 2017, December 31, 2016 and March 31, 2015 is as follows:

March 31, 2017	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 86,434	\$ -	\$ -	\$ 86,434
Available-for-sale financial assets - Equity securities	\$ 105,329	\$ -	\$ 19,891	\$ 125,220
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	\$ -	\$ 904	\$ -	\$ 904



<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 71,505	\$ -	\$ -	\$ 71,505
Available-for-sale financial assets - Equity securities	\$ 101,229	\$ -	\$ 19,891	\$ 121,120
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	\$ -	\$ 2,067	\$ -	\$ 2,067
<u>March 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 35,495	\$ -	\$ -	\$ 35,495
Available-for-sale financial assets - Equity securities	\$ 107,419	\$ -	\$ 15,666	\$ 123,085
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	\$ -	\$ 39	\$ -	\$ 39

- D. 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.
- E. For the three months ended March 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the three months ended March 31, 2017 and 2016:

	2017			
	<u>Non-derivative equity instrument</u>	<u>Derivative instruments</u>	<u>Investment property</u>	<u>Total</u>
At January 1 and March 31	\$ 19,891	\$ -	\$ -	\$ 19,891

	2016			
	Non-derivative equity instrument	Derivative instruments	Investment property	Total
At January 1	\$ 65,937	\$ -	\$ -	\$ 65,937
Acquired in the period	( 50,271)	-	-	( 50,271)
At March 31	<u>\$ 15,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,666</u>

Note 1: As the Group's private entity's shares of StrongLED Lighting Systems (Cayman) Co., Ltd. started to be traded in the Taipei Exchange from March 2016, the Group has transferred the fair value from Level 3 into Level 1 at the end of month when the event occurred.

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

	Fair value at March 31, 2017	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 19,891	Market comparable companies	Net equity ratio and price to earnings ratio	0.91~9.07	The higher the multiple, the higher the fair value
	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 19,891	Market comparable companies	Net equity ratio and price to earnings ratio	0.91~9.07	The higher the multiple, the higher the fair value

	Fair value at March 31, 2016	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non derivative equity instrument:					
Unlisted shares	\$ 15,666	Market comparable companies	Net equity ratio and price to earnings ratio	0.83~9.16	The higher the multiple, the higher the fair value

I. 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:

				March 31, 2017	
				Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	
Financial assets					
Equity securities	Net equity ratio and price to earnings ratio	±5%	\$ 962	(\$ 962)	
				December 31, 2016	
				Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	
Financial assets					
Equity securities	Net equity ratio and price to earnings ratio	±5%	\$ 996	(\$ 996)	
				March 31, 2016	
				Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	
Financial assets					
Equity securities	Net equity ratio and price to earnings ratio	±5%	\$ 792	(\$ 792)	

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

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 4.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative financial instruments undertaken during the reporting periods: Titan Lighting Co., Ltd. entered into forward foreign exchange contracts for the three months ended March 31, 2017. As of March 31, 2017, financial liabilities at fair value through profit or loss of \$904 was recognised.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the three months ended March 31, 2017 is provided in Note 13(1) J.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

A. The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Three months ended March 31, 2017				
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	\$ 194,717	\$ 1,635	\$ 13,995	\$ 210,347
Revenue from internal customers	5,633	161,846	1,506	168,985
Segment revenue	<u>\$ 200,350</u>	<u>\$ 163,481</u>	<u>\$ 15,501</u>	<u>\$ 379,332</u>
Segment profit (loss) before tax	<u>\$ 11,425</u>	<u>\$ 9,567</u>	<u>(\$ 2,769)</u>	<u>\$ 18,223</u>

  

Three months ended March 31, 2016				
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	\$ 265,555	\$ 2,923	\$ 17,895	\$ 286,373
Revenue from internal customers	6,032	211,634	1,467	219,133
Segment revenue	<u>\$ 271,587</u>	<u>\$ 214,557</u>	<u>\$ 19,362</u>	<u>\$ 505,506</u>
Segment profit (loss) before tax	<u>\$ 27,303</u>	<u>\$ 19,694</u>	<u>\$ 695</u>	<u>\$ 47,692</u>

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

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

D. The Group did not allocate income tax expense to reportable segments. The reportable amounts are in agreement with the amount stated in the report to the chief operating decision-maker.

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

(3) Reconciliation for segment income (loss)

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

	Three months ended March 31,	
	2017	2016
Reportable operating segments revenue after adjustment	\$ 379,332	\$ 505,506
Other operating segments revenue after adjustment	<u>162,700</u>	<u>215,262</u>
Total operating segments	542,032	720,768
Elimination of intersegment revenue	<u>( 331,685)</u>	<u>( 434,395)</u>
Total consolidated operating revenue	<u>\$ 210,347</u>	<u>\$ 286,373</u>

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

	Three months ended March 31,	
	2017	2016
Reportable operating segments income before tax after adjustment	\$ 18,223	\$ 47,692
Other operating segments income (loss) before tax after adjustment	<u>2,803</u>	<u>( 759)</u>
Total operating segments	21,026	46,933
Elimination of intersegment revenue	<u>( 299)</u>	<u>285</u>
Income before tax from continuing operations	<u>\$ 20,727</u>	<u>\$ 47,218</u>

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Loans to others

Three months ended March 31, 2017

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three months ended March 31, 2017	Balance at March 31, 2017	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Footnote	
													Item	Value		
0	TONS LIGHTOLOGY INC.	GREATSUUPER TECHNOLOGY LIMITED	Other receivables	Yes	\$ 62,590	\$ 60,560	\$ 22,256	1.65	Financing	\$ -	Operation requirements	\$ -	\$ -	None	459,313	(Note 4) (Note 6)
1	ZHONGSHAN TONS LIGHTING CO., LTD.	SHANGHAI TONS LIGHOLOGHY CO., LTD.	Other receivables	Yes	15,701	15,476	15,476	1.50	Financing	-	Operation requirements	-	-	None	30,629	(Note 5) (Note 6)

Note 1: The numbers filled in for the loans 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: For companies with short-term financing needs, ceiling on loans is 40% of the lending company's net assets. As all the borrowing companies are wholly-owned companies held by Tons Lightology Inc., they are not limited to the 40% restriction.

Note 3: Ceiling on total loans granted to others is 40% of the lending company's net assets.

Note 4: On April 29, 2016, the Board of Directors has approved the financing to Greatsuper Technology Limited at USD 2 million. As of March 31, 2017, the amount drawn down was USD 735 thousand (calculated at the buying spot rate on March 31, 2017)

Note 5: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors, which was translated at the average buying and selling spot rate on March 31, 2017.

Note 6: The transactions were eliminated when preparing the consolidated financial statements.

**TONS LIGHTOLOGY INC. AND SUBSIDIARIES**  
**Provision of endorsements and guarantees to others**  
 Three months ended March 31, 2017

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Table 2

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2017 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2017 (Note 5)	Amount of endorsements/ guarantees drawn down collateral (Note 5)	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of		Footnote
									endorsements/ guarantees by parent company to subsidiary (Note 6)	endorsements/ guarantees by parent company (Note 6)	
0	TONS LIGHTOLOGY INC.	GREATSUPER TECHNOLOGY LIMITED	(3)	\$ 229,656	\$ 45,975	\$ 45,495	\$ -	\$ 459,313	Y	N	N

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

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

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

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

Note 4: Maximum outstanding endorsement/guarantee amount of USD 1.5 million is translated into NTD using the average rate of buying and selling spot rate of the month when the maximum amount incurred.

Note 5: Ending balance of endorsements/guarantees of USD 1.5 million as of March 31, 2017 was the balance as approved by the Board of Directors. As of March 31, 2017, the actual amount drawn down by Greatsuper Technology Limited was USD 0 thousand, which was translated into NTD using the average rate of buying and selling spot rate of the month when the maximum amount incurred.

Note 6: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.



TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

Three months ended March 31, 2017

Table 3

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of March 31, 2017			Footnote	
				Number of shares	Book value	Ownership (%)		Fair value
TONS LIGHTOLOGY INC.	Share ownership / TITAN AURORA INC.	None	Available-for-sale financial	1,900	\$ 10,885	19.00	\$ 10,885	-
TONS LIGHTOLOGY INC.	Share ownership / GRIFFIN LIGHTING CO., LTD.	None	assets – non-current Available-for-sale financial	66,500	8,129	19.00	8,129	-
TONS LIGHTOLOGY INC.	Share ownership / ANDERSEN LIGHTING CO., LTD	None	assets – non-current Available-for-sale financial	-	877	19.00	877	Note 2
TONS LIGHTOLOGY INC.	Stock / HEP TECH CO., LTD.	None	assets – non-current Available-for-sale financial	3,860,760	63,509	12.73	63,509	-
TONS LIGHTOLOGY INC.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	assets – non-current Available-for-sale financial	1,700,000	41,820	4.59	41,820	-
HONG BO INVESTMENT CO., LTD.	Stock / HEP TECH CO., LTD.	None	assets – non-current Financial assets at fair value through profit or loss – current	2,093,000	34,430	6.90	34,430	-
HONG BO INVESTMENT CO., LTD.	Stock / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through profit or loss – current	2,114,000	52,004	5.71	52,004	-
			Total		211,654	Total	211,654	

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Three months ended March 31, 2017

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
						Credit term	Unit price	Credit term			
TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	\$ 163,140	99	30-60 days after purchases of goods	Note 1	Note 2	(\$ 172,984)	( 97)	Note 4
TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	Same ultimate parent	Purchases	158,429	100	30-60 days after purchases of goods	Note 3	Note 2	( 141,849)	( 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  
Three months ended March 31, 2017

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2017 (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 \$172,984	3.47	\$	-	\$ 54,954	\$ -
TITAN LIGHTING CO., LTD.	TONS LIGHTING CO., LTD.	Same ultimate parent	Accounts receivable \$141,849	4.10	-	-	55,467	-

Note 1: Subsequent collection is the amount of receivables collected from related parties as of April 28, 2017.

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Three months ended March 31, 2017

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

Table 6

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)		
0	TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	(1)	( Purchases )	( \$	163,140) 30-60 days after purchases of goods	77.56
0	TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	(1)	( Accounts payable )	(	172,984) 30-60 days after purchases of goods	12.50
1	TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	(3)	( Purchases )	(	158,429) 30-60 days after purchases of goods	75.32
1	TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	(3)	( Accounts payable )	(	141,849) 30-60 days after purchases of goods	10.25

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

Three months ended March 31, 2017

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2017			Net profit (loss) of the investee for the three months ended March 31, 2017	Investment income (loss) recognised by the Company for the three months ended March 31, 2017	Footnote
				Balance at March 31, 2017	Balance at December 31, 2016	Number of shares	Ownership (%)	Book value			
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	\$ 503,130	\$ 503,130	16,933,402	100	\$ 766,065	\$ 5,695	\$ 5,396	Subsidiary (Note 1, 3)
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	90,000	90,000	9,000,000	100	91,007	2,292	2,292	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	13,047	( 393)	-	Indirect subsidiary (Note 2, 3)
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	30,357	30,357	950,000	100	28,796	( 9)	-	Indirect subsidiary (Note 2, 3)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	682,104	6,097	-	Indirect subsidiary (Note 2, 3)

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

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

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

TONS LIGHTLOGY INC. AND SUBSIDIARIES

Information on investments in Mainland China

Three months ended March 31, 2017

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

Investees in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2017	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2017	Net income of investee as of March 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2017	Book value of investments in Mainland China as of March 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2017	Footnote
TITAN LIGHTING CO., LTD.	Main business activities	\$ 371,618	(2)	\$ 368,845	\$ -	\$ 368,845	\$ 7,953	100.00	\$ 7,953	\$ 579,588	\$ 20,066	Note 1,2,3,4,5
	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories											
ZHONGSHAN TONS LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	109,188	(2)	110,585	-	110,585	( 2,769)	100.00	( 2,769)	76,572	-	Note 1,2,4,5
SHANGHAI TONS LIGHTLOGY CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	27,297	(2)	-	-	-	( 27)	100.00	( 27)	27,258	-	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	-	10.30	-	-	-	Note 1,7
Grand Canyon Opto Tech (Su Zhou) Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	319,276	(2)	43,299	-	43,299	-	10.30	-	-	510	Note 1,7

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 three months ended March 31, 2017 is based on financial statements audited and attested by R.O.C. parent company's CPA.

Note 3: Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016, including \$34,945 for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger.

Note 4: Paid-in capital of Titan Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS LIGHTLOGY CO., LTD. of USD \$12,253, USD \$3,600, respectively, was translated at the average buying and selling spot rate on December 31, 2016.

Note 5: Accumulated investment amount in Titan Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. of USD and SHANGHAI TONS LIGHTLOGY CO., LTD. \$11,816 and USD \$3,577 and USD \$900, respectively, was translated at the exchange rate at the initial

Note 6: Through the re-investment in Luminous Holding Incorporated with own funds of the investee located in the third area, World Extend Holding Inc., Shanghai Tons Lightology Co., Ltd. was established with paid-in capital of USD 900 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.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2017	Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs of MOEA
TONS LIGHTLOGY INC.	523,630	608,116	688,969

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2017 was USD 15,393 thousand and NTD 44,200 thousand, including \$1,059 for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger, the cash amounts of USD which was calculated at the actual exchange rate at outward remittance.

Note 2: Approved amount was USD 18,593 thousand and NTD 44,200 thousand, and has been translated at the average buying and selling spot rate on March 31, 2017.

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.