

**TONS LIGHTOLOGY INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2024 AND 2023**

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.

TONS LIGHTOLOGY INC.
MARCH 31, 2024 AND 2023 CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
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INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Tons Lightology Inc. and subsidiaries (the “Group”) as at March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of material accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion on the consolidated financial statements as of and for the three months ended March 31, 2024

As explained in Note 6(7), the financial statements of investments accounted for using equity method for the three months ended March 31, 2024 were not reviewed by independent auditors. The balances of investments accounted for using equity method amounted to

NT\$16,432 thousand, constituting 1% of the consolidated total assets as at March 31, 2023, share of loss of associates and joint ventures accounted for using equity method amounted to NT\$15,798 thousand, constituting 203% of the consolidated total loss before tax, and the total related comprehensive loss amounted to NT\$15,798 thousand, constituting 226% of the consolidated total comprehensive loss for the three months then ended.

Unqualified conclusion and qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of investments accounted for using equity method been reviewed by independent auditors as described in the *Basis for qualified conclusion on the consolidated financial statements as of and for the three months ended March 31, 2024* section, based on our reviews, nothing has come to our attention that causes us to believe that the consolidated financial statements as of and for the three months ended March 31, 2024 and 2023 do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Wang, Yu-Chuan

Hung, Shu-Hua

For and on behalf of PricewaterhouseCoopers, Taiwan

April 25, 2024

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 independent auditors' report 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, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	March 31, 2024		December 31, 2023		March 31, 2023		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 495,550	23	\$ 406,694	19	\$ 334,865	25
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	-	-	68,080	5
1136	Current financial assets at	6(3) and 8						
	amortised cost		468,487	22	571,621	26	300,128	23
1150	Notes receivable, net	6(4)	15,738	1	69,594	3	672	-
1170	Accounts receivable, net	6(4)	199,003	9	199,829	9	92,725	7
1200	Other receivables		11,502	1	9,082	-	6,942	1
1220	Current tax assets		481	-	481	-	5,041	-
130X	Inventories	6(5)	151,749	7	141,408	7	165,209	13
1410	Prepayments		21,096	1	21,171	1	9,416	1
1470	Other current assets		4,280	-	4,552	-	2,537	-
11XX	Current Assets		<u>1,367,886</u>	<u>64</u>	<u>1,424,432</u>	<u>65</u>	<u>985,615</u>	<u>75</u>
Non-current assets								
1517	Non-current financial assets at fair	6(6)						
	value through other comprehensive							
	income		4,013	-	4,835	-	36,285	3
1550	Investments accounted for using	6(7)						
	equity method		-	-	-	-	16,432	1
1600	Property, plant and equipment	6(8)	404,556	19	447,437	21	218,756	16
1755	Right-of-use assets	6(9)	100,633	5	103,130	5	47,105	4
1760	Investment property, net	6(10)	162,269	8	115,956	5	-	-
1780	Intangible assets		28,628	1	29,796	1	3,300	-
1840	Deferred income tax assets		53,011	2	52,803	2	5,077	-
1900	Other non-current assets	6(11) and 8	14,482	1	12,525	1	8,005	1
15XX	Non-current assets		<u>767,592</u>	<u>36</u>	<u>766,482</u>	<u>35</u>	<u>334,960</u>	<u>25</u>
1XXX	Total assets		<u>\$ 2,135,478</u>	<u>100</u>	<u>\$ 2,190,914</u>	<u>100</u>	<u>\$ 1,320,575</u>	<u>100</u>

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	March 31, 2024		December 31, 2023		March 31, 2023		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(12)	\$ 44,080	2	\$ 86,540	4	\$ -	-
2120	Financial liabilities at fair value	6(2)						
	through profit or loss - current		1,191	-	507	-	143	-
2130	Current contract liabilities	6(20)	49,007	2	48,503	2	27,781	2
2150	Notes payable		81,943	4	72,567	3	128	-
2170	Accounts payable		96,981	5	116,586	5	44,915	3
2200	Other payables	6(13)	184,034	9	148,476	7	119,592	9
2230	Current income tax liabilities		9,730	-	82	-	14,982	1
2250	Provisions for liabilities - current		256	-	13,813	1	162	-
2280	Current lease liabilities		7,273	-	7,525	1	8,756	1
2300	Other current liabilities		1,691	-	1,337	-	1,603	-
21XX	Current Liabilities		<u>476,186</u>	<u>22</u>	<u>495,936</u>	<u>23</u>	<u>218,062</u>	<u>16</u>
Non-current liabilities								
2550	Provisions for liabilities - non-current		24,202	1	10,999	1	530	-
2570	Deferred income tax liabilities		38,237	2	54,433	2	290	-
2580	Non-current lease liabilities		6,043	-	7,876	-	11,715	1
2600	Other non-current liabilities	6(14)	11,504	1	11,827	1	10,038	1
25XX	Non-current liabilities		<u>79,986</u>	<u>4</u>	<u>85,135</u>	<u>4</u>	<u>22,573</u>	<u>2</u>
2XXX	Total Liabilities		<u>556,172</u>	<u>26</u>	<u>581,071</u>	<u>27</u>	<u>240,635</u>	<u>18</u>
Equity attributable to owners of parent								
	Share capital	6(16)						
3110	Share capital - common stock		579,966	27	579,966	26	394,956	30
	Capital surplus	6(17)						
3200	Capital surplus		838,488	39	838,243	38	507,040	38
	Retained earnings	6(18)						
3310	Legal reserve		122,428	6	122,428	6	118,301	9
3320	Special reserve		78,922	4	78,922	4	88,050	7
3350	Unappropriated retained earnings		37,597	2	95,585	4	58,816	4
	Other equity interest	6(19)						
3400	Other equity interest		(63,723)	(3)	(90,929)	(4)	(72,851)	(5)
3500	Treasury shares	6(16)	(14,372)	(1)	(14,372)	(1)	(14,372)	(1)
31XX	Equity attributable to owners of the parent		<u>1,579,306</u>	<u>74</u>	<u>1,609,843</u>	<u>73</u>	<u>1,079,940</u>	<u>82</u>
3XXX	Total equity		<u>1,579,306</u>	<u>74</u>	<u>1,609,843</u>	<u>73</u>	<u>1,079,940</u>	<u>82</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
3X2X	Total liabilities and equity		<u>\$ 2,135,478</u>	<u>100</u>	<u>\$ 2,190,914</u>	<u>100</u>	<u>\$ 1,320,575</u>	<u>100</u>

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2024 AND 2023

(Expressed in thousands of New Taiwan dollars, except for (losses) earnings per share amounts)

Items	Notes	Three months ended March 31				
		2024		2023		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(20) and 7	\$ 236,509	100	\$ 162,286	100
5000	Operating costs	6(5) and 7	(183,538)	(77)	(111,153)	(68)
5900	Net operating margin		<u>52,971</u>	<u>23</u>	<u>51,133</u>	<u>32</u>
	Operating expenses	6(25)(26)				
6100	Selling expenses		(37,730)	(16)	(21,835)	(13)
6200	General and administrative expenses		(33,847)	(15)	(22,019)	(14)
6300	Research and development expenses		(21,772)	(9)	(8,206)	(5)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	<u>1,708</u>	<u>1</u>	<u>(1,773)</u>	<u>(1)</u>
6000	Total operating expenses		<u>(91,641)</u>	<u>(39)</u>	<u>(53,833)</u>	<u>(33)</u>
6900	Operating loss		<u>(38,670)</u>	<u>(16)</u>	<u>(2,700)</u>	<u>(1)</u>
	Non-operating income and expenses					
7100	Interest income	6(21)	6,652	3	3,557	2
7010	Other income	6(22)	8,294	3	164	-
7020	Other gains and losses	6(23)	7,630	3	7,108	5
7050	Finance costs	6(24)	(596)	-	(118)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(7)	<u>-</u>	<u>-</u>	<u>(15,798)</u>	<u>(10)</u>
7000	Total non-operating income and expenses		<u>21,980</u>	<u>9</u>	<u>(5,087)</u>	<u>(3)</u>
7900	Loss before income tax		<u>(16,690)</u>	<u>(7)</u>	<u>(7,787)</u>	<u>(4)</u>
7950	Income tax benefit (expense)	6(27)	<u>(1,050)</u>	<u>(1)</u>	<u>8,703</u>	<u>5</u>
8200	Profit (loss) for the period		<u><u>\$ 17,740</u></u>	<u><u>(8)</u></u>	<u><u>\$ 916</u></u>	<u><u>1</u></u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(\$ 821)	-	\$ 1,685	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	<u>164</u>	<u>-</u>	<u>445</u>	<u>-</u>
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss		<u>(657)</u>	<u>-</u>	<u>2,130</u>	<u>1</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(19)	<u>27,863</u>	<u>12</u>	<u>3,941</u>	<u>2</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss		<u>27,863</u>	<u>12</u>	<u>3,941</u>	<u>2</u>
8300	Total other comprehensive income for the period		<u><u>\$ 27,206</u></u>	<u><u>12</u></u>	<u><u>\$ 6,071</u></u>	<u><u>3</u></u>
8500	Total comprehensive income for the period		<u><u>\$ 9,466</u></u>	<u><u>4</u></u>	<u><u>\$ 6,987</u></u>	<u><u>4</u></u>
	Basic (loss) earnings per share	6(28)				
9750	Total basic (loss) earnings per share		<u><u>(\$ 0.31)</u></u>		<u><u>\$ 0.02</u></u>	
9850	Total diluted (loss) earnings per share		<u><u>(\$ 0.31)</u></u>		<u><u>\$ 0.02</u></u>	

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, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									Total equity
		Capital surplus			Retained earnings			Other equity interest			
		Share capital - common stock	Additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	
Three months ended March 31, 2023											
Balance at January 1, 2023		\$ 394,223	\$ 504,068	\$ 1,816	\$ 118,301	\$ 88,050	\$ 121,073	(\$ 61,125)	(\$ 17,797)	(\$ 14,372)	\$1,134,237
Profit for the period		-	-	-	-	-	916	-	-	-	916
Other comprehensive income for the period	6(19)	-	-	-	-	-	-	3,941	2,130	-	6,071
Total comprehensive income (loss)		-	-	-	-	-	916	3,941	2,130	-	6,987
Appropriation and distribution of 2022 retained earnings											
Cash dividends		-	-	-	-	-	(63,173)	-	-	-	(63,173)
Share-based payment transactions-employee stock options	6(15)	733	1,453	(297)	-	-	-	-	-	-	1,889
Balance at March 31, 2023		\$ 394,956	\$ 505,521	\$ 1,519	\$ 118,301	\$ 88,050	\$ 58,816	(\$ 57,184)	(\$ 15,667)	(\$ 14,372)	\$1,079,940
Three months ended March 31, 2024											
Balance at January 1, 2024		\$ 579,966	\$ 836,972	\$ 1,271	\$ 122,428	\$ 78,922	\$ 95,585	(\$ 88,012)	(\$ 2,917)	(\$ 14,372)	\$1,609,843
Loss for the period		-	-	-	-	-	(17,740)	-	-	-	(17,740)
Other comprehensive income (loss)		-	-	-	-	-	-	27,863	(657)	-	27,206
Total comprehensive income (loss)		-	-	-	-	-	(17,740)	27,863	(657)	-	9,466
Appropriation and distribution of 2023 retained earnings											
Cash dividends		-	-	-	-	-	(40,248)	-	-	-	(40,248)
Share-based payment transactions-employee stock options	6(15)	-	-	245	-	-	-	-	-	-	245
Balance at March 31, 2024		\$ 579,966	\$ 836,972	\$ 1,516	\$ 122,428	\$ 78,922	\$ 37,597	(\$ 60,149)	(\$ 3,574)	(\$ 14,372)	\$1,579,306

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, 2024 AND 2023

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

	Notes	Three months ended March 31	
		2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 16,690)	(\$ 7,787)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(25)	17,707	11,754
Depreciation - right-of-use assets	6(9)(25)	3,417	2,614
Depreciation - Investment properties	6(10)(25)	1,827	-
Amortisation	6(25)	2,677	545
Provision for (gain on reversal of) expected credit loss	12(2)	(1,708)	1,773
Net loss on financial assets and liabilities at fair value through profit or loss	6(2)(23)	668	(9,777)
Interest expense - finance lease	6(24)	523	-
Interest expense - lease liability	6(24)	73	118
Interest income	6(21)	(6,652)	(3,557)
Share-based payments	6(15)	245	270
Share of loss of associates and joint ventures accounted for under equity method	6(7)	-	15,798
Loss (gain) on disposal of property, plant and equipment	6(23)	(35)	136
Unrealized foreign exchange gain		(6,576)	2,375
(Reversal of) provision for warranty expense		(428)	(22)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		54,627	1,448
Accounts receivable, net		4,735	10,617
Accounts receivable due from related parties		-	321
Other receivables		(1,031)	(60)
Inventories		(7,767)	10,274
Prepayments		423	(3,972)
Other current assets		420	(561)
Changes in operating liabilities			
Notes payable		7,940	96
Accounts payable		(21,559)	(1,080)
Other payables		(6,615)	(9,692)
Contract liabilities		(163)	(3,413)
Other current liabilities		(33)	(105)
Other non-current liabilities		22	21
Cash inflow generated from operations		26,047	18,134
Interest received		5,445	2,542
Interest paid		(630)	(118)
Income tax paid		(7,455)	(4,781)
Net cash flows from operating activities		23,407	15,777

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2024 AND 2023

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

	Notes	Three months ended March 31	
		2024	2023
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets measured at fair value through profit or loss		\$ -	(\$ 243)
(Increase) decrease in financial assets at amortised cost		110,229	(34,670)
Acquisition of property, plant and equipment	6(30)	(5,962)	(3,709)
Proceeds from disposal of property, plant and equipment		66	-
Decrease in other financial assets		2	-
Increase in refundable deposits		(296)	-
Acquisition of intangible deposits		(1,389)	(2,476)
Increase in other non-current assets		(6,274)	(878)
Net cash flows from (used in) investing activities		<u>96,376</u>	<u>(41,976)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(31)	(43,658)	-
Increase in guarantee deposits received	6(31)	(379)	-
Repayment of principal portion of lease liabilities	6(31)	(2,088)	(2,257)
Exercise of employee stock options		-	1,619
Net cash flows used in financing activities		<u>(46,125)</u>	<u>(638)</u>
Effect of exchange rate changes on cash equivalents		15,198	(275)
Net increase (decrease) in cash and cash equivalents		88,856	(27,112)
Cash and cash equivalents at beginning of period		406,694	361,977
Cash and cash equivalents at end of period		<u>\$ 495,550</u>	<u>\$ 334,865</u>

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, 2024 AND 2023

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

1. ORGANISATION AND OPERATIONS

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

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

These consolidated financial statements were approved and authorised for issuance by the Board of Directors on April 25, 2024.

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®”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	January 1, 2024

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

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

None.

(3) IFRS Accounting Standards 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

Accounting Standards as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
IFRS 18, ‘Presentation and disclosure in financial statements’	January 1, 2027
Amendments to IAS 21, ‘Lack of exchangeability’	January 1, 2025

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2023, except for the compliance statement, basis of preparation, 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 the International Accounting Standard 34, ‘Interim financial reporting’ that came into effect 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, 2023.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the

use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2023.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			March 31, 2024	December 31, 2023	
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC. (WORLD EXTEND)	Reinvestment company	100	100	
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD. (HONG BO)	Reinvestment company	100	100	
TONS LIGHTOLOGY INC.	StrongLED Lighting Systems (CAYMAN) Co., Ltd. (StrongLED)	Reinvestment company	100	100	Note 1
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	100	
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED (LUMINOUS)	Reinvestment company	100	100	
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD (TITAN)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			March 31, 2024	December 31, 2023	
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD (ZHONGSHAN TONS)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100	100	
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD (SHANGHAI TONS)	Sales of various lighting products and accessories	100	100	
StrongLED Lighting Systems (Cayman) Co., Ltd.	MENTALITY INTERNATIONAL CORPORATION (MENTALITY)	Reinvestment company	100	100	Note 1
StrongLED Lighting Systems (Cayman) Co., Ltd.	StrongLED Smart Lighting (Cayman) Co., Ltd. (Smart Lighting)	Reinvestment company	100	100	Note 1
MENTALITY INTERNATIONAL CORPORATION	StrongLED Lighting Systems(Suzhou) Co. Ltd.	Research, development, production and sales of LED semiconductor application and other products	100	100	Note 1
StrongLED Lighting Systems(Suzhou) Co. Ltd.	Shanghai Grand Canyon LED Lighting Systems Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	100	100	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership(%)	
			March 31, 2023	Description
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC. (WORLD EXTEND)	Reinvestment company	100	
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD. (HONG BO)	Reinvestment company	100	
TONS LIGHTOLOGY INC.	TONS LIGHTOLOGY (CAYMAN) INC. (TONS LIGHTOLOGY)	Reinvestment company	100	Note 2
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED (LUMINOUS)	Reinvestment company	100	
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD. (TITAN)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100	
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD. (ZHONGSHAN TONS)	Design of products, manufacturing of hardware parts, production and trading of lighting products and accessories	100	
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD. (SHANGHAI TONS)	Sales of various lighting products and accessories	100	

Note 1: The Group merged Strong LED Lighting Systems (Cayman) Co., Ltd. on October 31, 2023.

Note 2: TONS LIGHTOLOGY (CAYMAN) INC. is a special purpose company that was established on March 29, 2023 for the purpose of the merger with StrongLED Lighting Systems (Cayman) Co., Ltd., and it was dissolved after the completion of the merger with StrongLED Lighting Systems (Cayman) Co., Ltd. on October 31, 2023.

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

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

E. Significant restrictions: None.

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

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(5) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There have been no significant change as of March 31, 2024. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2023.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Cash on hand	\$ 1,073	\$ 741	\$ 783
Checking accounts and demand deposits	213,125	86,322	47,581
Time deposits	<u>281,352</u>	<u>319,631</u>	<u>286,501</u>
	<u>\$ 495,550</u>	<u>\$ 406,694</u>	<u>\$ 334,865</u>

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

B. The Group's restricted time deposits that did not meet short-term cash commitments were classified as 'financial assets at amortised cost', please refer to Note 6(3).

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

Item	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks (Note 1, Note 2)	\$ -	\$ -	\$ 113,590
Valuation adjustment	-	-	(45,510)
	\$ -	\$ -	\$ 68,080

Item	March 31, 2024	December 31, 2023	March 31, 2023
Financial liabilities mandatorily measured at fair value through profit or loss			
Forward foreign exchange contracts	(\$ 1,191)	(\$ 507)	(\$ 143)

Note 1: In line with the Group's investment management needs, 3,680,000 shares of StrongLED Lighting System (Cayman) Co., Ltd., a listed company, originally held by HONG BO INVESTMENT CO., LTD., a subsidiary of the Company, were transferred to the Company on March 16, 2023.

Note 2: On April 7, 2023, the Group's Board of Directors resolved to merge Strong LED Lighting Systems (Cayman) Co., Ltd. through a share swap and acquired its 100% equity interests on October 31, 2023. Strong LED Lighting Systems (Cayman) Co., Ltd. became the Group's subsidiary thereafter, and reclassified its "current financial assets at fair value through profit or loss" amounting to \$59,693 thousand to the Company's "investments accounted for using equity method". Refer to Note 6(29) for details.

A. The Group entered into contracts relating to derivative financial assets (liabilities) which were not accounted for using hedge accounting. The information is listed below:

	March 31, 2024	
Derivative financial assets (liabilities)	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2024.4.9~2024.3.11
	December 31, 2023	
Derivative financial assets (liabilities)	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2024.1.8~2024.12.14
	March 31, 2023	
Derivative financial assets (liabilities)	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2023.4.9~2024.3.16

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.

B. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Net (loss) gain on financial assets (liabilities) at fair value through profit or loss	(\$ 668)	\$ 9,777

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

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Current financial assets at amortised cost

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Time deposits	\$ 468,487	\$ 571,621	\$ 300,128

A. The above mentioned are time deposits that do not meet short-term cash commitments. As of March 31, 2024, December 31, 2023 and March 31, 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were \$468,487 thousand, \$571,621 thousand and \$300,128 thousand, respectively.

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Notes receivable	\$ 15,738	\$ 69,594	\$ 672
Less: Allowance for bad debts	-	-	-
	<u>\$ 15,738</u>	<u>\$ 69,594</u>	<u>\$ 672</u>
Accounts receivable	\$ 239,462	\$ 241,359	\$ 95,350
Less: Allowance for bad debts	(40,459)	(41,530)	(2,625)
	<u>\$ 199,003</u>	<u>\$ 199,829</u>	<u>\$ 92,725</u>

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

	March 31, 2024		December 31, 2023		March 31, 2023	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 15,738	\$ 148,019	\$ 69,133	\$ 171,425	\$ 672	\$ 78,852
Up to 30 days	-	33,684	461	16,250	-	9,687
31 to 120 days	-	19,458	-	12,354	-	6,215
Over 120 days	-	38,301	-	41,330	-	596
	<u>\$ 15,738</u>	<u>\$ 239,462</u>	<u>\$ 69,594</u>	<u>\$ 241,359</u>	<u>\$ 672</u>	<u>\$ 95,350</u>

The above ageing analysis was based on past due date.

B. As of March 31, 2024, December 31, 2023 and March 31, 2023, all the Group's accounts and notes receivable arose from contracts with customers. As of January 1, 2023, the balance of receivables from contracts with customers amounted to \$107,523 thousand.

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

D. As of March 31, 2024, December 31, 2023 and March 31, 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was the carrying amount of the notes and accounts receivable.

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

(5) Inventories

	March 31, 2024		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 96,680	(\$ 13,202)	\$ 83,478
Work in progress	21,131	(387)	20,744
Semi-finished goods	27,349	(6,278)	21,071
Finished goods	48,548	(22,378)	26,170
Inventory in transit	286	-	286
	<u>\$ 193,994</u>	<u>(\$ 42,245)</u>	<u>\$ 151,749</u>

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 99,741	(\$ 18,505)	\$ 81,236
Work in progress	17,979	(436)	17,543
Semi-finished goods	28,453	(5,659)	22,794
Finished goods	39,879	(20,044)	19,835
	<u>\$ 186,052</u>	<u>(\$ 44,644)</u>	<u>\$ 141,408</u>

	March 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 95,483	(\$ 8,392)	\$ 87,091
Work in progress	23,787	(1,489)	22,298
Semi-finished goods	39,085	(5,878)	33,207
Finished goods	33,713	(11,100)	22,613
	<u>\$ 192,068</u>	<u>(\$ 26,859)</u>	<u>\$ 165,209</u>

The cost of inventories recognised as expense for the period:

	Three months ended March 31,	
	2024	2023
Cost of goods sold	\$ 181,107	\$ 107,985
(Gain on reversal of) loss for market value decline and obsolescence	(3,079)	3,221
Loss on scrapping inventory	7,317	578
Expenses related to inventory	(1,807)	(631)
	<u>\$ 183,538</u>	<u>\$ 111,153</u>

For the three months ended March 31, 2024, the Group reversed a previous inventory write-down because obsolete and slow-moving inventories were partially sold and scrapped by the Group.

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

Items	March 31, 2024	December 31, 2023	March 31, 2023
Non-current items:			
Equity instruments			
Listed stocks	\$ -	\$ -	\$ 44,200
Unlisted stocks	8,481	8,481	8,481
Valuation adjustment	(4,468)	(3,646)	(16,396)
	<u>\$ 4,013</u>	<u>\$ 4,835</u>	<u>\$ 36,285</u>

A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$4,013 thousand \$4,835 thousand and \$36,285 thousand, respectively, as at March 31, 2024, December 31, 2023 and March 31, 2023.

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

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ <u>657</u>)	\$ <u>2,130</u>

C. As of March 31, 2024, December 31, 2023 and March 31, 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$4,013 thousand, \$4,835 thousand and \$36,285 thousand, respectively.

D. On April 7, 2023, the Company's Board of Directors resolved to merge Strong LED Lighting Systems (Cayman) Co., Ltd. through a share swap and acquired its 100% equity interests on with the effective date set on October 31, 2023. Strong LED Lighting Systems (Cayman) Co., Ltd. became the Group's subsidiary thereafter, and reclassified its "non-current financial assets at fair value through other comprehensive income" amounting to \$27,576 thousand to the Company's "investments accounted for using equity method". Refer to Note 6(29) for details.

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

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

(7) Investments accounted for using equity method

Associates

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Insignificant associate:			
Art So Trading Limited	\$ -	\$ -	\$ 10,483
Art So International, Inc.	-	-	5,949
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,432</u>

A. The basic information of the associates is as follows:

Company name	Principal place of business	Shareholding ratio(%)			Nature of relationship	Methods of measurement
		March 31, 2024	December 31, 2023	March 31, 2023		
Art So Trading Limited	Samoa	-	-	48.57%	Owns at least 20% of the voting rights	Equity method
Art So International, Inc.	Taiwan	-	-	30.00%	Owns at least 20% of the voting rights	Equity method

B. To simplify the organizational structure, Art So Group started the liquidation process over Art So Trading Limited on June 30, 2023, and its equity interests in Art So International, Inc. was transferred based on the shareholding ratio. After the transfer, the Group's shareholding ratio of Art So International, Inc. was increased from 30% to 43.99%, which was the same as the comprehensive shareholding ratio of 43.99% before the transfer. Additionally, the Company's Board of Directors resolved to dispose 43.99% equity interests in Art So International, Inc. on October 26, 2023, and the Company completed the transfer of equity interests with the consideration of \$1,000 thousand on October 31, 2023.

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

Investee	Three months ended March 31,	
	2024	2023
Art So Trading Limited	\$ -	(\$ 13,347)
Art So International, Inc.	-	(2,451)
	<u>\$ -</u>	<u>(\$ 15,798)</u>

(8) Property, plant and equipment

	Three months ended March 31, 2024					
	At January 1	Additions	Disposals	Transfers	Net exchange differences	At March 31
Cost						
Buildings and structures	\$ 808,822	\$ 1,649	(\$ 858)	(\$ 62,884)	\$ 15,805	\$ 762,534
Molding equipment	223,905	1,631	(79)	504	4,211	230,172
Machinery and equipment	194,183	727	(2,076)	3,711	3,655	200,200
Leasehold improvements	43,990	254	-	-	817	45,061
Research and development equipment	25,528	-	(46)	-	477	25,959
Transportation equipment	16,576	-	-	-	310	16,886
Unfinished construction and equipment under acceptance	383	495	-	-	12	890
Others	87,343	1,015	(1,399)	612	1,596	89,167
	<u>\$ 1,400,730</u>	<u>\$ 5,771</u>	<u>(\$ 4,458)</u>	<u>(\$ 58,057)</u>	<u>\$ 26,883</u>	<u>\$ 1,370,869</u>
Accumulated depreciation						
Buildings and structures	(\$ 452,594)	(\$ 9,167)	\$ 859	\$ 18,073	(\$ 8,415)	(\$ 451,244)
Molding equipment	(206,623)	(3,462)	79	-	(3,901)	(213,907)
Machinery and equipment	(142,601)	(3,041)	2,075	-	(2,677)	(146,244)
Leasehold improvements	(40,626)	(170)	-	-	(757)	(41,553)
Research and development equipment	(22,965)	(279)	46	-	(432)	(23,630)
Transportation equipment	(12,457)	(257)	-	-	(235)	(12,949)
Others	(75,427)	(1,331)	1,368	-	(1,396)	(76,786)
	<u>(\$ 953,293)</u>	<u>(\$ 17,707)</u>	<u>\$ 4,427</u>	<u>\$ 18,073</u>	<u>(\$ 17,813)</u>	<u>(\$ 966,313)</u>
	<u>\$ 447,437</u>					<u>\$ 404,556</u>

Three months ended March 31, 2023

	<u>At January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Net exchange differences</u>	<u>At March 31</u>
Cost						
Buildings and structures	\$ 397,309	\$ -	(\$ 4,139)	\$ -	\$ 2,082	\$ 395,252
Molding equipment	194,275	2,326	(23)	574	1,007	198,159
Machinery and equipment	125,197	99	(207)	-	653	125,742
Research and development equipment	25,854	-	-	-	135	25,989
Transportation equipment	14,015	-	-	-	74	14,089
Others	<u>52,666</u>	<u>310</u>	<u>(126)</u>	<u>159</u>	<u>268</u>	<u>53,277</u>
	<u>\$ 809,316</u>	<u>\$ 2,735</u>	<u>(\$ 4,495)</u>	<u>\$ 733</u>	<u>\$ 4,219</u>	<u>\$ 812,508</u>
Accumulated depreciation						
Buildings and structures	(\$ 231,541)	(\$ 5,422)	\$ 4,139	\$ -	(\$ 1,205)	(\$ 234,029)
Molding equipment	(174,333)	(3,329)	23	-	(902)	(178,541)
Machinery and equipment	(98,437)	(1,685)	78	-	(510)	(100,554)
Research and development equipment	(22,268)	(304)	-	-	(116)	(22,688)
Transportation equipment	(11,441)	(265)	-	-	(59)	(11,765)
Others	<u>(45,312)</u>	<u>(749)</u>	<u>119</u>	<u>-</u>	<u>(233)</u>	<u>(46,175)</u>
	<u>(\$ 583,332)</u>	<u>(\$ 11,754)</u>	<u>\$ 4,359</u>	<u>\$ -</u>	<u>(\$ 3,025)</u>	<u>(\$ 593,752)</u>
	<u>\$ 225,984</u>					<u>\$ 218,756</u>

1. For the three months ended March 31, 2024, the amount of buildings and structures that was transferred to investment properties from property, plant and equipment was \$44,811 thousand, and the others were transferred from prepayments for business facilities.
2. The aforementioned property, plant and equipment were all for its own use.
3. For the three months ended March 31, 2024 and 2023, the Group has no property, plant and equipment that were pledged to others as collateral.
4. For the three months ended March 31, 2024 and 2023, the Group had no capitalized interests.

(9) Leasing arrangements – lessee

A. The Group leases various assets including land, buildings and machinery and equipment. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 87,357	\$ 87,769	\$ 26,621
Buildings	13,276	15,361	20,401
Machinery and equipment	-	-	83
	<u>\$ 100,633</u>	<u>\$ 103,130</u>	<u>\$ 47,105</u>
Three months ended March 31,			
	<u>2024</u>	<u>2023</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Land	\$ 1,328	\$	213
Buildings	2,089		2,373
Machinery and equipment	-		28
	<u>\$ 3,417</u>	<u>\$</u>	<u>2,614</u>

C. The movements of right-of-use assets of the Group for the three months ended March 31, 2024 and 2023 are as follows:

	<u>2024</u>			
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Total</u>
At January 1	\$ 87,769	\$ 15,361	\$ -	\$ 103,130
Depreciation expense	(1,328)	(2,089)	-	(3,417)
Net exchange differences	916	4	-	920
At March 31	<u>\$ 87,357</u>	<u>\$ 13,276</u>	<u>\$ -</u>	<u>\$ 100,633</u>
	<u>2023</u>			
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Total</u>
At January 1	\$ 26,695	\$ 2,939	\$ -	\$ 29,634
Additions	-	19,835	111	19,946
Depreciation expense	(213)	(2,373)	(28)	(2,614)
Net exchange differences	139	-	-	139
At March 31	<u>\$ 26,621</u>	<u>\$ 20,401</u>	<u>\$ 83</u>	<u>\$ 47,105</u>

D. For the three months ended March 31, 2024 and 2023, the additions to right-of-use assets amounted to \$0 thousand and \$19,946 thousand, respectively.

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

	Three months ended March 31,	
	2024	2023
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 73	\$ 118

F. For the three months ended March 31, 2024 and 2023, the Group's total cash outflow for leases amounted to \$2,161 thousand and \$2,375 thousand, respectively.

(10) Investment property

	2024		
	Buildings	Right-of-use assets	Total
At January 1			
Cost	\$ 108,119	\$ 9,006	\$ 117,125
Accumulated depreciation	(1,130)	(39)	(1,169)
	<u>\$ 106,989</u>	<u>\$ 8,967</u>	<u>\$ 115,956</u>
At January 1			
Transfers	44,811	-	44,811
Depreciation expense	(1,665)	(162)	(1,827)
Net exchange differences	3,266	63	3,329
At March 31	<u>\$ 153,401</u>	<u>\$ 8,868</u>	<u>\$ 162,269</u>
At March 31			
Cost	\$ 225,035	\$ 9,054	\$ 234,089
Accumulated depreciation	(71,634)	(186)	(71,820)
	<u>\$ 153,401</u>	<u>\$ 8,868</u>	<u>\$ 162,269</u>

There was no such transaction for the three months ended March 31, 2023.

- The right-of-use assets of the investment property includes land use rights located in Wujiang District, Suzhou City, Jiangsu Province, China.
- The Group entered into a commercial property lease contract for its investment properties, with lease terms ranging from 3 to 5 years, and the lease contract includes provisions for annual rental adjustments based on market conditions.
- For the three months ended March 31, 2024, the amount of buildings and structures that was transferred to investment properties from property, plant and equipment was \$44,811 thousand.
- Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Three months ended March 31, 2024
Rental income from investment property	<u>\$ 5,155</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 4,845</u>

The Group does not measure investment property at fair value and only discloses information about its fair value, which is classified in Level 3 of the fair value hierarchy. The fair value of investment properties held by the Group amounted to \$120,639 thousand

as of December 31, 2023, which was evaluated by a commissioned independent external appraiser using the replacement cost method.

(11) Other non-current assets

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Guarantee deposits paid	\$ 7,465	\$ 7,071	\$ 4,667
Prepayments for business facilities	5,493	5,030	3,097
Other non-current assets	1,524	424	241
	<u>\$ 14,482</u>	<u>\$ 12,525</u>	<u>\$ 8,005</u>

Information about the guarantee deposits paid that were pledged to others as collaterals is provided in Note 8.

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Unsecured borrowings	\$ 44,080	\$ 86,540	\$ -
Interest rate range	<u>2.8%</u>	<u>2.8%</u>	<u>-</u>

(13) Other payables

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Cash dividends payable	\$ 40,248	\$ -	\$ 63,173
Salary and bonus payable	43,058	48,520	28,499
Payable for consumables and expenses	12,133	12,054	11,584
Insurance and pension expense payable	59,323	61,218	1,401
Service fees payable	9,898	5,584	4,156
Others	19,374	21,100	10,779
	<u>\$ 184,034</u>	<u>\$ 148,476</u>	<u>\$ 119,592</u>

(14) Pensions

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

(b) For the aforementioned pension plan, the Group recognised pension costs of \$30 thousand and \$33 thousand for the three months ended March 31, 2024 and 2023,

respectively.

- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to \$33 thousand.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s Hong Kong branch contributes 5% of employees’ salaries and wages (below the ceiling of HKD1,500) pursuant to the mandatory provident fund schemes. The accrued benefits is deposited in a specialised account in Manulife (International) Limited and can only be withdrawn when scheme members reach the age of 65. Other than the monthly contributions, the Group has no further obligations.
- (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 March 31, 2024 and 2023, abovementioned contribution percentage was 14%. 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, 2024 and 2023 were \$5,728 thousand and \$3,823 thousand, respectively.

(15) Share-based payment

- A. As at March 31, 2023 and December 31, 2023, the Group’s share- based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousand)	Contract period	Vesting conditions	Actual turnover rate on March 31, 2024	Actual turnover rate on December 31, 2023
Sixth employee stock options	2018.11.02	600	5 years	2-4 years’ service	-	0.00%
Seventh employee stock options	2022.10.31	600	5 years	2-4 years’ service	0.00%	2.63%

Type of arrangement	Grant date	Quantity granted (in thousand)	Contract period	Vesting conditions	Actual turnover rate on March 31, 2023	Estimated future turnover rate
Sixth employee stock options	2018.11.02	600	5 years	2-4 years' service	0.00%	0.00%
Seventh employee stock options	2022.10.31	600	5 years	2-4 years' service	2.63%	0.00%

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

(a) Sixth employee stock options

	2024		2023	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -	210	\$ 22.10
Options exercised	-	-	(73)	22.10
Options outstanding at March 31	-	-	137	20.90
Options exercisable at March 31	-	-	137	-

(b) Seventh employee stock options

	2024		2023	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	558	\$ 28.40	560	\$ 30.00
Options granted	-	-	-	-
Options forfeited (Note)	-	-	(2)	28.40
Options outstanding at March 31	558	27.70	558	28.40
Options exercisable at March 31	-	-	-	-

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

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

	<u>Expiry date</u>	<u>March 31, 2024</u>		<u>December 31, 2023</u>	
		<u>No. of options (in thousands)</u>	<u>Exercise price (in dollars)</u>	<u>No. of options (in thousands)</u>	<u>Exercise price (in dollars)</u>
Seventh employee stock options	2027.10.30	558	\$ 27.70	558	\$ 28.40
				<u>March 31, 2023</u>	
	<u>Expiry date</u>			<u>No. of options (in thousands)</u>	<u>Exercise price (in dollars)</u>
Sixth employee stock options	2023.11.01			137	\$ 20.90
Seventh employee stock options	2027.10.30			558	28.40

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

Type of arrangement	<u>Grant date</u>	<u>Stock price</u>	<u>Exercise price</u>	<u>Expected price volatility (Note 1)</u>	<u>Expected option life</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit</u>
Employee share options	2018.11.02	29.90	29.90	28.28%	5 years	-	0.75%	7.75
Employee share options	2022.10.31	30.00	30.00	17.76%	5 years	-	1.32%	5.08

Note 1: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

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

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Equity-settled - Employee stock options	<u>\$ 245</u>	<u>\$ 270</u>

(16) Share capital

A. As of March 31, 2024, the Company's authorized capital was \$800 million, consisting of 80,000 thousand shares of ordinary stock (including 8 million shares reserved for employee stock options). The paid-in capital was \$579,966 thousand with a par value of \$10 (in dollars) per share. The total share capital was \$579,966 thousand.

B. The Company purchased 112 thousand common shares on November 1, 2023. The

acquisition price was NT\$20.9 per share. In addition, on December 20, 2023, the Board of Directors resolved to set the effective date of issuance of new shares on December 25, 2023 and the registration of changes had been completed on February 7, 2024.

- C. On April 7, 2023 and on May 25, 2023, the Company's Board of Directors and the shareholders at their regular meeting resolved the merger and the share swap with Strong LED Lighting Systems (Cayman) Co., Ltd., respectively, and issued 18,390 thousand ordinary shares at NT\$10 per share with the effective date set on October 31, 2023. The registration was completed on December 26, 2023.
- D. The Company purchased 73 thousand common shares between January 16, 2023 and February 14, 2023. The acquisition price was NT\$22.1 per share. In addition, on February 23, 2023, the Board of Directors resolved to set the effective date of issuance of new shares on February 28, 2023 and the registration of changes had been completed on March 15, 2023.

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

(Unit: shares in thousands)

	2024	2023
At January 1	\$ 57,497	\$ 38,922
Employee stock options exercised	-	73
At March 31	\$ 57,497	\$ 38,995

E. Treasury shares

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

	Three months ended March 31, 2024			
	No. of shares at beginning of the period	Increase in the period	Decrease in the period	No. of shares at end of the period
Reason for reacquisition				
Reissued to employees	500	-	-	500

	Three months ended March 31, 2023			
	No. of shares at beginning of the period	Increase in the period	Decrease in the period	No. of shares at end of the period
Reason for reacquisition				
Reissued to employees	500	-	-	500

- (b) In order to encourage employees and strengthen coherence of the Company, the Board of Directors during its meeting adopted resolutions to purchase treasury shares for transferring to employees. As of March 31, 2024 and 2023, the balances of treasury shares after repurchases and transfers to employees both were \$14,372 thousand.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (e) Pursuant to the R.O.C. Securities and Exchange Act, the 1st and 2nd purchase of treasury shares should be reissued to the employees within three and five years from the reacquisition date, respectively, and shares not reissued within the three-year or five-

year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(17) 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.

(18) Retained earnings

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

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

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

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

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

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

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

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

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

E. The appropriation of 2023 and 2022 earnings as proposed by the Board of Directors and resolved by the shareholders on February 27, 2024 and May 25, 2023, respectively, are as follows:

	Years ended December 31,			
	2023		2022	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 3,268		\$ 4,127	
(Reversal of) Special reserve	12,007		(9,128)	
Cash dividends	<u>40,248</u>	\$ 0.70	<u>63,173</u>	\$ 1.62
	<u>\$ 55,523</u>		<u>\$ 58,172</u>	

Apart from the cash dividends which have been resolved at the meeting of the Board of Directors on February 27, 2024, the remaining items in the above appropriation of earnings are yet to be resolved by the shareholders.

F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(26).

(19) Other equity items

	2024		2023	
	Currency translation	Unrealised gains (losses) on valuation	Currency translation	Unrealised gains (losses) on valuation
	At January 1	(\$ 88,012)	(\$ 2,917)	(\$ 61,125)
Currency translation differences:				
–Group	27,863	-	3,941	-
Revaluation	-	(821)	-	2,130
Revaluation transferred to retained earnings – tax	-	164	-	-
At March 31	<u>(\$ 60,149)</u>	<u>(\$ 3,574)</u>	<u>(\$ 57,184)</u>	<u>(\$ 15,667)</u>

(20) Operating revenue

	Three months ended March 31,	
	2024	2023
	Sales revenue	<u>\$ 236,509</u>

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A. Disaggregation of revenue from contracts with customers

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

Three months ended March 31, 2024

	TONS LIGHTOLOGY INC.				TITAN LIGHTING CO., LTD.				ZHONGSHAN TONS LIGHTING CO., LTD.	StrongLED Lighting Systems (Cayman) Co. Ltd.	Others	Total
	Europe	Asia	Oceania	Others	Europe	Asia	Oceania	Others	Asia	Asia	Asia	
	Revenue from contracts	\$ 87,341	\$ 31,200	\$ 12,416	\$ 392	\$ 4,137	\$ 1,438	\$ 138	\$ 38	\$ 11,538	\$ 85,249	

Three months ended March 31, 2023

	TONS LIGHTOLOGY INC.				TITAN LIGHTING CO., LTD.				ZHONGSHAN TONS LIGHTING CO., LTD.	Others	Total
	Europe	Asia	Oceania	Others	Europe	Asia	Oceania	Others	Asia	Asia	
	Revenue from contracts	\$ 99,542	\$ 30,164	\$ 8,029	\$ 325	\$ 7,045	\$ 1,372	\$ 74	\$ 1	\$ 9,059	

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B. Contract liabilities

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

	March 31, 2024	December 31, 2023	March 31, 2023	January 1, 2023
Contract liabilities:				
Contract liabilities –				
advance sales receipts	\$ 49,007	\$ 48,503	\$ 27,781	\$ 31,191
Revenue recognised that was included in the contract liability balance at the beginning of the period:				
	Three months ended March 31,			
	2024	2023		
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 26,712	\$ 19,324		
<u>(21) Interest income</u>				
	Three months ended March 31,			
	2024	2023		
Interest income from bank deposits	\$ 6,652	\$ 3,557		
<u>(22) Other income</u>				
	Three months ended March 31,			
	2024	2023		
Rent income	\$ 5,167	\$ 14		
Grant revenues	1,101	116		
Other income - others	2,026	34		
	\$ 8,294	\$ 164		
<u>(23) Other gains and losses</u>				
	Three months ended March 31,			
	2024	2023		
Gains (losses) on disposals of property, plant and equipment	\$ 35	(\$ 136)		
Net currency exchange gain (loss)	8,379	(2,525)		
Net (loss) gain on financial assets (liabilities) at fair value through profit or loss	(668)	9,777		
Other losses	(116)	(8)		
	\$ 7,630	\$ 7,108		

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(24) Finance costs

	Three months ended March 31,	
	2024	2023
Interest expense:		
Borrowing interests	\$ 523	\$ -
Lease liabilities (Note)	73	118
	<u>\$ 596</u>	<u>\$ 118</u>

Note: Interest expense arose from the lease liabilities discounted over the contract period upon the adoption of IFRS 16.

(25) Expenses by nature

	Three months ended March 31,	
	2024	2023
Employee benefit expense	\$ 80,024	\$ 51,494
Depreciation charges on property, plant and equipment	17,707	11,754
Depreciation charges on right-of-use assets	3,417	2,614
Depreciation expenses on investment property	1,827	-
Amortisation charges	2,677	545

(26) Employee benefit expense

	Three months ended March 31,	
	2024	2023
Wages and salaries	\$ 65,653	\$ 41,963
Labour and health insurance fees	3,438	2,091
Pension costs	5,758	3,856
Directors' remunerations	570	570
Other employee benefit expenses	4,605	3,014
	<u>\$ 80,024</u>	<u>\$ 51,494</u>

Note: For the three months ended March 31, 2024 and 2023, the Group had 806 and 557 employees, respectively, and had 5 non-employee directors for both periods.

- A. In accordance with the Articles of Incorporation of the Company, the current year's earnings, if profit, the Company shall appropriate 5% to 15% as the employees' compensation and shall not be higher than 2.5% for directors' remuneration; if loss, shall first reserve the offset amount.
- B. The Group incurred a net loss after tax and thus did not accrue employees' compensation and directors' remuneration for the three months ended March 31, 2024 and 2023.

(27) Income tax

A. Income tax expense (benefit)

(a) Components of income tax expense (benefit):

	Three months ended March 31,	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ 17,103	(\$ 2,936)
Prior year income tax overestimation	-	(1,737)
Total current tax	17,103	(4,673)
Deferred tax:		
Origination and reversal of temporary differences	(16,053)	(4,030)
Income tax expense (benefit)	<u>\$ 1,050</u>	<u>(\$ 8,703)</u>

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

	Three months ended March 31,	
	2024	2023
Changes in fair value of financial assets at fair value through other comprehensive income	<u>(\$ 164)</u>	<u>(\$ 445)</u>

B. The income tax returns of the Company and its domestic subsidiaries through 2021 have been assessed and approved by the Tax Authority.

(28) (Losses) earnings per share

	<u>Three months ended March 31, 2024</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent	(\$ 17,740)	57,497	(\$ 0.31)
<u>Diluted losses per share</u>			
Losses attributable to ordinary shareholders of the parent	(17,740)	57,497	
Assumed conversion of all dilutive potential ordinary shares			
-Employees' compensation (Note)	-	-	
-Employee stock options (Note)	-	-	
Losses attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	(\$ 17,740)	57,497	(\$ 0.31)
<u>Three months ended March 31, 2023</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 916	38,969	\$ 0.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	916	38,969	
Assumed conversion of all dilutive potential ordinary shares			
-Employees' compensation	-	126	
-Employee stock options	-	90	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 916	39,185	\$ 0.02

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

Note: For the three months ended March 31, 2024, the Group's employee compensation and employee stock options had the anti-dilution effect, thus, they were not included in the calculation of diluted losses per share.

(29) Business combinations

- A. On October 31, 2023, the Group acquired 85.47% equity interests in Strong LED Lighting Systems (Cayman) Co., Ltd. (hereinafter referred to as Strong LED Lighting System (Cayman) Co., Ltd.) through a share swap by issuing new shares for a total face value of NT\$183,895 thousand (fair value of NT\$513,068 thousand) (prior to the transaction, the Group held 14.53% equity interests in Strong LED Lighting System (Cayman) Co., Ltd.) and obtained the control over Strong LED Lighting System (Cayman) Co., Ltd.. The entity is engaged in the research and development, production and sales of LED semiconductor outdoor lighting related application products in Mainland China. The Group expects to expand its landscape lighting business after the acquisition to provide diversified products to customers and also expects to reduce costs through economies of scale. The purchase price of this business combination transaction was based on the mutual agreement. The acquirer obtained an expert valuation of the fair value report and the acquirer assessed the fair value of the acquisition, resulting in a gain recognised in bargain purchase transaction.
- B. The following table summarises the consideration paid for Strong LED Lighting Systems (Cayman) Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date, at the acquisition date:

	<u>December 31, 2023</u>
Purchase consideration	
Shares	\$ 513,068
Fair value of equity interest in Strong LED Lighting Systems (Cayman) Co., Ltd. held before the business combination	<u>87,269</u>
	<u>600,337</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash equivalents	224,799
Current financial assets at amortised cost	132,660
Notes and accounts receivable	74,025
Net accounts receivable	107,951
Inventories	41,724
Prepayments	12,945
Other current assets	3,846
Property, plant and equipment	264,652
Right-of-use assets	63,115
Investment property	120,639
Intangible assets	20,559
Deferred tax assets	48,913
Other non-current assets	5,118
Short-term borrowings	(112,761)
Contract liabilities	(30,967)
Notes payable	(66,855)
Accounts payable	(78,984)
Other payables	(88,790)
Provisions for liabilities – current	(15,585)
Other current liabilities	(10)
Provisions for liabilities – non-current	(13,147)
Deferred tax liabilities	(25,585)
Other non-current liabilities	(2,065)
Total identifiable assets	<u>686,194</u>
Gain recognised in bargain purchase transaction (shown as other income)	<u>(\$ 85,857)</u>
C. The Group had held 14.53% equity interests in Strong LED Lighting Systems (Cayman) Co., Ltd. before the business combination, and the loss recognised based on fair value remeasurement was \$0 thousand.	
Remeasurement of fair value at the acquisition date	\$ 87,269
Amount of equity before obtaining the control	<u>(87,269)</u>
Losses on disposal of investments	<u>-</u>
D. The evaluation report on the price allocation of the fair value of the identifiable assets acquired was completed by Valuationtek, Inc..	

- E. The purchase price of this business combination transaction was based on the mutual agreement. The acquirer obtained the fair value report valued by an expert and the acquirer assessed the fair value of the acquisition, resulting in a gain recognized in bargain purchase transaction amounting to \$85,857 thousand. After evaluating the valuation methodology adopted by Valuationtek, Inc. and the results of the evaluation, there shall be no significant unreasonable valuation on its fair value.
- F. The operating revenue included in the consolidated statement of comprehensive income since October 31, 2023 contributed by Strong LED Lighting Systems (Cayman) Co., Ltd. was \$81,091 thousand. Strong LED Lighting Systems (Cayman) Co., Ltd. also contributed profit before income tax of \$890 thousand over the same period. Had Strong LED Lighting Systems (Cayman) Co., Ltd. been consolidated from January 1, 2023, the consolidated statement of comprehensive income would show operating revenue of \$115,741 thousand and loss before income tax of \$2,951 thousand for the three months ended March 31, 2023.

(30) Supplemental cash flow information

Investing activities with partial cash payments :

	Three months ended March 31,	
	2024	2023
Purchase of property, plant and equipment	\$ 5,771	\$ 2,735
Add: Opening balance of payable on equipment	1,373	1,109
Less: Ending balance of payable on equipment	(1,182)	(135)
Cash paid during the period	<u>\$ 5,962</u>	<u>\$ 3,709</u>

(31) Changes in liabilities from financing activities

	Guarantee deposits received	Short-term borrowings	Lease liabilities	Dividends payable	Liabilities from financing activities-gross
At January 1, 2024	\$ 3,147	\$ 86,540	\$ 15,401	\$ -	\$ 105,088
Changes in cash flow from financing activities	(379)	(43,658)	(2,088)	-	(46,125)
Impact of changes in foreign exchange rate	35	1,198	3	-	1,236
Changes in other non-cash items	-	-	-	40,248	40,248
At March 31, 2024	<u>\$ 2,803</u>	<u>\$ 44,080</u>	<u>\$ 13,316</u>	<u>\$ 40,248</u>	<u>\$ 100,447</u>

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	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities-gross
At January 1, 2023	\$ 1,126	\$ 2,784	\$ -	\$ 3,910
Changes in cash flow from financing activities	-	(2,257)	-	(2,257)
Impact of changes in foreign exchange rate	-	(2)	-	(2)
Changes in other non- cash items	-	19,946	63,173	83,119
At March 31, 2023	<u>\$ 1,126</u>	<u>\$ 20,471</u>	<u>\$ 63,173</u>	<u>\$ 84,770</u>

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7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
ARTSO INTERNATIONAL, INC.	Associate

Note: The Company's Board of Directors resolved to dispose equity interests in Art So International, Inc. on October 26, 2023, and the disposal date was set on October 31, 2023. Art So International, Inc. was no longer a related party of the Company thereafter.

(2) Significant related party transactions

None.

(3) Key management compensation

	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 5,856	\$ 5,690
Post-employment benefits	127	131
Share-based payments	102	114
	<u>\$ 6,085</u>	<u>\$ 5,935</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>	
Restricted time deposits (shown as 'financial assets at amortised cost')	\$ 4,724	\$ 4,643	\$ 4,747	Construction and forward foreign exchange
Guarantee deposits paid (shown as 'other non-current assets')	7,465	7,071	4,667	Construction and lease security deposits
	<u>\$ 12,189</u>	<u>\$ 11,714</u>	<u>\$ 9,414</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

The Group's customer, Krislite Pte Ltd., filed an appeal with the Taiwan Taichung District Court, requesting for compensation due to faulty products. According to the Group's legal counsel, the findings of fact are difficult for the court to confirm. The case is currently on trial and its conclusion is yet to be determined.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There were no changes in the current period, please refer to Note 12 of 2023 consolidated financial statements.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ -	\$ 68,080
Financial assets at fair value through other comprehensive income	4,013	4,835	36,285
Cash and cash equivalents	495,550	406,694	334,865
Financial assets at amortised cost	468,487	571,621	300,128
Notes receivable	15,738	69,594	672
Accounts receivable	199,003	199,829	92,725
Other receivables	11,502	9,082	6,942
Guarantee deposits paid	7,465	7,071	4,667
Other financial assets	2,116	2,273	-
	<u>\$ 1,203,874</u>	<u>\$ 1,270,999</u>	<u>\$ 844,364</u>
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities mandatorily measured at fair value through profit or loss	\$ 1,191	\$ 507	\$ 143
Financial liabilities at amortised cost			
Short-term borrowings	44,080	86,540	-
Notes payable	81,943	72,567	128
Accounts payable	96,981	116,586	44,915
Other accounts payable	184,034	148,476	119,592
Guarantee deposits received	2,803	1,126	1,126
	<u>\$ 411,032</u>	<u>\$ 425,802</u>	<u>\$ 165,904</u>
Lease liability (including current portion)	<u>\$ 13,316</u>	<u>\$ 15,401</u>	<u>\$ 20,471</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB income and expenditures. Entities in the Group use natural hedge to decrease the risk exposure in the foreign currency, transacted with Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's risk management policy is to hedge anticipated cash flows (mainly from export sales and purchase of inventory) in each major foreign currency.
- v. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations and analysis of foreign currency market risk arising from significant foreign exchange variation are as follows:

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March 31, 2024							
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis			
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$ 7,803	32.000	\$ 249,696	1%	\$ 2,497	\$ -	
EUR:NTD	347	34.460	11,958	1%	120	-	
RMB:NTD	5,481	4.408	24,160	1%	242	-	
RMB:USD	6,625	0.138	29,203	-1%	(292)	-	
USD:RMB	2,646	7.260	84,672	1%	847	-	
<u>Non-monetary items</u>							
USD:NTD	\$ 131	30.655	\$ 4,013	1%	\$ -	\$ 40	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	\$ 2,804	32.000	\$ 89,728	1%	(\$ 897)	\$ -	
EUR:NTD	125	34.460	4,308	1%	(43)	-	
RMB:NTD	10,340	4.408	45,579	1%	(456)	-	
USD:RMB (Note)	1,800	7.127	(1,191)	1%	(566)	-	

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, 2023							
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis			
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$ 8,290	30.705	\$ 254,544	1%	\$ 2,545	\$ -	
EUR:NTD	895	33.980	30,412	1%	304	-	
RMB:NTD	8,126	4.327	35,161	1%	352	-	
RMB:USD	6,593	0.141	28,528	-1%	(285)	-	
USD:RMB	3,357	7.096	103,077	1%	1,031	-	
<u>Non-monetary items</u>							
USD:NTD	\$ 158	30.660	\$ 4,835	1%	\$ -	\$ 48	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	\$ 3,586	30.705	\$ 110,108	1%	(\$ 1,101)	\$ -	
EUR:NTD	116	33.980	3,942	1%	(39)	-	
RMB:NTD	13,260	4.327	57,376	1%	(574)	-	
USD:RMB (Note)	1,800	7.002	(507)	1%	(545)	-	

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, 2023

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 4,824	30.450	\$ 146,891	1%	\$ 1,469	\$ -
EUR:NTD	354	33.150	11,735	1%	117	-
RMB:NTD	15,608	4.431	69,159	1%	692	-
RMB:USD	12,136	0.146	53,775	-1%	(538)	-
USD:RMB	3,973	6.872	120,978	1%	1,210	-
<u>Non-monetary items</u>						
USD:NTD	\$ 158	30.660	\$ 4,835	1%	\$ -	\$ 48
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 4,522	30.450	\$ 137,695	1%	(\$ 1,377)	\$ -
EUR:NTD	82	33.150	2,718	1%	(27)	-
RMB:NTD	17,468	4.431	77,401	1%	(774)	-
USD:RMB (Note)	1,800	6.773	(143)	1%	(540)	-

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

- vi. Total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2024 and 2023 amounted to \$8,379 thousand and (\$2,525) thousand respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- ii. The Group mainly invests in shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the three months ended March 31, 2024 and 2023 would have decreased/increased by \$0 thousand and \$681 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have decreased/increased by \$40 thousand and \$363 thousand, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from short-term borrowings with fixed rates, which expose the Group to fair value risk. The Group manages its interest rate risk by maintaining an appropriate mix of fixed and floating interest rates, supplemented by interest rate swap. During the period from January 1, 2024 to March 31, 2024, the Group's borrowings at fixed interest rates were mainly denominated in RMB.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. For banks and financial institutions, the Group transacts with a variety of banks and financial institutions, mainly domestic and overseas well-known financial institutions, to avoid concentration in any single counterparty and to minimise credit risk. The Group can only enter into the financial services and loan agreement provided by banks and financial institutions after being approved by the Board of Directors or authorised management according to the Group's delegation of authorisation policy. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions

are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 1 year.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with product types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.
- vii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of March 31, 2024, December 31, 2023 and March 31, 2023, the loss rate methodology is as follows:

	Not past due	Up to 30 days past due	31~120 days past due	Over 121 days	Total
<u>March 31, 2024</u>					
Expected loss rate	0.00%	0.00%	13.29%	98.89%	
Total book value	\$ 148,019	\$ 33,684	\$ 19,458	\$ 38,301	\$ 239,462
Loss allowance	\$ -	\$ -	(\$ 2,585)	(\$ 37,874)	(\$ 40,459)
	Not past due	Up to 30 days past due	31~120 days past due	Over 121 days	Total
<u>December 31, 2023</u>					
Expected loss rate	0.00%	0.00%	13.06%	96.58%	
Total book value	\$ 171,425	\$ 16,250	\$ 12,354	\$ 41,330	\$ 241,359
Loss allowance	\$ -	\$ -	(\$ 1,613)	(\$ 39,917)	(\$ 41,530)

Non-derivative financial liabilities

	Within 1	Between	Between	Between	Over 5
	year	1 and 2	2 and 3	3 and 5	years
		years	years	years	years
March 31, 2024					
Short-term borrowings	\$ 44,080	\$ -	\$ -	\$ -	\$ -
Notes and accounts payable	178,924	-	-	-	-
Other payables	184,034	-	-	-	-
Lease liabilities	7,466	5,765	330	-	-

Non-derivative financial liabilities

	Within 1	Between	Between	Between	Over 5
	year	1 and 2	2 and 3	3 and 5	years
		years	years	years	years
December 31, 2023					
Short-term borrowings	\$ 86,540	\$ -	\$ -	\$ -	\$ -
Notes and accounts payable	189,153	-	-	-	-
Other payables	148,476	-	-	-	-
Lease liabilities	7,757	7,466	495	-	-

Non-derivative financial liabilities

	Within 1	Between	Between	Between	Over 5
	year	1 and 2	2 and 3	3 and 5	years
		years	years	years	years
March 31, 2023					
Notes and accounts payable	\$ 45,043	\$ -	\$ -	\$ -	\$ -
Other payables	119,592	-	-	-	-
Lease liabilities	9,085	6,806	5,105	-	-

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, notes payable, accounts payable, lease liabilities, other payables and guarantee deposits received) are approximate to their fair values.

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

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

March 31, 2024	<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 other comprehensive income - equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,013</u>	<u>\$ 4,013</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 1,191</u>	<u>\$ -</u>	<u>\$ 1,191</u>
December 31, 2023	<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 other comprehensive income - equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,835</u>	<u>\$ 4,835</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 507</u>	<u>\$ -</u>	<u>\$ 507</u>
March 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ 68,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,080</u>
Financial assets at fair value through other comprehensive income - equity securities	<u>\$ 31,450</u>	<u>\$ -</u>	<u>\$ 4,835</u>	<u>\$ 36,285</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 143</u>	<u>\$ -</u>	<u>\$ 143</u>

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

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

D. For the three months ended March 31, 2024 and 2023, there was no transfer between Level 1 and Level 2.

E. For the three months ended March 31, 2024 and 2023, movements on Level 3 are as follows:

	<u>2024</u>	<u>2023</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
At January 1	\$ 4,835	\$ 7,060
Loss recognized in other comprehensive income	(822)	(2,225)
At March 31	<u>\$ 4,013</u>	<u>\$ 4,835</u>

F. For the three months ended March 31, 2024 and 2023, there was no transfer into or out from Level 3.

G. 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:

	<u>Fair value at March 31, 2024</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 4,013	Market comparable companies	Price to book ratio	0.76	The higher the multiple, the higher the fair value
	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 4,835	Market comparable companies	Price to book ratio	0.76	The higher the multiple, the higher the fair value

	<u>Fair value at March 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 4,835	Market comparable companies	Price to book ratio	0.76	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:

				<u>March 31, 2024</u>	
				<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>		<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets					
Equity securities	Price to book ratio	± 5%	\$	206	(\$ 206)
				<u>December 31, 2023</u>	
				<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>		<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets					
Equity securities	Price to book ratio	± 5%	\$	31	(\$ 31)
				<u>March 31, 2023</u>	
				<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>		<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets					
Equity securities	Price to book ratio	± 5%	\$	240	(\$ 240)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: Titan Lighting Co., Ltd. entered into forward foreign exchange contracts for the three months ended March 31, 2024. As of March 31, 2024, financial liabilities at fair value through profit or loss of \$1,191 thousand was recognised.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the three months ended March 31, 2024 are provided in Note 13(1) J.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

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

(2) Information about segment profit or loss, assets and liabilities

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

(Remainder of page intentionally left blank)

Three months ended March 31, 2024

	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO.,LTD.	ZHONGSHAN TONS LIGHTING CO.,LTD.	StrongLED Lighting System (Cayman) Co., Ltd.	Total
Revenue from external customers	\$ 131,349	\$ 5,751	\$ 11,538	\$ 85,249	\$ 233,887
Inter-segment revenue	-	98,716	5,654	3,139	107,509
Segment revenue	<u>\$ 131,349</u>	<u>\$ 104,467</u>	<u>\$ 17,192</u>	<u>\$ 88,388</u>	<u>\$ 341,396</u>
Segment profit (loss) before tax	<u>\$ 5,761</u>	<u>(\$ 5,673)</u>	<u>(\$ 2,921)</u>	<u>(\$ 12,027)</u>	<u>(\$ 14,860)</u>

Three months ended March 31, 2023

	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO.,LTD.	ZHONGSHAN TONS LIGHTING CO.,LTD.	Total
Revenue from external customers	\$ 138,060	\$ 8,492	\$ 9,059	\$ 155,611
Inter-segment revenue	-	101,712	9,379	111,091
Segment revenue	<u>\$ 138,060</u>	<u>\$ 110,204</u>	<u>\$ 18,438</u>	<u>\$ 266,702</u>
Segment loss before tax	<u>(\$ 815)</u>	<u>(\$ 7,199)</u>	<u>(\$ 2,256)</u>	<u>(\$ 10,270)</u>

- B. The Group's reportable operating segments are the result of the organization 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 segment.

(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,	
	2024	2023
Reportable operating segments revenue after adjustment	\$ 341,396	\$ 266,702
Other operating segments revenue after adjustment	<u>2,622</u>	<u>6,675</u>
Total operating segments revenue	344,018	273,377
Elimination of intersegment loss	(107,509)	(111,091)
Total consolidated operating revenue	<u>\$ 236,509</u>	<u>\$ 162,286</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,	
	2024	2023
Reportable operating segments loss before tax after adjustment	(\$ 14,860)	(\$ 10,270)
Other operating segments (loss) income before tax after adjustment	<u>(2,233)</u>	<u>2,497</u>
Total operating segments loss	(17,093)	(7,773)
Elimination of intersegment income (loss)	<u>403</u>	<u>(14)</u>
Total consolidated operating loss	<u>(\$ 16,690)</u>	<u>(\$ 7,787)</u>

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Three months ended March 31, 2024

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	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, 2024 (Note 4)	Outstanding endorsement/ guarantee amount as of March 31, 2024 (Note 4)	Actual amount drawn down (Note 4)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 5)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Footnote
1	HONG BO INVESTMENT CO., LTD.	TONS LIGHTOLOGY INC.	(3)	46,015	15,800	15,800	15,800	-	24.40	46,015	N	Y	N	-

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

(1) The Company is '0'.

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

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

(1) Having business relationship.

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

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

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

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

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

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

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

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

March 31, 2024

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of March 31, 2024				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
TONS LIGHTOLOGY INC.	Share ownership / TITAN AURORA INC.	None	Financial assets at fair value through other comprehensive income - non-current	1,900	\$ 4,013	19.00	\$ 4,013	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities in accordance with IFRS 9, 'Financial instruments'.

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, 2024

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	\$ 97,895	92	90 days after monthly billing for purchases	Note 2	Note 1	(\$ 120,067)	(93)	Note 3

Note 1: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 90 days after monthly billing for 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: 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, 2024

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2024 (Note 2)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
TITAN LIGHTING CO., LTD.	TONS LIGHTOLOGY INC.	Parent company	Accounts receivable \$120,067	2.90	\$ -	-	\$ 48,939	\$ -

Note 1: Subsequent collection is the amount of receivables collected from related parties as of April 25, 2024.

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, 2024

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
0	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	(1)	(Purchases)	\$ 97,895	90 days after monthly billing for purchases	41.39
0	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	(1)	(Accounts payable)	(120,067)	90 days after monthly billing for purchases	5.62

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 NTD 30 million.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Information on investees

Three months ended March 31, 2024

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2024			Net profit (loss) of the investee for the three months ended March 31, 2024	Investment income (loss) recognised by the Company for the three months ended March 31, 2024	Footnote
				Balance as at March 31, 2024	Balance as at December 31, 2023	Number of shares	Ownership (%)	Book value			
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	\$ 545,972	\$ 545,972	18,333,402	100.00	\$ 823,343	(\$ 11,039)	(\$ 10,937)	Subsidiary (Note 1, 3)
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	85,000	85,000	6,000,000	100.00	65,736	158	158	Subsidiary (Note 3)
TONS LIGHTOLOGY INC.	TONS LIGHTOLOGY (CAYMAN) INC.	Cayman Islands	Reinvestment company	600,337	600,337	37,010,000	100.00	666,305	(15,239)	(14,969)	Subsidiary (Note 3)
StrongLED Lighting System (Cayman) Co., Ltd.	Mentality International Corporation	British Virgin Islands	Reinvestment company	455,381	455,381	6,872,410	100.00	561,775	(24,115)	-	Indirect subsidiary (Note 2, 3)
StrongLED Lighting System (Cayman) Co., Ltd.	StrongLED Smart Lighting(Cayman)Co.,Ltd.	Cayman Islands	Reinvestment company	109,810	109,810	4,290,300	100.00	(1,736)	5	-	Indirect subsidiary (Note 2, 3)
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100.00	74,248	(2,450)	-	Indirect subsidiary (Note 2, 3)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100.00	704,161	(9,085)	-	Indirect subsidiary (Note 2, 3)

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

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Information on investments in Mainland China

Three months ended March 31, 2024

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2024	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2024		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2024	Net income of investee as of three months ended March 31, 2024	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2024	Book value of investments in Mainland China as of March 31, 2024	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2024	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
TITAN LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	\$ 392,080	(2)	\$ 368,845	\$ -	\$ -	\$ 368,845	(\$ 5,673)	100.00	(\$ 5,673)	\$ 562,174	\$ 156,504	Note 1,2,3,4,5
ZHONGSHAN TONS LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	115,200	(2)	110,585	-	-	110,585	(2,921)	100.00	(2,921)	110,362	-	Note 1,2,4,5
SHANGHAI TONS LIGHTOLOGY CO., LTD.	Sales of various lighting products and accessories	102,400	(2)	42,842	-	-	42,842	(2,462)	100.00	(2,462)	72,799	-	Note 1,2,4,5,6
StrongLED Lighting Systems(Suzhou) Co. Ltd.	Research, development, production and sales of LED semiconductor application and other products	364,928	(2)	43,299	-	-	43,299	(24,065)	100.00	(24,065)	547,507	510	Note 1,2
Shanghai Grand Canyon LED Lighting Systems Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	32,082	(2)	901	-	-	901	1,983	100.00	1,983	16,647	-	Note 1,2

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, 2024 is based on financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 3: Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2024, including \$34,945 thousand for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger.

Note 4: Paid-in capital of Titan Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd., SHANGHAI TONS LIGHTOLOGY CO., LTD., Grand Canyon Opto Tech (Su Zhou) Co.,Ltd. and ShangHai Grand Canyon LED Lighting Systems Co.,Ltd. of USD \$12,253 thousand, USD \$3,600 thousand, USD \$3,200 thousand, USD \$11,404 thousand and CYN \$7,278 thousand, respectively, was translated at the average buying and selling spot rate on March 31, 2024.

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

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2024 (Note 1)	Investment amount approved by the Department of Investment Review of the Ministry of Economic Affairs (MOEA) (Notes 2)	Ceiling on investments in Mainland China imposed by the Department of Investment Review of MOEA (Note 3)
TONS LIGHTOLOGY INC.	\$ 566,472	\$ 1,094,629	\$ 947,583

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2024 was USD \$18,067 thousand and NTD \$44,200 thousand, including USD \$1,059 thousand for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger, the cash amounts of USD which was calculated at the actual exchange rate at outward remittance.

Note 2: Approved amount was USD \$35,306 thousand and NTD \$44,200 thousand (including own funds of USD \$1,800 thousand of the investee, World Extend Holding Inc., located in the third area and has been translated at the average buying and selling spot rate on March 31, 2024.

Note 3: Ceiling on investments was calculated based on the limit (60% of net assets) specified in "Regulations Governing Security Investment and Technical Cooperation in the Mainland Area" imposed by the Ministry of Economic Affairs.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Major shareholders information

March 31, 2024

Table 8

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
TANG,SHIH-CHUAN	3,535,633	6.09%
APOLLOSTARGROUPLT	2,906,976	5.01%
GLORYCITYWORLDWIDE	2,906,976	5.01%

Description: If a company applies to the Taiwan Depository & Clearing Corporation for the information of the table, the following can be explained in the notes of the table.

- (a) The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.
- (b) If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insiders, please refer to Market Observation Post System.