Stock Code：4972

Tons:

TONS LIGHTOLOGY Inc.

2019 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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I. Letter to Shareholders

Dear Shareholders,

First of all, TONS LIGHOLOGY Inc. would like to thank you for your continuing support throughout the year as well as your participation in the 2020 annual meeting of shareholders.

Compared with 2018, the global economy grew slower in 2019 mainly due to the China-US trade war. The global trade grew slightly, the worst performance in recent years, which in turn affected the confidence of companies around the world. Companies became conservative when making business decisions and were less willing to buy. The economic slowdown also took a toll on the performance of manufacturing in emerging markets and developing economies. Companies' concerns about the economic outlook also made investment stagnant in major economies such as the United States and Europe. In the face of such an economic slowdown, fiscal policies and monetary easing were introduced to stimulate the economy in the hope of offsetting the risk of continued slumps in the United States and China. Unexpectedly, novel coronavirus broke out in early 2020, which would send tremors to the global economy in the short term. Looking to the future, countries around the world will strengthen anti-epidemic measures and accelerate vaccine development while central banks will maintain a loose monetary policy. As the pandemic gradually subsides, economic activity will be restored.

Facing the changing trends of global economy and coronavirus pandemic, the Company responded in a steady manner and continued the lean policy of the last few years, including substantially improving production efficiency internally, controlling costs, developing high value-added products, optimizing the quality of customers, and refining product portfolio. In terms of branding effort, the Company had won over the lighting engineering projects from Southern Branch of National Palace Museum, Chimei Museum, and Chung Tai Zen Centers Portal of Taiwan that had helped Tons Lightology Inc. secured a leading position in the lighting engineering of museum in Taiwan. The Company will continue this momentum to root in Taiwan's professional lighting market and to convey the experience to Chinese market in order to increase brand awareness. In addition, the Company will continue to enhance the working environment and employee benefits, and protect the stability of human resources so the Company can stay competitive while facing economic fluctuations and uncertainties externally.

Overall, the Company's revenue of FY 2019 experienced slight growth in 2019. With the support of shareholders and colleagues, the Company maintained a certain level of profits in such a competitive market. We would like to show our appreciation for the support of the shareholders on behalf of the Board of Directors of the Company. The Company's 2019 business operation and 2020 operational plans are briefed as follows.

I. The 2019 business operation

(I) Operating plan results and operating income and expense

In 2019, the Company's individual and consolidated net operating revenue were NT$954,958 thousand and NT$ 1,086,420 thousand respectively, a decrease of 0.11 % and an increase of 3.17 % respectively compared with NT$ 956,000 thousand and NT$ 1,053,036 thousand in 2018. The Company's individual and consolidated net income after tax were the same as NT$ 105,688 thousand, an increase of 0.12 % (NT$ 131 thousand) compared with NT$ 105,557 thousand in 2018.

(II) Profitability analysis

The Company's operating revenue in 2019 was more than that in 2018. The increase in clients, optimized portfolios, and brand revenue led to the maintenance in profit margins. The operating expenses decreased slightly, so the operating profit margin increased significantly. Due to an increase in non-operating losses, the Company's net profit after tax in 2019 increased by NT$131,000 over 2018. However, the consolidated net profit margin still reached 9.73%.

(III) Research and development status

In 2019, the Company developed various products and obtained many patents. For patents of R&D results, the Company has acquired utility model patents for modular power boxes and tracks, adjustable recessed downlights, downlights for quick installation, and junction boxes and design patents for optically optimized light module (chopper) and multidirectional lighting.

In prospect, the Company will continue to research and develop forward-looking technology and innovative applications, to substantiate product design, and commercialize research and systematic production management in order to continue to promote the brand and deepen the Company's core competence and secure the leading position.

II. The 2020 business plan outline

(I) The important marketing policy and business policy

1. Products
   - A. Continuing to strengthen indoor lighting products: Continue to complete indoor lighting products and invest in the development of low-cost light fixtures for meeting customer's needs due to the emerging of LED mass market.
   - B. Continuing to expand outdoor lighting products: Continue to complete the development of outdoor lighting series in order to create the Company's future growth momentum.
2. Marketing:
   - A. Promote green lighting and continue to develop new products.
   - B. Enhance product value and maintain price competitiveness.
   - C. Secure the existing market and develop emerging market with potentials.
   - D. Participate in international exhibitions and commit to promote the Company's brand.
3. Production:
   - A. Simplify product lines, use common parts, and build safety stock for the frequently used parts in order to shorten delivery lead time.
   - B. Strengthen automated production, improve manufacturing processes, increase efficiency, and reduce the impact of rising labor cost.

(II) The Company's future development strategy

Continue the business model of OEM and branding. In terms of OEM business, continue to attract more big customers in Europe for cooperation currently. In terms of branding business, Due to our significant achievement in the cross-strait markets, more investment would be conducted in the Greater China Area in order to create a stable revenue source.

(III) The impact on the external competitive environment, regulatory environment, and the overall business environment

The global economy is gradual recovery, but the environmental law in each country is increasingly stringent, added with the continuing increase of production cost in China have us faced severe challenges. We have come up with the following responsive measures for the challenges faced by us:

1. Recruit professionals, enhance management, and improve the Company’s business strength.
2. Introduce external technologies, enhance research and development capabilities, and improve product value.
3. Meet customer needs with innovative brand and professional services.
4. Pay attention to changes in domestic and foreign policies and laws with responsive measures proposed in due course.

Chairman：TANG, SHIH-CHUAN

CEO：TANG, SHIH-CHUAN

CFO：WANG, CHIH-YUAN

II. Company Profile

2.1 Date of Incorporation: August 20, 1992

2.2 Company History

Year	Milestones
August 1992	TONS Enterprise Co., Ltd. was founded with the capital of NT$5,000 thousand.
December 2000	The capital increased by NT$15,000 thousand and the paid-in capital reached NT$20,000 thousand.
June 2001	Zhongshan Titan Lighting Co., Ltd. was founded to manufacture lighting.
August 2003	High efficient HID products (CDM series) were developed.
August 2004	High efficient LED products were developed.
September 2005	Zhongshan Titan Lighting Co., Ltd. passed the certification of ISO9001.
September 2006	The capital increased by NT$80,000 thousand and the paid-in capital reached NT$100,000 thousand.
December 2006	The capital increased by NT$40,000 thousand and the paid-in capital reached NT$140,000 thousand.
January 2007	The ERP system was implemented to improve the business operation and the application of resources.
June 2007	The capital increased by NT$10,000 thousand and the paid-in capital reached NT$150,000 thousand.
July 2007	The factory of Zhongshan Titan Lighting Co., Ltd. was inaugurated.
August 2007	The capital increased by NT$30,000 thousand and the paid-in capital reached NT$180,000 thousand. The corporate investment was introduced.
August 2007	The Company was renamed TONS LIGHOLOGY Inc.
October 2007	Zhongshan Titan Lighting Co., Ltd. was owned by a holding company invested by the Company.
November 2007	The capital increased by NT$10,000 thousand and the paid-in capital reached NT$190,000 thousand.
March 2008	The Company moved into the new office building in Shulin City, Taipei County.
May 2008	LED products (LDC series) won Taiwan Excellence Award.
August 2008	The capital increased by NT$26,600 thousand from earnings and NT$2,900 thousand from employees' bonuses and the paid-in capital reached NT$219,500 thousand.

Year	Milestones
January 2009	LED spotlights, recessed ceiling luminaires, track lights, and display lights won Taiwan Excellence Award.
June 2009	The product-high efficient track lights was subsidized by Industrial Development Bureau through the Conventional Industry Technology Development (CITD).
October 2009	The capital increased by NT$10,975 thousand from earnings and NT$525 thousand from employees' bonuses and the paid-in capital reached NT$231,000 thousand.
July 2010	The product-LED table lamps was subsidized by Industrial Development Bureau through the Conventional Industry Technology Development (CITD).
September 2010	IPO was approved by Securities and Futures Bureau, Financial Supervisory Commission.
October 2010	ISO14001 certified.
December 2010	The short-form merger between the Company and Hongbo Investment Co., Ltd. was completed.
January 2011	The capital increased by NT$20,000 thousand in cash and NT$4,968 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$255,968 thousand.
February 2011	The Company was listed at Taiwan emerging stock market.
May 2011	The Company participated in the Overseas Marketing Program for Taiwanese Branding Companies organized by Taiwan External Trade Development Council under authorization of Bureau of Foreign Trade, Ministry of Economic Affairs.
October 2011	The capital increased by NT$15,358 thousand from earnings and NT$724 thousand from employees' bonuses and the paid-in capital reached NT$272,050 thousand.
November 2011	LED micro track system won 2012 iF Design Award.
December 2011	LED recessed ceiling luminaires, outdoor luminaires, LED micro track system, and table lamps won the 20th Taiwan Excellence Award.
January 2012	The capital increased by NT$1,351 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$273,401 thousand.
March 2012	LED micro track system won 2012 Red Dot Design Award.
April 2012	The Company was selected by Taiwan External Trade Development Council to set up the 2012 comprehensive brand management system under guidance.
May 2012	The capital increased by NT$1,588 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$274,989 thousand.

Year	Milestones
October 2012	The capital increased by NT$16,499 thousand from earnings and NT$695 thousand from employees' bonuses and the paid-in capital reached NT$292,183 thousand.
November 2012	The capital increased by NT$2,066 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$294,249 thousand. DW-409R LED lights won 2013 iF Design Award.
April 2013	The capital increased by NT$440 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$294,689 thousand.
June 2013	The Company was listed at Taiwan stock exchange market on June 17. The capital increased by NT$39,300 thousand in cash and the paid-in capital reached NT$333,989 thousand.
August 2013	The capital increased by NT$17,681 thousand from earnings and the paid-in capital reached NT$351,670 thousand.
December 2013	The capital increased by NT$198 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$351,868 thousand. DW-202C LED recessed spotlights, BA-001M recessed reading lights, SA-8700 track lights, FA315A LED outdoor spotlights, and DG-150C LED recessed ceiling luminaires won the 22nd Taiwan Excellence Award.
March 2014	DW-303 won 2014 Red Dot Design Award.
May 2014	The capital increased by NT$588 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$352,456 thousand.
August 2014	The capital increased by NT$10,573 thousand from earnings and the paid-in capital reached NT$363,029 thousand.
December 2014	The capital increased by NT$3,950 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$366,979 thousand.
March 2015	The capital increased by NT$500 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$367,479 thousand.
April 2015	The capital increased by NT$2,130 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$369,609 thousand.
July 2015	Hongbo Investment Co., Ltd. was established. The capital increased by NT$11,088 thousand from earnings and the paid-in capital reached NT$380,698 thousand.

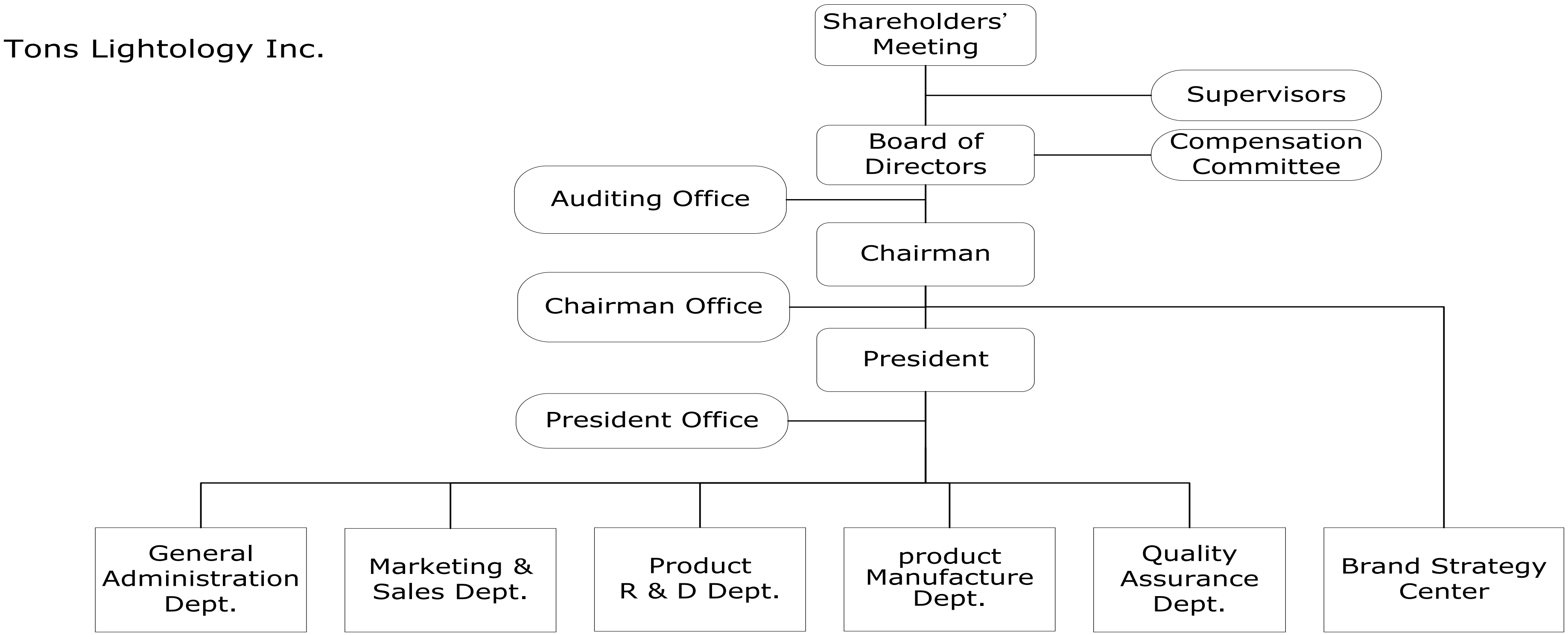
Year	Milestones
November 2015	The capital increased by NT$680 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$381,378 thousand. TONS LIGHOLOGY Inc. Hong Kong Branch was founded to sell lighting products.
December 2015	DG-984S(C18) LED square recessed luminaires, DD-982S(C7) LED square recessed luminaires, SA513C/BH513C LED lights, SA8200-D/SA8500-D/SA8700-D LED track lights, DA-922R(C12) LED recessed luminaires, and SA-501H KIT micro track system won the 24th Taiwan Excellence Award.
March 2016	The capital increased by NT$802 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$382,180 thousand. RA-501R mini display spotlight won the 2016 Red Dot Design Award.
April 2016	SA-501H KIT won the 24th Taiwan Excellence Silver Award.
August 2016	The capital increased by NT$7,644 thousand from earnings and the paid-in capital reached NT$389,824 thousand.
November 2016	The capital increased by NT$865 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$390,689 thousand.
December 2016	SH-523C asymmetric track lights, SA-8500-D+Beveled Cover/SA-8500-D+Cover track lights, DW-301Q LED recessed spotlights, RA-771R display spotlights, and RA-501R/RA-501S display spotlights won the 25th Taiwan Excellence Award.
January 2017	Shanghai TONS LIGHOLOGY Inc. was founded to sell lighting products.
March 2017	The capital increased by NT$3,487 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$394,176 thousand.
August 2017	The capital increased by NT$3,942 thousand from earnings and the paid-in capital reached NT$398,118 thousand.
December 2017	SA-4500B LED zoomable track lighting won the 26th Taiwan Excellence Award.
March 2018	The capital increased by NT$830 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$398,948 thousand.
January 2019	The capital increased by NT$680 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$399,628 thousand.

Year	Milestones
March 2019	The capital increased by NT$780 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$ 400,408 thousand.
November 2019	The capital increased by NT$ 845 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$ 401,253 thousand.
March 2020	The capital increased by NT$ 1,280 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT$ 402,533 thousand.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Department	Primary Functions
Auditing Office	-to audit all business execution circumstances of each unit, the sales, purchasing, production, payroll, finance, fixed assets, investments, computer and research and development affairs. -to recommend for improving internal controls, internal audit and other related matters.
Chairman Office	-to assist in Board Meeting related issues. -to perform routine tasks assigned by Chairman.
President Office	-Collect all kinds of business intelligence, analysis of industry trends, trends for decision making, and a variety of programs to assist program. -to establish the company management system, to assess the operational management and integration of the various departments plan to ensure business objectives of reaching. -Set up company operating principle and track management indicators.
General Administration Dept.	HR and general administration section: -Review and advice to modify the company's organization structure, rules of personnel management, and other important human resource matters. -Plan and implement human resource policies to reduce relevant risks and maintain employee relationship. -Handle the affairs of general services and legal affairs. IT section: -Cope with all affairs relating to information operation system, office automation, internal and external website applications and information security to the needs of operation.

Department	Primary Functions
	Accounting & financial section: -Handle all accounting matters including the costs, accounts, taxation to ensure management efficiency of the company's operation, and adherence of related accounting regulations to reduce company operation risks. -Responsible for operational financial strategy, investment strategy, financial management and strategy, dividend strategy as well as investor relationship in order to minimize financial exposure, uphold financial opportunity and maximize shareholders' best interest.
Marketing & Sales Dept.	responsible for all affairs as follows: -Commodity management, planning, design and promotion. -to develop new product specifications, assess the feasibility of the development, and take control of the schedule of the development. -Development of product marketing strategy and pricing strategy. -perform market and product trends surveys. -Set up annual business operating goals and plans. -ODM and OEM product sales plan and execute the project.
Product R & D Dept.	-Responsible for the development and commercialization of the research project of the new products. -R & D project integration and management. -Plan for Intellectual Property Development.
Product Manufacture Dept.	-Responsible for the operation of logistics supplies, including procurement, materials management and production scheduling and other matters. - Responsible for all product manufacturing. - Control the manufacturing yield and the production planning to achieve all goals of efficiency.

Department	Primary Functions
	-Production coordination of manufacturing resources and complete shipment targets. -Implement the quality management system to ensure the product quality and meet customer needs.
Quality Assurance Dept.	-Responsible for establishing quality control systems, follow up and deal with a variety of quality issues. -Improve the reliability of the product quality and thus enhance product quality -Responsible for the implementation of ISO system, IQC management and product management of IPQC and OQC. -Pursue and implement education and training related to QA management system and quality system of planning. -lead internal audit activities and external certification oversight and supervise effectiveness of the implementation of TQM
Brand Strategy Center	In charge of the affairs as follows: -own-brand strategy development and execution of marketing plans -own-brand product planning and market analysis -lighting design and technical application support -own-brand product sales and promotion

3.2 Directors, Supervisors and Management Team

3.2.1 Directors

03 30, 2020

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C.	TANG, SHIH-CHUAN	male	05 26,2016	3	08 14, 1992	3,500,627	8.88%	3,535,633	8.78%	1,192,013	2.96%	-	-	Oriental Institute of Technology / Dept. of Clothes Manufacturing Tons Lightology Inc. / Founder	Tons Lightology Inc. / Chairman&G.M. Titan Lighting Co., Ltd. / Chairman ZhongshanTons Lighting Co., Ltd. / Chairman Tons Lighting Co., Ltd. / Director World Extend Holding Inc. / Director Greatsuper Technology Ltd. / Director Hong-Bo investment Co., Ltd. / Chairman Luminous Holding Incorporated/ Director Shanghai Tons Lightology Co., Ltd./ Chairman HEP Tech Co.,Ltd./ Director. Art So Trading Ltd./Director. Artso International, Inc./Director.	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	％	Shares	％	Shares	％	Shares	％			Title	Name	Relation
Director	R.O.C.	HUNG, CHIA-CHENG	male	05 26,2016	3	03 08,2002	1,253,962	3.18%	1,085,381	2.70%	327,062	0.81%	-	-	Kainan Vocational High School / Dept. of Electronic Engineering Tons Lightology Inc. / Senior Excutive Vice President	Tons Lightology Inc. / Senior Excutive Vice President Titan Lighting Co., Ltd. / Director&G.M. ZhongshanTons Lighting Co., Ltd. / Director&G.M. Hong-Bo Investment Co., Ltd. / Director Shanghai Tons Lightology Co., Ltd / Director	-	-	-
Director	R.O.C.	CHEN, MING-HSIN	male	05 26,2016	3	05 26,2016	-	-	-	-	-	-	-	-	Bachelor of Accounting, National Chengchi University Doctor of Business Administration, Nankai University Taiwan Stock Exchange- Listing Review and Chief Accountant Hung Mao Technology Co., Ltd.- President	HEP Tech Co.,Ltd./ Supervisor	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C.	TSAI, SHAO-CHUN	male	05 26,2016	3	06 16,2014	-	-	-	-	-	-	-	-	Arapahoe Community College / Associate of Arts - Business Degree Mercuries & Associates, LTD.- Section Head of Information Management Mercuries Furniture CO., LTD.- Manager of Information Department, Commodity Department, and Operation Department	Mercuries Furniture CO., LTD / Deputy General Manager	-	-	-
Independent Director	R.O.C.	YUAN, JIAN-CHUAN	male	05 26,2016	3	05 23,2011	-	-	-	-	-	-	-	-	State University of New York at Buffalo with degrees of MSEE and Ph.D Data General Inc., USA-China Market Development and IC Design Manager Universal Automation, USA-IC Design Manger and Partner	Adjunct Professor of Institute of Management of Technology, National Chiao-Tung University	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C.	HSU, CHUNG-YUAN	male	05 26,2016	3	05 28,2015	-	-	-	-	-	-	-	-	Ph.D. in Accounting, University of Memphis (USA) Supervisor of Securities and Futures Investors Protection Center Chair and Professor, Department of Accounting, National Chengchi University Senior Partner, BDO Taiwan	Adjunct Professor of Accounting, National Chengchi University Securities Investment Trust & Consulting Association of the R.O.C. / Director	-	-	-
Independent Director	R.O.C.	CHOU, LIANG-CHENG	female	05 26,2016	3	05 26,2016	-	-	-	-	-	-	-	-	Rootlaw Firm- Attorney Li Cheng Law Firm- Attorney Xin Fu International Law Firm- Attorney Jia Hua Attorneys-At-Law Firm,- Attorney	Jia Hua Attorneys-At-Law Firm, -Founding Attorney Shih-Kuen Plastics Co., Ltd. -Independent Director、Member of Remuneration Committee	-	-	-

Note: If the chairman, general manager or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures (e.g., increasing the number of independent directors and more than half of the directors who are not concurrently employees or managerial officers) to be taken accordingly shall be addressed.

Considering the Company's size at this stage, the Chairman concurrently serves as the General Manager to improve the operating efficiency and decision-making power; in addition, the Company has voluntarily set up the Audit Committee to strengthen the independence of the Board of Directors. To fulfill corporate governance, the Chairman has fully communicated the Company's business strategies and operations with all directors. In the future, the Company may increase the number of independent directors as needed or enhance the functions of the Board of Directors according to current succession planning.

At present, the Company has taken the concrete measures as follows:

1. The incumbent three independent directors have expertise in finance and accounting, law, and business management respectively to execute their supervisory functions effectively.
2. Every year, directors are arranged to participate in professional training courses to enhance the Board effectiveness.
3. To fulfill corporate governance, independent directors can fully participate in discussions and make recommendations for the Board of Directors in each functional committee.
4. Half of the Board members are not concurrently employees or managerial officers.

Professional qualifications and independence analysis of directors

04 30, 2020

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
TANG, SHIH-CHUAN			✓				✓	✓	✓		✓	✓	✓	✓	✓	0
HUNG, CHIA-CHENG			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	0
CHEN, MING-HSIN			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
TSAI, SHAO-CHUN			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
YUAN, JIAN-CHUAN	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
HSU, CHUNG-YUAN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
CHOU, LIANG-CHENG		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Please tick the corresponding boxes that apply to the directors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or its affiliate. This restriction does not apply to where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in

holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the managerial officers in the first subparagraph or the persons in the second and third subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, of a corporate shareholder that ranks among the top five in shareholdings, or of a corporate shareholder that elects its authorized representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
6. Not a director, supervisor, or employee of a company who is a director of the Company or holds the majority of the voting shares. These restrictions do not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
7. Not a director, supervisor, or employee of a company or institution who is the chairman, general manager or a person with an equivalent position of the Company or a spouse thereof. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
8. Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. This restriction does not apply to cases where the specified company or institution holds more than 20% but less than 50% of the shares of the Company and the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
9. Not a professional individual who is an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company,

or institution that offers audit services or offers commercial, legal, financial, or accounting services for which he/she has received the total remuneration of less than NT$500,000 over the past two years to the Company or its affiliate, nor a spouse thereof. This restriction does not apply to any member of the remuneration committee, public tender offer review committee or merger and acquisition special committee who exercises powers pursuant to the Securities and Exchange Act or Business Mergers and Acquisitions Act.

10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

03 30, 2020

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	％	Shares	％	Shares	％			Title	Name	Relation
General Manager	R.O.C	TANG, SHIH-CHUAN	male	02 26,2015	3,535,633	8.78%	1,192,013	2.96%	-	-	Oriental Institute of Technology / Dept. of Clothes Manufacturing Tons Lightology Inc. / Founder	Titan Lighting Co., Ltd. / Chairman ZhongshanTons Lighting Co., Ltd. / Chairman Tons Lighting Co., Ltd. / Director World Extend Holding Inc. / Director Greatsuper Technology Ltd. / Director Hong-Bo investment Co., Ltd. / Chairman Luminous Holding Incorporated/ Director Shanghai Tons Lightology Co., Ltd./ Chairman HEP Tech Co.,Ltd./ Director. Art So Trading Ltd./Director. Artso International, Inc./Director.	-	-	-
Excutive Vice President	R.O.C	HUNG, CHIA-CHENG	male	01 01,2008	1,085,381	2.70%	327,062	0.81%	-	-	Kainan Vocational High School / Dept. of Electronic Engineering Tons Lightology Inc. / Senior Vice President	Titan Lighting Co., Ltd. / Director&G.M. ZhongshanTons Lighting Co., Ltd. / Director&G.M. Hong-Bo Investment Co., Ltd. / Director Shanghai Tons Lightology Co., Ltd / Director	-	-	-
Senior Vice President	R.O.C	HU, CHEN-KUANG	male	08 01,2008	120,875	0.30%	675	0.00%	-	-	WuFeng University/Department of Digital Electronics TÜ V Rheinland Co., Ltd./Vice President TÜ V Rheinland Co., Ltd./Manager	Titan Lighting Co., Ltd. / Senior Vice President	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
											Phihong Technology Co., Ltd./Deputy Manager				
Assistant Vice President of Accounting & Financial Dept. / Director of Corporate Governance	R.O.C	WANG, CHIH-YUAN	male	08 01,2008	416,100	1.03%	-	-	-	-	Chung Yuan Christian University/Department of Accounting Evervision Electronics Co., Ltd./Manager U-Tech Media Corporation/Senior Manager Everlight Electronics., Ltd./Section Head Sampo Inc./Section Head	Titan Lighting Co., Ltd. / Assistant Vice President of Accounting & Financial Dept. Hong-Bo Investment Co., Ltd. /Supervisor Shanghai Tons Lightology Co., Ltd/Supervisor Elit Fine Ceramics Co., Ltd/ Supervisor	-	-	-
Assistant Vice President of Product Design Dept.	R.O.C	HUANG, YI-PO	male	09 01,2009	682,726	1.70%	1,228,618	3.05%	-	-	National United University/Department of Mechanical Engineering TONS Lightology Inc./Assistant Vice President	Titan Lighting Co., Ltd. / Director、Assistant Vice President of Product Design Dept. ZhongshanTons Lighting Co., Ltd. / Director Hong-Bo Investment Co., Ltd. / Director	-	-	-
Assistant Vice President of Research and Development Dept.	R.O.C	KUO, CHING-HSING	male	09 01,2012	231,374	0.57%	-	-	-	-	Nan Jeon University of Science and Technology/Department of Electronics QUATEK CO., LTD./R&D Manager Guo Xuan Industrial Co., Ltd./Manager	Titan Lighting Co., Ltd. / Assistant Vice President of Research and Development Dept.	-	-	-
Assistant Vice President of	R.O.C	CHAN, YI-CHEN	male	09 01,2012	275,514	0.68%	-	-	-	-	Ming Chuan University/Graduate Institute of Finance	Titan Lighting Co., Ltd. / Assistant Vice President of Chairman office	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman office											Horizon Securities/Assistant Vice President	Shanghai Tons Lightology Co., Ltd / Director			
Assistant Vice President of Overs ea sales Dept.	R.O.C	KUO, CHUNG-T SU	male	09 01,2012	98,000	0.24%	-	-	-	-	National Central University/Department of Mechanical Engineering Drexel University(USA) MBA Shanghai Cheng Xin Electronics Company/Business Manager Dongguan BESDATA Company/Business Manager SPACIOUS INDUSTRIAL CO., LTD./Assistant Vice President	Titan Lighting Co., Ltd. / Assistant Vice President of Sales Dept.	-	-	-
Assistant Vice President of Grand China Sales Dept.	R.O.C	HUNG, YAO-YANH	male	10 01,2013	253,373	0.63%	10,100	0.03%	-	-	National Yuanlin Agricultural and Industrial Vocational High School/Department of Animal Husbandry TOPTRONIC INDUSTRIAL CO., LTD./Factory Manager CHAO-SHENG TEXTILE CO., LTD./QA Manager	Zhongshan Tons Lighting Co., Ltd. / Assistant Vice President of Sales Dept.	-	-	-
Assistant Vice President of Hong Kong Office	HONG KONG	LAM, KWOK-FAI	male	01 01,2016	-	-	-	-	-	-	CCC Kung Lee College/Department of Science Berkin Lighting Ltd./President CLI (Foshan) lighting Ltd./Sales Director Guangzhou City Cefion Lighting Limited/Sales Manager	-	-	-	-

3.2.3 Remuneration of Directors, Supervisors, President, and Vice President

<u>Remuneration of Directors</u>

Unit: NT$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or from Parent Company
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Director	TANG, SHIH-CHUAN	-	-	-	-	1,683	1,683	93	93	1.68	1.68	4,025	6,519	-	-	810	-	810	-	6.26	8.61	96
Director	HUNG, CHIA-CHENG																					
Director	TSAI, SHAO-CHUN																					
Director	CHEN, MING-HSIN																					
Independent Director	YUAN, JIAN-CHUAN	2,160	2,160	-	-	-	-	81	81	2.12	2.12	-	-	-	-	-	-	-	-	2.12	2.12	-
Independent Director	HSU, CHUNG-YUAN																					
Independent Director	CHOU, LIANG-CHENG																					
Total		2,160	2,160	-	-	1,683	1,683	174	174	3.80	3.80	4,025	6,519	-	-	810	-	810	-	8.38	10.73	96

1.Remuneration policies, systems, standards, and structures for independent directors and linkage thereof to powers, risks, and time spent:

The remuneration for independent directors are paid in accordance with the “Directors' Remuneration Regulations” approved by the Board of Directors and may be adjusted based on the industry standards and independent directors’ involvement in business operations and contributions; in addition, independent directors attending meetings in person may be granted transportation allowances.

2.Except for the above disclosure, the remuneration paid to the Company’s directors for all services rendered last year is NT$0 thousand.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Parent company and all investee companies
Under NT$ 1,000,000	TANG,SHIH-CHUAN, HUNG,CHIA-CHENG, TSAI,SHAO-CHUN, YUAN,JIAN-CHUAN, HSU,CHUNG-YUAN, CHEN, MING-HSIN, CHOU, LIANG-CHENG	TANG,SHIH-CHUAN, HUNG,CHIA-CHENG, TSAI,SHAO-CHUN, YUAN,JIAN-CHUAN, HSU,CHUNG-YUAN CHEN, MING-HSIN CHOU, LIANG-CHENG	TSAI,SHAO-CHUN, YUAN,JIAN-CHUAN, HSU,CHUNG-YUAN CHEN, MING-HSIN CHOU, LIANG-CHENG	TSAI,SHAO-CHUN, YUAN,JIAN-CHUAN, HSU,CHUNG-YUAN CHEN, MING-HSIN CHOU, LIANG-CHENG
NT$1,000,000 ~ Under NT$2,000,000	-	-	-	-
NT$2,000,000 ~ Under NT$3,500,000	-	-	TANG,SHIH-CHUAN, HUNG,CHIA-CHENG	-
NT$3,500,000 ~ Under NT$5,000,000	-	-	-	TANG,SHIH-CHUAN, HUNG,CHIA-CHENG
NT$5,000,000 ~ Under NT$10,000,000	-	-	-	-
NT$10,000,000 ~ Under NT$15,000,000	-	-	-	-
NT$15,000,000 ~ Under NT$30,000,000	-	-	-	-
NT$30,000,000~ Under NT$50,000,000	-	-	-	-
NT$50,000,000 ~ Under NT$100,000,000	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	7	7	7	7

Remuneration of the President and Vice President

Unit: NT$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	TANG, SHIH-CHUAN	4,589	7,519	79	79	969	1,603	1,760	-	1,760	-	7.00	10.37	5
Excutive Vice General Manager	HUNG, CHIA-CHENG													
Senior Vice General Manager	HU, CHEN-KUANG													

Range of Remuneration	Name of President and Vice President	
	The company	Parent company and all investee companies
Under NT$ 1,000,000	-	-
NT$1,000,000 ~ Under NT$2,000,000	-	-
NT$2,000,000 ~ Under NT$3,500,000	TANG,SHIH-CHUAN,HUNG,CHIA-CHENG, HU,CHEN-KUANG	TANG,SHIH-CHUAN
NT$3,500,000 ~ Under NT$5,000,000	-	HUNG,CHIA-CHENG,HU,CHEN-KUANG
NT$5,000,000 ~ Under NT$10,000,000	-	-
NT$10,000,000 ~ Under NT$15,000,000	-	-
NT$15,000,000 ~ Under NT$30,000,000	-	-
NT$30,000,000~ Under NT$50,000,000	-	-
NT$50,000,000 ~ Under NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	3	3

List of Managers Receiving Employee's Remuneration and Implemented Distribution

Unit: NT$ thousands

	Title	Name	Employee's Remuneration - in Stock (Fair Market Value)	Employee's Remuneration - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Excutive Vice General Manager	HUNG, CHIA-CHENG	-	5,840	5,840	5.53
	Senior Vice General Manager	HU, CHEN-KUANG				
	Assistant Vice President	WANG, CHIH-YUAN				
	Assistant Vice President	HUANG, YI-PO				
	Assistant Vice President	KUO, CHING-HSING				
	Assistant Vice President	CHAN, YI-CHEN				
	Assistant Vice President	KUO, CHUNG-TSU				
	Assistant Vice President	HUNG, YAO-YANH				

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Title	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)			
	2018		2019	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors	3.75%	3.75%	3.80%	3.80%
Presidents and Vice Presidents	7.14%	10.28%	7.00%	10.37%

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

The remuneration paid to directors included the remuneration, allowances and rewards paid to directors. The remuneration paid to directors was determined at the same level of the same trade. The allowances paid to directors were determined based on the attendance at the board meetings. The rewards paid to directors were appropriated according to the Company's articles of incorporation and reviewed by the Remuneration Committee and later submitted to the Board of Directors for resolution. The calculation for separate remuneration paid to each director was stipulated in "Regulations Governing the Remuneration and Rewards of Directors" based on the individual performance of directors appraised with "Regulations Governing Performance of the Board of Directors" after the submission at the shareholders' meeting and submitted to the Remuneration Committee for review. After the resolution was passed by the Board of Directors, the rewards would be paid to directors.

The remuneration paid to the President and the Vice President, including salaries, bonuses, employees' remuneration, and employee stock option certificates, was determined based on the position and duties assumed and the level of the same position in the same trade and the individual performance appraisal of each managers based on "Regulations Governing the Operation of

Performance Appraisal", and the results would serve as calculation basis for remuneration based in the employee performance evaluation. The separate distribution of employees' remuneration and employee stock option certificates was submitted to the Remuneration Committee for review and resolved by the Board of Directors.

For the separate performance appraisal to directors and managers and the relevance and reasons of the contents and amounts of remuneration had been approved as "reasonable" after the review of the Remuneration Committee and the discussion of the Board of Directors on April 10, 2020, and would be submitted in the reports to the shareholders' meeting of this annual period.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 8 (A) meetings of the Board of Directors were held in the previous period. The attendance of directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	TANG,SHIH-CHUAN	8	0	100.00%	
Director	HUNG,CHIA-CHENG	8	0	100.00%	
Director	TSAI,SHAO-CHUN	7	1	87.5%	
Director	CHEN,MING-HSIN	8	0	100.00%	
Independent Director	YUAN,JIAN-CHUAN	8	0	100.00%	
Independent Director	HSU,CHUNG-YUAN	8	0	100.00%	
Independent Director	CHOU, LIANG-CHENG	8	0	100.00%	
Total/Average		55	1	98.21%	

Other mentionable items:

1. If one of the following situations occurs, the date and period of the board meeting, the content of proposals, opinions given by all independent directors and the disposal of such opinions shall be specified:
   (1) Matters specified in Article 14-3 of the Securities and Exchange Act.
   (2) In addition to the above matters, other matters which independent directors object to or express reservations about in a record or a written statement.
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
   (1) For the distribution of 2018 managers' bonuses proposed on February 26, 2019, the acting chairman Chen, Ming-Hsin consulted all the attendees, except for Mr. Tang, Shih-Chuan and Mr. Hung, Chia-Cheng who were absent from the discussion and vote due to conflict of interest, without objection and passed the proposal.
   (2) For the number of managers distributed with the 2018 employee's remuneration proposed on April 12, 2019, the chairman consulted all the attendees, except for Mr. Hung, Chia-Cheng who was absent from the discussion and vote due to conflict of interest, without objection and passed the proposal.
   (3) For the distribution of 2018 incentives proposed on April 12, 2019, the chairman consulted all the attendees, except for Mr. Hung, Chia-Cheng who was absent from the discussion and vote due to conflict of interest, without objection and passed the proposal.
3. TWSE/TPEx listed companies should disclose the cycle and period, scope, method, and contents of self-evaluations (or peer evaluations) of the Board of Directors and file the implementation of the Board evaluations.
4. Measures taken to strengthen the functionality of the board:
   (1) The Company has included the procedures for board meetings in the internal control system and the procedures will be audited by the audit unit on a regular basis.
   (2) The Company called directors to visit major subsidiaries and hold meetings in November 2019 to understand the operations of the subsidiaries.
   (3) Last year, the Company's Directors participated in courses on corporate governance for 48 hours.
   (4) The Company has formulated the Regulations Governing Evaluation of the Board's Performance on July 11, 2016(amended on November 1, 2019) to implement the performance evaluation. In 2019. The result of the peer evaluation was reported in the board meeting on December 20, 2019.

Independent directors' opinions on major proposals and the disposal of such opinions last year are described as follows

Board Meeting	Proposal and Subsequent Disposal	Matters Specified in Article 14-3 of the Securities and Exchange Act	Objection or Reservation by Independent Directors
The 13th Meeting of the 9th Board of Directors on February 26, 2019	Proposal of distribution of wage to employees, Directors of 2018	√	
	Proposal of distribution of repurchased treasury shares to employees of the Company	√	
	Opinions of independent directors: N/A		
	Disposal of opinions of independent directors: N/A		
	Resolution: Passed by all attendees		
The 14th Meeting of the 9th Board of Directors on April 12, 2019	Proposal of the 2018 separate distribution of remuneration to directors	√	
	Proposal of the separate performance appraisal to directors and managers and the relevance and reasons of the contents and amounts of remuneration	√	
	Amendment of "Endorsements and Guarantees Operating Procedures" of the Company	√	
	Amendment of "Loans and Funds Operating Procedures" of the Company	√	
	Opinions of independent directors: N/A		
	Disposal of opinions of independent directors: N/A		
	Resolution: Passed by all attendees		
The 15th Meeting of the 9th Board of Directors on April 19, 2019	Proposal of handling of shareholding of "HEP Group"	√	
	Opinions of independent directors: N/A		
	Disposal of opinions of independent directors: N/A		
	Resolution: Passed by all attendees		
The 19th Meeting of the 9th Board of Directors on Nov. 1, 2019	Amendment of "Regulations Governing Performance of the Board of Directors" of the Company	√	
	Opinions of independent directors: N/A		
	Disposal of opinions of independent directors: N/A		
	Resolution: Passed by all attendees		

Implementation of the Board Evaluation

Cycle	Period	Scope	Method	Content
Once every year	January 1, 2019~December 31, 2019	1. Board of Directors 2. Board members 3. Functional committees	Self-evaluations of the Board and Board members	1. Evaluation of Board performance: 30 evaluation items in 5 dimensions, namely Board's involvement in business operations, Board's decision-making quality, Board composition and structure, election and continuing education of directors, and internal control. 2. Evaluation of Board members' performance: 20 evaluation items in 6 dimensions, namely understanding of company goals and tasks, understanding of directors' duties, involvement in business operations, internal relationship management and communication, expertise and continuing education of directors, and internal control. 3. Evaluation of functional committees' performance: 20 evaluation items in 5 dimensions, namely involvement in business operations, understanding of functional committees' duties, functional committees' decision-making quality, functional committees' composition and election of members, and internal control.

Advanced studies and training organized for directors last year are described as follows

Title	Name	Date	Course Name	Hour
Director	TANG, SHIH-CHUAN	10 02, 2019	Blockchain Principles and Applications	3
		10 02, 2019	Case Study on Breach of Trust and Special Breach of Trust by Directors and Supervisors	3
Director	HUNG, CHIA-CHENG	09 03, 2019	Practice of Audit Control and Management to Corporate "Cost Saving" and "Competitive Strategy"	6
Director	CHEN, MING-HSIN	04 16, 2019	Seminar on Corporate Governance and Business Sustainability	3
		07 24, 2019	Promotional Seminar for Equities of Internal Personnel of Listed Companies at Stock Exchange Market and Emerging Stock Market	3
Director	TSAI, SHAO-CHUN	02 22, 2019	Seminar on Business Long-term Viability through Corporate Governance	3
		07 24, 2019	Promotional Seminar for Equities of Internal Personnel of Listed Companies at Stock Exchange Market and Emerging Stock Market	3
Independent Director	YUAN, JIAN-CHUAN	02 22, 2019	Seminar on Business Long-term Viability through Corporate Governance	3
		11 27 2019	The 15th International Forum on Corporate Governance – Directors' Obligation for Financial Reporting, Global Institutions, Investors' Role in Strengthening Corporate Governance, and Citation of Business Judgment Rules	3
Independent Director	HSU, CHUNG-YUAN	02 22, 2019	Seminar on Business Long-term Viability through Corporate Governance	3
		04 16, 2019	Seminar on Corporate Governance and Business Sustainability	3
		04 26, 2019	2019 Seminar on Insider Trading Prevention	3
		07 26, 2019	Seminar on Board Effectiveness and Remuneration	3

Title	Name	Date	Course Name	Hour
Independent Director	CHOU, LIANG-CHENG	07 17, 2019	Securities Fraud – Illegal Issuance of Stocks and Bonds	3
		07 31, 2019	Promotional Seminar for Equities of Internal Personnel of Listed Companies at Stock Exchange Market and Emerging Stock Market Auditors with Audit Committee	3

Independent Directors' Attendance of Meeting of the Board of Directors in 2019

Attending in person：√；Attending by proxy：＊

2019	1st	2nd	3rd	4th	5th	6th	7th	8th
	2/26	4/12	4/19	4/26	5/29	7/26	11/1	12/20
YUAN, JIAN-CHUAN	√	√	√	√	√	√	√	√
HSU, CHUNG-YUAN	√	√	√	√	√	√	√	√
CHOU, LIANG-CHENG	√	√	√	√	√	√	√	√

Implementation of Diversification of Members of Board of Directors

Core Diversified Items / Name	Gender	Age	Term of Independent Directors	As an employee of the company	Operating and Management	Leadership and Decision-making	Industry Knowledge	Financial Accounting	Legal Affairs
TANG, SHIH-CHUAN	M	<60		√	√	√	Optoelectronics industry		
HUNG, CHIA-CHENG	M	<60		√	√	√	Optoelectronics industry		
TSAI, SHAO-CHUN	M	<60			√	√	Distribution channels		
CHEN, MING-HSIN	M	<60			√	√	Investment securities	√	
YUAN, JIAN-CHUAN	M	>70	3		√		Information technology		
HSU, CHUNG-YUAN	M	60-70	2				Banking	√	
CHOU, LIANG-CHENG	F	<60	1				Asset management		√

3.3.2 Audit Committee （or Attendance of Supervisors at Board Meetings）

Attendance of Independent Directors at Audit Committee Meetings

A total of 7 (A) meetings of the Audit Committee were held in the previous period. The attendance of Independent Directors was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) 【B/A】	Remarks
Independent Director	YUAN, JIAN-CHUAN	7	100.00%	
Independent Director	HSU, CHUNG-YUAN	7	100.00%	
Independent Director	CHOU, LIANG-CHENG	7	100.00%	

Other mentionable items:

1. The date, period, the contents of the proposal, the resolution of the Audit Committee and the Company's treatment of the Audit Committee's opinions shall be clarified when one of the following circumstances occurs during the operation of the Audit Committee.
   (1) Items listed in Article 14-5 of Securities and Exchange Act.
   (2) Items not passed by the Audit Committee but approved by more than two-thirds of all

directors, except for the aforesaid ones.

2. The names of independent directors, the contents of the motions, the reasons for the conflict of interest, and participation in voting shall be stated within the implementation of avoidance of independent directors due to conflict of interest: No such situation occurred.
3. Communication between independent directors and managers of internal audit and accountants (shall include major events, methods, and conclusions in communicating the Company's financial and business conditions, etc.).

Key Jobs of Audit Committee

The Audit Committee of the Company consists of three Independent Directors. The Audit Committee aims to assist the Board of Directors in fulfilling the quality and integrity of the Company in supervising the accounting, auditing, financial reporting process and financial control. The scope of matters considered mainly includes

(1) Policies and Procedures to Financial Statements Audit and Accounting.
(2) Policies and Procedures to internal control system and related matters.
(3) Major assets or derivatives transactions.
(4) Major fund loaning and endorsements/guarantees.
(5) Offering or issuing securities.
(6) Derivative financial commodities and cash investment.
(7) Legal compliance.
(8) Potential relationships of related parties between the managers and Directors and conflicts of interest.
(9) Appeal report.
(10) Anti-fraud scheme and fraud investigation report.
(11) Information security.
(12) Corporate risk management.
(13) Assessment and evaluation to qualification, independence and performance of CPA.
(14) Appointment, dismissal or remuneration of CPA.
(15) Appointment and dismissal of financing, accounting or internal audit directors.
(16) Performance and Fulfillment of Duties of Audit Committee.
(17) Self-assessment questionnaire to Audit Committee performance.

Opinions on Major Proposals or Results of Resolutions by Audit Committee of the Most Recent Annual Period

Board Meeting	Proposal and Subsequent Disposal	Matters Specified in Article 14-5 of the Securities and Exchange Act	Resolutions not passed by the Audited Committee but approved by more than two thirds of overall directors
The 13th Meeting of the 9th Board of Directors on February 26, 2019	Proposal of 2018 Statement of Internal Control Systems	√	
	The Company's 2018 Business Report, Individual Financial Report and Consolidated Financial Report	√	
	Proposal of the distribution of 2018 earnings of the Company	√	
	Proposal of distribution of repurchased treasury shares to employees of the Company	√	
	Audit Committee resolution results (February 26, 2019): all the attending members passed the resolutions without objection		
	The Company's handling of the opinions of the Audit Committee: all the attending directors passed the proposal without objection		
The 14th Meeting of the 9th Board of Directors on April 12, 2019	Amendment of "Endorsements and Guarantees Operating Procedures" of the Company	√	
	Amendment of "Loans and Funds Operating Procedures" of the Company	√	
	Audit Committee resolution results (April 12, 2019): all the attending members passed the resolutions without objection		
	The Company's handling of the opinions of the Audit Committee: all the attending directors passed the proposal without objection		
The 15th Meeting of the 9th Board of Directors on April 19, 2019	Approved the proposal of handling of shareholding of "HEP Group"	√	
	Audit Committee resolution results (April 19, 2019): all the attending members passed the resolutions without objection		
	The Company's handling of the opinions of the Audit Committee: all the attending directors passed the proposal without objection		
The 18th Meeting of the 9th Board of Directors on	The Company's consolidated financial statements for the second quarter of 2019	√	
	Amendment to the Company's Codes of Integrity Management	√	

Board Meeting	Proposal and Subsequent Disposal	Matters Specified in Article 14-5 of the Securities and Exchange Act	Resolutions not passed by the Audited Committee but approved by more than two thirds of overall directors
July 26, 2019	Dissolution of Tons Lighting Co., Ltd. and authorization of the Chairman to handle subsequent business.	√	
	Audit Committee resolution results (July 26, 2019): all the attending members passed the resolutions without objection		
	The Company's handling of the opinions of the Audit Committee: all the attending directors passed the proposal without objection		

Communication between Independent Directors and Managers of Internal Audit of the Most Recent Annual Period

Date	Major resolutions
11 01,2019	● Description to Risk Assessment of 2020 Explanation to the risk factor scoring method for items of each operation cycle, and include the first 24 items into the audit plan of 2020 based on scoring by quantified criteria.
	Opinions of Independent Directors: N/A.
12 20,2019	● 2020 Annual Audit Plan Report 64 audit items for the 2020 Report including the first 25 items of risk factors of each operation cycle based on the scoring, 2 items for enhanced audit, 30 legally-mandatory items, 7 items for audit consistency and proposed by CPA.
	Opinions of Independent Directors: N/A.

Communication between Independent Directors and Accountants of the Most Recent Annual Period

Date	Major resolutions
02 26,2019	● Basis of inspections and opinions of the 2018 annual financial report ● 2018 annual inspection highlights 1. Key investigated and audited items, 2. importance of the current period, 3. scope of the financial report of the Group, 4. internal control investigation/current adjustment, reclassification and unadjusted entries, 5. related parties and transactions of related parties, 6. choices and changes of significant accounting policies and major accounting estimations, 7. fraud and non-compliance with laws and regulations, events/post-term events, and 8. representation letters/significant insufficiencies/inconsistencies with comments by managerial levels regarding internal controls. ● Independence of accountants ● Updates on laws and regulations
	Opinions of Independent Directors: N/A.
04 26,2019	● Consolidated financial statements for the first quarter of 2019 and independent auditors' review report
	Opinions of Independent Directors: N/A.
11 01,2019	● 2019 CPA communication plan ● CPA's roles and responsibilities ● The scope of the annual audit and annual audit service plan ● Preliminary reviews on key audit items of such annual period ● Auditing and non-auditing services for such annual period ● Confirmation on accounting firm independence
	Opinions of Independent Directors: N/A.

3.3.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1.Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" on 12/26/2014(amended on 11/03/2017). The information has been disclosed on the Company's website http://www.tonslight.com/tw.	None
2.Shareholding structure & shareholders' rights (1)Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) The Company established a spokesperson system and an e-mail box to deal with shareholders' suggestions, doubts, disputes and litigations.	None
(2)Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The Company authorized the share agency to be in charge of the list of its major shareholders as well as the ultimate owners of those shares and followed up the change through monthly declaration.	None
(3)Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The Company has formulated the Regulations Governing Supervision and Management of Subsidies and the Regulations Governing Transactions between Related Parties, Specific Companies and Conglomerates and	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			executed the risk management based on the internal control system.	
(4)Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has formulated the Regulations Governing Insider Declaration, which expressly prohibit insiders from trading securities with undisclosed information.	None
3.Composition and Responsibilities of the Board of Directors				
(1)Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The Company has developed and implemented a diversified policy for the composition of the Board's members in the Corporate Governance Best Practice Principles: The composition of the Board's members shall have the knowledge, skills, and experience necessary to perform their duties and shall not be limited to basic requirements and values, such as gender, age, nationality, and culture, and professional knowledge and skills, such as a professional background, professional skills, and industry experience. Directors of the 9th Board of Directors have expertise in each professional field as lighting industry, optical technology, business management, laws, accounting, financial investment and leadership decision-making, and one female director had been enlisted to the Board.	None
(2)Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the		✓	(2) The Company has established the Remuneration Committee and established the Audit Committee in 2017. In the future, the Company will voluntarily establish other functional	Will be added as needed

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
Audit Committee?			committees as needed.	
(3)Does the company establish a standard to measure the performance of the Board, and implement it annually and report the results of evaluation to the Board of Directors and refer to the said results when determining each director's compensation and reelection?	✓		(3) The Company has formulated the Regulations Governing Evaluation of the Board's Performance approved by the Board of Directors on July 11, 2016 (amended on November 1, 2019)to implement the performance evaluation. In 2019, the evaluation of the Board's performance was implemented through internal self-evaluation, peer evaluation and along with the self-evaluation of functional committees. The result of the self-evaluation showed that the Board met the standard operation in 30 items of five dimensions. The peer evaluation covered 20 items in 6 dimensions. Except one director who did not attend the shareholders meeting not qualified to obtain self-appraisal requirements, the rest of the directors achieved the given items. Among 140 item, 7 directors achieved 139 items, with an achievement rate of 99.28%. The self-evaluation of functional committees' performance covered 20 evaluation items in 6 dimensions. Except for the evaluation item, "The Remuneration Committee has not reviewed the standards for Board performance evaluations," which is expected to be conducted in 2020, all evaluation items were completed with a 95% completion rate. The self-evaluation results were reported to the Board of Directors on December 20, 2019, including an explanation for the non-compliance evaluation item. Each director's	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			compensation and reelection in 2020 will be based on the evaluation results in accordance with the "Directors' Remuneration Regulations."	
(4) Does the company regularly evaluate the independence of CPAs?	✓		(4) The Company evaluated the independence of CPAs once every year. The evaluation reviewed the requirements for the independence of CPAs (such as sharing of financial interests, a collateral relative within the second degree of kinship of any person of the Company assuming major duties, and other 12 items), the operation of the independence of CPAs (such as avoidance of conflict of interest that may affect impartiality and independence, substantive and formal independence of the audit and audit report, and other 6 items), and the competency of CPAs (such as CPA disciplinary record in the last 2 years, sufficient resources and area coverage in terms of the accounting firm's audit service, and other 4 items). The result of the evaluation showed that CPAs Liu, Mei-Lan and Wang, Yu-Chuan conformed to the standards. The result of the evaluation was reported in the board meeting on December 20, 2019.	None
4. Does the Company set up adequate personnel and a corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required	✓		The Company, under the approved by the Board of Directors on April 12, 2019, appointed Mr. WANG CHIH-YUAN, the Associate General Manager of the Department of Financing, as the Director of Corporate Governance and employees of the Department of Financing as corporate governance personnel who	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
for business execution by directors and supervisors, helping directors and supervisors comply with laws and regulations, handling matters relating to board meetings and shareholders meetings according to laws, and producing minutes of board meetings and shareholders meetings)?			are in charge of corporate governance and its related issues to protect shareholders' rights and enhance the functions of the Board of Directors. Mr. Wang has already had the working experience of more than 3 years as the Director of financing affairs in the public companies. Responsible for the provision of information required by directors for the implementation of the business operation and latest regulatory developments relating to company operation for assisting directors in complying with laws and regulations and conducting tasks related to meetings of the Board of Directors and shareholders in accordance with laws (eight meetings of Board of Directors and one shareholder meeting), as well as assisting the Company in complying with relevant laws and regulations of meetings of the Board of Directors and shareholders, conducting registration and change of Company registration (four changes of registration), producing meeting minutes of meetings of the Board of Directors and shareholders (agenda and meeting minutes for the meeting of the Board of Directors, meeting handbooks for shareholders' meetings of English and Chinese versions, and annual reports of shareholders' meetings of English and Chinese versions), conducting tasks related to investor relations (four investor conferences), arranging for continuing education for directors, arranging meeting for independent directors, accountants (three times) and auditing managers (two times), and reporting the	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			implementation to directors once an annual period. An 18-hour education course is implemented within one year after assuming new position on March 18, 2020. The implementation of the Company's corporate governance in 2019 was reported to the Board of Directors on February 26, 2020.	
5. Does the Company set up channels of communication with stakeholders (including but not limited to its shareholders, employees, clients, and suppliers), designate a stakeholders section on its website, and properly reply to any major issues which stakeholders are concerned about regarding the corporate social responsibility?	✓		The Company has designate a stakeholders section on its website ((https://www.tonslight.com/tw/stakeholder/) to facilitate an open and two-way channel of communication with shareholders and to properly reply to any issues which all stakeholders are concerned about. The stakeholders of the Company shall refer to internal or external groups or individuals that may affect the Company or be affected by the Company, including employees, clients, suppliers, investors, government organizations, and communities/non-government/non-profit organizations. In 2019, communication between the Company and stakeholders regarding important issues was reported to the Board of Directors on December 20, 2019.	None
6.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company designates Horizon Securities CO., LTD. to deal with shareholder affairs.	None
7.Information Disclosure (1) Does the company have a corporate website to disclose both financial	✓		(1) The Company has a corporate website (http://www.tonslight.com/tw) to disclose both financial standings and the status of corporate governance. Such	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
standings and the status of corporate governance?			information is also disclosed in the Market Observation Post System according to laws.	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The Company has multiple ways of disclosing information, including appointing designated people to handle information collection and disclosure, building an English website and creating a spokesman system. In addition, the Company held four investor conferences (on March 07, 2019, May 08, 2019, August 08, 2019, and November 08, 2019) in a year.	None
(3) Does the Company announce and register the annual financial statements within two months after the close of each fiscal year and the quarterly financial statements and the monthly operating status within the given time limits?	✓		(3) The Company announced and registered the annual financial statements for the years ended December 31, 2018 and 2019 on February 26, 2019 and February 26, 2020 respectively and quarterly financial statements for the years ended December 31, 2019 on April 26, 2019, July 26, 2019, and November 1, 2019 respectively. The aforesaid financial statements were announced and registered within given time limits.	None
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk	✓		The Company established the Remuneration Committee on December 28, 2011 and appointed 3 independent directors to serve as the members of the Remuneration Committee and operate in accordance with the Articles of Association of the Remuneration Committee. Other important information to facilitate a better understanding of the company's corporate governance practices is described as follows (such as employee rights, employee wellness, investor	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors): 1. The Company values the labor relation. In addition to employee rights set up in accordance with the Labor Standards Act and related laws and regulations, the Company also established the Employee Welfare Committee and the Supervisory Committee of Workers' Retirement Fund to handle employees' welfare and retirement funds. The employees' rights and welfare are maintained and implemented according to laws. 2. The Company has maintained a good relationship with customers, suppliers, financial institutions and shareholders. 3. The Company's directors participated in training courses on corporate governance for 48 hours in 2019. 4. The Company has instituted internal management policies and implemented the risk evaluation of each operation before drafting the next year's audit plan at the end of the year. The method of risk evaluation and the audit plan in 2020 were submitted to the independent directors for discussion in the internal audit meeting held on November 1, 2019 and December 20,2019.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>5. The Company has purchased the liability insurance for directors and supervisors at the amount of USD4 million and reported it to the Board of Directors on November 1, 2019.</td><td></td></tr>
<tr><td colspan="5">9. Explain the improvements made based on the evaluation results of the corporate governance published by Taiwan Stock Exchange Corporate Governance Center and the prioritized matters to be improved and the measures to be taken.
The Company obtains the top 5% ranking of 5th corporate governance evaluation, matters lower than the index and improved in the 6th evaluation:
1. The Company has established the succession planning of Board members and major staff of managerial levels, which is disclosed at the official site and annual report of the Company.
2. The Company has established the information security risk management framework to set up information security policies and specific management plans, which is disclosed at the official site and annual report of the Company.
3. The annual financial statement of English version is uploaded to Mops seven days prior to the convening of the Shareholders' Meeting.
4. The Company has established policies that appropriately adjust employees' remuneration based on business operation performance and results, and the average employees' remuneration adjustments are disclosed at the official site or annual report of the Company.
5. The Company's official site or annual report will disclose the identities of , concerned matters of , communication channels and response approaches for identified stakeholders, and the communication with the stakeholders is reported to the Board of Directors on a regular basis.
6. The Company's suppliers management policies are disclosed at the official site and CSR report, which require suppliers to follow the relevant regulations on environmental protection, safety or health issues, and provide description of implementation.
The Company continues to obtain the top 5% ranking of 6th corporate governance evaluation. Prioritized matters to be reviewed and improved for items which 7th corporate governance evaluation index:
1. The members of the Company's Remuneration Committee attend at least twice a year and disclose and regularly review the evaluations of directors' and managerial officers' performance and related remuneration policies, systems, standards, and structures.
2. The Company formulates the intellectual property management plan linked to the business goals, discloses the implementation status on the Company's website or in the annual report, and reports to the Board of Directors at least once a year.
3. The Company has an internal policy stipulating that the appointment/dismissal, evaluation, and remuneration of internal auditors should be</td></tr>
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Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
reported to the Board of Directors or reported by the chief auditor to the Chairman for approval and disclosed on the company's website. 4. The Company discloses the interim financial statements in English within two months after the deadline for reporting the Chinese version of the interim financial statements. 5. The company set up a full-time (part-time) unit in charge of corporate social responsibility to conduct risk assessments on environmental, social, or corporate governance issues related to the company's operations in accordance with the principle of materiality, formulate relevant risk management policies or strategies, and disclose them on the company's website and in the annual report.				

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	YUAN, JIAN-CHUAN	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	HSU, CHUNG-YUAN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	CHOU, LIANG-CHENG		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or its affiliate. This restriction does not apply to where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the managerial officers in the first subparagraph or the persons in the second and third subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, of a corporate shareholder that ranks among the top five in shareholdings, or of a corporate shareholder that elects its authorized representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
6. Not a director, supervisor, or employee of a company who is a director of the Company or holds the majority of the voting shares. These restrictions do not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
7. Not a director, supervisor, or employee of a company or institution who is the chairman, general manager or a person with an equivalent position of the Company or a spouse thereof. This restriction does not apply to cases where the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company. This restriction does not apply to cases where the specified company or institution holds more than 20% but less than 50% of the shares of the Company and the person is concurrently an independent director of the Company and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
9. Not a professional individual who is an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that offers audit services or offers commercial, legal, financial, or accounting services for which he/she has received the total remuneration of less than NT$500,000 over the past two years to the Company or its affiliate, nor a spouse thereof. This restriction does not apply to any member of the remuneration committee, public tender offer

review committee or merger and acquisition special committee who exercises powers pursuant to the Securities and Exchange Act or Business Mergers And Acquisitions Act.

10. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 2 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	YUAN, JIAN-CHUAN	2	0	100.00%	
Committee Member	HSU, CHUNG-YUAN	2	0	100.00%	
Committee Member	CHOU, LIANG-CHENG	2	0	100.00%	
Other mentionable items: 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None. 2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

C. The Comments and Resolutions by Remuneration Committee in the Most Recent Annual Period

Board Meeting	Proposal and Subsequent Disposal
The 13th Meeting of the 9th Board of Directors on February 26, 2019	1. Proposal for the total distributed amount of employees' remuneration and Directors' compensation of 2018.
	2. Proposal for distribution of year-end bonus to each manager in 2018.
	3. Proposal for the total amount of reserves for employee incentive of 2018.
	Resolutions by the Remuneration Committee (on January 29, 2019): without objection and passed by all members in present
	The Company's treatment to comments of the Remuneration Committee: without objection and passed by all Directors in present
The 14th Meeting of the 9th Board of Directors on April 12, 2019	1. Proposal for distribution of compensation to each Director in 2018.
	2. Proposal for distribution employee's remuneration to each manager in 2018.
	3. Proposal for distribution of employee incentive to each manager in 2018.
	4. Proposal of the separate performance appraisal to directors and managers and the relevance and reasons of the contents and amounts of remuneration.
	5. Proposal of appointment of directors of corporate governance and calculation of the remuneration.
	Resolutions by the Remuneration Committee (on April 12, 2019): without objection and passed by all members in present
	The Company's treatment to comments of the Remuneration Committee: without objection and passed by all Directors in present

3.3.5 Corporate Social Responsibility and Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Does the company conduct risk assessments on environmental, social, or corporate governance issues related to the company's operations in accordance with the principle of materiality and formulate relevant risk management policies or strategies?	✓		**Implementation of corporate governance** (1) The Company has established the "Corporate Social Responsibility Best-Practice Principles" and incorporated corporate social responsibility into its business activities and strategies. To strengthen corporate governance, the Company has formulated the effective corporate governance structure and related moral standards in accordance with the "Code of Ethical Conduct." (2) The aforesaid regulations and standards have been publicized in major meetings and on the intranet. (3) To implement the corporate social responsibility policy, the Company has specified evaluations and rewards/punishments in the "Performance Management Regulations," "Code of Ethical Conduct," and "Work Rules." **Environmental Protection and Product Liability** (1) The Company is continuously committed to developing energy-saving products, improving process technology, and reducing water resources and energy consumption. The "Utilities Conservation Management Regulations" have been formulated to define management approaches and	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			units in charge at factories and are reviewed on a monthly basis. (2) The Company has formulated the "Environmental Protection Management System" to discharge production wastewater in compliance with local regulations and standards. The Company has successively invested in production wastewater treatment projects to automatically improve production wastewater and remove phosphorus and chromium. (3) The Company assesses the potential risks and opportunities of climate change for the future business operations while continuously improving production equipment and hardware processes and investing in the development of energy-saving products. (4) The Company strictly implements spot checks on materials or engages third-party organizations for verification to comply with relevant specifications and standards. All of our products meet the safety requirements of the importing countries and pass the labs' certification. The Company also purchases product liability insurance to strengthen risk management and protect the life and property of global consumers. **Protection of Labor Rights and Workplace Safety**	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			(1) The Company complies with applicable labor laws and labor rights standards, prohibits the employment of child labor and forced labor, and manages working hours and salaries in accordance with relevant regulations. The Company also pays attention to employment equality and has incorporated it into internal policies. (2) The Company regularly conducts office building safety inspections and fire safety seminars. In addition to organizing health examinations for employees in accordance with occupational safety and health regulations, we also hold environmental safety inspections and occupational disease checkups for high-risk workplaces and employees respectively every year to ensure the safety of our employees. To provide a work environment free of sexual harassment for employees and job seekers, we take preventive, corrective, disciplinary, and handling measures to protect the rights and privacy of people concerned. **Investment in Social Welfare** Upholding the idea of love without borders, the Company continues to invest in social welfare by sponsoring local cultural establishments and designer contests in the lighting industry. We provide our products for international cultural exchanges and support social welfare organizations to promote	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			sporting activities for the disadvantaged in remote areas.	
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The Company has established the dedicated unit in charge of proposing the corporate social responsibility policies. Department of Administration serves as the concurrently dedicated unit in charge of promoting corporate social responsibilities proposing and implementing of CSR policies or organization, and reporting the result of implementation to the Board of Directors once every year. The result of implementing the 2019 social responsibility was reported to the Board of Directors on February 26, 2020.	None
3. Environmental Issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries? (2) Does the company endeavor to	✓ ✓		(1) According to the Company's operational guidelines and EU regulations, environmentally hazardous substances, such as lead, cadmium, mercury, hexavalent chromium, brominated flame retardants - PBBs and PBDEs and other hazardous substances, were prohibited from using in products to inhibit the damage to the environment and society caused in the product life cycle. With the Company's design and inspection, products met the requirements of RoHS. The Company will continue to comply with RoHS. (2) The Company has authorized qualified suppliers to be in	None None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
utilize all resources more efficiently and use renewable materials which have low impact on the environment?			charge of waste recycling and handling. The Company also set up recycling bins to collect resources and advised employees on recycling. Wastewater is recycled through vibration polishing and grinding.	
(3) Does the company assess the potential risks and opportunities arising from climate change at present and in the future and take related countermeasures?	✓		(3) The Company has preliminarily identified climate-related risks, including unstable supply of hydropower, the development cost of energy-saving and carbon-reducing products, and the risks and opportunities of natural disasters (typhoons and floods). Corresponding measures include production equipment and hardware process changes, continuous investment in the development of energy-saving products, replacement of air compressors, and regular maintenance of pumps.	None
(4) Does the company calculate the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and establish the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?	✓		(4) The Company has calculated utilities and fuel consumption and CO2 emissions over the past two years. The Utilities Conservation Management Regulations have been formulated to specify management approaches and units in charge at factories and set the target at 2% for 2020. The administration unit reports utilities consumption for analysis and review in monthly meetings. This year, the Company has completed energy conservation and environmental projects and continued to improve manufacturing processes. In addition, the Company	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			has formulated the "Environmental Impact Management Procedures" to enhance energy conservation and carbon reduction, environmental protection, and waste reduction.	
4. Social Issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The company has formulated human rights protection policies and concrete management plans based on international human rights conventions and disclosed them on the company's website. The Company strictly prohibits the use of child labor and discrimination in employment and includes them in relevant employee appointment regulations. The Company has set up an "Opinion Box" as a complaint channel to strengthen the labor-management relationship, and handles employee complaints in accordance with the "Employee Work Rules." A document management website is also in place to promptly announce to employees the company's policies and regulations.	None
(2) Does the company establish and offer proper employee benefits (including compensation, leave, and other benefits) and reflect the business performance or results in employee compensation	✓		(2) To implement the corporate social responsibility policy, the Company has specified evaluations and rewards/punishments in the "Performance Management Regulations" and "Code of Ethical Conduct." Rewards will be granted to design, production, and	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
appropriately? (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	 ✓		marketing personnel based on business performance and personal performance. (3) The Company organizes related activities on a regular basis. Inspection to public safety of buildings is conducted biennially (conducted in December), fire safety inspection (conducted in November), employee health lectures (conducted in May and November), and employee health examinations (in May) are conducted annually to provide a safe and healthy working environment. The factory instituted the Regulations Governing Safety and Health Control, which was approved by the President. The Responsibility for Safe Production was implemented to clarify each department's responsibility for safe production. This year, seminars on fire safety and 6S for a total of 383 hours were organized for China–based employees to improve their awareness of fire safety; according to the China's Regulations Governing Prevention and Control of Occupational Diseases, workers holding special posts shall participate in the health examination every year to prevent occupational diseases. In addition, the Company has completed paint exhaust treatment, paint mixing room renovation, and installation of activated carbon filter boxes and fully replaced electrical outlets at factories to provide a	 None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			safe working environment for paint workers.	
(4) Does the company provide its employees with career development and training sessions?	✓		(4) The Company encouraged employees to participate in in-service training sessions and job rotation to build up their competences and the second specialty. Every year, each department has a budget for training sessions to achieve the goal of employee training.	None
(5) Does the company follow relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and establish related consumer protection policies and grievance procedures?	✓		(5) The Company sold and labeled its products according to the requirements of customers’ countries, such as safety requirements and RoHS. To improve customer satisfaction, the Company complied with national safety regulations and ISO specifications covering every stage from R&D to sales. The Company also set up the regulations governing handling of customer complaints, which specify how to handle appeals and complaints against products, proposals or customer dissatisfaction. In addition, the Company will hold a survey of customer satisfaction every year to understand the level of recognition and opinions and issues provided by customers and to facilitate the relationship between the Company and customers.	None
(6) Does the company establish the supplier management policies requesting suppliers to comply with laws and regulations related to	✓		(6) Before establishing relationships or having dealings with suppliers, the Company has asked the suppliers to sign the "Supplier Code of Conduct," requiring that the suppliers	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
environmental protection, occupational safety and health or labor rights and supervise their compliance?			should meet the regulations of the following standards: legal commitment, respect for employees' human rights, prohibiting the use of child labor, employee safety and health, and environmental protection. In case of violations, the Company can terminate the contract that has been signed or is being issued without any statutory compensation.	
5. Does the company refer to the guidelines for the preparation of internationally accepted reports and prepare corporate social responsibility reports that disclose its non-financial information? Does the company receive assurance or certification of the aforesaid reports from a third party accreditation institution?		✓	The Company did not compile the report on the corporate social responsibility but has disclosed its corporate social responsibility in the annual report.	None
6. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company has established its Corporate Social Responsibility Best Practice Principles according to the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and operated for the purpose of fulfilling its corporate social responsibility.				
7. Other important information to facilitate better understanding of the company's corporate social responsibility practices： 1. The Company has established the environmental protection system to meet the local regulations of wastewater arising from production and has invested in the project for the wastewater treatment, including automated improvement in wastewater and phosphorus and chromium removal.				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
The Company also purchased the wastewater inspection equipment to check the compliance before emission. In addition, the Company has invested in the projects for the reduction in exhaust and hazardous waste. 2. The Company obtained the ISO14001-2004 certification on October 26, 2010, and completed conversion to ISO14001-2015 on October 26, 2015 (valid until October 25, 2022).The Company has instituted the Handbook for Control of Quality and Environmentally Hazardous Substance to meet the local regulations in terms of environment, safety and health. Every year, the Company arranges the occupational health examination for workers that are likely to be exposed to occupational hazards and obtains the summary report on the occupational health examination. 3. The Company has established the ACW-003 Guidelines for Supplier Control, Evaluation, and Assessment to conduct spot checks on materials or engage third-party organizations (e.g., SGS, TUV, and ITS) for verification. In accordance with the RoHS directive and REACH, new material samples provided by the suppliers should be fully tested by the Company's quality assurance department. The qualified suppliers are still required to undergo batch RoHS spot checks according to the risk level of the material every six months to ensure the compliance of the Company's products. If materials reviewed or tested do not comply with the RoHS directive or REACH, the suppliers should immediately improve the non-conforming items and provide an improvement report or test report. In addition to evaluating the suppliers twice a year, the Company conducts daily evaluations. When unqualified returns exceed 30% of a shipment, the Company should immediately ask the suppliers to improve within the deadline. If three material quality incidents occur consecutively, the partnership will be terminated. The company also requires suppliers of chemicals (paints, electroplating, anodes, etc.) to provide material certificates, material safety data sheets (MSDS), business licenses, pollutant discharge permits (exhaust gas, wastewater, and solid waste) and hazardous waste transfer orders in order to manage and control hazardous chemical suppliers. The suppliers are also required to conduct the self-evaluation with the "Environmental Impact Assessment Questionnaire" designed by the Company. The questionnaire will be used as a reference for supplier evaluation. The Company has established the Environmental Protection Proposal, which require suppliers to comply with environmental laws and regulations, and upholds the policy of prevention and control in terms of environmental protection and safety. 4. In response to environmental protection, the Company required that employees should replace paper with electronic files and take good advantage of recycled paper.				

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td colspan="5">5. Fulfillment of other CSR and social welfare in 2019 are as following
(1) Sponsored a prize worth 50,000 NTD for the 2019 creative lights design competition jointly organized by TILLA in July for encouraging talents that design outstanding lighting fixtures.
(2) Donated 100,000 NTD in August to the Andrew Center of Diocese of Hualien, Catholic Church.
(3) Donated 100,000 NTD for funding the construction of “Andrew Nursing Home” to Diocese of Hualien, Catholic Church in September to raise welfare for aged and physical and mental challenged. Donated 100,000 NTD for funding the construction of “Andrew Nursing Home” to Diocese of Hualien, Catholic Church in August to raise welfare for aged and physical and mental challenged.
(4) Donated10,000 RMB to the Community Committee of Baofeng Community at Zhongshan City of Guandong Province in October for promoting respectful and friendly social environment for elderly.
(5) Sponsored 2,400 EUR with Associazione Sportiva Dilettantistica Monzambano to the football team and Volleyball team of Italian Nicola Villageg in December for helping purchasing jersey and shoes for children from humble families.
(6) Donated RMB100,000 to the C Foundation in December for holding charity events.
The Company would continue to fulfill its corporate social responsibility through practical actions.</td></tr>
</table>

3.3.6 Ethical Corporate Management and Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1.Establishment of ethical corporate management policies and programs (1) Does the company establish the ethical corporate management policies approved by the Board of Directors, and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board and senior management to implement the policies?	✓		(1) The Company has established the Ethical Corporate Management Best Practice Principles, which were approved in the shareholders' meeting on May 23, 2011(amended on July 26, 2019), and has disclosed the Principles on its website and Market Observation Post System. The Board members and senior management have signed the commitment to actively implementing the ethical corporate management policies.	None
(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive	✓		(2) For business activities within its business scope which are at a higher risk of being involved in unethical conduct, the Company expressly stipulates in the employment agreement that unethical conduct set forth in "Subparagraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles." Major proposals are reviewed through the Board operation and in accordance with the principles of avoidance of	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?			conflicts of interest to ensure open and transparent decision-making.	
(3) Does the company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	✓		(3) The Company has established the Procedures for Ethical Management and "Regulations Governing Handling Reported Illegal and Unethical or Dishonest Conduct." The Company proposed the ethical management policy through training, combined the policy with the evaluation of employees' performance, and set up the clear and effective reward and disciplinary policy. Anyone may file appealing to independent directors, managers of internal auditors, spokesmen or representatives of labor-management meeting when discovering any act violating integrity, which, upon verification, will impose the punishments in accordance with internal policies and related laws and regulations.	None
2.Fulfill operations integrity policy (1) Does the company evaluate business	✓		(1) Before developing a commercial relationship with	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
partners' ethical records and include ethics-related clauses in business contracts?			another party in commercial dealings, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	✓		(2) The Company has designated Administration Department as the concurrently dedicated unit in charge of the making and implementing of integrity management policy prevention plans, and reporting the result of implementation to the Board of Directors once a year on a regular basis. The implementation of corporate integrity in 2019 was reported to the Board of Directors on December 20, 2019. The dedicated unit mainly takes charge of the following: I. Assist in integrating integrity and moral values into the Company's business strategies and formulate anti-fraud measures in line with relevant laws and regulations to ensure ethical corporate management. II. Formulate prevention programs against unethical	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			conduct and establish the standard operating procedures and code of conduct in each program. III. Plan internal organization, staffing, and responsibilities and establish mutual supervision mechanisms for business activities within the business scope which are at a higher risk of being involved in unethical conduct. IV, Promote and organize training on ethical corporate management policies. V. Develop a whistle-blowing system and ensure its effectiveness. VI. Assist the Board of Directors and management in checking and evaluating whether the preventive measures established are operating effectively, and regularly prepare reports on compliance with relevant business processes.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) When the Company's director attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting , that director shall recuse himself or herself from any discussion and voting, where there is a likelihood that	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			the interests of this Corporation would be prejudiced. In 2019, some directors had a stake in 3 proposals at the board meeting and recused themselves from the voting.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devised relevant audit plans and audited the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	✓		(4) The Internal Audit Room audited the implementation of the Company's accounting system, internal control system, results of risk assessment on unethical conduct, and ethical management in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. In addition, lighting imported by the Company was tested and certified by the Electronics Testing Center to ensure the safety of lighting. In 2019, the following items were certified additionally: 5 items of 1 type of track lights, 9 types of 1 type of fixture lamps, 3 items of 2 type of table lamps and 2 items of lighting safety regulations testing, the certification operation would be conducted by the Department of Materials..	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(5)Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) In 2019, 301 personnel of the Company had attended internal and external education and courses regarding integrity management (including integrity management regulations, lighting fixtures quality and safety certification, accounting systems and internal control and other related ones) for 697.5 man-hours.	None
3.Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The Company has established the Regulations Governing Handling of Reported Illegal and Unethical or Dishonest Cases and set up the unit in charge (spokesman, labor conference representative, and audit supervisor) based on the nature of reported cases. The informant may report a case in person, by phone or by letter. If the case is verified to be true, the related persons will be punished and the informant will be rewarded appropriately.	None
(2) Does the company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and	✓		(2) According to Article 5 of the Reporting Regulations, if a case is reported with the informant's name(anonymous reporting is allowed) and information required for verification through the channel specified in the	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
related confidentiality mechanisms? (3) Does the company provide proper whistleblower protection?	 ✓		Regulations, the unit in charge shall hold the entire process of the investigation confidential. (3) The unit in charge shall hold the process of handling the case confidential and carry out the investigation through a separate channel. The unit in charge is also required to keep documents and files used in the investigation in good condition and protect the identity of the informant.	 None
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company disclosed its Ethical Corporate Management Best Practice Principles and corporate governance on the company's website and appointed a dedicated person to post information on the Company's website (http://www.tonslight.com/tw/csr/). The Company also set up the spokesperson system, which keeps shareholders, stakeholders, and competent authorities updated at any time.	None
5.Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies).None.				

3.3.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at http://www.tonslight.com/tw

3.3.8 Other Important Information Regarding Corporate Governance

The Company has instituted the Procedures for Handling Major Internal Information, which were approved by the Board of Directors on May 15, 2009 and specify that directors, supervisors, managers, and employees shall not disclose to others the major internal information which they are aware of, or make an inquiry about major internal information or collect undisclosed major internal information that is irrelevant with their personal duties with those who are aware of such information and that directors, supervisors, managers, and employees shall not disclose to others undisclosed major internal information which they are aware of due to reasons other than the performance of their duties.

Newly-hired employees of the Company were enrolled in the training program and the Procedures for Handling Major Internal Information were posted on the Intranet (document and information sharing system/internal control regulations) for reference. The Procedures were proposed in business meetings from time to time. Newly-elected managers, directors, and supervisors would receive regulation-related documents by e-mail to avoid the insider trading.

To fulfill CSR utmost, the Company had established a CSR organization structure in February of 2017. It has separately arranged and assigned work functions for corporate governance, customer care, environmental protection, and employee and social care issues.

3.3.9 Internal Control Systems

TONS LIGHTOLOGY INC.
Statement of Internal Control Systems

February 26, 2020

The Statement and Self-appraisal to the Internal Control Systems of the Company in 2019 are as the following:

1. The Company has firmly acknowledged that the establishment, implementation and maintenance of its internal control systems shall be the responsibility of the Board of Directors and managers. The Company has established such systems with the purpose to provide assurance in terms of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reliability, timeliness and transparency of press release, and compliance with relevant regulations.
2. Due to inherent limitations within the nature of the internal control systems, regardless of how well it is designed, an internal control system which is considered to be effective and efficient can only provide reasonable assurance of the achievement of the aforesaid three objectives. In addition, the effectiveness of the internal control system may also vary due to changes of the overall environment and circumstances. However, the Company's internal control system is equipped with the self-monitoring mechanism. Once a defect is detected and identified, the Company would instantly take correction measures.
3. The Company determines the effectiveness and efficiency of designing and implementation of the internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (referred as "Regulations Governing Internal Control Systems" herein after). The criteria adopted by the "Regulations Governing Internal Control Systems" for determination of effectiveness and efficiency of designing and implementation of the internal control systems shall be the following five elements from the process of management control: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervision operations. Each element includes several items. Please refer to the "Regulations Governing Internal Control Systems" for details of these items.
4. The Company has adopted the preceding criteria of internal control system to determine the effectiveness and efficiency of designing and implementation of its internal control system.
5. Based on the results of the preceding assessment, the Company hereby assures that the internal control system (including its supervision and management to subsidiaries) of the Company on December 31, 2019 can reasonably achieve the preceding objectives including the comprehensive understanding of effectiveness of the business operation and the achievement of efficiency objectives, reliability, timeliness and transparency of press release, and compliance with relevant regulations.
6. The Statement shall be the main content of the Company's Annual Report and Prospectus which are publically available. If the any part of the content is found to be false or concealed, legal liabilities such those specified in Articles 20, 32, 171 and 174 of Securities and

Exchange Act shall be exerted.

7. This Statement has been approved by the Board of Directors of the Company at the meeting on February 26 of 2020 where 7 Directors attended in which 0 Directors objected and the rest approved the contents of this Statement.

TONS LIGHTOLOGY INC.

Chairman of the Board: TANG, SHIH-CHUAN

General Manager: TANG, SHIH-CHUAN

3.3.10 Major Resolutions of Shareholders' Meeting and Board Meetings

Date	Item	Major resolutions
02.26,2019	Board meeting	1. Approved the proposal of distribution of 2018 remuneration of employees and directors. 2. Approved the proposal of distribution of 2018 managers' bonuses. 3. Approved the proposal of the 2018 incentives reserves for the Company's employees. 4. Approved the proposal of record date for issuance of new shares by common stock exchanged from employee stock option certificates. 5. Approved the 2018 annual internal control system statement. 6. Approved the Company's 2018 annual business operating report, individual statement and consolidated financial reports. 7. Approved the amendment of "Articles of Incorporation" of the Company. 8. Approved of the proposal of the distribution of 2018 earnings of the Company. 9. Approved the proposal of distribution of repurchased treasury shares to employees of the Company. 10. Approved of the proposal of call for 2019 Shareholders' Meeting.
04.12,2019	Board meeting	1. Approved the proposal of the 2018 separate distribution of remuneration to directors. 2. Approved the proposal of 2018 amount of employee remuneration for managers. 3. Approved the proposal of 2018 amount of special incentives for managers. 4. Approved the proposal of the separate performance appraisal to directors and managers and the relevance and reasons of the contents and amounts of remuneration. 5. Approved the proposal of appointment of directors of corporate governance and calculation of the remuneration. 6. Proposal of applying for credit lines to Bank SinoPac by the Company. 7. Approved the amendment of "Regulations Governing Procedures for Meetings of Board of Directors". 8. Approved the amendment of "Endorsements and Guarantees

Date	Item	Major resolutions
		Operating Procedures" of the Company. 9. Approved the amendment of "Loans and Funds Operating Procedures" of the Company. 10. Approved of the proposal of call for 2019 Shareholders' Meeting (adding additional discussion items).
04.19,2019	Board meeting	1. Approved the proposal of handling of shareholding of "HEP Group".
05.29,2019	Shareholders' meeting (Note)	1. Recognized the 2018 business operating and financial reports. 2. Recognized the distribution of earnings of 2018. 3. Amendment of "Articles of Incorporation" of the Company. 4. Amendment of "Procedures for Acquisition and Disposal of Assets" of the Company. 5. Amendments to the Company's Endorsements and Guarantees Operating Procedures. 6. Amendments to the Company's Loans and Funds Operating Procedures.
05.29,2019	Board meeting	1. Approved the proposal of the distribution of cash dividends of the Company. 2. Approved the proposal of applying for credit applying for credit lines to The Shanghai Commercial & Savings Bank by the Company.
07.26,2019	Board meeting	1. Approved the amendment of "Codes of Integrity Management" of the Company. 2. Approved the dissolution of Tons Lighting Co., Ltd. and authorized the Chairman to handle subsequent business.
11.01,2019	Board meeting	1. Approved the amendment to the Company's "Regulations Governing the Evaluation of Board Performance." 2. Approved the proposal of record date for issuance of new shares by common stock exchanged from employee stock option certificates. 3. Approved the proposal of increasing working capital of Hong Kong Branch of TONS LIGHTOLOGY INC.
12.20,2019	Board meeting	1. Approved the proposal of 2020 annual budget. 2. Approved the proposal of 2020 audit projects.
02.26,2020	Board meeting	1. Approved the proposal of distribution of 2019 managers' bonuses. 2. Approved the proposal of the 2019 incentives reserves for the

Date	Item	Major resolutions
		Company's employees. 3. Approved the proposal of distribution of 2019 remuneration of employees and directors. 4. Approved the proposal of record date for issuance of new shares by common stock exchanged from employee stock option certificates. 5. Approved the 2019 annual internal control system statement. 6. Approved the Company's 2019 annual business operating report, individual statement and consolidated financial reports. 7. Approved of the proposal of the distribution of 2019 earnings of the Company. 8. Approved the proposal of the distribution of cash dividends of the Company 9. Approved the proposal of distribution of the second repurchased treasury shares to employees of the Company. 10. Approved the election of 7 directors (including 3 independent directors) of the 10th Board of Directors and the list of candidates for directors and handled related matters. 11. Adopted the proposal for the list of candidates for the 10th directors. 12. Approved of the proposal of call for 2020 Shareholders' Meeting. 13. Approved the proposal of changing and professional fees of CPA. 14. Approved the amendment to the Company's "Regulations Governing the Preparation of Financial Statements." 15. Approved the proposal of applying for credit applying for credit lines to Mega International Commercial Bank by the Company. 16. Approved the proposal of applying for credit applying for credit lines to E.SUN Commercial Bank by the Company. 17. Approved the proposal for increasing investment volume for StrongLED Co., Ltd. (Cayman) was approved.
04.10,2020	Board meeting	1. Approved the proposal of the 2019 separate distribution of remuneration to directors. 2. Approved the proposal of 2019 amount of employee remuneration for managers. 3. Approved the proposal of 2019 amount of special incentives for managers. 4. Approved the proposal of the separate performance appraisal to directors and managers and the relevance and reasons of the

Date	Item	Major resolutions
		contents and amounts of remuneration. 5. Approved the amendment to the Company's "Remuneration Committee Charter." 6. Approved the amendment to the Company's "Regulations Governing Procedure for Board of Directors Meetings." 7. Adopted the proposal for the release of new directors from non-competition restrictions. 8. Approved the adjustment and authorization of cash dividends distribution for the fiscal year of 2019.
04.24,2020	Board meeting	1. Approved the pension payment for the Company's managerial officer HUANG,YI-PO. 2. Approved the amendment to the Company's "Audit Committee Charter." 3. Approved the amendment to the Company's "Audit Rules." 4. Approved the proposal of increasing working capital of Hong Kong Branch of TONS LIGHTOLOGY INC. 5. Approved the proposal of distribution of the third repurchased treasury shares to employees of the Company.

Note： Implementation of the resolutions of the annual shareholders' meeting:

1. For distribution of surplus, at the meeting on May 29, 2019, the Board of Directors had determined the June 22, 2019 as the ex-dividend date and the distribution of cash dividends shall be completed by July 19, 2019 (2.35891272 NTD as cash dividend per share).
2. The amendment of "Articles of Incorporation" was posted on the Company's official website after being approved by the shareholders' meeting. New Taipei City Government granted the application of changes of registration on June 11, 2019 which would be implemented according to the amended "Articles of Incorporation".
3. "Procedures for Acquisition and Disposal of Assets", "Endorsements and Guarantees Operating Procedures", and "Loans and Funds Operating Procedures" were posted promptly on the Company's official website and the Company after being approved by the shareholders' meeting and would be implemented according to the amended contents.

3.3.11 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

3.3.12 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

None

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
PricewaterhouseCoopers Taiwan	LIU, MEI-LAN	WANG, YU-CHUAN	2019.01.01~2019.12.31	

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Unit: NT$ thousands

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000			
2	NT$2,000,001 ~ NT$4,000,000	3,570	1,026	
3	NT$4,000,001 ~ NT$6,000,000			4,596
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PricewaterhouseCoopers Taiwan	LIU, MEI-LAN WANG, YU-CHUAN	3,570					3,570	2019.01.01~ 2019.12.31	Quarterly report, annual report, tax return
PricewaterhouseCoopers Taiwan	LEE, PEI-HSUAN			424			424	2019.01.01~ 2019.12.31	Registration of change
PricewaterhouseCoopers Taiwan	LEE, PEI-HSUAN					420	420	2019.01.01~ 2019.12.31	Transfer pricing report
PricewaterhouseCoopers Taiwan	WANG, YU-CHUAN					50	50	2018.12.31- 2019.04.15	Investment analysis report
PricewaterhouseCoopers Taiwan	LIU, MEI-LAN					40	40	2018.01.01~ 2018.12.31	Payroll checklist
PwC Innovation Integration Co., Ltd.	Not applicable		92				92	Not applicable	Consultancy services of digital production control

3.4.2 Replacement of CPA

The Company's financial reports were originally verified by the Company's appointed CPAs WANG, YU-CHUAN and HUNG, SHU-HUA from PwC Taiwan. Due to the internal work adjustment by PwC Taiwan, the Company appointed CPAs WANG, YU-CHUAN and YANG, MING-CHING, and CPAs WANG,YU-CHUAN and LIU, MEI-LAN since Q1 and Q3 of 2018, respectively. The Company appointed CPAs HUNG, SHU-HUA and LIU, MEI-LAN since Q1 of 2020.

A. Formerly Appointed CPAs

<table>
<tr><td>Dates of Replacement</td><td colspan="3">Replacement approved by the Board of Directors on February 23, 2018, July 27, 2018, and February 26, 2020.</td></tr>
<tr><td>Reasons of Replacement</td><td colspan="3">Due to internal adjustment of PwC Taiwan, the CPAs appointed by the Company is replaced since Q1 and Q3 of 2018 and since Q1 of 2020.</td></tr>
<tr><td rowspan="3">Appointment terminated by the Appointor or CPAs</td><td>Parties
Situations</td><td>CPAs</td><td>Appointor</td></tr>
<tr><td>Automatically terminate the appointment</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Decline renewal of appointment</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Written opinions (other than unmodified opinions) issued to auditing reports in the most recent two annual periods and the reasons of issuance</td><td colspan="3">N/A</td></tr>
<tr><td rowspan="7">Is there any dissent opinions against the Issuer?</td><td rowspan="5">Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial reports</td></tr>
<tr><td></td><td>Scopes or steps of auditing</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td></td><td></td></tr>
<tr><td>No</td><td colspan="2">✓</td></tr>
<tr><td colspan="3">Descriptions</td></tr>
<tr><td>Other disclosed matters（based on Items 1-4 to 1-7 of Subparagraph 6 of Article 10 of the Regulations）</td><td colspan="3">N/A</td></tr>
</table>

B. Newly Appointed CPAs

Firm Name	PwC Taiwan
Names of CPAs	WANG,YU-CHUAN/YANG, MING-CHING; WANG,YU-CHUAN/LIU, MEI-LAN; HUNG, SHU-HUA /LIU, MEI-LAN
Dates of Appointment	At the meeting on February 23, 2018, the Board of Directors had approved the appointment of CPAs WANG, YU-CHUAN and YANG, MING-CHING since Q1 of 2018. At the meeting on July 27, 2018, the Board of Directors had approved the appointment of CPAs WANG, YU-CHUAN and LIU, MEI-LAN since Q3 of 2018. At the meeting on February 26, 2020, the Board of Directors had approved the appointment of CPAs HUNG, SHU-HUA and LIU, MEI-LAN since Q1 of 2020.
Potential opinions by CPAs regarding accounting methods and principles for specific transactions and financial reports and the final resolutions prior to their appointment	N/A
Written dissent opinions of newly appointed CPAs regarding formerly appointed CPAs	N/A

3.4.3 Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2019.

3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2019		As of April 30, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director Chaieman General Manager	TANG,SHIH-CHUAN	-	-	-	-
Director Excutive Vice General Manager	HUNG,CHIA-CHENG	(73,000)	-	-	-
Director	TSAI,SHAO-CHUN	-	-	-	-
Director	CHEN,MING-HSIN	-	-	-	-
Independent Director	YUAN,JIAN-CHUAN	-	-	-	-
Independent Director	HSU,CHUNG-YUAN	-	-	-	-
Independent Director	CHOU,LIANG-CHENG	-	-	-	-
Senior Vice President	HU,CHEN-KUANG	25,000	-	-	-
Assistant Vice President	WANG,CHIH-YUAN	31,500	-	-	-
Assistant Vice President	HUANG,YI-PO	(70,800)	-	-	-
Assistant Vice President	KUO,CHUNG-TSU	34,000	-	30,000	-
Assistant Vice President	KUO,CHING-HSING	17,500	-	-	-
Assistant Vice President	CHAN,YI-CHEN	21,000	-	-	-
Assistant Vice President	HUNG,YAO-YANG	17,500	-	8,750	-
Assistant Vice President	LAM, KWOK FAI	-	-	-	-

3.5.1 Shares Trading with Related Parties

Unit: Shares

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT$)
HUNG, CHIA-CHENG	Gift	11 28,2019	HUNG, YU-JOU	Father and daughter	73,000	-
HUANG, YI-PO	Gift	12 13,2019	HUANG, TZU-YUN	Father and daughter	70,800	

3.5.2 Shares Pledge with Related Parties

None

3.6 Relationship among the Top Ten Shareholders

As of 03/30/2020

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
TANG, SHIH-CHUAN	3,535,633	8.78%	1,192,013	2.96%	-	-	1.YU, HUI-CHEN 2.TANG, CHENG-HAN 3.TANG, MIN 4.TANG,YUN 5.YU,WEN-CHANG	1.Spouse 2.Father and son 3.Father and daughter 4.Father and daughter 5.brother-in-law (wife's younger brother)	-
Chengmin Investment Corp. (Note 1)	1,950,182	4.84%	-	-	-	-	YU, HUI-CHEN	Director	-
Tons Lightology Inc	1,683,000	4.18%	-	-	-	-	-	-	Treasury Stock
TANG, CHENG-HAN	1,602,034	3.98%	-	-	-	-	1.TANG, SHIH-CHUAN 2.YU, HUI-CHEN 3.TANG, MIN 4.TANG,YUN	1.Father and son 2.Mother and son 3.Brother and sister 4.Brother and sister	-
TANG, YUN	1,537,306	3.82%	-	-	-	-	1.TANG, SHIH-CHUAN 2.YU, HUI-CHEN 3.TANG, CHENG-HAN 4. TANG, MIN	1. Father and daughter 2.Mother and daughter 3. Brother and sister 4. Sisters	-

Name	Current Shareholding		Spouse’s/minor’s Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company’s Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
TANG, MIN	1,537,306	3.82%	-	-	-	-	1.TANG, SHIH-CHUAN 2.YU, HUI-CHEN 3.TANG, CHENG-HAN 4.TANG,YUN	1. Father and daughter 2.Mother and daughter 3. Brother and sister 4. Sisters	-
YU, HUI-CHEN (Note 1)	1,192,013	2.96%	3,535,633	8.78%	-	-	1.TANG, SHIH-CHUAN 2.TANG, CHENG-HAN 3.TANG, MIN 4.TANG,YUN 5.YU,WEN-CHANG	1.Spouse 2.Mother and son 3.Mother and daughter 4.Mother and daughter 5.Elder sister and younger brother	-
HUNG, CHIA-CHENG	1,085,381	2.70%	327,062	0.81%	-	-	-	-	-
LU, HUI-CHUAN	807,858	2.01%	682,726	1.70%	-	-	HUANG, YI-PO	Spouse	-
YU, WEN-CHANG	714,352	1.77%	-	-	-	-	1.TANG, SHIH-CHUAN 2.YU, HUI-CHEN	1.Brother-in-law (husband of elder sister) 2.Elder sister and younger brother	-
HUANG, YI-PO	682,726	1.70%	807,858	2.01%	-	-	LU, HUI-CHUAN	Spouse	

Note 1: YU, HUI-CHEN is the representative of Chengmin Investment Corp.

Note 2: The data shown in the table is as of the book closure date on March 30, 2020. The paid-in share capital is 40,253,303shares.

3.7 Ownership of Shares in Affiliated Enterprises

Unit: thousands shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
WORLD EXTEND HOLDING INC.	18,333	100.00	-	-	18,333	100.00
TONS LIGHTING CO., LTD.	-	-	500	100.00	500	100.00
GREATSUPER TECHNOLOGY LIMITED	-	-	28	100.00	28	100.00
LUMINOUS HOLDING INCORPORATED	-	-	3,250	100.00	3,250	100.00
TITAN LIGHTING CO., LTD.	-	-	-	100.00	-	100.00
ZHONGSHAN TONS LIGHTING CO., LTD.	-	-	-	100.00	-	100.00
SHANGHAI TONS LIGHTOLOGY CO., LTD.	-	-	-	100.00	-	100.00
HONG-BO INVESTMENT CO., LTD.	15,000	100.00	-	-	15,000	100.00

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

As of 04/30/2019,Unit: thousand shares, NT$ thousands

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
08/1992	1,000	5	5,000	5	5,000	Establishment	-	Note1
12/2000	1,000	20	20,000	20	20,000	Increase in 15 thousand shares by cash	-	Note2
09/2006	10	10,000	100,000	10,000	100,000	Increase in 8,000 thousand shares by cash	-	Note3
12/2006	20	14,000	140,000	14,000	140,000	Increase in 4,000 thousand shares by cash	-	Note4
06/2007	35	15,000	150,000	15,000	150,000	Increase in 1,000 thousand shares by cash	-	Note5
08/2007	75	18,000	180,000	18,000	180,000	Increase in 3,000 thousand shares by cash	-	Note6
11/2007	30	24,000	240,000	19,000	190,000	Increase in 1,000 thousand shares by cash	-	Note7
08/2008	10	24,000	240,000	21,950	219,500	Increase in 2,660 thousand shares by earnings and 290 thousand shares by employees' bonuses	-	Note8
10/2009	10 27.49	30,000	300,000	23,100	231,000	Increase in 1,097.5 thousand shares by earnings and 52.5 thousand shares by employees' bonuses	-	Note9
01/2011	63 23.5~23.9	30,000	300,000	25,597	255,968	Increase in 2,000 thousand shares by cash and 496.8 thousand shares by employee stock options	-	Note10
10/2011	10 27.18	50,000	500,000	27,205	272,050	Increase in 1,535.8 thousand shares by earnings and 72.4 thousand shares by employees' bonuses	-	Note11
01/2012	21.5~21.8	50,000	500,000	27,340	273,401	Increase in 135.1 thousand shares by employee stock options	-	Note12
05/2012	21.5~21.8	50,000	500,000	27,499	274,989	Increase in 158.8 thousand shares by employee stock options	-	Note13

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
10/2012	10 28.62	50,000	500,000	29,218	292,183	Increase in 1,649.9 thousand shares by earnings and 69.5 thousand shares by employees' bonuses	-	Note14
11/2012	19.3~25.0	50,000	500,000	29,424	294,249	Increase in 206.5 thousand shares by employee stock options	-	Note15
04/2013	19.60	50,000	500,000	29,469	294,689	Increase in 44 thousand shares by employee stock options	-	Note16
06/2013	31	50,000	500,000	33,399	333,989	Increase in 3,930 thousand shares by cash	-	Note17
08/2013	10	50,000	500,000	35,167	351,670	Increase in 1,768.1 thousand shares by earnings	-	Note18
12/2013	22.9	50,000	500,000	35,187	351,868	Increase in 19.8 thousand shares by employee stock options	-	Note19
05/2014	22.9 29	50,000	500,000	35,246	352,456	Increase in 58.8 thousand shares by employee stock options	-	Note20
08/2014	10	50,000	500,000	36,303	363,029	Increase in 1,057.4 thousand shares by earnings	-	Note21
12/2014	21.2 26.9	50,000	500,000	36,698	366,979	Increase in 395 thousand shares by employee stock options	-	Note22
03/2015	21.2 26.9	50,000	500,000	36,748	367,479	Increase in 50 thousand shares by employee stock options	-	Note23
04/2015	21.2 26.9	50,000	500,000	36,961	369,609	Increase in 213 thousand shares by employee stock options	-	Note24
07/2015	10	50,000	500,000	38,070	380,698	Increase in 1,108.8 thousand shares by earnings	-	Note25
11/2015	24.9	50,000	500,000	38,138	381,378	Increase in 68 thousand shares by employee stock options	-	Note26
03/2016	24.9 24	50,000	500,000	38,218	382,180	Increase in 80.25 thousand shares by employee stock options	-	Note27
08/2016	10	50,000	500,000	38,982	389,824	Increase in 764.36 thousand shares by earnings	-	Note28
11/2016	22.7 21.9	50,000	500,000	39,069	390,689	Increase in 86.5 thousand shares by employee stock options	-	Note29

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
03/2017	22.7 21.9 23.8	50,000	500,000	39,418	394,176	Increase in 348.75 thousand shares by employee stock options	-	Note30
08/2017	10	50,000	500,000	39,812	398,118	Increase in 394.18 thousand shares by earnings	-	Note31
03/2018	21.7	50,000	500,000	39,895	398,948	Increase in 83 thousand shares by employee stock options	-	Note32
01/2019	20.5	50,000	500,000	39,963	399,628	Increase in 68 thousand shares by employee stock options	-	Note33
03/2019	20.5	50,000	500,000	40,041	400,408	Increase in 78 thousand shares by employee stock options	-	Note34
11/2019	19 27.8	50,000	500,000	40,125	401,253	Increase in 84.5 thousand shares by employee stock options		Note35
03/2020	19 27.8	50,000	500,000	40,253	402,533	Increase in 128 thousand shares by employee stock options		Note36

Note 1: The issuance of 5,000 shares with the par value of NT$1,000 was approved by Reconstruction Department of Taiwan Provincial Government Order (81) Jian-San-Zi No. 332995 dated August 20, 1992. The par value was changed from NT$1,000 to NT$10 with the approval of Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09532806890 dated September 11, 2006.

Note 2: The issuance of 15 thousand shares with the par value of NT$1,000 was approved by Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 89543100 dated December 15, 2000. The par value was changed from NT$1,000 to NT$10 with the approval of Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09532806890 dated September 11, 2006.

Note 3: 20 thousand shares issued previously were changed to 2,000 thousand shares and the par value of NT$1,000 was changed to NT$10 with the approval of Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09532806890 dated September 11, 2006. Plus the registration of the change in 8,000 thousand shares issued on September 11, 2006, the total number of common stock issued was 10,000 thousand with the par value of NT$10 and the total paid-in capital of NT$100,000 thousand.

Note 4: Approved by Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09533276850 dated December 12, 2006.

Note 5: Approved by Taipei City Government Fu-Jian-Shang-Zi No. 09686097700 dated June 27, 2007.

Note 6: Approved by Taipei City Government Fu-Jian-Shang-Zi No. 09688700200 dated August 28, 2007.

Note 7: Approved by Taipei City Government Fu-Chan-Ye-Shang-Zi No. 09691489300 dated November 8, 2007.

Note 8: Approved by Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09732843240 dated August 12, 2008.

Note 9: Approved by Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09833261900 dated October 15, 2009.

Note 10: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1005000963 dated January 21, 2011.

Note 11: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1005064754 dated October 14, 2011.

Note 12: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1015002252 dated January 12, 2012.

Note 13: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1015029007 dated May 18, 2012.

Note 14: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1015061849 dated October 1, 2012.

Note 15: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1015074210 dated November 27, 2012.

Note 16: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1025022702 dated April 23, 2013.
Note 17: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1025038935 dated June 25, 2013.
Note 18: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1025051230 dated August 15, 2013.
Note 19: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1025079090 dated December 23, 2013.
Note 20: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1035150087 dated May 19, 2014.
Note 21: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1035171410 dated August 12, 2014.
Note 22: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1035201178 dated December 12, 2014.
Note 23: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1045134519 dated March 16, 2015.
Note 24: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1045144890 dated April 29, 2015.
Note 25: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1045167748 dated July 31, 2015.
Note 26: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1045195683 dated November 24, 2015.
Note 27: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1055151272 dated March 31, 2016.
Note 28: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1055302995 dated August 16, 2016.
Note 29: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1055325642 dated November 24, 2016.
Note 30: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1068015582 dated March 17, 2017.
Note 31: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1068049364 dated August 04, 2017.
Note 32: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1078016307 dated March 20, 2018.
Note 33: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1088001976 dated January 11, 2019.
Note 34: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1088018188 dated March 25, 2019.
Note 35: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1088078734 dated November 26, 2019.
Note 36: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1098018921 dated March 30, 2020.

B. Type of Stock

As of 03/30/2020

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	40,253,303	9,746,697	50,000,000	Shares of GTSM listed companies

C. Information for Shelf Registration

None

4.1.2 Status of Shareholders

As of 03/30/2020

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Treasury Stock	Total
Number of Shareholders	-	1	16	4,638	5	1	4,661
Shareholding (shares)	-	4,000	2,135,536	36,260,558	170,209	1,683,000	40,253,303
Percentage	-	0.01%	5.31%	90.08%	0.42%	4.18%	100.00%

4.1.3 Shareholding Distribution Status

A. Common Shares

As of 03/30/2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	1,297	134,833	0.33

1,000 ~ 5,000	2,567	5,148,825	12.79
5,001 ~ 10,000	418	3,177,650	7.89
10,001 ~ 15,000	135	1,628,843	4.05
15,001 ~ 20,000	64	1,152,634	2.86
20,001 ~ 30,000	47	1,129,960	2.81
30,001 ~ 40,000	36	1,241,355	3.08
40,001 ~ 50,000	25	1,141,895	2.84
50,001 ~ 100,000	27	1,869,767	4.65
100,001 ~ 200,000	18	2,598,630	6.46
200,001 ~ 400,000	14	3,881,820	9.64
400,001 ~ 600,000	2	819,300	2.04
600,001 ~ 800,000	2	1,397,078	3.47
800,001 ~ 1,000,000	1	807,858	2.01
1,000,001 or over	8	14,122,855	35.08
Total	4,661	40,253,303	100.00

B. Preferred Shares

None

4.1.4 List of Major Shareholders

As of 03/30/2020

Shareholder's Name	Shares	Percentage
TANG,SHIH-CHUAN	3,535,633	8.78%
Chengmin Investment Corp.	1,950,182	4.84%
Tons Lightology Inc	1,683,000	4.18%
TANG, CHENG-HAN	1,602,034	3.98%
TANG, YUN	1,537,306	3.82%
TANG, MIN	1,537,306	3.82%
YU, HUI-CHEN	1,192,013	2.96%
HUNG, CHIA-CHENG	1,085,381	2.70%
LU, HUI-CHUAN	807,858	2.01%
YU,WEN-CHANG	714,352	1.77%
HUANG, YI-PO	682,726	1.70%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$

Items			2018	2019	01/01/2020-03/31/2020
Market Price per Share	Highest Market Price		50.50	36.20	32.20
	Lowest Market Price		28.30	30.00	25.30
	Average Market Price		40.56	32.55	29.44
Net Worth per Share	Before Distribution		29.88	29.17	27.31
	After Distribution		27.58	27.01	25.12
Earnings per Share	Weighted Average Shares (thousand shares)		39,895	39,311	39,083
	Diluted Earnings Per Share		2.65	2.69	(1.13)
	Adjusted Diluted Earnings Per Share		2.65	(Note 1)	(Note 1)
Dividends per Share	Cash Dividends		2.35891272	2.15(Note 1)	-
	Stock Dividends	Dividends from Retained Earnings	-	(Note 1)	-
		Dividends from Capital Surplus	-	(Note 1)	-
	Accumulated Undistributed Dividends		-	(Note 1)	-
Return on Investment	Price / Earnings Ratio (Note 2)		15.31	12.10	-
	Price / Dividend Ratio (Note 3)		17.19	15.14	-
	Cash Dividend Yield Rate% (Note 4)		5.82	6.61	-

Note 1:The cash dividends distribution for the fiscal year of 2019 was approved by the Board of Directors on February 26, 2020. The remaining earnings distribution is to be resolved in the shareholders' meeting.
Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

1. Dividend Policy set up in the Company's Articles of Incorporation

Any remaining balance of annual net income shall be appropriated in the following order:

(1) Offset the deficit.
(2) Set aside 10% of any remaining balance for legal reserve and set aside or reverse special reserve based on needs.

(3)The remaining balance plus the undistributed earnings of last year is the distributable earnings. The Board of Directors proposes a distribution of earnings in the shareholders' meeting to decide whether to distribute or retain.

The industry that the Company engaged in is growing. In consideration of the current and future development plans, investment environment, capital needs, and domestic and international competition; also, taking into account the interests of shareholders, balanced dividends, and the Company's long-term financial planning, the earnings distribution is processed in conformity with the requirements stated in the preceding paragraph; also, the distribution of shareholder dividend shall not be less than 50% of the accumulated distributable earnings. Cash dividend shall not be less than 10% of the total shareholder dividend distributed. However, the Board of Directors may have the said distribution ratio adjusted according to the overall business operation with a resolution reached in the shareholders' meeting.

The Board of Directors of the Company may distribute all or partial of the distributable dividends or bonuses, additional paid-in capital or legal reserve in cash approach under resolution made by more than half of the attended Board members (under circumstances that more than two thirds of the total Board members attend), and such resolution shall be reported at the Annual Shareholders Meeting. The regulations of the preceding Paragraph shall not apply.

B. Proposed Distribution of Dividend

Net income – 2019	$105,688,360
Add: Retained earnings adjusted amount - 2019	122,834
Less: 10% legal reserve	(10,581,119)
Less: special reserve	(15,893,960)
Distributable amount - 2019	$79,336,115
Add: Unappropriated earnings - beginning	88,816,359
Accumulated distributable amount - 2019	$168,152,474
Distributions:	
Shareholder dividend - Cash	84,394,601
Unappropriated earnings - ending	$ 83,757,873
Remark: Cash dividend: NT$2.15 per share	

Note 1: Retained earnings adjusted amount in 2019 for NT$122,834 was resulted from the re-valuation of the defined benefit plan.

Note 2: The Company set aside special reserve of NT$15,893,960 according to the

Order No. 1010012865 issued by the Securities and Futures Bureau, Financial Supervisory Commission on April 6, 2012, which stipulates that special reserve shall be set aside for the difference between the amount of special reserve set aside and the net equity deductions at the first-time adoption of IFRSs.

Note 3: On February 26, 2020, the Board of Directors resolved to distribute cash dividends at NT$2.15 per share.

Note 4: The cash dividend per share was calculated in accordance with the outstanding 39,253,303 shares on February 26, 2020.

C. Additional Descriptions Provided for Any Expected Major Changes to Dividends Policies

The wording "the distribution in share approach shall prevail" in Article 24 of the Articles of Incorporation was approved to be deleted by the Board of Directors on April 12, 2019. The wording "the distributable dividends and surplus, 100% or partial of additional paid-in capital or legal reserve shall be distributed in cash approach may be implemented by a resolution of half of the Board members present at a meeting having a quorum of two-thirds of the Board members. Such distribution proposal shall be reported at the Shareholders' Meeting and the resolution by the Shareholders' Meeting specified in the preceding Paragraph is not applied herein." shall be added according to the amended Article 240 of the Company Act. The amendment of the Articles of Incorporation is submitted for discussion at the Shareholders' Meeting scheduled to be convened on May 29, 2019.

4.1.7 Employees', Directors' and Supervisors' Remuneration

A. Information Relating to Employees' and Directors' and Supervisors' Remuneration in the Articles of Incorporation

According to Article 23-1 of the Company's Articles of Incorporation:

A company shall distribute 5%~15% of profits of the current year as employees' compensation and up to 2.5% as the compensation for directors. However, the company's accumulated losses shall have been covered.

A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash, may be set up by the Board of Directors.

The foregoing profit shall refer to pre-tax benefits before deducting compensation for employees, directors and shall be distributed all at a time.

B. The Estimated Basis for Calculating the Employee Bonus and Directors' and Supervisors' Remuneration

The estimated amount of compensation for employees and directors is based on the current pre-tax net profit using the percentage specified in the Company's Articles of Incorporation and shall be recognized as operating expenses. If there is a difference between the actual amount of compensation paid and the estimated amount, the change in the accounting estimate occurs and shall be recognized as the next year's profit or loss.

C. Profit Distribution for Employee Bonus and Directors' and Supervisors' Remuneration for Approved in Board of Directors Meeting

(a) Recommended Distribution of Employees' and Directors' and Supervisors' Remuneration:

The proposal for the distribution of the 2019 compensation for employees and directors was approved by the Board of Directors on February 26, 2020. The compensation distributed to employees and directors is as follows:

Unit: NT$

Distributed to	Amount of Distribution Resolved by the Board of Directors (A)	Estimate Recognized as Expense (B)	Difference (A)-(B)	Reason for Difference and Handling
Employees	11,219,000	11,219,000	0	N/A
Directors	1,683,000	1,683,000	0	N/A

(b) Ratio of Recommended Employee Stock Remuneration to Capitalization of Earnings:

The employees' compensation not distributed in the form of shares was distributed in the form of cash at the amount of NT$ 11,219,000.

D. Information of 2018 Earnings Set Aside for Employee Bonus and Directors' and Supervisors' Remuneration:

There was no difference between the actual amount of the 2018 compensation distributed to employees and directors and the estimate.

(a) Compensation distributed to employees: NT$ 10,902,000.

(b) Compensation distributed to directors : NT$ 1,635,000.

4.1.8 Buyback of Treasury Stock

A. Completed

As of 04/30/2020

Terms	First term	Second term
Purposes	Distribution to employees	Distribution to employees
Period of Repurchase	Feb. 27, 2019 to Apr. 25, 2019	Mar. 3, 2020 to Apr. 21, 2020
Range of Price of Repurchase	25-45 NTD per share. However, the Company may continue repurchasing stock even if the stock price of the Company is below the lowest price specified for the range of price of repurchase	25-35 NTD per share. However, the Company may continue repurchasing stock even if the stock price of the Company is below the lowest price specified for the range of price of repurchase
Types and Quantity of	1,000,000 shares of	1,000,000 shares of

Repurchased Stock	common stock	common stock
Amount of Repurchased Stock	33,992,152 NTD	28,744,269 NTD
Quantity of Cancelled and Transferred Stock	0 share	0 share
Accrued Quantity of the Company's Stock Held	1,000,000 shares	2,000,000 shares
Percentage of Accrued Quantity of the Company's Stock Held to the Total Quantity of Issued Stock (%)	2.48%	4.97%

B. Ongoing

Terms	Third term
Purposes	Distribution to employees
Types of Repurchased Stock	common stock
Ceiling on Repurchased Stock	NT$ 648,118 thousand
Scheduled Period of Repurchase	Apr. 27, 2020 to Jun. 26, 2020
Quantity of Scheduled Repurchase	600,000 shares
Range of Price of Repurchase	25-32 NTD per share. However, the Company may continue repurchasing stock even if the stock price of the Company is below the lowest price specified for the range of price of repurchase
Type and Quantity of Repurchased Stock	169,000 shares of common stock
Amount of Repurchased Stock	4,964,758 NTD
Ratio of Repurchased Stock to Scheduled Repurchase (%)	28.17%

4.2 Bonds

None

4.3 Global Depository Receipts

None

4.4 Employee Stock Options

4.4.1 Issuance of Employee Stock Options

As of 04/30/2020, Unit: NT, Share, %

Type of Stock Option	4rd Tranche	5th Tranche	6th Tranche
Approval date	09.18,2014	12.06,2016	09.07,2018
Issue date	11.13,2014	12.23,2016	11.02,2018
Units issued	600,000	600,000	600,000
Shares of stock options to be issued as a percentage of outstanding shares(Note 1)	1.49%	1.49%	1.49%
Duration	5 years	5 years	5 years
Conversion measures	Issuance of new shares	Issuance of new shares	Issuance of new shares
Conditional conversion periods and percentages	50% over 2 years	50% over 2 years	50% over 2 years
	75% over 3 years	75% over 3 years	75% over 3 years
	100% over 4 years	100% over 4 years	100% over 4 years
Converted shares	493,500	173,500	0
Exercised amount	10,902,000	4,823,300	0
Number of shares yet to be converted	0	393,750	586,000
Adjusted exercise price for those who have yet to exercise their rights	19	27.8	27.8
Unexercised shares as a percentage of total issued shares(Note 2)	0.00%	0.98%	1.46%

Type of Stock Option	4rd Tranche	5th Tranche	6th Tranche
Impact on possible dilution of shareholdings(Note 3)	None	If 100% employee stock options are converted, the share capital will increase NT$3,938 thousand with the equity dilution rate of 0.97%. According to grant conditions, the employee stock option certificate was executed by batch over 2~5 years from the date of grant, which had no significant or immediate impact on shareholders' equity.	If 100% employee stock options are converted, the share capital will increase NT$5,860 thousand with the equity dilution rate of 1.43%. As of the date of publication, the employee stock option certificate has not yet reached the executable period. According to grant conditions, the employee stock option certificate was executed by batch over 2~5 years from the date of grant, which had no significant or immediate impact on shareholders' equity.

Note 1： Each unit may subscribe 1 share of common stock; refer to the percentage of shares originally granted to total issued shares as of the date of publication.
Note 2： Refer to the percentage of unexercised shares to total issued shares as of the date of publication
Note 3： The dilution rate of shareholders' equity is calculated as follows: (Number of shares increased after the exercise of all employee stock options) ÷ (Number of total issued shares before conversion + Number of shares increased after the exercise of all employee stock options).

4.4.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

As of 04/30/2020, Unit: NT$, Share, %

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price	Amount	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price	Amount	Converted Shares as a Percentage of Shares Issued
Executives	Senior Vice General Manager	HU, CHEN-KUANG	976,000	2.42%	151,000	23.80	3,593,800	0.97%	245,250	27.80	6,817,950	1.38%
	Assistant Vice President	WANG, CHIH-YUAN			29,250	21.70	634,725		311,000	27.80	8,645,800	
	General Manager	WEI, YI-MING (Note)			88,250	20.50	1,809,125					
	Assistant Vice President	CHAN, YI-CHEN			33,500	19.00	636,500					
	Excutive Vice General Manager	HUNG, CHIA-CHENG			87,750	27.80	2,439,450					
	Assistant Vice President	KUO, CHUNG-TSU										
	Assistant Vice President	KUO, CHING-HSING										
	Assistant Vice President	HUNG, YAO-YANG										
	Assistant Vice President	HUANG, YI-PO										

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price	Amount	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price	Amount	Converted Shares as a Percentage of Shares Issued
Top Ten Employees	Manager	CHANG, HUNG-YU	483,000	1.21%	57,000	23.80	1,356,600	0.52%	76,500	27.80	2,126,700	0.61%
	Manager	LEE, CHING-WEN			38,250	21.70	830,025		169,000	27.80	4,698,200	
	Manager	LEE, CHING-KUN			43,750	20.50	896,875					
	Manager	WANG, SU-LAN			4,000	19.00	76,000					
	Assistant Manager	CHIEN, JENG-DAN			64,500	27.80	1,793,100					
	Assistant Manager	LIN, CHING-WEI										
	Special Assistant	YU, HUI-CHEN										
	Manager	YANG, JENG-REN										
	Manager	CHEN, PO-CHOU										
	Administrator	CHEN, HSIU-MEI										

Note：WEI, YI-MING left the Company in 2015.

4.4.3 Issuance of New Restricted Employee Shares

None

4.4.4 List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares

None

4.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

4.6 Financing Plans and Implementation

4.6.1 Finance Plans

A. For each uncompleted public issue or private placement of securities, and for such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits.

None

B. Source of funds

None

4.6.2 Implementation

None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

1.CC01030 Electrical appliances and audio-visual electronic products manufacturing business
2.CC01040 Lighting equipment manufacturing business
3.CC01080 Electronic components manufacturing business
4.CH01010 Sporting goods manufacturing business
5.F106010 Hardware wholesale business
6.F106030 Mold wholesale business
7.F109070 Cultural, educational, musical instruments, and recreational supplies wholesale business
8.F113020 Electrical appliances wholesale business
9.F119010 Electronic materials wholesale business
10.F206010 Hardware retail business
11.F209060 Cultural, educational, musical instruments, and recreational supplies retail business
12.F213010 Electric appliances retail business
13.F219010 Electronic materials retail business
14.F401010 International trade business
15.E601010 Electric Appliance Construction
16.ZZ99999 In addition to the chartered business, the business not-prohibited or not-restricted by law is also permitted for operation

B. Revenue distribution

Unit；NT$ thousands

Major Divisions	Total Sales in Year 2019	(%) of Total Sales
Lighting and parts	1,086,420	100%

C. Main products

The Company specializes in designing and manufacturing commercial lighting. Main products are high-efficient commercial lighting and are divided into the following categories based on different sources of light:

a. Light-emitting diode (LED) lighting
b. High-intensity discharge (HID) lighting
c. Fluorescent lighting
d. Halogen lighting

The above products are extensively applied to indoor and outdoor space and retail display.

D. New products development

In the future, the Company will focus on research and development of a variety of new sources of light and intend to design and manufacture lighting that best displays every source of light. The Company currently plans to develop the following new products:

a. LED basic recessed luminaires
b. LED functional recessed luminaires
c. LED basic spotlights
d. LED functional spotlights
e. LED functional low-voltage spotlights
f. LED basic low-voltage linear lights
g. LED functional pendant lights
h. LED functional surface-mounted ceiling lights
i. LED functional surface-mounted ceiling lights
j. LED outdoor spotlights
k. LED outdoor wall-mounted luminaires
l. LED outdoor bollards
m. Low-voltage track system
n. Circuit high-voltage track system
o. Circuit high-voltage track system
p. low-voltage track system power box

5.1.2 Industry Overview

A. Current Status and Future Development of Lighting Industry

a. Trends of Lighting

According to different lighting sources, the lighting fixtures can be divided into three major light source categories: thermal radiation illumination, gas discharge illumination, and spotlight electronic radiation illumination. The lighting source of products of the Company mainly includes thermal radiation illuminated incandescent light bulbs and halogen lamps, low-intensity discharged illuminated fluorescent lamps, high-intensity discharged illuminated HID lights, and electronic radiation illuminated LED lighting, etc. The overall lighting industry has been innovated with LED lighting in recent years, as well as the implementation of national governments' energy-saving and environmental protection policies, the importance of diverse lighting applications has been gradually changed.

Due to the poor luminous efficiency of incandescent light bulbs and most of the power consumption is released in the form of thermal energy, only few portion of the power is generated for illumination. Because of the relatively low luminous efficiency and coupled with the greenhouse effect and excessive energy consumption, people's awareness of environmental protection and energy conservation has been rising. Incandescent light bulbs products are being discarded actively by governments around the globe. The EU, Japan, Canada, Taiwan and India have banned such products since 2012. The mainland China is planning to fully ban them in 10 years from 2008 and use energy-efficient lighting to achieve the goal of avoiding over-consumption of energy and reducing greenhouse gas emissions. With the implementation of government policies worldwide, the market share of incandescent lamps in the lighting market will be significantly reduced, and will eventually be withdraw from the market.

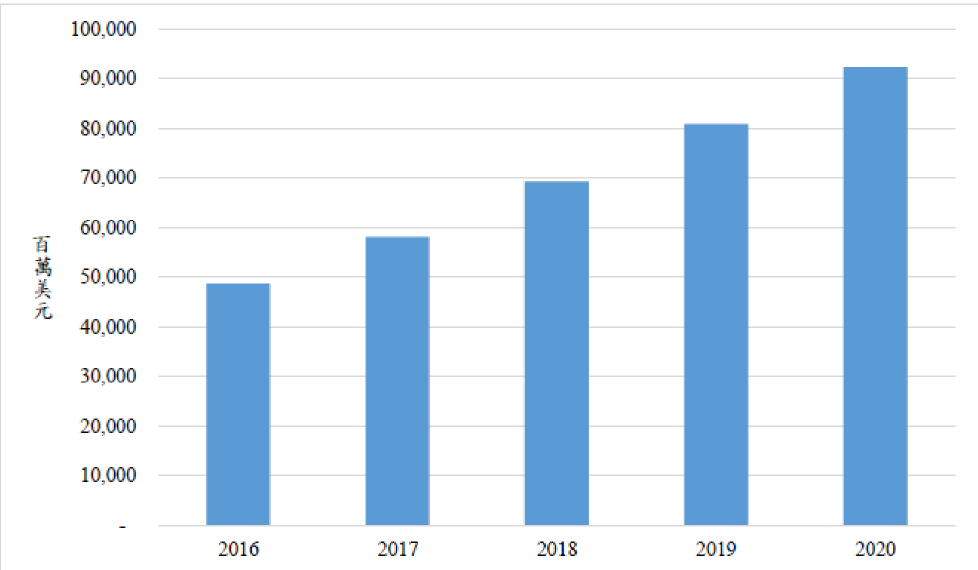
Low-intensity discharged illuminated lamps such as fluorescent lamps T5 and T8, and those commonly known as CFLs, have been getting more attention from general public as the concept of energy saving and power efficiency are growing. The efficiency and production costs of fluorescent lamps and CFLs are being gradually improved and reduced, respectively. Commercial applications have been expanded to household lighting, which has a lower cost than other lighting sources and quickly replaces conventional lighting sources such as halogen lamps. Market shares of these kinds of products are getting larger as well.

LED lighting is regarded as the illumination source of the century; it has advantages such as smaller sizes, lower energy consumption, longer durability, easier controllability and better shock resistance. Almost every manufacturer is actively involved in the R&D of LED lighting, therefore the obstacles of luminous efficiency, and mechanical structure components, heat dissipation and electrical technology are being gradually overcome. In addition, with the continuous decline of LED costs, the product application field is rapidly expanded from mobile phone backlight, outdoor indicator light, small and medium sized backlight module, NB backlight module and LED TV to lighting. LED manufacturers and conventional lighting manufacturers also have entered into the LED lighting industry with their own professional technologies and different product development strategies.

b. Summary of LED Lighting Market

In 2011, the total value of LED lighting market reached 6.1 billion USD, accounting for about 5% of the global market penetration rate. The market share of LED lighting was minor and in 2011, the prices of LED lighting products were still relatively expensive which made consumers have little interest, so there was no significant growth momentum or market penetration rate improved. Since 2012, the policies by governments worldwide started to ban the usage of incandescent light bulbs. In terms of product prices, prices of LED had been declining and the luminous efficiency had been improved in recent years. The continuous improvement enabled LED products to enter into the lighting market. However, due to the prices were still at relatively high level, the uniformed industrial standards remained undetermined, and the technical problems of lighting types, durability and reliability not yet to be overcome, the value of LED lighting market was only about 6.07 billion USD. Despite that, in recent years, thanks to the continuous decline in LED prices and governmental policy support, the LED lighting market continued to grow. In 2015, the value of LED lighting market reached about 40 billion USD, and the market penetration rate reached 28%. In 2016, the value of LED lighting market reached 48.7 billion USD with the market penetration rate at 33%. In 2017, the value of LED lighting market reached 58.1 billion USD, an increase of 19% from the one of 2016, and the market penetration rate reached 38%. Driven by the improvement of LED functionality, price decline and energy-efficient policies, the growth of the LED lighting market will continue to be improved in the future. It is estimated that it will reach market penetration rate at 66% in 2022. The LED lighting market is growing at a much higher rate than the one of the global lighting market.

Analysis to Global Market Scale of LED Lighting



資料來源：IHS(2016)；工研院 IEK(2017/09)

In terms of manufacturer dynamics, LED-related manufacturers or professional lighting fixture manufacturers are actively entering into the lighting application fields by utilizing various professional technologies, competitive advantages and types of LED lighting products to master the future LED lighting development trends and market opportunities. In terms of product types, they can be divided into two main categories, LED fixtures and LED lighting.

c. Summary of Markets of LED Fixtures and LED Lighting

The components of LED fixture products are mainly LED lighting sources, substrates, optical lenses, circuit control, lampshades, heat dissipation structures, metal body structures and mechanical structures for steering adjustment. The fixture manufacturers use components such as optical lenses and lampshades in an approach of secondary optical techniques to precisely present the requested lighting quality. The parameters such as lighting types, illumination angles and cut-off angles are set during product development, the illumination angle adjustment of fixtures is assisted by the steering mechanism, and the structure is embedded by special patented design approach which allows the device to be moved and used on tracks. By utilizing the preceding development and design processes of various products, lighting manufacturers can meet the lighting of different spaces which have high-quality requirements for lighting effects and efficiency or those requiring diverse adjustment features of fixtures. The main products include spotlights, track lights, cabinet lighting, recessed luminaires, table lamps and yard lamps and other diversified LED fixture products.

Most of the manufacturers entering into LED lighting applications fields with their LED fixture products were originally engaged in the development and design of conventional fixture products. With experienced and mature secondary optical techniques, as well as features of better color rendering and smaller size, lower power consumption and longer durability, LED lighting products are surely superior to conventional one., Therefore, it is able to design lighting products suitable for various space and application fields, allowing full display of characteristics of LED lighting sources and the competitive advantages of professional lighting manufacturers. It is expected under the trend of new generation light sources, the Company can seize the LED lighting market opportunities by combining with its own product technology and familiarity with the downstream application market.

Types of LED Lighting Fixtures

Source: Provided by the Company

The components of LED lighting are mainly LED chips, optical lenses, heat dissipating fins and bases. Manufacturers achieves the lighting pattern almost identical to the one generated by conventional lighting by utilizing the illumination characteristics of the LED chips and optical lenses. They also adopt the same bases as the conventional ones for replacing the conventional lighting sources without replacing the external structure of the fixtures. The main product types include A-lamp (bulb type), PAR lamp, MR-16 and FL (bar type).

Most of the manufacturers entering into LED lighting applications fields with their LED fixture products are those related to the LED industry. For example, to replace the conventional lighting sources with LED ones, Taiwan's LED packaging manufacturers like Lextar and EVERLIGHT are reducing the LED cost, lowering retail prices and achieving production advantages via mass production approach.

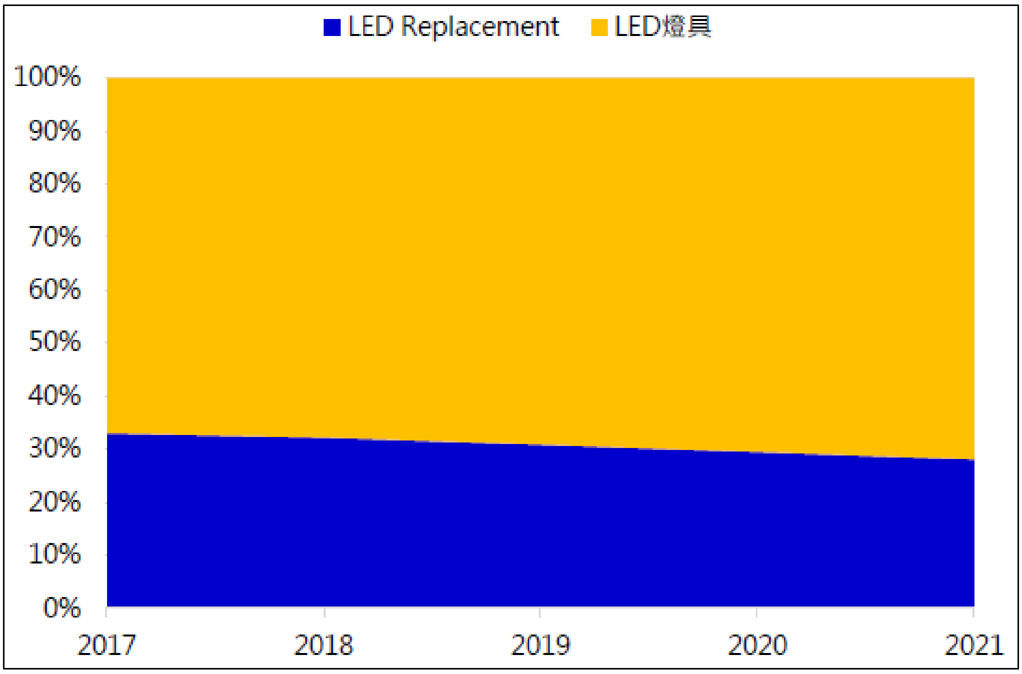
Types of LED Lighting

Source: IEK, March, 2011

In terms of changes of scales of markets of LED fixtures and LED lighting products, they are determined mainly by the user's sensitivity to prices and the prices of LED products. In addition to the basic lighting requirements, the requirements to LED lighting products are more rigorous in terms of lighting quality and effect. LED lighting products also have many functional design features which increase the added value of the products and reduce user's sensitivity to prices. Although until recently, the cost of LED lighting serving as the lighting source of fixtures remains at higher level than other lighting sources, the future market trend is in continuous and stable growth, and the timing of booming of market size will be earlier than the one of LED lighting source products.

LED lighting source products are mainly used to replace conventional ones. With the improvement of LED luminous efficiency and the rapid decrease of relevant cost, LED lighting source is being actively promoted by manufacturers. In the future, the cost is expected to be reduced at a stable pace, and will be at the same price level of conventional ones. Besides users of industrial or commercial applications, general price-sensitive consumers will also be willing to purchase and use LED lighting source products instead of conventional ones. Therefore, the market size is expected to increase significantly.

Market Scale of LED Fixtures and LED Lighting in Recent Years

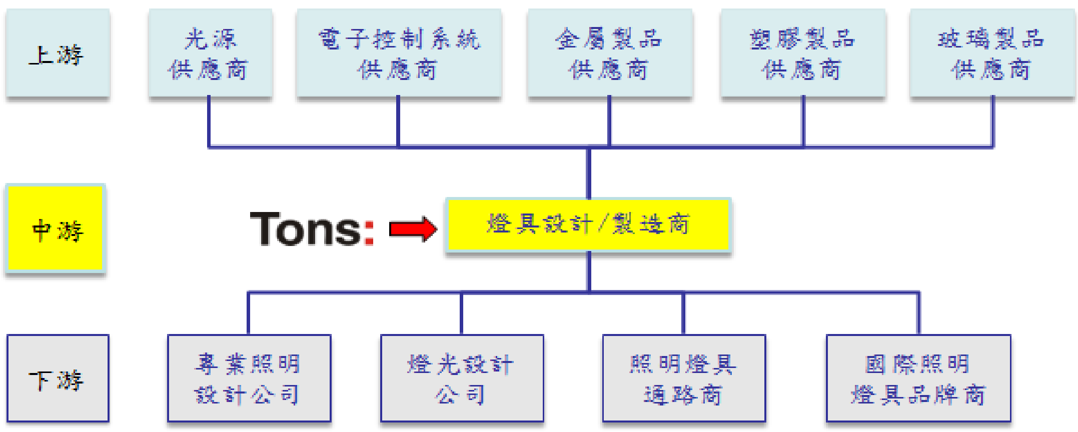


Source: IEK (yyyy/mm)

For the characteristics of the preceding two types of LED lighting products, there are differences in prices, lighting quality, product diversity and product development directions. Since the purpose of LED lighting source products is serving as an alternative and replacement of conventional ones, so the retail prices and the lighting quality must be at the same level of conventional ones.

The product development approach is "high-mix low-volume" and could be applied to differences between products and relatively uniformed specifications. The LED lighting products mainly serve for professional lighting with better additional functions. The price would be increased due to increase of added values such as excellent lighting quality, craftsmanship, and diversified product functions. The product development approach is "high-mix low-volume" and the products are highly differentiated available for usage in different spaces. Therefore, under the differentiated product characteristics of the preceding products, the end application market will be segmented. It is expected that the future development of the LED lighting source products market will focus on the fields of general lighting application, and product development in the fields of commercial lighting for LED fixtures market. Although there are differences between LED fixtures and LED lighting source products in terms of product development and market application, in the future, joint expansion of coverage of the application fields by LED lighting in the overall lighting market is expected.

B. Relationship with Up-, Middle- and Downstream Companies

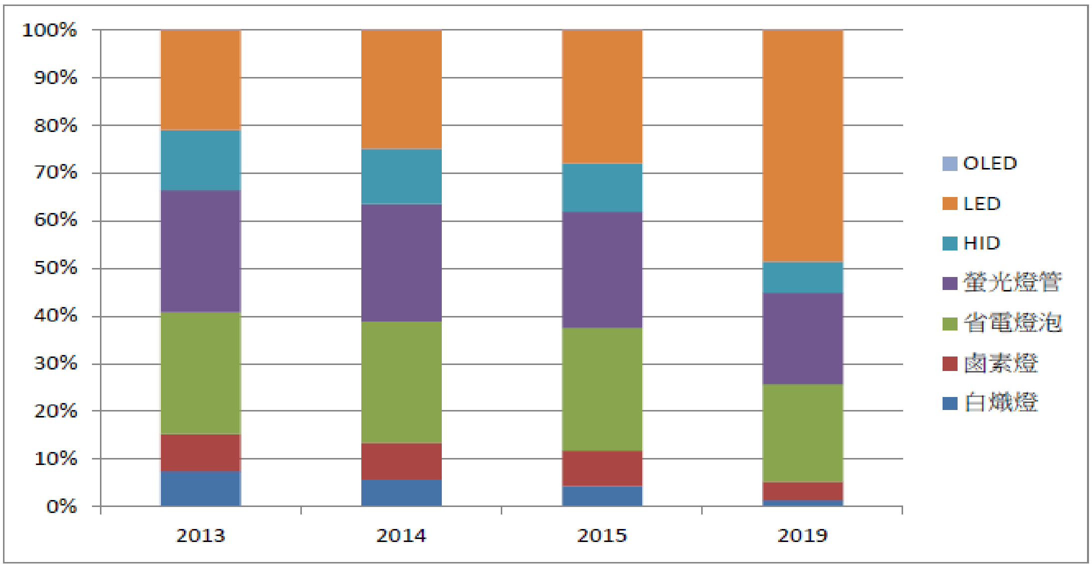


C. Product Trends

a.. LED Lighting will Become the Mainstream Trend of the Future Lighting Industry

In recent years, the global energy demand has increased, crude oil prices have risen, and power generation costs have increased. The problem of depletion of global resources has gradually emerged, and carbon dioxide emissions have increased dramatically, leading to a series of greenhouse effects such as global temperature rising and extreme climates. In addition to energy consumption, global environmental protection and energy conservation issues are also derived from the preceding phenomenon. In view of the excessive use of energy resources, governments worldwide have actively promoted the use of renewable energy and energy-efficient policies, such as banning incandescent light bulbs and actively seeking other lighting sources to replace conventional ones. At the time of rising voices of global energy conservation and environmental protection, adjustment to habits of lighting for general people and commercial activities is required, thus affecting the future development trend of the lighting industry.

Analysis to Global Consumption of Lighting



資料來源：IHS(2014)；工研院 IEK(2015/01)

For the future development of the lighting industry, incandescent light bulbs will be gradually banned and replaced. High-efficiency lighting sources such as fluorescent lamps, CFLs and LEDs are rapidly becoming the mainstream. Since 2008, the annual market share of conventional light bulbs has declined by nearly 80% in total. It is estimated that the fluorescent lamps and CFLs will take most market share with the advantage of lower prices in 2015, where the market share will increase to 50% with the banning of incandescent light bulbs and the timing of fully banning coming near. However, in the future, LEDs will continue to grow in luminous efficiency and product prices will decline year by year due to the improvement of technology. Since 2012, LED lighting has been rapidly growing, and the market share of CFLs has been taken away. LEDs have features of better color render, smaller size and lower power consumption and longer durability, making them rapidly adopted by consumers and become the mainstream trend in next-generation lighting applications.

b. LED Lighting will Lead the Rapid Growth of Commercial Lighting Applications

Lighting applications can be divided into general lighting, industrial and commercial lighting, public lighting and other lighting applications according to their use and location. General lighting is mainly applied in household areas, and the daily lighting time is the shortest, so the price sensitivity is the highest. Price will be the primary factor for determination of preference of general consumers. Products with lower prices such as incandescent light bulbs and halogen lamps take most of the market shares, followed by fluorescent lamps (LFL) and CFLs, etc. For industrial and commercial lighting applications such as manufacturing plants, public spaces and exterior appearance of buildings, commercial buildings and office spaces, etc., users are focusing on whether the lighting can achieve the improvement of lighting efficiency or the quality and effect of anticipated lighting design, longer lighting time, further reduce the price sensitivity. Public lighting is mainly for public facilities such as parks, bridges and road lighting, which are conducted mostly via project construction or bidding.

Since the penetration rate of LED lighting will be gradually increased in recent years, manufacturers of LED industry are generally expecting LED lighting will be quickly adopted in various lighting application fields under the trend of strong promotion by manufacturers and increasing consumer acceptance, as well as the government subsidy policy. Under the characteristics of different types of light sources commonly used in various application fields, the timing of significant growth of LED lighting in various application fields will also result in different trend changes.

The average lighting hours per day for industrial and commercial lighting can reach 18 hours. The recycling period of LED lighting is significantly reduced by three times compared with conventional ones. In the case of long-term lighting, the effect of energy-efficient features of LED lighting is remarkable. The cost of LED lighting can be rapidly covered, and the features of high color rendering, innovative design and enhancement to corporate image of LED will raise the willingness to usage by enterprises. Hence the timing of adopting LED lighting products in commercial lighting will be significantly moved forward. The market share of LED products will be increased significantly in the future. The penetration rate of LED applications will also be rapidly increased so the timing of adopting LED lighting by commercial lighting applications will be earlier than the one of industrial lighting. In terms of the overall LED lighting market, commercial and industrial lighting account for the largest market share, and will become the most important application market for LED lighting products.

D. Competition

With the rapid development of LED lighting, the original manufacturers of the lighting industry, such as Panasonic, Acuity Brands, Philips, Cooper, Zumtobel and other leading manufacturers have entered into the development and application of LED fixtures. In addition, the Company had entered into development and manufacturing of LED lighting applications in 2004, and was one of the first to use LED lighting source to develop professional lighting fixtures. The Company's R&D and product development processes according to the characteristics of LED lighting source as the optical design basis of lamps are ahead of the one of others. With solid product development capabilities, OEM and ODM orders of LED fixtures from the preceding leading manufacturers are acquired by the Company, which is a symbol of wide recognition by clients and other companies of the same trade to the Company’s product competitiveness.

When comparing with domestic companies, Taiwan's LED product supply chains are comprehensive, but most of them are those of upper- and middle-stream companies of LED epitaxial and packaging. Its competitive advantage lies in the large-scale production and manufacturing of low-cost and retail price. Many other manufacturers are entering into LED lighting source product development to seize market opportunity of replacing conventional lighting sources with LED ones. Their products are mostly the lighting source types which are different from the ones of the Company, and are focusing on the design and development of professional lighting fixtures. In contrast, the Company has been operating in such field of lighting for a long period of time and has accumulated sufficient experience. Its product R&D and development strength have been recognized by international manufacturers. At present, the revenue of LED lighting fixture products has reached nearly the level of 65%. The revenue volume has reached 1 billion NTD since 2010. All these are indicating that the Company is at the industrial leading position with its LED lighting fixture product development capability and revenue volume.

5.1.3 Research and Development

A. Technical Levels and R&D of the Currently Operated Business

The design and integration of fixture systems requires interdisciplinary cooperation between fields such as optics, thermals, electronics, mechanical structure and industrial design. A good fixture system design can not only meet the originally set lighting requirements, but also improve energy efficiency and reduce light pollution. The following texts will describe the technical levels and summary of the Company in various technical fields

a. Optical

In general, higher luminance means higher energy consumption. In the lighting industry, since the lighting sources are relatively standardized products, when a general manufacturer obtains the standardized lighting source, it would conduct optical design for fixtures according to the optical parameters such as the beam angle and the cut-off angle set by the standards. For example, for the same LED lighting source, the Company will design a dedicated secondary optical reflectors and lenses for the LEDs by considering the feasibility of each angle, the overall appearance of the industrial design and the safety regulations. This is different from the standardized reflectors or lenses available on the market which are often unable to accurately and appropriately take into account the LED lighting characteristics of brands by different manufacturers. The Company's major secondary lighting optical reflectors have relatively accurate angles, and the features of angle application are relatively diverse, which can achieve illumination with a sense of full and richness and simultaneously process and adjust adequate lighting in a more delicate manner. For basic lighting, the patented high-efficiency optical diffusion technology can soften the lighting, and achieve high level of transmittance. The Company is also constantly developing new materials and optimizing the halo and efficiency. Because of the use of high-efficiency secondary optics and diffusion technology, when using the same LED to achieve the same lighting effect, fixtures manufactured by TONS can reduce the required number of LED fixtures, further achieving energy-efficient effect by reducing energy consumption and meet the needs of various applications.

b. Heat Dissipation Technology

For LED fixtures, effective heat dissipation is a major factor in maintaining the luminous efficiency and service life of products. For LED fixtures, the Company's self-developed diverse heat dissipation structure design, with continuous verification by laboratories with high reliability and validity, it is able to according to reach economically efficient components and mitigation of potential risks which may occur during long-term non-stop operation by maintaining the temperature at a sufficient safety factor according to characteristics of different series of lighting fixtures products.

c. Electronic Drive and Circuit Design

The supply of the Company's major lighting source drive products is outsourced, but the Company also has the ability to develop on its own. For special applications and niche markets, when the general solution is not available on the market, the Company can develop on its own and provide clients with more options. For the overall system design, due to multiple factors such as specifications, cost, safety, etc., it is often necessary to carry out special circuit design on the ballast and the substrate, and the professional circuit design is not available to the conventional fixtures manufacturers. With professional capacity, the Company can gain more control over the verification and specification requirements of purchased parts.

d. Mechanical Structure and Industrial Design

The Company has been manufacturing LED fixtures since 2004. Therefore, one can say that the Company has mastered the characteristics and technology of LED fixtures. The Company is also a conventional lighting company. Despite its revolutionary innovation of lighting technology, there is merely any change to lighting applications. Therefore, the Company is aware of the application needs of the lighting market. In terms of mechanical structure and industrial design, the following key features are considered for design, and thus forming the Company's product competitive advantages.

(a) Function: Different basic functions of the Company’s products are required for different applications.

(b) Family: The Company has accumulated an experience of more than 20 years in the development of fixtures, allowing its products with comprehensive series, and products with similar styles and features are available for various applications in the same space.

(c) User and Environmental Friendly: The Company's products are designed from the user and environmental perspectives and made of green lighting source and environmental friendly materials. These are the products with features of Eco-Friendly and User-Friendly concepts.

(d) Fashion: The appearances and styles of the Company's products are clean and gorgeous which have been recognized by many international design awards and Taiwan Excellence Awards. These products can create a sense of fashion for the overall environment.

In sum, the Company's current technical level in the field of LED lighting is at the internationally advanced level, and in the future it will also adhere to the business philosophy of technological innovation to continue investing in R&D for creating more quality products.

B. The R&D expenses of the most recent FY and as of the printing date of this Annual Report

Unit: NT$ thousands

Item	2019	2020 (As of March 31)
Expenses	42,269	7,718
Revenue	1,086,420	128,195
(%)	3.89	6.02

C. Research and Development Achievements of the company in the Past Years

Year	Specific R&D Results
2019	1. SA-54XA LED low-voltage spotlights
	2. SA-54XB LED low-voltage spotlights
	3. SA-532X LED low-voltage spotlights
	4. PAM-109X LED low-voltage pendant lights
	5. SA-2X30A LED luminaires for track
	6. DW-935X GU10 adjustable downlights
	7. DG-E0XR LED downlights
	8. DG-E0XRST LED color temperature switch downlights
	9. DG-E0XRTW LED light/color adjustable downlights
	10.DG-61XC LED downlights
	11.DG-61XC LED color temperature switch downlights
	12.DG-61XC LED light/color adjustable downlights
	13.PG-L05XX LED pendant lights
	14.WG-60XA LED surface-mounted ceiling lights
	15.BR-BR-X13RA LED wall lights
	16.BR-BR-X13RA LED wall lights
	17.BS-215X LED surface-mounted wall lights
2020	1. OGA-2X2A LED in-ground lights
	2. OGx -306A LED ultra-thin fixed in-ground lights
	3. OLG-214XST LED outdoor lights
	4. OBS-214XST LED outdoor wall lights
	5. OFH-607X 户外 GU10 modular projectors
	6. OBS-532RST LED outdoor wall lights
	7. OBS-50XX LED outdoor wall lights
	8. OBS-50XXST LED outdoor color temperature switch wall lights
	9. OBS-00XR LED wall lights
	10.OBS-009RST LED microwave sensor wall lights

5.1.4 Long-term and Short-term Development

A. Long-term Development

a. Draft the product and manpower development plan to reserve the talents required for the business expansion and develop internationalized human resources.

b. Form a strategic alliance with major international light source manufacturers to control the updated trend and develop products that meet the market need.

c. Develop our own brand in a new market to separate from an existing OEM market.

d. Uphold a people-oriented spirit and promote the green lighting based on the core technology.

B. Short-term Development

a. Create a market segmentation and develop various product niches.

b. Strengthen the product lines to offer the one-stop service that meets customers' needs.

c. Control the market trend and provide custom products to meet customers' needs in different areas; develop a pricing strategy and create competitive advantages for the purpose of maximizing the profit.

d. Install leading lab equipment and create the verifiable standards for quality of products.

5.2 Market and Sales Overview

5.2.1 Market Analysis

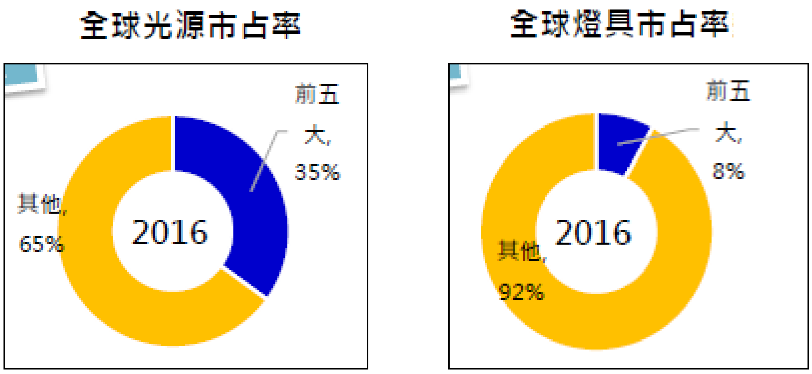
A. Sales (Service) Region

Area	2019	
	NT$ thousands	%
Taiwan	53,607	4.93
Europe	715,519	65.86
Asia	247,650	22.8
Oceania	67,061	6.17
Other Area	2,583	0.24
Total	1,086,420	100.00

B. Market Share (%) of Major Product Categories

There are thousands of lighting manufacturers around the world selling different products in different areas; large multinational corporations are the leader in the market and enjoy economies of scale in terms of R&D, manufacturing, and channels of distribution; however, due to the diverse industrial characteristics of lighting, small manufacturers may occupy part of the market through product differentiation. According to HIS's statistics (2017/08), the top five manufacturers in the lighting market in 2016 were Philips, Acuity Brands, Zumtobel, Cree and Panasonic, accounting for 8% of the market share. Due to a variety of products and the industrial characteristics of lighting, it is not suitable to measure the Company's position in the market using the market share.

Market Shares of Lighting and Lamps Manufacturers



Sources: IHS; IEK (August, 2017)

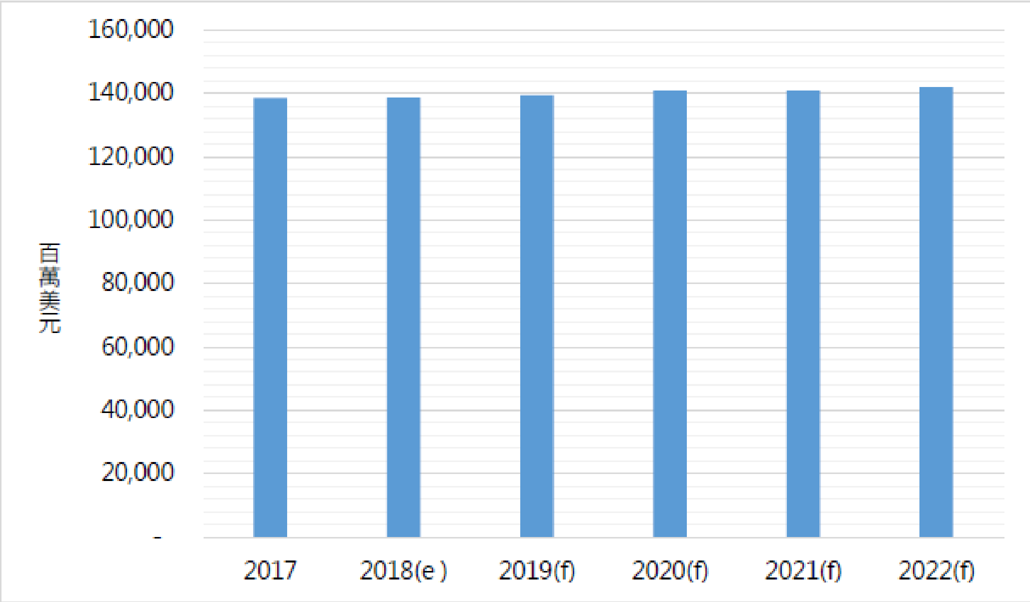
C. Future Supply and Demand and Growth of Market

The foundation of the global lighting market is rather stable and sudden explosive growth is unlikely to take place. Its development is mainly affected by factors such as overall economic growth, the prosperity of construction and of the automobile industries. In recent years, the sales value of the global lighting market has shown a steady growth trend, and the growth momentum has gradually increased, thanks to the economic growth of emerging countries, the active development of infrastructure, and the demand for lighting products; on the other hand, due to the depletion of global energy supply, along with technological innovation and environmental protection concepts, consumers' consumption preferences have changed. Energy-efficient and high-efficiency lighting have gradually attracted more attention. New products with high unit prices have driven the average sale prices of the overall products to be increased, further driving the sales growth of the overall lighting industry.

The Company has accumulated an industry experience of nearly 20 years in the design and development of lighting fixtures. It is familiar with the needs of downstream application space for lighting, illumination, color rendering and color temperature. For example, lighting applications in buildings and business spaces for business use must be illuminated with comfortable and soft lighting; in museum and exhibition spaces pf ancient artifacts, the focus the light shall be on the exhibited items, and UV radiation avoidance and lighting temperature reduction are necessary to reduce the damage to ancient artifacts; the lighting for building shall bring out the aesthetic design concept for the overall architectural appearance; the lighting for boutique display shall have high level of color rendering and spotlighting to highlight the coloring of products and their designing. Therefore, under diverse environmental and functional requirements, the Company develops products according to different space applications, and uses secondary optics technology to combine key technologies and product designs such as lighting types design, mechanical structure, heat dissipation structure and craftsmanship of lighting fixtures. The lighting source with different features can be used to produce the anticipated illumination effect the lamps manufactured by the Company. The Company's products are oriented to professional lighting design and are developed for the use of space with precise lighting quality requirements.

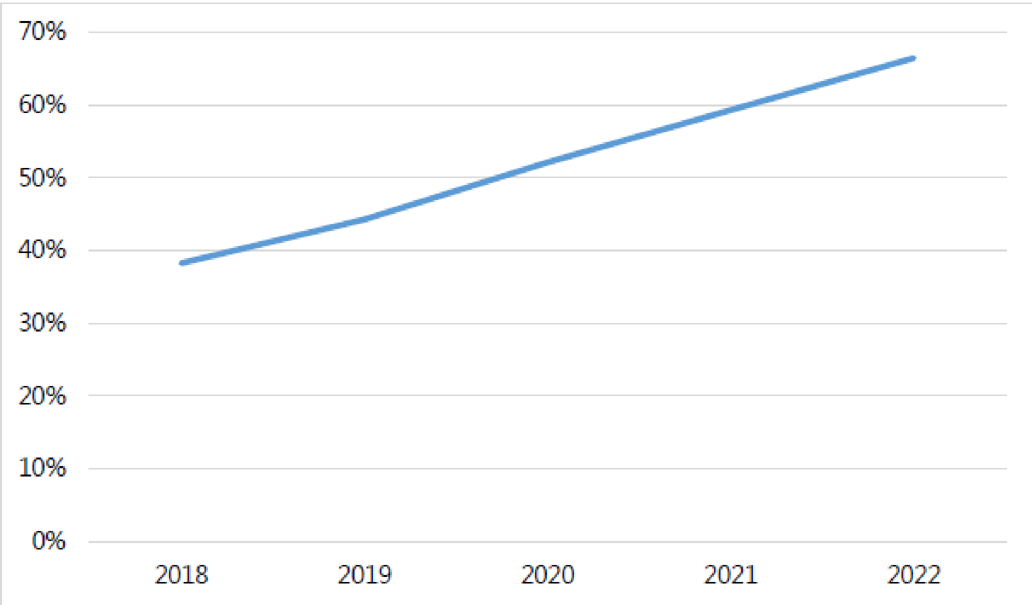
The Company's main clients are professional lighting designing and lighting engineering companies, and large international lighting fixtures manufacturers and distributors. The Company’s products are distributed for daily lighting applications. With the trends of global economic growth and continuous urbanization, commercial activities will flourish and consumption of lighting products and services will increase, further triggering the growth of global lighting industry the demand for professional lighting. According to the statistics and estimates by the Industry, Science and Technology International Strategy Center of the Industrial Technology Research Institute (hereinafter referred to as “IEK”), the global market for lighting sources and products is as follows

Estimation and Forecast of Global Lighting Market Scale



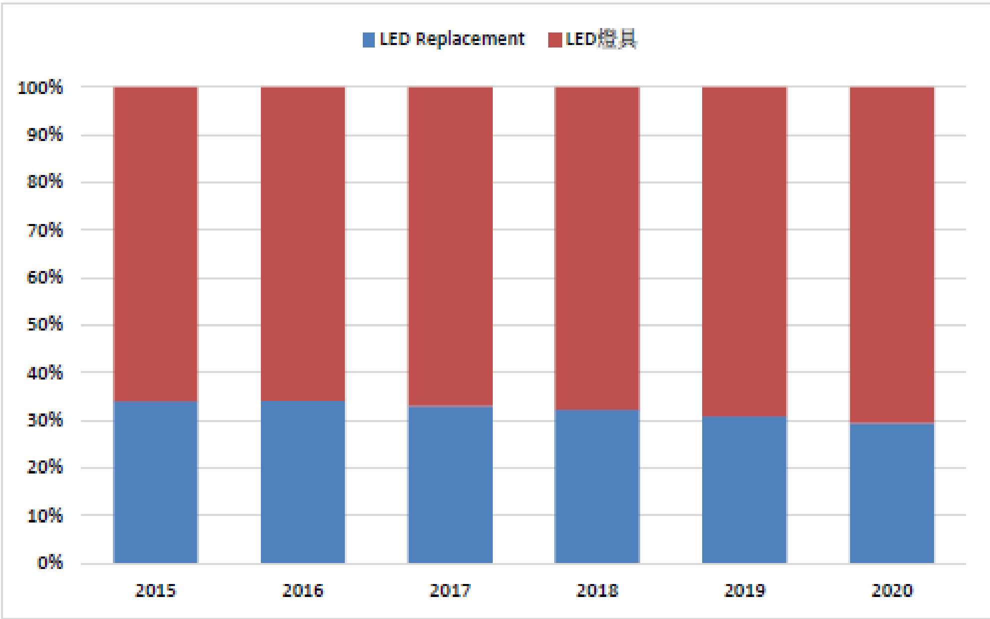
資料來源：IHS；工研院 IEK Consulting 整理(2019/02)

Estimation and Forecast of Global LED Lighting Market Scale



資料來源：IHS；工研院 IEK Consulting 整理(2019/02)

Product Analysis to Global LED Lighting Market



資料來源：IHS(2016/01)；工研院 IEK 整理(2016/05)

Since 2010, the growth of global market of lighting industry has maintained steady annually. It is estimated that the overall value of global lighting market in 2019 and the compound annual growth rate of LED lighting from 2018 to 2022 will reach 149.6 billion USD and 15.5%, respectively. Among them, LED lighting products will be produced in smaller volume but with more diversification and the gross profit margin will be relatively higher. Market penetration rate will gradually increase as the price of LED components continues to decline, and therefore, the market will be gradually expanded with the market share at around 65-70%. As the global lighting market grows steadily, the share of each applied lamps and their respective market share will vary according to the development of trends of lighting technology and the lighting industry.

D. Competitive Niche

a. Have the underlying capacity for R&D and design of LED and traditional lighting, making the Company be able to provide diverse choices
b. Have the key technology solutions to LED lighting, making the Company the leader of product development
c. Have lasting marking channels that allow the Company to respond to the needs of downstream application market
d. Establish a well-equipped world-class lab which provides safe and quality products and facilitates product development

E. Favorable and Unfavorable Factors in the Long Term

a. Favorable Factors

(a) Profound Skills of Professional Lighting Fixtures Design and R&D

The Company has been operating business at professional lighting fixtures industry for nearly 20 years. Its product development and design capability has been cultivated and developed through years of industrial experience. The key members of the R&D team have extensive experience in the lighting industry, design and development, making Key technical integration for lighting design, mechanical structure, heat dissipation technology and aesthetics of exterior appearance able to be realized. The senior R&D supervisor us responsible for leading the whole team to conduct research and development tasks which involve the development and design for the Company's overall product series. The Company also actively recruits talents of lighting design and related techniques for maintaining and forming its solid technical foundation.

(b) Comprehensive Production Lines and Excellent Product Quality

The company has been adhering to the ideas of “professional design” and “global marketing” since its founding to supply lighting products of Halogen lamps, fluorescent lamps, HID lamps and LED lamps based on information provided by global clients and its advanced product design capacity. The available types of lighting fixture products include various high-efficiency commercial lighting fixtures such as projection lamps, track lights, wall washers, cabinet lights, recessed lights and indoor/outdoor lighting. The style of each product family style series is comprehensive and able to meet the diverse client demands as well as the convenience of “one-time purchase”. In terms of quality management, the Company's key manufacturing processes can all be completed independently within its own factory, allowing fully mastering the production technology and stringent monitoring of product quality, achieving the requirements to its own product brands and providing good customer services.

(c) Comprehend the Latest Trend of Lighting Industry by Closely Cooperating with International Lighting Manufacturers

The growth of business of LED products has been rapid and its share of sales continued to increase since the Company entering into the field of LED lighting fixtures industry. With significantly increased demands for LED lighting, the Company has cultivated good business partnership with international LED lighting suppliers under the long-term cooperation which allows it to comprehend the latest development trend of LED lighting and obtain high-quality LED products in a timely manner. In addition, it also enables the Company to design and introduce high-efficiency professional LED lamps in advance to meet the characteristics of LED lighting fixture products of new generation and new types, and lead the development trend of LED lights, satisfy customers' demands for product quality, and seize the market share.

b. Unfavorable Factors

(a) Increasing Number of Competitors Entering LED Industry

Under the trend of rapid development of LED, more and more lighting fixtures manufacturers are investing in the development of LED lighting products. After a period of learning curve, their lighting design and product quality of the lighting products are bound to improve, so that the Company’s advantages of technique and first-mover in terms of product lighting design will gradually decrease, and the competition among manufacturers will increase.

Countermeasures

The Company can comprehend the latest LED lighting development trend in advance and conduct development and design for LED lighting fixture products via its cooperation with international LED lighting manufacturers. The finished products can be verified at the Company's well-built laboratory equipment to meet customer’s product quality demands. Therefore, among all the other manufacturers, the Company’s competitive advantage will be continuously improved through such development of LED lighting products. For the maintenance of sales and customer service, the Company maintains a high-quality customer service which provides customized products based on individual customer needs to maintain good business relations and increase competitive advantages against other competitors.

(b) Insufficient Supply of Domestic Talents of Lighting Industry

The scope of the lighting industry includes professional fields such as optical design, material application, industrial structure and electronic circuit which covers a wide range of professional techniques. However, the lighting industry has never been one of the focuses of domestic industrial development project. Therefore, the cultivation and training of talents of lighting techniques is relatively limited. Currently, the cultivation of industrial R&D talents is mainly by utilizing past field experience of “trial and error”. Training from schools and vocational education for talents of lighting industry is relatively insufficient.

Countermeasures

The Company has always been focusing on the development and manufacture of lighting fixture products since its foundation. The current R&D team has accumulated abundant experience in product development in the lighting-related industries along with the expansion of the Company. For insufficient supply of domestic R&D talents, the Company will keep on recruiting talents with relevant working experience and cooperating with schools and professionals in lighting industries to conduct R&D talents training and product development. In addition, the Company intends to solidify the overall talent quality of R&D of staff through the experience and technical heritage from the current R&D team. By experience heritage, education and training, and field operation, the new recruits can quickly develop their R&D capabilities and seamlessly participate into team operations.

(c) Uneven Qualities of New Comers which Disrupt Normal Market Mechanism

Due to the large growth potential of the LED lighting market, in recent years many manufacturers have been attracted by it and entered into such industry. However, the quality of new comers is uneven, making product quality and efficiency difficult to be assessed. The price range is also unpredictable where high- and low-end products are piled up in the market, further disrupting the normal market mechanism and customer ability to choose preferable products.

<u>Countermeasures</u>

Since it started to develop lighting fixtures, the Company has always been adhering to various safety regulations and optical inspections to achieve requirements of product quality and efficiency. The Company also focuses on the field of professional lighting fixture products in order to make product differentiation from other manufacturers. For marketing, instead of only clinging to one single regional market, the entry to global market and distribution channels is also achieved under ODM cooperation with internationally well-known lighting fixture manufacturers and cooperation with professional agents. Under the indispensable principle of adherence to production of high-quality products, the Company has been able to gain advantages in the highly competitive lighting fixture market through long-established marketing channels.

5.2.2 Production Procedures of Main Products

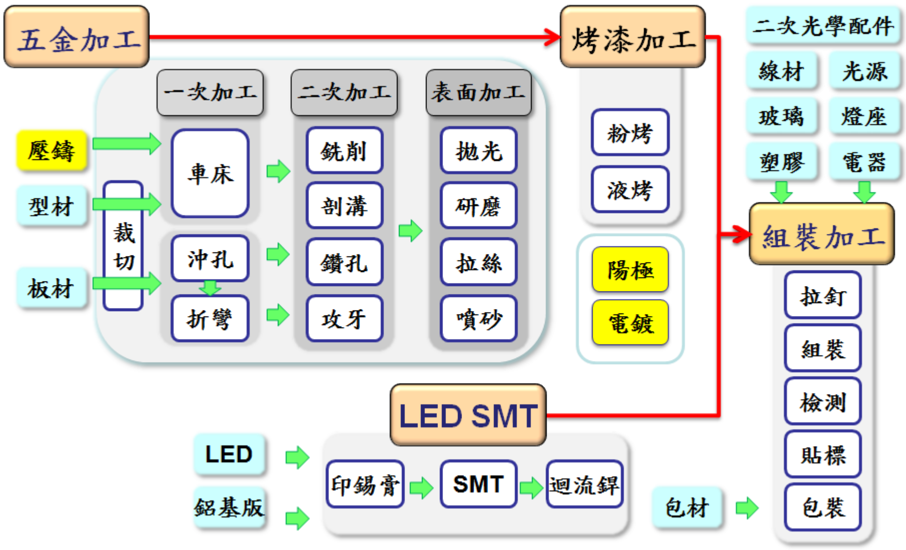
A. Major Products and Their Main Uses

Currently, the main products of the Company are LED lighting, HID lighting, fluorescent lighting and halogen lighting with extensive applications, as listed below.

a. Architectural Lighting
b. Retail Display Lighting
c. Residential Lighting
d. Entertainment Lighting
e. Outdoor Area Lighting
f. Commercial/Industrial Lighting

B. Major Products and Their Production Processes

The Production and Manufacturing Processes of Key Lighting Fixture Products of the Company are as below



5.2.3 Supply Status of Main Materials

Major Raw Materials	Source of Supply	Country	Supply Situation
Starters, transformers	Weisen, Tridonic, OSRAM China	China	Good
LED light source	Honestar	China	Good
Metal and plastic products	Jinhai, Zhenyang	China	Good

5.2.4 Major Suppliers and Clients

A. Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

Item	2018				2019				2020 (As of March 31)			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	Vendor A	43,254	9.4	Yes	Vendor C	39,778	9.0	No	Vendor D	5,570	8.9	No
2	Vendor B	39,101	8.5	No	Vendor B	36,000	8.2	No	Vendor B	5,448	8.7	No
3	Others	378,603	82.1	-	Others	365,472	82.8	-	Others	51,334	82.4	-
	Net Total Supplies	460,958	100	-	Net Total Supplies	441,250	100	-	Net Total Supplies	62,352	100.00	-

Note: Major suppliers refer to those commanding 10%-plus share of annual order volume.

B. Major Clients in the Last Two Calendar Years

Unit: NT$ thousands

Item	2018				2019				2020 (As of March 31)			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	Clients A	196,384	18.7	No	Clients A	206,390	19.0	No	Clients A	29,540	23.0	No
2	Clients B	113,808	10.8	No	Clients B	104,300	9.6	No	Clients B	11,851	9.2	N0
	Others	742,844	70.5	-	Others	775,730	71.4	-	Others	86,804	67.8	
	Net Sales	1,053,036	100	-	Net Sales	1,086,420	100.	-	Net Sales	128,195	100.0	

Note: Major Clients refer to those commanding 10%-plus share of annual order volume.

5.2.5 Production in the Last Two Years

Unit: Thousand；NT$ thousands

Year / Output / Major Products (or by department)	2018			2019		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Lighting and parts	4,800	3,549	630,893	4,800	3,502	627,508
Total	4,800	3,549	630,893	4,800	3,502	627,508

The Company's production base is located at mainland China and focuses on export. The production activities in Taiwan are mainly to sell the assembly operation to clients in Taiwan. Currently, products are manufactured in China and exported to Taiwan.

5.2.6 Shipments and Sales in the Last Two Years

Unit: Thousand；NT$ thousand

Year / Shipments & Sales / Major Products	2018				2019			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Lighting and parts	44	43,804	3,739	1,009,232	43	53,607	3,725	1,032,813
Total	44	43,804	3,739	1,009,232	43	53,607	3,725	1,032,813

5.3 Human Resources

The number, average age, average years of service and educational background of employees over the last two years and up to the printing date of this annual report are summarized below.

Year		2018	2019	2020 (As of March 31)
Number of Employees	Management and Sales	144	154	147
	R&D	35	35	33
	Technology & Operations	449	411	397
	Administration	84	79	74
	Total	712	679	651
Average Age		33.27	33.77	34.20
Average Years of Service		4.86	5.30	5.61
Education	Ph.D.	0	0	0
	Masters	0.98%	1.03%	0.92%
	Bachelor's Degree	19.80%	20.77%	21.04%
	Senior High School	23.46%	22.39%	22.73%
	Below Senior High School	55.76%	55.81%	55.31%

Note: The total number of employees does not include 94 temporary employees in 2018, 150 temporary employees in 2019 and 109 temporary employees as of March 31, 2020.

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None

5.4.2 Countermeasures

The total amount of losses (including compensation) and penalties caused by environmental pollution during the latest year and up to the printing date of this annual report, countermeasures (including improvement measures) and possible expenses are described below:

The Company has no loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report.

5.5 Labor Relations

5.5.1 Status of implementation of employee welfares, education, training, retirement system, as well as agreements between labor and management and various employee rights maintenance measures

A. Employee Welfares

In order to fully guarantee the welfare and benefit of employees and their life quality, the Company not only provides the basic guarantees required by laws, but also provides or sponsors the promotion of each welfare programs and establishes the organization of Employees Welfare Committee which is responsible for the planning and implementation of employee welfare matters. The current welfares are as the following

Taiwanese Headquarter

a. Employee’s remuneration and stock subscription system
b. Year-end bonus
c. Bonus for efficient budget utilization
d. Bonus for loyal employees (who never resign his/her job for a specific period of time)
e. Holiday bonus, Labor’s Day bonus, birthday cash gift, staff incentive distributed at the first working day after Chinese New Year Festival, Monthly birthday party
f. Group insurance
g. Meal gathering for staff of each department and company trip
h. Employee education and training courses
i. Annual subsidy for medical examination/house renting subsidy, family visit airfare subsidy for expatriates, transportation allowances for regular leave
j. Free health examination for employees from time to time
k. Cozy office environment by replacing illumination equipment
l. Wedding cash gift, maternity benefit, funeral subsidy, emergency allowance

Mainland China branch

a. Meal gathering for staff of each department
b. Year-end bonus
c. Bonus for efficient budget utilization, production bonus, department performance bonus, and sales bonus
d. Bonus for senior employees, maternity leave for female employees

e. Holiday (Dragon-boat Festival and Moon Festival), birthday cash gift, staff incentive distributed at the first working day after Chinese New Year Festival
f. Moon Festival Party (lottery and meal gathering)
g. Cozy office and staff restaurant environment
h. Free accommodation and meals available
i. Employee recreational activities (basketball and table tennis games)
j. Housing provident fund

Hong Kong branch
a. Meal gathering for staff of each department
b. Year-end bonus
c. Performance bonus

B. Status of implementation of Employee Education and Training

The employees of the Company may apply for external education training courses to satisfy their working demands. For the on-the-job training for employees, each department may arrange appropriate internal training courses according to their actual needs to provide complete professional skills development, and self-development of the second professional skills of employees.

Status of Implementation of Education and Training for Employees in 2019

Items	Classes	Total Admission	Total Hours	Total Expense (NTD)
New employees	43	291	285	237,490
Internal functional training	185	2,664	4,241	
External training	76	93	1,225	
Total	304	3,048	5,751	

C. Pension Plan

a. There is a pension plan for employees who are formally employed by the Company, and those who apply the defined benefit plan and defined contribution plan will respectively contribute 2% and 6% of the total monthly salary which is recognized as the pension and contributed to the pension fund. The preceding contributed amount shall be deposited to the account in the Bank of Taiwan under the account name as the Labors' Pension Supervisory Committee. According to "Labor Standards Act", an amount of pension reserve shall be sufficiently contributed for one time to employees who are retiring in next annual period and are eligible to apply the original pension plan. Any employee who is eligible to retire may apply to the Company for obtaining pension which is paid by the aforesaid account.

b. The pension plan of Branch in mainland China adopts Regulations of Guangdong Province on Social Pension Insurance where the Company shall contribute the social pension insurance premium monthly (13% of the wage, and each employee shall contribute 8% of the wage monthly as deposit to personal pension account) to the governmental authority's the social pension insurance funds. Any mainland China Branch employee who has an accumulated insured period of 15 years, and reaches an age of 50 years old (female) or 60 years old (males) is eligible to apply for monthly payment of pension. The governmental authority shall pay the basic pension and the personal account reserve shall pay the personal account pension. The governmental authority will continue to pay the pension at the original statuary standard after the deposit of the personal pension account is fully paid up.

c. The pension plan of the Branch in Hong Kong adopts the Mandatory Provident Fund Schemes where the Company shall contribute 5% (and the maximum amount is HKD1,500) of the wage as the mandatory provident fund and deposit it to the account in the Department of Provident Fund Services of Manulife (International) Limited. The accrued benefits shall be reserved for any Hong Kong Branch employee until he/she reaches the legal retirement age as 65 years old where he/she is eligible to obtain such benefits.

D. Industrial Relations

The coordination of industrial relations has always been one of the focuses of the Company. The Company's policy promotion and understandings to employee's opinions all adopt an open two-way communication approach, and an employee's suggestion box is set to provide employees with a channel for expressing opinions in order to maintain harmony between managers and labors.

E. Measures and Implementation of Employee Right Protection

In addition to the establishment of the Employees Welfare Committee and the Labor Pension Reserve Supervision Committee based on mandatory legal requirements for conducting the planning, contribution, custody, utilization and mandatory matters regarding employee benefits and pension reserves, the Company also serves as the bridge for communication between labors and managers. The Company not only maintains each employee right and implements welfare system based on relevel legal regulations, but also obtains opinions both from managers and labors by convening labor-management meetings.

5.5.2 Is there any loss of the Company due to labor dispute in the most recent two annual periods (as of the printing date of this Annual Report)? If yeas, please disclose the current and future estimated loss amount and countermeasures. Please also disclose and explain any situations where the amount cannot be reasonably estimated: No such situation occurred.

5.6 Important Contracts

As of 04/30/2020

Agreement	Counterparty	Period	Major Contents	Restrictions
Loan contract	Shanghai Commercial and Savings Bank	5.20,2019~5.20,2020	Working capital	
Loan contract	Mega International Commercial Bank Co., Ltd.	12.5,2019~12.4,2020	Working capital	-
Loan contract	E.SUN Commercial Bank, Ltd.	2.20,2020~2.20,2021	Working capital	
House lease contract	ATW Technology Inc	1.1,2020~12.31,2022	Office and factory leased by the Company	No subletting is allowed

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Consolidated Condensed Balance Sheet-Based on IFRS

Unit: NT$ thousands

Year / Item		Financial Summary for The Last Five Years (Note1)					As of 03/31/2020
		2015	2016	2017	2018	2019	(Note1)
Current assets		989,945	983,695	927,068	926,187	840,386	726,454
Long term Investment (Note3)		114,003	121,120	127,576	133,342	185,271	156,646
Property, Plant and Equipment		308,753	261,583	331,908	324,120	299,446	290,314
Right-of-use assets		0	0	0	0	32,589	46,314
Intangible assets		1,957	1,672	5,087	3,568	1,681	1,118
Other assets		54,898	54,735	49,268	81,318	14,738	12,357
Total assets		1,469,556	1,422,805	1,440,907	1,468,535	1,374,111	1,233,203
Current liabilities	Before distribution	268,526	246,643	237,517	259,046	210,087	152,370
	After distribution	375,536	349,129	329,275	351,140	294,482	236,765
Non-current liabilities		18,197	16,027	21,776	15,589	21,842	29,910
Total liabilities	Before distribution	286,723	262,670	259,293	274,635	231,929	182,280
	After distribution	393,733	365,156	351,051	366,729	316,324	266,675
Equity attributable to shareholders of the parent							
Capital stock		381,378	393,941	398,655	399,628	401,556	402,533
Capital surplus		491,590	495,612	502,257	505,825	510,666	512,816
Retained earnings	Before distribution	265,651	275,489	290,754	304,558	318,275	274,020
	After distribution	150,997	169,061	198,996	212,464	233,880	189,625
Other equity interest		44,214	(4,907)	(10,052)	(16,111)	(54,323)	(82,175)
Treasury stock		0	0	0	0	(33,992)	(56,271)
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	1,182,833	1,160,135	1,181,614	1,193,900	1,142,182	1,050,923
	After distribution	1,075,823	1,057,649	1,089,856	1,101,806	1,057,787	966,528

Note1：The above financial data for the last 5 years and those as of March 31, 2020 have been audited by CPAs.

Note2：The cash dividends distribution for the fiscal year of 2019 was approved by the Board of Directors on February 26, 2020 and is to be resolved in the shareholders' meeting.

Note3：Long-term investment includes non-current financial assets at fair value through other comprehensive income and investments using equity method.

6.1.2 Condensed Statement of Comprehensive Income

Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT$ thousands

Year / Item	Financial Summary for The Last Five Years (Note1)					As of 03/31/2020 (Note1)
	2015	2016	2017	2018	2019	
Operating revenue	1,306,683	1,176,289	986,926	1,053,036	1,086,420	128,195
Gross profit	417,370	415,468	345,815	360,693	420,453	38,233
Income from operations	157,362	147,221	96,950	93,515	164,829	(8,376)
Non-operating income and expenses	24,865	15,514	56,520	43,507	(14,008)	(35,240)
Income before tax	182,227	162,735	153,470	137,022	150,821	(43,616)
Income from operations of continued segments - after tax	144,610	125,011	121,083	105,557	105,688	(44,279)
Income from discontinued operations	0	0	0	0	0	0
Net income (Loss)	144,610	125,011	121,083	105,557	105,688	(44,279)
Other comprehensive income (income after tax)	(1,538)	(49,640)	(4,535)	(6,054)	(38,089)	(27,828)
Total comprehensive income	143,072	75,371	116,548	99,503	67,599	(72,107)
Net income attributable to shareholders of the parent	144,610	125,011	121,083	105,557	105,688	(44,279)
Net income attributable to non-controlling interest	0	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	143,072	75,371	116,548	99,503	67,599	(72,107)
Comprehensive income attributable to non-controlling interest	0	0	0	0	0	0
Earnings per share (Note2)	3.69	3.17	3.04	2.65	2.69	(1.13)

Note1：The above financial data for the last 5 years and those as of March 31, 2020 have been audited by CPAs.

Note2：The earning per share is calculated based on the retrospective adjustment of the post-tax earnings per share using the percentage of earnings or capital reserves transferred to capital increase.

6.1.3 Auditors' Opinions from 2015 to 2019

Year	Accounting Firm	CPA	Audit Opinion
2015	PricewaterhouseCoopers Taiwan	WANG, YU-CHUAN , HUNG, SHU-HUA	Unqualified opinion
2016	PricewaterhouseCoopers Taiwan	WANG, YU-CHUAN , HUNG, SHU-HUA	Unqualified opinion
2017	PricewaterhouseCoopers Taiwan	WANG, YU-CHUAN , HUNG, SHU-HUA	Unqualified opinion
2018	PricewaterhouseCoopers Taiwan	WANG, YU-CHUAN , LIU, MEI-LAN	Unqualified opinion
2019	PricewaterhouseCoopers Taiwan	LIU, MEI-LAN , WANG, YU-CHUAN	Unqualified opinion

6.2 Five-Year Financial Analysis

Consolidated Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Last Five Years (Note1)					As of 03/31/2020
		2015	2016	2017	2018	2019	(Note1)
Financial structure (%)	Debt Ratio	19.51	18.46	18.00	18.70	16.88	21.62
	Ratio of long-term capital to property, plant and equipment	383.10	443.51	356.01	368.35	381.43	332.93
Solvency (%)	Current ratio	368.66	398.83	390.32	357.54	400.02	306.82
	Quick ratio	295.51	329.87	315.87	283.34	313.69	225.51
	Interest earned ratio (times)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	843.58	(342.43)
Operating performance	Accounts receivable turnover (times)	6.55	6.53	6.02	6.63	7.02	4.62
	Average collection period	56	56	61	55	52	79
	Inventory turnover (times)	4.23	4.08	3.76	3.91	3.73	1.97
	Accounts payable turnover (times)	6.85	6.60	5.82	6.11	98	185
	Average days in sales	86	89	97	93	6.53	5.07
	Property, plant and equipment turnover (times)	4.04	4.12	3.33	3.21	3.48	1.74
	Total assets turnover (times)	0.91	0.81	0.69	0.72	0.76	0.39
Profitability	Return on total assets (%)	10.12	8.64	8.46	7.26	7.45	(3.39)
	Return on stockholders' equity (%)	12.69	10.67	10.34	8.89	9.05	(4.20)
	Pre-tax income to paid-in capital (%)	47.78	41.65	38.55	34.29	37.56	(10.84)
	Profit ratio (%)	11.07	10.63	12.27	10.02	9.73	(34.54)
	Earnings per share (NT$)(Note2)	3.69	3.17	3.04	2.65	2.69	(1.13)
Cash flow	Cash flow ratio (%)	89.45	77.12	56.99	53.30	87.75	6.46
	Cash flow adequacy ratio (%)	218.67	179.84	122.07	113.22	124.13	(Note3)
	Cash reinvestment ratio (%)	10.52	5.13	1.97	2.74	5.69	1.06
Leverage	Operating leverage	1.60	1.40	1.32	1.56	1.38	(0.81)
	Financial leverage	1.00	1.00	1.00	1.00	1.00	0.99

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Interest earned ratio increased due to interest not arising from borrowings as a result of the adoption of IFRS 16 Leases since 2019.
2. Cash flow ratio and cash reinvestment ratio increased due to increases in profits from main business and cash flows from operating activities.

Note 1：The above financial data for the last 5 years and those as of March 31, 2020 have been audited by CPAs.

Note 2：The earning per share is calculated based on the retrospective adjustment of the post-tax earnings per share using the percentage of earnings or capital reserves transferred to capital increase.

Note 3：The cash flow adequacy ratio is calculated based on the last 5 years and thus not applicable to the quarterly report.

Note 4：There is no interest expense.

6.3 Supervisors' /Audit Committee's Report for the Most Recent Year

Tons Lightology Inc.
Audit Committee's Report

The Board of Directors had prepared and presented the Company's 2019 business report, financial report, and statement of retained earnings, of which, the financial report was consigned by the Board of Directors to be audited by CPA LIU, MEI-LAN and CPA WANG, YU-CHUAN of PWC Taiwan with an independent auditor's report issued.

We have reviewed the said business report, financial report, and statement of retained earnings without finding any nonconformity against the governing law and regulations. Also, we have issued this Audit Committee's report in conformity with Article 219 of the Company Law.

Sincerely yours,

To: The 2020 Annual Shareholders' Meeting of Tons Lightology Inc.

Independent Director HSU, CHUNG-YUAN
Independent Director YUAN, JIAN-CHUNG
Independent Director CHOU, LIANG-CHENG

February 26, 2020

6.4 Consolidated Financial Statements for the Years Ended December 31, 2019 and Independent Auditors' Report

Please refer from page 144 page 224

6.5 Financial Statements for the Years Ended December 31, 2019 and Independent Auditors' Report

Please refer from page 225 page 292

6.6 If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None..

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of TONS LIGHTOLOGY INC. (the "Consolidated Financial Statements of the Affiliates"), we represent to you that, the entities required to be included in the Consolidated Financial Statements of the Affiliates as of and for the year ended December 31, 2019 in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those required to be included in the Consolidated Financial Statements of TONS LIGHTOLOGY INC. and its subsidiaries (the "Consolidated Financial Statements of the Group") in accordance with International Financial Reporting Standard 10. In addition, the information required to be disclosed in the Consolidated Financial Statements of the Affiliates is disclosed in the Consolidated Financial Statements of the Group. Consequently, TONS LIGHTOLOGY INC. does not prepare a separate set of Consolidated Financial Statements of the Affiliates.

Very truly yours,
TONS LIGHTOLOGY INC. AND SUBSIDIARIES
By

TANG, SHIH-CHUAN, Chairman
February 26, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Timing of recognising sales revenue.

Description

Please refer to Note 4(30) for a description of accounting policy on sales revenue. Please refer to Note 6(19) for details of sales revenue.

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

How our audit addressed the matter

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

A. Obtained an understanding and evaluated the operating procedures and internal controls over sales revenue, and assessed the effectiveness on how the management controls the timing of recognising sales revenue.
B. Performed sales cut-off test for a certain period before and after balance sheet date to assess the accuracy of the timing of sales revenues.

Inventory valuation

Description

Please refer to Note 4(13) for a description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(5) for a description of inventory. As of December 31, 2019, the Group's inventory amounted to NT$176,257 thousand and inventory valuation losses amounted to NT$ 13,192 thousand.

The Group is primarily engaged in manufacturing and trading lighting equipment and lamps. Under the Group's inventory policy, inventory valuation is measured at the lower of cost and net realisable value, which involves subjective judgement resulting in a high degree of estimation uncertainty. Thus, we identified inventory valuation as one of the key areas of focus for this year's audit.

How our audit addressed the matter

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

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

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Tons Lightology Inc. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting

Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Liu, Mei-Lan

Wang, Yu-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2020

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

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

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

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 309,160	23	$ 366,898	25
1110	Financial assets at fair value through profit or loss - current	6(2)	125,461	9	152,240	10
1136	Current financial assets at amortised cost	6(3) and 8	66,193	5	49,917	3
1150	Notes receivable, net	6(4)	305	-	1,403	-
1170	Accounts receivable, net	6(4)	148,801	11	157,687	11
1180	Accounts receivable - related parties	6(4) and 7(2)	187	-	-	-
1200	Other receivables		4,961	-	1,994	-
130X	Inventories	6(5)	163,065	12	170,022	12
1410	Prepayments		18,304	1	22,176	2
1470	Other current assets		3,949	-	3,850	-
11XX	**Current Assets**		840,386	61	926,187	63
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	128,394	9	133,342	9
1550	Investments accounted for using equity method	6(6)	56,877	4	-	-
1600	Property, plant and equipment	6(8)	299,446	22	324,120	22
1755	Right-of-use assets	6(9)	32,589	3	-	-
1780	Intangible assets		1,681	-	3,568	-
1840	Deferred income tax assets	6(25)	4,437	-	5,227	1
1900	Other non-current assets	6(10) and 8	10,301	1	76,091	5
15XX	**Non-current assets**		533,725	39	542,348	37
1XXX	**Total assets**		$ 1,374,111	100	$ 1,468,535	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2120	Financial liabilities at fair value through profit or loss - current	6(2)	$ 318	-	$ 957	-
2150	Notes payable		45	-	-	-
2170	Accounts payable		79,446	6	97,148	7
2180	Accounts payable - related parties	7(2)	10,159	1	17,158	1
2200	Other payables	6(11)	101,471	7	110,892	8
2230	Current income tax liabilities		7,662	-	20,433	1
2250	Provisions for liabilities - current	6(14)	323	-	152	-
2280	Current lease liabilities		2,577	-	-	-
2300	Other current liabilities	6(19)	8,086	1	12,306	1
21XX	**Current Liabilities**		210,087	15	259,046	18
	Non-current liabilities					
2550	Provisions for liabilities - noncurrent	6(14)	375	-	1,148	-
2570	Deferred income tax liabilities	6(25)	9,421	1	2,488	-
2580	Non-current lease liabilities		1,280	-	-	-
2600	Other non-current liabilities		10,766	1	11,953	1
25XX	**Non-current liabilities**		21,842	2	15,589	1
2XXX	**Total Liabilities**		231,929	17	274,635	19
	Equity attributable to owners of parent					
	Share capital	6(15)				
3110	Common stock		401,253	29	399,628	27
3140	Advance receipts for share capital		303	-	-	-
	Capital surplus	6(16)				
3200	Capital surplus		510,666	37	505,825	34
	Retained earnings	6(17)				
3310	Legal reserve		85,219	6	74,663	5
3320	Special reserve		38,429	3	38,429	3
3350	Unappropriated retained earnings		194,627	14	191,466	13
	Other equity interest	6(18)				
3400	Other equity interest		(54,323)	(4)	(16,111)	(1)
3500	**Treasury shares**	6(15)	(33,992)	(2)	-	-
31XX	**Equity attributable to owners of the parent**		1,142,182	83	1,193,900	81
3XXX	**Total equity**		1,142,182	83	1,193,900	81
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 1,374,111	100	$ 1,468,535	100

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(19) and 7	$ 1,086,420	100	$ 1,053,036	100
5000	**Operating costs**	6(5) and 7	(665,967)	(61)	(692,343)	(66)
5900	**Net operating margin**		420,453	39	360,693	34
	Operating expenses	6(23)(24)				
6100	Selling expenses		(114,781)	(11)	(115,519)	(11)
6200	General and administrative expenses		(98,574)	(9)	(111,526)	(10)
6300	Research and development expenses		(42,269)	(4)	(40,133)	(4)
6000	**Total operating expenses**		(255,624)	(24)	(267,178)	(25)
6900	**Operating profit**		164,829	15	93,515	9
	Non-operating income and expenses					
7010	Other income	6(20)	18,247	2	16,886	2
7020	Other gains and losses	6(21)	(18,953)	(2)	26,621	2
7050	Finance costs	6(22)	(179)	-	-	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	(13,123)	(1)	-	-
7000	**Total non-operating income and expenses**		(14,008)	(1)	43,507	4
7900	**Profit before income tax**		150,821	14	137,022	13
7950	Income tax expense	6(25)	(45,133)	(4)	(31,465)	(3)
8200	**Profit for the year**		$ 105,688	10	$ 105,557	10
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(12)	$ 153	-	($ 243)	-
8316	Total expenses, by nature	6(18)	(4,948)	(1)	5,766	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(280)	-	1,135	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		(5,075)	(1)	6,658	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(18)	(33,014)	(3)	(12,712)	(1)
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(33,014)	(3)	(12,712)	(1)
8300	**Total other comprehensive income for the year**		($ 38,089)	(4)	($ 6,054)	(1)
8500	**Total comprehensive income for the year**		$ 67,599	6	$ 99,503	9
	Basic earnings per share	6(26)				
9750	**Total basic earnings per share**		$	2.69	$	2.65
	Diluted earnings per share	6(26)				
9850	**Total diluted earnings per share**		$	2.65	$	2.61

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
		Share capital		Capital surplus		Retained earnings			Other equity interest				
	Notes	Common stock	Advance receipts for share capital	Additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Treasury shares	Total equity
2018													
Balance at January 1, 2018		$ 398,118	$ 537	$ 498,848	$ 3,409	$ 62,555	$ 38,429	$ 189,770	($ 36,065)	$ -	$ 26,013	$ -	$ 1,181,614
Effect of restospective application and retrospective restatement		-	-	-	-	-	-	-	-	26,013	(26,013)	-	-
Balance at 1 January after adjustments		398,118	537	498,848	3,409	62,555	38,429	189,770	(36,065)	26,013	-	-	1,181,614
Consolidated comprehensive income for the year		-	-	-	-	-	-	105,557	-	-	-	-	105,557
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	-	5	(12,712)	6,653	-	-	(6,054)
Total comprehensive income (loss) for the year		-	-	-	-	-	-	105,562	(12,712)	6,653	-	-	99,503
Appropriation and distribution of 2017 retained earnings (Note 2)	6(17)												
Legal reserve appropriated		-	-	-	-	12,108	-	(12,108)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(91,758)	-	-	-	-	(91,758)
Share-based payment transactions - employee stock options	6(13)	1,510	(537)	2,866	702	-	-	-	-	-	-	-	4,541
Balance at December 31, 2018		$ 399,628	$ -	$ 501,714	$ 4,111	$ 74,663	$ 38,429	$ 191,466	($ 48,777)	$ 32,666	$ -	$ -	$ 1,193,900
2019													
Balance at January 1, 2019		$ 399,628	$ -	$ 501,714	$ 4,111	$ 74,663	$ 38,429	$ 191,466	($ 48,777)	$ 32,666	$ -	$ -	$ 1,193,900
Consolidated comprehensive income for the year		-	-	-	-	-	-	105,688	-	-	-	-	105,688
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	-	123	(33,014)	(5,198)	-	-	(38,089)
Total comprehensive income (loss) for the year		-	-	-	-	-	-	105,811	(33,014)	(5,198)	-	-	67,599
Appropriation and distribution of 2018 retained earnings	6(17)												
Legal reserve appropriated		-	-	-	-	10,556	-	(10,556)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(92,094)	-	-	-	-	(92,094)
Share-based payment transactions - employee stock options	6(13)	1,625	303	4,073	768	-	-	-	-	-	-	-	6,769
Treasury stock transactions	6(15)	-	-	-	-	-	-	-	-	-	-	(33,992)	(33,992)
Balance at December 31, 2019		$ 401,253	$ 303	$ 505,787	$ 4,879	$ 85,219	$ 38,429	$ 194,627	($ 81,791)	$ 27,468	$ -	($ 33,992)	$ 1,142,182

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 150,821	$ 137,022
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(23)	49,658	49,513
Depreciation - right-of-use assets	6(9)(23)	10,049	-
Amortization	6(23)	2,390	2,675
Expected credit (gain) loss	12(2)	(891)	917
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(21)	28,777	(16,900)
Interest expense - lease liability	6(22)	179	-
Interest income	6(20)	(7,027)	(8,981)
Dividend income		(7,861)	(5,714)
Wages and salaries - employee stock options	6(13)	2,322	1,883
Share of loss of associates and joint ventures accounted for under equity method	6(6)	13,123	-
Loss on disposal of property, plant and equipment	6(21)	786	271
(Reversal of) provision for warranty expense	6(14)	(772)	540
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		1,095	422
Accounts receivable, net		9,365	(3,036)
Accounts receivable due from related parties		(194)	4
Other receivables		(2,970)	1,389
Inventories		840	(17,354)
Prepayments		3,499	(1,690)
Other current assets		(248)	(335)
Changes in operating liabilities			
Notes payable		45	(59)
Accounts payable		(14,724)	(825)
Accounts payable to related parties		(6,605)	5,365
Other payables		(6,785)	3,834
Contract liabilities		(4,145)	623
Other current liaiblities		181	(345)
Other non-current liabilities		(914)	90
Cash inflow generated from operations		219,994	149,309
Interest received		6,948	9,124
Dividend received		7,861	5,714
Interest paid		(179)	-
Income tax paid		(50,264)	(26,081)
Net cash flows from operating activities		184,360	138,066

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		($ 3,525)	($ 32,130)
Proceeds from disposal of financial assets at fair value through profit or loss		-	48,495
(Increase) decrease in financial assets at amortised cost		(18,456)	18,722
Acquisition of investments accounted for using equity method		(70,000)	-
Acquisition of property, plant and equipment	6(28)	(24,311)	(42,323)
Proceeds from disposal of property, plant and equipment		458	12
Decrease (increase) in refundable deposits		29,330	(28,020)
Acquisition of intangible assets		(503)	(1,157)
Increase in other non-current assets		(7,076)	(9,322)
Net cash flows used in investing activities		(94,083)	(45,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in guarantee deposits received	6(29)	(118)	-
Repayment of principal portion of lease liabilities	6(9)(29)	(9,379)	-
Cash dividends paid	6(17)	(92,094)	(91,758)
Exercise of employee stock options		4,447	2,658
Repurchase of treasury stock	6(15)	(33,992)	-
Net cash flows used in financing activities		(131,136)	(89,100)
Effect of exchange rate changes on cash and cash equivalents		(16,879)	(5,508)
Net decrease in cash and cash equivalents		(57,738)	(2,265)
Cash and cash equivalents at beginning of year		366,898	369,163
Cash and cash equivalents at end of year		$ 309,160	$ 366,898

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

TONS LIGHTOLOGY INC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. ORGANISATION AND OPERATIONS

Tons Lightology Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C) on August 20, 1992. On June 17, 2013, the Company’s stocks were officially listed on the Taipei Exchange. The Company 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 February 26, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission(“FSC”)

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

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

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

IFRS 16, ‘Leases’

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

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $38,171 thousand, increased 'lease liability' by $7,312 thousand and decreased other non-current assets and prepayments by $30,517 thousand and $342 thousand, respectively, with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

(d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate range from 2.63% to 5.50%.

E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The amount of aforementioned present values is the same as the amount of lease liabilities recognised on January 1, 2019.

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

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

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

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

(3) <u>IFRSs issued by IASB but not yet endorsed by the FSC</u>

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(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 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

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)	
Name of investor	Name of subsidiary	Main business activities	December 31, 2019	December 31, 2018
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

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD. (TL)	Sales of various lighting products and accessories	100	100
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED (GS)	Reinvestment company	100	100
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
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

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) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency”). The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

(5) <u>Classification of current and non-current items</u>

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

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

(b) Assets held mainly for trading purposes;

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

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

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

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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

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

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

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

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

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

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

(9) Financial assets at amortised cost

The Group's time deposits which do not meet the definition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

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

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Inventories

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

(14) Investments accounted for using equity method / associates

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

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

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

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

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

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

(15) Property, plant and equipment

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

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

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

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

Buildings and structures	20 ～ 21 years
Molding equipment	2 ～ 6 years
Machinery and equipment	2 ～ 20 years
Equipment for research and development	5 ～ 11 years
Transportation equipment	4 ～ 6 years
Other assets	2 ～ 20 years

(16) Leasing arrangements (lessee)-right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

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

Fixed payments, less any lease incentives receivable.

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

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

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Leased assets/ leases (lessee)

Prior to 2019

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

(18) Intangible assets

A. Patent is stated initially at its cost and amortised using the straight-line method over its estimated economic service life of 10 years.

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

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

(19) Impairment of non-financial assets

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

(20) Notes and accounts payable

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

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

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

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

(a) Hybrid (combined) contracts; or

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

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

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

(22) Derecognition of financial liabilities

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

(23) Non-hedging derivatives

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

(24) Provisions

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability

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

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

C. Termination benefits

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

D. Employees' compensation and directors' remuneration

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

(26) Employee share-based payment

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

(27) Income tax

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

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

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

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

(28) Share capital

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

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

(29) Dividends

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

(30) Revenue recognition

Sales of goods

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

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

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

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

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2019, the carrying amount of inventories was $163,065 thousand.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 816	$ 686
Checking accounts and demand deposits	47,364	67,995
Time deposits	260,980	298,217
	$ 309,160	$ 366,898

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

B. The Group’s time deposits 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/liabilities at fair value through profit or loss - current

Items	December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss:		
Listed stocks	$ 129,394	$ 126,770
Valuation adjustment	(3,933)	25,470
	$ 125,461	$ 152,240
Financial liabilities held for trading		
Derivative instruments - forward foreign exchange contracts	($ 318)	($ 957)

A. For the years ended December 31, 2019 and 2018, the Group recognises net losses on financial assets at fair value through profit or loss amounting to $29,403 thousand, $8,902 thousand, respectively.

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

Derivative financial assets (liabilities)	December 31, 2019 Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2020.01.11~2020.12.15

Derivative financial assets (liabilities)	December 31, 2018 Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2019.1.25~2019.12.16

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. For the years ended December 31, 2019 and 2018, the Group recognised net gain (loss) of $626 thousand, and ($3,135) thousand, respectively.

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

(3) Financial assets at amortised cost

	December 31, 2019	December 31, 2018
Time deposits	$ 66,193	$ 49,917

A. The above mentioned are the time deposits that do not meet short-term cash commitments.

B. Details of the Group's time deposits pledged to others as collateral are provided in Note 8.

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

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

	December 31, 2019	December 31, 2018
Accounts receivable	$ 148,926	$ 158,708
Less: Allowance for bad debts	(125)	(1,021)
	$ 148,801	$ 157,687
Accounts receivable due from related parties	$ 187	$ -
Less: Allowance for bad debts	-	-
	$ 187	$ -

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

	December 31, 2019		December 31, 2018	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	$ 201	$ 104,353	$ 1,252	$ 132,858
Up to 30 days	104	8,583	151	15,994
31 to 120 days	-	41	-	8,678
over 120 days	-	11	-	157
	$ 305	$ 148,988	$ 1,403	$ 157,687

The above ageing analysis was based on past due date.

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

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

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

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 92,588	($ 2,250)	$ 90,338
Work in progress	20,989	(334)	20,655
Semi-finished goods	38,776	(1,789)	36,987
Finished goods	23,879	(8,819)	15,060
Inventory in transit	25	-	25
	$ 176,257	($ 13,192)	$ 163,065

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	$ 98,111	($ 1,985)	$ 96,126
Work in progress	22,581	(491)	22,090
Semi-finished goods	34,877	(1,382)	33,495
Finished goods	24,487	(6,477)	18,010
Inventory in transit	301	-	301
	$ 180,357	($ 10,335)	$ 170,022

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	$ 622,195	$ 692,209
Loss on (gain on reversal of) market price decline and obsolescence	3,123	(6,909)
Loss on scrapping inventory	4,119	9,585
Expenses related to inventory	(3,470)	(2,542)
	$ 625,967	$ 692,343

The Group reversed from a previous inventory write-down because obsolete and slow-moving inventories and inventories with decline in market value were partially sold or disposed by the Group for the year ended December 31, 2018.

(6) Investments accounted for using equity method

A. Associate:

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

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

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

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

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

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

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

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

A. The 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 $128,394 thousand and $133,342 thousand, respectively, as at December 31, 2019 and 2018.

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

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

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

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

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

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(8) Property, plant and equipment

	Year ended December 31, 2019					
	At January 1	Additions	Disposals	Transfers	Net exchange differences	At December 31
Cost						
Buildings and structures	$ 387,342	$ 3,605	$ -	$ 5,446	($ 14,803)	$ 381,590
Molding equipment	166,247	16,008	(8,497)	3,198	(6,599)	170,357
Machinery and equipment	128,349	1,158	(3,433)	8,191	(5,151)	129,114
Research and development equipment	28,638	185	(254)	254	(1,076)	27,747
Transportation equipment	14,811	1,283	(527)	-	(538)	15,029
Others	70,721	2,632	(11,633)	1,055	(2,175)	60,600
Construction in progress	16,211	394	-	(5,591)	(411)	10,603
	$ 812,319	$ 25,265	($ 24,344)	$ 12,553	($ 30,753)	$ 795,040
Accumulated depreciation						
Buildings and structures	($ 157,597)	($ 20,271)	$ -	$ -	$ 6,643	($ 171,225)
Molding equipment	(144,896)	(13,919)	8,083	-	5,625	(145,107)
Machinery and equipment	(95,538)	(5,422)	3,197	-	3,788	(93,975)
Research and development equipment	(23,597)	(1,397)	238	-	924	(23,832)
Transportation equipment	(11,488)	(1,690)	527	-	435	(12,216)
Others	(55,083)	(6,959)	11,055	-	1,748	(49,239)
	($ 488,199)	($ 49,658)	$ 23,100	$ -	$ 19,163	($ 495,594)
	$ 324,120					$ 299,446

	Year ended December 31, 2018					
	At January 1	Additions	Disposals	Transfers	Net exchange differences	At December 31
Cost						
Buildings and structures	$ 381,447	$ 2,423	$ -	$ 11,511	($ 8,039)	$ 387,342
Molding equipment	155,109	11,389	(940)	4,124	(3,435)	166,247
Machinery and equipment	131,635	1,078	(2,002)	63	(2,425)	128,349
Research and development equipment	26,507	1,287	(57)	1,494	(593)	28,638
Transportation equipment	15,139	-	-	(55)	(273)	14,811
Others	90,076	8,684	(27,260)	560	(1,339)	70,721
Construction in progress	10,428	17,800	-	(11,687)	(330)	16,211
	$ 810,341	$ 42,661	($ 30,259)	$ 6,010	($ 16,434)	$ 812,319
Accumulated depreciation						
Buildings and structures	($ 141,642)	($ 19,212)	$ -	$ -	$ 3,257	($ 157,597)
Molding equipment	(135,463)	(13,372)	940	-	2,999	(144,896)
Machinery and equipment	(92,143)	(6,959)	1,828	-	1,736	(95,538)
Research and development equipment	(23,043)	(1,101)	57	-	490	(23,597)
Transportation equipment	(9,735)	(1,967)	-	-	214	(11,488)
Others	(76,407)	(6,902)	27,151	-	1,075	(55,083)
	($ 478,433)	($ 49,513)	$ 29,976	$ -	$ 9,771	($ 488,199)
	$ 331,908					$ 324,120

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

(9) Leasing arrangements-lessee

Effective 2019

A. The Group leases various assets including land, buildings, machinery and equipment. Rental contracts are typically made for periods of 1 to 47 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	At December 31, 2019		Year ended December 31, 2019	
	Carrying amount		Depreciation charge	
Land	$	28,551	$	859
Buildings		3,931		9,078
Machinery and equipment		107		112
	$	32,589	$	10,049

C. For the years ended December 31, 2019 and 2018, the additions to right-of-use assets amounted to $5,698 thousand and $0, respectively.

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

	Year ended December 31, 2019	
Items affecting profit or loss		
Interest expense on lease liabilities	$	179

E. For the year ended December 31, 2019, the Group's total cash outflow for leases amounted to $9,558 thousand.

(10) Other non-current assets

	December 31, 2019		December 31, 2018	
Land use right	$	-	$	30,517
Guarantee deposits paid		2,763		32,121
Prepayments for business facilities		5,531		9,387
Other non-current assets		2,007		4,066
	$	10,301	$	76,091

A. In November 2007, the Group entered into a land use right contract with Zhongshan Administration for Industry & Commerce for use of the land in Xiaolan Town, Zhongshan Prefecture, Guangdong Province in China, with a term of 47 years. Rents have been paid on the contract date. The Group recognised rental expenses of $875 thousand for the year ended December 31, 2018.

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

(11) Other payables

	December 31, 2019		December 31, 2018	
Salary and bonus payable	$	53,454	$	50,870
Payable for consumables and purchases		13,841		13,763
Insurance and pension expense payable		11,179		14,836
Housing fund payable		4,657		5,054
Others		18,340		26,369
	$	101,471	$	110,892

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Titan Lighting Co. Ltd. and Zhongshan Tons Lighting Co. Ltd. have a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. On January 1, 2019 and 2018, abovementioned contribution percentage was both 13%. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018, were $16,652 thousand and $15,721 thousand, respectively.

(13) Share-based payment

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

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions	Actual turnover rate in 2019	Actual turnover rate in 2018	Estimated future turnover rate
Fourth employee stock options	2014.11.13	600	5 years	2~4 years' service	0%	0%	0%
Fifth employee stock options	2016.12.23	600	5 years	2~4 years' service	2.63%	2.56%	0%
Sixth employee stock options	2018.11.02	600	5 years	2~4 years' service	2.44%	0%	0%

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

(a) Fourth employee stock options

	2019		2018	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	116	$ 20.50	243	$ 21.70
Options exercised	(78)	20.50	(59)	21.70
Options exercised	(38)	19.00 (Note)	(68)	20.50
Options outstanding at December 31	-	19.00 (Note)	116	20.50 (Note)
Options exercisable at December 31	-		116	

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

(b) Fifth employee stock options

	2019		2018	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	571	$ 30.00	573	$ 31.80
Options forfeited	(2)	27.80(Note)	(2)	31.80
Options exercised	(76)	27.80(Note)	-	-
Options outstanding at December 31	493	27.80(Note)	571	30.00(Note)
Options exercisable at December 31	351		289	

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

(c) Sixth employee stock options

	2019		2018	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	600	$ 29.90	-	$ -
Options forfeited	(2)	27.80(Note)	600	29.90
Options outstanding at December 31	598	27.80(Note)	600	29.90
Options exercisable at December 31	-		-	

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

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

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

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

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

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

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

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

(14) Provisions

	2019	
	Warranty provisions - current	Warranty provisions - non-current
At January 1	$ 152	$ 1,148
Additional (reversal of) provisions	171	(772)
Effects of foreign exchange	-	(1)
At December 31	$ 323	$ 375

	2018	
	Warranty provisions - current	Warranty provisions - non-current
At January 1	$ 535	$ 625
(Reversal of) additional provisions	(383)	540
Effects of foreign exchange	-	(17)
At December 31	$ 152	$ 1,148

Analysis of total provisions:

	December 31, 2019	December 31, 2018
Current	$ 323	$ 152
Non-current	375	1,148
	$ 698	$ 1,300

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

(15) Share capital

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

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

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

D. The employees exercised options for 78 thousand shares of common stock during the period from January 1, 2019 to February 15, 2019, and the subscription price was NT$20.5 per share. The share issuance became effective on March 6, 2019, as resolved at the meeting of Board of Directors on February 26, 2019. The registration was completed on March 25, 2019.

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

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

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

(Unit: shares in thousands)

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

G. Treasury shares

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

	Year ended December 31, 2019			
Reason for reacquisition	No. of shares at beginning of the period	Increase in the year	Decrease in the year	No. of shares at end of the year
Reissued to employees	-	1,000	-	1,000

(b) In order to encourage employees and strengthen coherence of the Company, the Board of Directors during its meeting on February 26, 2019 adopted a resolution to purchase 1,000 thousand treasury shares at a price between $25 to $45 per share from February 27, 2019 to April 26, 2019, which will be transferred to employees. As of December 31, 2019, the Company has purchased 1,000 thousand treasury shares with the price amounting to $33,992 thousand.

(c) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(e) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(16) 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.

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

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

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

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

E. (a) The appropriations of 2018 earnings as proposed by the Board of Directors on May 29, 2019 and the appropriations of 2017 earnings as resolved at the shareholders' meeting on May 30, 2018 are detailed as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 10,556		$ 12,108	
Cash dividends	92,094	$ 2.3	91,758	$ 2.3
	$ 102,650		$ 103,866	

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

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

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

F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(24).

(18) Other equity items

	2019		2018	
	Currency translation	Unrealised gains (losses) on valuation	Currency translation	Unrealised gains (losses) on valuation
At January 1	($ 48,777)	$ 32,666	($ 36,065)	$ 26,013
Currency translation differences:				
- Group	(33,014)	-	(12,712)	-
Revaluation	-	(4,948)	-	5,766
Revaluation - tax	-	(250)	-	887
At December 31	($ 81,791)	$ 27,468	$ 48,777	$ 32,666

(19) Operating revenue

	Years ended December 31,	
	2019	2018
Sales revenue	$ 1,086,420	$ 1,053,036

A. Disaggregation of revenue from contracts with customers

Please refer to Note 14 for details of segment information.

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

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

	December 31, 2019	December 31, 2018
Contract liabilities:		
Contract liabilities	$ 7,286	$ 11,499

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

	Years ended December 31,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 10,234	$ 10,714

(20) Other income

	Years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	$ 7,027	$ 8,981
Dividend income	7,861	5,714
Other income - others	3,359	2,191
	$ 18,247	$ 16,886

(21) Other gains and losses

	Years ended December 31,	
	2019	2018
Loss on disposal of property, plant and equipment	($ 786)	($ 271)
Net currency exchange gain	10,696	10,084
Net (loss) gain on financial assets (liabilities) at fair value through profit or loss	(28,777)	16,900
Other losses	(86)	(92)
	($ 18,953)	$ 26,621

(22) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense	$ 179	$ -

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

(23) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	$ 279,674	$ 266,814
Depreciation charges on property, plant and equipment	49,658	49,513
Depreciation charges on right-of-use assets	10,049	-
Amortisation charges	2,390	2,675

(24) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	$ 242,979	$ 227,970
Labour and health insurance fees	3,944	8,003
Pension costs	16,758	15,863
Directors' remunerations	4,017	3,954
Other employee benefit expense	11,976	11,024
	$ 279,674	$ 266,814

Note: For the years ended December 31, 2019 and 2018, the Group had 684 and 712 employees, respectively, and had 5 non-employee directors for both periods.

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

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

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

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

Employees' compensation and directors' remuneration for 2019 and 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 and 2018 financial statements. The employees' compensation will be distributed in the form of cash.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
Current tax:	2019	2018
Current tax on profit for the year	$ 38,233	$ 38,231
Tax on undistributed surplus earnings	146	1,783
Prior year income tax overestimation	(689)	(923)
Total current tax	37,690	39,091
Deferred tax:		
Effect of taxation law amendments	-	(388)
Origination and reversal of temporary differences	7,443	(7,238)
Income tax expense	$ 45,133	$ 31,465

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

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

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	$ 44,596	$ 40,574
Expenses disallowed by tax regulation	1,671	(6,747)
Tax exempt income by tax regulation	(591)	(6,002)
Prior year income tax overestimation	(689)	(923)
Effect from Alternative Minimum Tax	-	3,168
Effect from changes in tax regulation	-	(388)
Tax on undistributed surplus earnings	146	1,783
Income tax expense	$ 45,133	$ 31,465

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

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

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

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

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

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company’s applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings per share

Earnings per share of ordinary shares:

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

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

(27) Operating leases

Prior to 2019

The Group leases real estate under non-cancellable operating lease agreements. The lease terms are between 2 and 3 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased every year to reflect market rental rates. Partial leases are charged extra rents following the changes of local price indexes. The Group recognised rental expenses of $17,878 thousand for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	$ 7,736
Later than one year but not later than five years	-
	$ 7,736

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 25,265	$ 42,661
Add: Opening balance of payable on equipment	834	496
Less: Ending balance of payable on equipment	(1,788)	(834)
Cash paid during the year	$ 24,311	$ 42,323

(29) Changes in liabilities from financing activities

	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities - gross
At January 1, 2019	$ 1,246	$ -	$ -	$ 1,246
Effect of first-time adoption of IFRS	-	7,312	-	7,312
Changes in cash flow from financing activities	(118)	(9,379)	(92,094)	(101,591)
Impact of changes in foreign exchange rate	(2)	(116)	-	(118)
Changes in other non-cash items	-	6,040	92,094	98,134
At December 31, 2019	$ 1,126	$ 3,857	$ -	$ 4,983

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

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
WeiSen Electronic Co., Ltd	Other related party
ARTSO INTERNATIONAL, INC.	Associate
BEIJING ARTSO FURNITURE CO.,LTD	Associate
Shanghai Art So Zhong Trading Limited	Associate

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31, 2019	2018
Sales of goods:		
- Other related parties	$ 65	$ 30
-Associates	1,327	-
	$ 1,392	$ 30

Goods were sold based on the price lists in force and terms that would be available to third parties. The credit terms were 60 days for related parties and 30~90 days for third parties.

B. Notes and accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable:		
- BEIJING ARTSO FURNITURE CO., LTD	$ 90	$ -
- Shanghai Art So Zhong Trading Limited	97	-
	$ 187	$ -

C. Purchases

	Years ended December 31,	
	2019	2018
Purchases of raw materials:		
- Other related parties	$ 31,277	$ 43,254

The purchases from related parties mostly were for starters, ballasts and transformers, which were based on the terms that would be available to third parties. The payment terms were 90 days after monthly billing for related parties and 30~90 days after monthly billing for third parties.

D. Accounts payable

	December 31, 2019	December 31, 2018
Accounts payable:		
- WeiSen Electronic Co., Ltd.	$ 10,159	$ 17,158

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Short-term employee benefits	$ 32,857	$ 31,689
Post-employment benefits	565	599
Share-based payments	1,216	1,019
	$ 34,638	$ 33,307

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purpose
Time deposits (shown as ‘financial assets at amortised cost’)	$ 4,305	$ 4,472	Forward foreign exchange
Guarantee deposits paid (shown as ‘other non-current assets’)	2,763	32,121	Security and investment commitment deposits
	$ 7,068	$ 36,593	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Details of operating leases are provided in Note 6(27).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

12. OTHERS

(1) Capital management

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

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

	December 31, 2019	December 31, 2018
Total liabilities	$ 231,929	$ 274,635
Total assets	$ 1,374,111	$ 1,468,535
Gearing ratio	17%	19%

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(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 125,461	$ 152,240
Financial assets at fair value through other comprehensive income	128,394	133,342
Cash and cash equivalents	309,160	366,898
Financial assets at amortised cost	66,193	49,917
Notes receivable	305	1,403
Accounts receivable (including related parties)	148,988	157,687
Other receivables	4,961	1,994
Guarantee deposits paid	2,763	32,121
	$ 786,225	$ 895,602

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ 318	$ 957
Financial liabilities at amortised cost		
Notes payable	45	-
Accounts payable (including related parties)	89,605	114,306
Other accounts payable	101,471	110,892
Guarantee deposits received	1,126	1,246
	$ 192,565	$ 227,401
Lease liability (including current portion)	$ 3,857	$ -

B. Financial risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

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

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

<u>Foreign exchange risk</u>

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.

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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:

	December 31, 2019					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 3,563	29.930	$ 106,641	1%	$ 1,066	$ -
HKD：NTD	1,021	3.819	3,899	1%	39	-
EUR：NTD	1,485	33.390	49,584	1%	496	-
RMB：NTD	13,644	4.280	58,396	1%	584	-
RMB：USD	18,501	0.143	79,184	1%	792	-
USD：RMB	7,170	6.964	214,598	-1%	(2,146)	-
EUR：RMB	237	7.803	7,913	1%	79	-
Non-monetary items						
USD：NTD	$ 337	29.930	$ 10,086	1%	$ -	$ 101
Financial liabilities						
Monetary items						
USD：NTD	$ 8,038	30.030	$ 241,381	1%	($ 2,414)	$ -
EUR：NTD	235	33.790	7,941	1%	(79)	-
RMB：NTD	12,730	4.330	55,121	1%	(551)	-
RMB：USD	7,276	0.144	31,505	1%	(315)	-
USD：RMB (Note)	1,800	7.002	(318)	-1%	543	-

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, 2018					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 3,146	30.665	$ 96,472	1%	$ 965	$ -
HKD：NTD	1,052	3.891	4,093	1%	41	-
EUR：NTD	1,279	35.000	44,765	1%	448	-
RMB：NTD	30,658	4.447	136,336	1%	1,363	-
RMB：USD	14,822	0.145	65,913	1%	659	-
USD：RMB	5,597	6.868	171,632	-1%	(1,716)	-
EUR：RMB	173	7.871	6,055	1%	61	-
Non-monetary items						
USD：NTD	$ 337	30.665	$ 10,334	1%	$ -	$ 103
Financial liabilities						
Monetary items						
USD：NTD	$ 6,353	30.765	$ 195,450	1%	($ 1,955)	$ -
EUR：NTD	211	35.400	7,469	1%	(75)	-
RMB：NTD	9,209	4.497	41,413	1%	(414)	-
RMB：USD	5,872	0.146	26,406	1%	(264)	-
USD：RMB (Note)	1,800	6.837	957	-1%	551	-

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

vi. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to $10,696 thousand and $10,084 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 years ended December 31, 2019 and 2018 would have increased/decreased by $1,255 thousand and $1,522 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $1,284 thousand and $1,333 thousand, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

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

(b) Credit risk

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

ii. 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 reorganization 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 applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.

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

December 31, 2019	Individual	Group	Total
Expected loss rate	-	0.08%	
Total book value	$ -	$ 149,113	$ 149,113
Loss allowance	$ -	$ 125	$ 125

December 31, 2018	Individual	Group	Total
Expected loss rate	-	0.64%	
Total book value	$ -	$ 158,708	$ 158,708
Loss allowance	$ -	$ 1,021	$ 1,021

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

	2019
	Accounts receivable
At January 1	$ 1,021
Transferred to revenue	(891)
Effect of exchange rate changes	(5)
At December 31	$ 125

	2018
	Accounts receivable
At January 1	$ 111
Provision for impairment	917
Effect of exchange rate changes	(7)
At December 31	$ 1,021

(c) Liquidity risk

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

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

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

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Notes and accounts payable	$ 79,491	$ -	$ -	$ -	$ -
Accounts payable - related parties	10,159	-	-	-	-
Other payables	101,471	-	-	-	-
Lease liabilities	2,670	1,290	-	-	-

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Accounts payable	$ 97,148	$ -	$ -	$ -	$ -
Accounts payable - related parties	17,158	-	-	-	-
Other payables	110,892	-	-	-	-

Derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Forward exchange contracts	$ 318	$ -	$ -	$ -	$ -

Derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Forward exchange contracts	$ 957	$ -	$ -	$ -	$ -

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

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

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

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ 125,461	$ -	$ -	$ 125,461
Financial assets at fair value through other comprehensive income - equity securities	$ 118,505	$ -	$ 9,889	$ 128,394
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss	$ -	$ 318	$ -	$ 318

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ 152,240	$ -	$ -	$ 152,240
Financial assets at fair value through other comprehensive income - equity securities	$ 124,705	$ -	$ 8,637	$ 133,342
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss	$ -	$ 957	$ -	$ 957

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

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

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

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

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted shares	$ 8,637	Market comparable companies	Net equity ratio and price to earnings ratio	0.59	The higher the multiple, the higher the fair value

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

	Input	Change	December 31, 2019	
			Recognised in other comprehensive income	
			Favourable change	Unfavourable change
Financial assets				
Equity securities	Net equity ratio and price to earnings ratio	± 5%	$ 510	($ 510)

	Input	Change	December 31, 2018	
			Recognised in other comprehensive income	
			Favourable change	Unfavourable change
Financial assets				
Equity securities	Net equity ratio and price to earnings ratio	± 5%	$ 425	($ 425)

(4) Retrospective restatement

Under IFRS 9, the time deposits, that do not meet short-term cash commitments, are recognised as ‘financial assets at amortised cost’, but were previously presented as ‘other current assets’. Movements are as follows:

Consolidated balance sheet affected items	Before restatement	Adjustments	After restatement
December 31, 2018			
Financial assets at amortised cost	$ -	$ 49,917	$ 49,917
Other current assets	53,767	(49,917)	3,850
Other assets	1,414,768	-	1,414,768
Total affected assets	$ 1,468,535	$ -	$ 1,468,535
Total affected liabilities	$ 274,635	$ -	$ 274,635
Total affected equity	$ 1,193,900	$ -	$ 1,193,900
Total affected liabilities and equity	$ 1,468,535	$ -	$ 1,468,535

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or

20% of paid-in capital or more: Please refer to table 3.

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

I. Trading in derivative financial instruments undertaken during the reporting periods: Titan Lighting Co., Ltd. entered into forward foreign exchange contracts for the year ended December 31, 2019. As of December 31, 2019, financial assets at fair value through profit or loss of $318 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 year ended December 31, 2019 are provided in Note 13(1) J.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

The operating gains and losses are measured by the amount before tax and used as basis for performance appraisal. This measurement excludes the effects of non-recurring expenditures from the operating segments, equity-settled share-based payments and unrealised gains (losses) from financial assets.

(3) 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:

	Year ended December 31, 2019			
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	$ 928,714	$ 4,119	$ 121,440	$ 1,054,273
Inter-segment revenue	26,245	748,152	39,533	813,930
Segment revenue	$ 954,959	$ 752,271	$ 160,973	$ 1,868,203
Segment profit before tax	$ 67,444	$ 73,627	$ 23,140	$ 164,211
Segment income (loss) including:				
Depreciation and amortisation	$ 12,525	$ 41,385	$ 4,973	$ 58,883
Income tax expense	21,643	15,999	6,878	44,520
Investment income adopting equity method	59,887	-	-	59,887

	Year ended December 31, 2018			
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	ZHONGSHAN TONS LIGHTING CO., LTD.	Total
Revenue from external customers	$ 929,740	$ 3,713	$ 116,500	$ 1,049,953
Inter - segment revenue	26,260	753,757	23,877	803,894
Segment revenue	$ 956,000	$ 757,470	$ 140,377	$ 1,853,847
Segment profit before tax	$ 70,515	$ 33,969	$ 10,764	$ 115,248
Segment income (loss) including:				
Depreciation and amortisation	$ 6,021	$ 40,427	$ 1,803	$ 48,251
Income tax expense	18,178	9,087	455	27,720
Investment income adopting equity method	53,220	-	-	53,220

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

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

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

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

(4) 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:

	Years ended December 31,	
	2019	2018
Reportable operating segments revenue after adjustment	$ 1,868,203	$ 1,853,847
Other operating segments revenue after adjustment	793,263	763,787
Total operating segments revenue	2,661,466	2,617,634
Elimination of intersegment revenue	(1,575,046)	(1,564,598)
Total consolidated operating revenue	$ 1,086,420	$ 1,053,036

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:

	Years ended December 31,	
	2019	2018
Reportable operating segments income before tax after adjustment	$ 164,211	$ 115,248
Other operating segments (loss) income before tax after adjustment	(14,046)	21,669
Total operating segments revenue	150,165	136,917
Elimination of intersegment revenue	656	105
Income before tax from continuing operations	$ 150,821	$ 137,022

(5) Information on products and services

Revenues from external customers are mainly from manufacturing and sales of lighting equipment and lamps. Details of revenue are as follows:

	Years ended December 31,	
	2019	2018
Sales revenue	$ 1,086,420	$ 1,053,036

(6) Geographical information

Revenues were calculated based on the location of customers. Non-current assets, including property, plant and equipment, right-of-use assets and intangible assets, were categorised based on the location of the assets.

The geographical information is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Europe	$ 715,519	$ -	$ 705,639	$ -
Asia	301,257	333,716	266,591	327,688
America	2,319	-	4,450	-
Others	67,325	-	76,356	-
	$ 1,086,420	$ 333,716	$ 1,053,036	$ 327,688

(7) Major customer information

The major customer information is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Segment	Revenue	Segment
A	$ 206,390	TONS LIGHTOLOGY INC and TITAN LIGHTING CO.,	$ 196,384	TONS LIGHTOLOGY INC and TITAN LIGHTING CO., LTD
B	104,300	TONS LIGHTOLOGY INC and TITAN LIGHTING CO.,	113,808	TONS LIGHTOLOGY INC and TITAN LIGHTING CO., LTD
	$ 310,690		$ 310,192	

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TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

(1) The Company is ‘0’.

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

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

(1)Having business relationship.

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

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

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

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

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

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

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

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2019				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	$ 7,619	19.00	$ 7,619	-
TONS LIGHTOLOGY INC.	Share ownership / GRIFFIN LIGHTING CO., LTD.	None	Financial assets at fair value through other comprehensive income-non-current	66,500	1,701	19.00	1,701	-
TONS LIGHTOLOGY INC.	Share ownership / ANDERSEN LIGHTING CO., LTD	None	Financial assets at fair value through other comprehensive income-non-current	-	569	19.00	569	Note 2
TONS LIGHTOLOGY INC.	Share ownership / HEP TECH CO., LTD.	None	Financial assets at fair value through other comprehensive income-non-current	3,860,760	72,775	12.73	72,775	-
TONS LIGHTOLOGY INC.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	1,700,000	45,730	4.59	45,730	-
HONG BO INVESTMENT CO., LTD.	Share ownership / HEP TECH CO., LTD.	None	Financial assets at fair value through profit or loss – current	2,102,000	39,623	6.93	39,623	-
HONG BO INVESTMENT CO., LTD.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through profit or loss – current	3,091,000	85,838	8.62	85,838	-
				Total	253,855	Total	253,855	

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
TONS LIGHTOLOGY INC.	TONS LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	$ 761,007	97	30~60 days after purchases of goods	Note 1	Note 2	($ 273,110)	(99)	Note 4
TONS LIGHTING CO., LTD.	TITAN LIGHTING CO., LTD.	Same ultimate parent	Purchases	721,696	100	30~60 days after purchases of goods	Note 3	Note 2	(227,905)	(100)	Note 4

Note 1: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 30~60 days after the purchases and payment is made timely according to the capital needs of subsidiaries.
Note 2: There are no purchases (sales) of the same products, thus, no third party transaction can be compared with.
Note 3: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 30~60 days after the shipment of goods.
Note 4: The transactions were eliminated when preparing the consolidated financial statements.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019 (Note 2)	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
TONS LIGHTING CO., LTD.	TONS LIGHTOLOGY INC.	Parent company	Accounts receivable $273,110	3.12	$ -	-	$ 106,814	$ -
TITAN LIGHTING CO., LTD.	TONS LIGHTING CO., LTD.	Same ultimate parent	Accounts receivable $227,905	3.53	-	-	107,515	-

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

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

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

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2019					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	$ 545,972	$ 545,972	18,333,402	100	$ 872,536	$ 85,154	$ 85,810	Subsidiary (Note 1, 5)
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	125,000	125,000	15,000,000	100	129,629	(25,923)	(25,923)	Subsidiary (Note 5)
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	Samoa	Wholesale of furniture	70,000	-	1,700,000	48.57	56,877	(37,653)	(13,123)	Note 3
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD.	Belize	Sales of various lighting products and accessories	1,625	1,625	500,000	100	22,798	11,193	-	Indirect subsidiary (Note 2, 4, 5)
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100	86,359	(548)	-	Indirect subsidiary (Note 2, 5)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	747,459	74,518	-	Indirect subsidiary (Note 2, 5)

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

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

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

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

Note 5 : The transactions were eliminated when preparing the consolidated financial statements.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

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

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

(3) Others.

Note 2: Investment income (loss) recognised by the Company for the year ended December 31, 2019 is based on financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 3: Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019, including $34,945 thousand for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger.

Note 4: Paid-in capital of Titan Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS LIGHTOLOGY CO., LTD. of USD $12,253 thousand, USD $3,600 thousand and USD $3,200 thousand , respectively, was translated at the average buying and selling spot rate on December 31, 2019.

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

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

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

Note 8: ART SO ZHONG TRADING LIMITED, Shanghai Art So Zhong Trading Limited and BEIJING ARTSO FURNITURE CO.,LTD reinvested through ART SO TRADING LIMITED. Therefore, the Company did not recognise investment income (loss) and the investment at its book value individually for the investeesin Mainland China.

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

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

Note 2: Approved amount was USD $20,789 thousand and NTD $44,200 thousand (including own funds of USD $1,800 thousand of the investee, World Extend Holding Inc., located in the third area and has been translated at the average buying and selling spot rate on December 31, 2019.

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Timing of recognising sales revenue

Description

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

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

How our audit addressed the matter

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

A. Obtained an understanding and evaluated the operating procedures and internal controls over sales revenue, and assessed the effectiveness on how the management controls the timing of recognising sales revenue.
B. Performed sales cut-off test for a certain period before and after balance sheet date to assess the accuracy of the timing of sales revenues.

Inventory valuation

Description

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

How our audit addressed the matter

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

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

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the

Company's financial reporting process.

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

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

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

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

Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Liu, Mei-Lan

Wang, Yu-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2020

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

TONS LIGHTOLOGY INC.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. ORGANISATION AND OPERATIONS

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1)Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission(“FSC”)

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

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

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, ‘Leases’

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

B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Company increased 'right-of-use asset' by \$7,047 thousand and increased 'lease liability' by \$7,047 thousand with respect to the lease contracts of lessees on January 1, 2019.

C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
   (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
   (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
   (c) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
   (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

E. The Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The amount of aforementioned present values is the same as the amount of lease liabilities recognised on January 1, 2019.

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

(4) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

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

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

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

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

(7) Accounts and notes receivable

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

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Inventories

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

(11) Investments accounted for using equity method – subsidiaries

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

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

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

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

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

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

(12) Property, plant and equipment

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

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

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

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

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

(13) Leased assets － lease (lessee)

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

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

Fixed payments, less any lease incentives receivable.

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

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

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(14) Leased assets/operating leases (lessee)

Prior to 2019

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

(15) Intangible assets

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

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

(16) Impairment of non-financial assets

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

(17) Notes and accounts payable

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

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

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Provisions

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Termination benefits

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

D. Employees', directors' and supervisors' remuneration

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

(22) Employee share-based payment

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

(23) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

(24) Share capital

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

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

(25) Dividends

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

(26) Revenue recognition

Sales of goods

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

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

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

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

(2) Notes and accounts receivable, net

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

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

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

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

The above ageing analysis was based on past due date.

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

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

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

E. The Company did not hold any collateral.

(3) Inventories

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

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

The cost of inventories recognised as expense for the year:

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

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

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

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

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

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

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

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

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

(5) Investments accounted for using equity method

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

A. Subsidiaries

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

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

B. Associate:

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

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

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

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

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

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

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(6) Property, plant and equipment

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

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

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

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

(7) Leasing arrangements-lessee

Effective 2019

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

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

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

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

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

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

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

(8) Pensions

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

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

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

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

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

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

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

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

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

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

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

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

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

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

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

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

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

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

(9) Share-based payment

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

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions	Actual turnover rate in 2019	Actual turnover rate in 2018	Estimated future turnover rate
Fourth employee stock options	2014.11.13	600	5 years	2~4 years’ service	0%	0%	0%
Fifth employee stock options	2016.12.23	600	5 years	2~4 years’ service	2.63%	2.56%	0%
Sixth employee stock options	2018.11.02	600	5 years	2~4 years’ service	2.44%	0%	0%

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

(a) Fourth employee stock options

	2019		2018	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	116	$ 20.50	243	$ 21.70
Options exercised	(78)	20.50	(59)	21.70
Options exercised	(38)	19.00(Note)	(68)	20.50
Options outstanding at December 31	-	19.00(Note)	116	20.50(Note)
Options exercisable at December 31	-		116	

Note : Price was adjusted due to ex-dividend.

(b) Fifth employee stock options

	2019		2018	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	571	$ 30.00	573	$ 31.80
Options forfeited	(2)	27.80(Note)	(2)	31.80
Options exercised	(76)	27.80(Note)	-	-
Options outstanding at December 31	493	27.80(Note)	571	30.00 (Note)
Options exercisable at December 31	351		289	

Note: Price was adjusted due to ex-dividend.

(c) Sixth employee stock options

	2019		2018	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	600	$ 29.90	-	$ -
Options forfeited	(2)	27.80(Note)	600	29.90
Options outstanding at December 31	598	27.80(Note)	600	29.90
Options exercisable at December 31	-		-	

Note: Price was adjusted due to ex-dividend.

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

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

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

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

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

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

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

(10) Provisions

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

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

Analysis of total provisions:

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

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

(11) Share capital

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

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

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

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

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

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

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

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

(Unit: shares in thousands)

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

G. Treasury shares

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

	Year ended December 31, 2019			
Reason for reacquisition	No. of shares at beginning of the period	Increase in the period	Decrease in the period	No. of shares at end of the period
Reissued to employees	-	1,000	-	1,000

(b) In order to encourage employees and strengthen coherence of the Company, the Board of Directors during its meeting on February 26, 2019 adopted a resolution to purchase 1,000 thousand treasury shares at a price between $25 to $45 per share from February 27, 2019 to April 26, 2019, which will be transferred to employees. As of December 31, 2019, the Company has purchased 1,000 thousand treasury shares with the price amounting to $33,992 thousand.

(c) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(e) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(12) Capital surplus

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

(13) Retained earnings

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

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

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

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

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

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

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

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

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

E. (a) The appropriations proposal of 2018 and 2017 earnings, which was resolved at the shareholders' meeting on May 29, 2019, and May 30, 2018, respectively, are detailed as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 10,556		$ 12,108	
Cash dividends	92,094	$ 2.3	91,758	$ 2.3
	$ 102,650		$ 103,866	

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

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

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

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

(14) Other equity items

	2019		2018	
	Currency translation	Unrealised gains (losses) on valuation	Currency translation	Unrealised gains (losses) on valuation
At January 1	($ 48,777)	$ 32,666	($ 36,065)	$ 26,013
Currency translation differences:				
- Group	(33,014)	-	(12,712)	-
Revaluation	-	(4,948)	-	5,766
Revaluation-tax	-	(250)	-	887
At December 31	($ 81,791)	$ 27,468	($ 48,777)	$ 32,666

(15) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

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

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

B. Contract liabilities (shown as ‘other current liabilities’)

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

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

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

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

(16) Other income

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

(17) Other gains and losses

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

(18) Finance costs

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

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

(19) Expenses by nature

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

(20) Employee benefit expense

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

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

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

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

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

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

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

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

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

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

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(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

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

F. Under the amendments to the Income Tax Act which was promulgated by the President of the

Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(22) Earnings per share

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

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

(23) Operating leases

Prior to 2019

The Company leases real estate under non-cancellable operating lease agreements. The lease terms are between 2 and 3 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased every year to reflect market rental rates. Some leases are charged extra rents following the changes of local price indexes. The Company recognised rental expenses of $7,672 thousand for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

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

(24) Supplemental cash flow information

Investing activities with partial cash payments:

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

(25) Changes in liabilities from financing activities

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

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

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions

A. Operating revenue

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

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

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

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

B. Purchases

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

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

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

C. Payables to related parties

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

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

D. Other payables

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

E. Endorsements and guarantees provided to related parties

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

(3) Key management compensation

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

12. OTHERS

(1) Capital management

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

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

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

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(2) Financial instruments

A. Financial instruments by category

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

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

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

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

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

	December 31, 2018					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 3,146	30.665	$ 96,472	1%	$ 965	$ -
HKD：NTD	1,052	3.891	4,093	1%	41	-
EUR：NTD	1,279	35.000	44,765	1%	448	-
RMB：NTD	30,658	4.447	136,336	1%	1,363	-
Non-monetary items						
USD：NTD	$ 337	30.665	$ 10,334	1%	$ -	$ 103
Investments accounted for using equity method						
USD：NTD	$ 18,333	30.665	$ 562,181	1%	$ -	$ 5,622
Financial liabilities						
Monetary items						
USD：NTD	$ 6,353	30.765	$ 195,450	1%	(1,955)	$ -
EUR：NTD	211	35.400	7,469	1%	(75)	-
RMB：NTD	9,209	4.497	41,413	1%	(414)	-

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

Price risk

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

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

Cash flow and fair value interest rate risk

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

(b) Credit risk

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

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

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

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

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

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

December 31, 2019	Individual	Group	Total
Expected loss rate	-	0.00%	
Total book value	$ -	$ 138,339	$ 138,339
Loss allowance	$ -	$ -	$ -
December 31, 2018	**Individual**	**Group**	**Total**
Expected loss rate	-	0.43%	
Total book value	$ -	$ 145,869	$ 145,869
Loss allowance	$ -	$ 633	$ 633

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

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

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

(c) Liquidity risk

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

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

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

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

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

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

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

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

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

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

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

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

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

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

	Fair value at December 31, 2018		Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	8,637	Market comparable companies	Net equity ratio and price to earnings ratio	0.59	The higher the multiple, the higher the fair value

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

			December 31, 2019			
			Recognised in other comprehensive income			
	Input	Change	Favourable change		Unfavourable change	
Financial assets						
Equity securities	Net equity ratio and price to earnings ratio	± 5%	$	510	($	510)

			December 31, 2018			
			Recognised in other comprehensive income			
	Input	Change	Favourable change		Unfavourable change	
Financial assets						
Equity securities	Net equity ratio and price to earnings ratio	± 5%	$	425	($	425)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 3.

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

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

14. SEGMENT INFORMATION

None.

TONS LIGHTOLOGY INC.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

(1) The Company is ‘0’.

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

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

(1)Having business relationship.

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

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

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

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

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

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

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

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

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

TONS LIGHTOLOGY INC.

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

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2019				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	$ 7,619	19.00	$ 7,619	-
TONS LIGHTOLOGY INC.	Share ownership / GRIFFIN LIGHTING CO., LTD.	None	Financial assets at fair value through other comprehensive income-non-current	66,500	1,701	19.00	1,701	-
TONS LIGHTOLOGY INC.	Share ownership / ANDERSEN LIGHTING CO., LTD	None	Financial assets at fair value through other comprehensive income-non-current	-	569	19.00	569	Note 2
TONS LIGHTOLOGY INC.	Share ownership / HEP TECH CO., LTD.	None	Financial assets at fair value through other comprehensive income-non-current	3,860,760	72,775	12.73	72,775	-
TONS LIGHTOLOGY INC.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	1,700,000	45,730	4.59	45,730	-
HONG BO INVESTMENT CO., LTD.	Share ownership / HEP TECH CO., LTD.	None	Financial assets at fair value through profit or loss – current	2,102,000	39,623	6.93	39,623	-
HONG BO INVESTMENT CO., LTD.	Share ownership / Strong LED Lighting System (Cayman) Co., Ltd.	None	Financial assets at fair value through profit or loss – current	3,091,000	85,838	8.62	85,838	-
				Total	253,855	Total	253,855	

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

TONS LIGHTOLOGY INC.

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

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

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

Note 1: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 30~60 days after the purchases and payment is made timely according to the capital needs of subsidiaries.
Note 2: There are no purchases (sales) of the same products, thus, no third party transaction can be compared with.
Note 3: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 30~60 days after the shipment of goods.

TONS LIGHTOLOGY INC.

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

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
TONS LIGHTING CO., LTD.	TONS LIGHTOLOGY INC.	Parent company	Accounts receivable $273,110	3.12	$ -	-	$ 106,814	$ -
TITAN LIGHTING CO., LTD.	TONS LIGHTING CO., LTD.	Same ultimate parent	Accounts receivable $227,905	3.53	-	-	107,515	-

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

TONS LIGHTOLOGY INC.

Significant inter-company transactions during the reporting period

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

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

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

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

TONS LIGHTOLOGY INC.

Information on investees

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	$ 545,972	$ 545,972	18,333,402	100	$ 872,536	$ 85,154	$ 85,810	Subsidiary (Note 1)
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	125,000	125,000	15,000,000	100	129,629	(25,923)	(25,923)	Subsidiary
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	Samoa	Wholesale of furniture	70,000	-	1,700,000	48.57	56,877	(37,653)	(13,123)	Note 3
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD.	Belize	Sales of various lighting products and accessories	1,625	1,625	500,000	100	22,798	11,193	-	Indirect subsidiary (Note 2)
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100	86,359	(548)	-	Indirect subsidiary (Note 2)
WORLD EXTEND HOLDING INC.	GREAT SUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	747,459	74,518	-	Indirect subsidiary (Note 2)

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

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

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

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

TONS LIGHTOLOGY INC.

Information on investments in Mainland China

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

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

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

(3) Others.

Note 2: Investment income (loss) recognised by the Company for the year ended December 31, 2019 is based on financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 3: Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019, including $34,945 thousand for the share ownership in Hong Bo Investment Co., Ltd., an investee company that has conducted a short-form merger.

Note 4: Paid-in capital of Titan Lighting Co., Ltd., Zhongshan Tons Lighting Co., Ltd. and SHANGHAI TONS LIGHTOLOGY CO., LTD. of USD $12,253 thousand, USD $3,600 thousand and USD $3,200 thousand , respectively, was translated at the average buying and selling spot rate on December 31, 2019.

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

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

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

Note 8: ART SO ZHONG TRADING LIMITED, Shanghai Art So Zhong Trading Limited and BEIJING ARTSO FURNITURE CO.,LTD reinvested through ART SO TRADING LIMITED. Therefore, the Company did not recognise investment income (loss) and the investment at its book value individually for the investeesin Mainland China.

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

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

Note 2: Approved amount was USD $20,789 thousand and NTD $44,200 thousand (including own funds of USD $1,800 thousand of the investee, World Extend Holding Inc., located in the third area and has been translated at the average buying and selling spot rate on December 31, 2019.

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

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Current Assets	840,386	926,187	(85,801)	(9.26)
Long term Investment (note1)	185,271	133,342	51,929	38.94
Property, Plant and Equipment	299,446	324,120	(24,674)	(7.61)
Right-of-use assets	32,589	0	32,589	NA
Intangible assets	1,681	3,568	(1,887)	(52.89)
Other Assets	14,738	81,318	(66,580)	(81.88)
Total Assets	1,374,111	1,468,535	(94,424)	(6.43)
Current Liabilities	210,087	259,046	(48,959)	(18.90)
Non-current liabilities	21,842	15,589	6,253	40.11
Total Liabilities	231,929	274,635	(42,706)	(15.55)
Capital stock	401,556	399,628	1,928	0.48
Capital surplus	510,666	505,825	4,841	0.96
Retained Earnings	318,275	304,558	13,717	4.50
Other equity interest	(54,323)	(16,111)	(38,212)	237.18
Treasury shares	(33,992)	0	(33,992)	NA
Total Stockholders' Equity	1,142,182	1,193,900	(51,718)	(4.33)

Explanation of the major reason for the major changes in items of assets, liabilities and shareholders' equity (with the change of 20% or NT$10 million), and their impact and countermeasures.

(1) Long-term investment increased due to a 56,877 thousand NTD increase from the acquisition of a 48.57% equity interest in Artso International, Inc. (Samoa) on April 12, 2019.

(2) Right-of-use assets increased due to right-of-use assets and lease liabilities recognized per lease contracts after the adoption of IFRS 16 Leases since 2019.

(3) Other assets decreased due to a 28,000 thousand NTD decrease from the recovery of investment margin paid in 2018 and a 30,517 thousand NTD decrease from land use rights of factories in China transferred to right-of-use assets per IFRS 16 Leases.

(4) Other equity decreased due to a 33,014 thousand NTD decrease from losses on exchange differences on translation of foreign financial statements due to depreciation of foreign currencies (RMB and USD). (5) Treasury shares were executed in 2019.

Note1：Long-term investment includes non-current financial assets at fair value through other comprehensive income and investments using equity method

- **Effect of changes on the company's financial condition:**

  The Company's financial condition has not changed significantly.

- **Future response actions:** Not applicable

7.2 Analysis of Financial Performance

Unit: NT$ thousands

Year / Item	2019	2018	Difference	
			Amount	%
Net Sales	1,086,420	1,053,036	33,384	3.17
Cost of Sales	665,967	692,343	(26,376)	(3.81)
Gross Profit	420,453	360,693	59,760	16.57
Operating Expenses	255,624	267,178	(11,554)	(4.32)
Operating Income	164,829	93,515	71,314	76.26
Non-operating Income and Loss	(14,008)	43,507	(57,515)	(132.20)
Income Before Tax	150,821	137,022	13,799	10.07
Tax Benefit (Expense)	(45,133)	(31,465)	(13,668)	43.44
Net income	105,688	105,557	131	0.12
The main reason for the change of 20% or NT$10 million and its impact are analyzed as follows: (1). Operating income increased due to increased sales of high-margin products and increased productivity efficiency, reduced rental costs of concentrated plants in China, and control of operating expenses. (2). Non-operating income and loss decreased due to a 45,677 thousand NTD reduction in valuation of financial assets at fair value through profit or loss. (3). Tax expense increased due to increase in income before tax due to exclusion of gains and losses on valuation of tax-exempt financial assets.				

- **Effect of changes on the company's future business:** The Company's business scope has not changed significantly.

- **Future response actions:** Not applicable

The estimated sales volume in next annual period and the references, and potential effects on the company's future financial status and countermeasures are described as below

A. Estimated sales volume in Next Annual Period and the References

In recent years, with the continuously improved technology and the trend of development of energy-efficient and energy-saving lighting fixtures promoted by governments around the globe, the demand and market for replacing old products with lighting fixtures of new generations has been increased year by year. Due to the continuous changes and diversification of combinations of lighting fixtures and light, the Company continues to develop new products in order to satisfy demands from the industry trend, resulting to the slight increase of 2019 revenue. With the spread of COVID-19 in early 2020, it will cause economic fluctuations globally in the short run, which will lead to deferred sales of the Company. In the face of the COVID-19 pandemic, countries around the world have strengthened anti-epidemic measures and accelerated vaccine development while central banks maintain monetary easing. As the pandemic gradually subsides, economic activity will be restored.

B. Potential Effects on the Company's future Financial Status and Countermeasures

a. Products

（a） Continue to enhance competitiveness of indoor lighting products: The Company will continue to complete the series of indoor lighting fixture products and invest in the development of low-cost light fixtures for meeting customer’s needs due to the emerging of mass market of LED.

（b） Continue to expand the market of outdoor lighting products: The Company will continue to complete the development of outdoor lighting fixtures series to create future growth momentum.

b. Marketing

（a） Promote green lighting and continue to develop new products.

（b） Enhance product value and maintain price competitiveness.

（c） Secure the existing market and develop emerging market with potentials.

（d） Participate in international exhibitions and commit to promote the Company’s private brands.

c. Production

（a） Simplify the product lines, use common parts, and build safety stock for the frequently used parts in order to shorten delivery lead time.

（b） Enhance automated production, improve manufacturing processes, increase efficiency, and reduce the impact of rising labor cost.

d. Future Development Strategies of the Company

The business model of ODM and OEM and branding will be maintained and continued. In terms of ODM and OEM business, the Company will continue to attract more big customers in Europe for cooperation. In terms of branding business, due to our significant achievement in the cross-strait markets, more investment would be conducted in the Greater China Area in order to create a stable revenue source.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Year / Item	2019	2018	Variance (%)
Cash Flow Ratio (%)	87.75	53.30	64.63
Cash Flow Adequacy Ratio (%)	124.13	113.22	9.64
Cash Reinvestment Ratio (%)	5.69	2.74	107.66

Analysis of financial ratio change:
(1) Increase in cash flow ratio and cash re-investment ratio: Ratio increased due to increases in profits from main business and cash flows from operating activities.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis

The Company had no cash deficit.

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
309,160	217,547	167,363	359,344	-	-

1. Analysis of change in cash flow in the coming year:
(1) Operating activities: Refer to the estimated cash inflows arising from profits.
(2) Investing and financing activities: Cash dividends distribution, purchase of equipment, and buyback of treasury shares.
2. Remedy for Cash Deficit and Liquidity Analysis: N/A.

7.4 Major Capital Expenditure Items

None

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 Investment Policy

The purpose of the Company’s investment policy is to reduce the cost of production, expand marketing channels, and improve the Company's competitiveness.

7.5.2 Investment in the Last Year, Main Causes for Profits or Losses and Improvement Plans

As of 12/31/2019 Unit: NT$ thousands

Name of investor	Name of subsidiary	Amount of Profits made by Invested Companies in 2019	Amount of Profits (losses) recognized by the Company in 2019	Reasons for Gain or Loss	Action Plan
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	85,154	85,810	Recognition of gains or losses on investment of GS and TL.	None
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	(25,923)	(25,923)	Gains or losses arising from operation of investment business.	None
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	(37,653)	(13,123)	Losses on a 48.57% equity interest in business	None
WORLD EXTEND HOLDING INC.	TONS LIGHTING CO., LTD.	11,193		The third-place company in charge of overseas trading in the Group.	None

Name of investor	Name of subsidiary	Amount of Profits made by Invested Companies in 2019	Amount of Profits (losses) recognized by the Company in 2019	Reasons for Gain or Loss	Action Plan
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	(548)		Recognition of investment profit/loss of invested business Shanghai Tons.	None
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	74,518		Recognition of gains or losses on investment of Zhongshan Titan Lighting Co., Ltd. and Zhongshan Tons Lighting Co., Ltd.	None
GREATSUPER TECHNOLOGY LIMITED	TITAN LIGHTING CO., LTD.	57,628		Production and delivery of products required by the parent company in Taiwan.	None
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD.	16,262		Production and delivery of products in mainland China and Taiwan	None
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD.	(535)		For taking orders and making delivery in mainland China.	None

7.5.3 Investment Plans for the Coming Year

None

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. Interest rate

Unit: NT$ thousands

Item	2019	03/31/2020
Short-term Loan	0	0
Long-term Loan	0	0
Interest expense(1)	179	0
Operating Revenue(2)	1,086,420	127
Operating Profit(3)	164,829	128,195
(1)/(2)	0.02%	(8,376)
(1)/(3)	0.11%	0.10%

The Company has sufficient working capital and has no loan. Except for the handling of time deposits that may affect the interest income, changes in interest rates have an insignificant impact on the Company. Interest expense arose from the adoption of IFRS 16 Leases for lease contracts since 2019.

B. Foreign exchange rates

Unit: NT$ thousands

Item	2019	03/31/2020
Exchange gains (losses) (1)	10,696	1,254
Operating Revenue(2)	1,086,420	128,195
Operating Profit(3)	164,829	(8,376)
(1)/(2)	0.98%	0.98%
(1)/(3)	6.49%	(14.97%)

The amount of exported products in 2019 accounted for 95% of the total revenue. The foreign exchange gain of NT$10,696 thousand in 2019 was caused by the appreciation of USD, and accounted for 0.98% of the operating revenue and 6.49% of the operating profit respectively. As the Company's foreign currency sales accounted for 90% of the total revenue, foreign currency capital allocation and conducting of forward exchange transaction (the recognized profits and loss of forward exchange of 2019 and Q1 of 2020 were 626 thousand NTD and 389 thousand NTD, respectively) were adopted to balance most of the impact of exchange rate changes on profits or losses. The Company made a close contact with major banks to control the trend of exchange rate changes and timely adjust foreign currency assets and liabilities based on its future capital requirements.

C. Inflation

According to the data published by Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual rate of increase in the consumer price index for March 2020 is -0.01%, which shows no significant concern about the inflation and has an insignificant impact on the Company.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

A. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments

The Company did not engage in any high-risk or high-leveraged investments.

B. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to Lending or Endorsement Guarantees, and Derivatives Transactions

The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee". Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets".

a. Lending Funds to Others

There is no lending of funds to others by the Company in the most recent annual period and as of the printing date of this Annual Report.

b. Endorsement/Guarantee

Endorser/Guarantor	Subject of Endorsement/Guarantee	2019		03/31/2020	
		Ending Balance	Amount Used	Ending Balance	Amount Used
HONG BO INVESTMENT CO., LTD.	TONS LIGHTOLOGY INC.	15,800	15,800	15,800	15,800

Hong Bo Investment Co., Ltd. is the joint guarantor of the Company's construction contracts.

c. Derivatives Transactions

The amount (not written-off) of contracts executed by Zhongshan Titan Lighting Co., Ltd. as of December 31, 2019 and March 31, 2020 for forward exchange transaction is 1.8 million USD. Such amount is utilized for working capital in areas at mainland China by fixing the USD-RMB exchange rate. The recognized profits and loss are 626 thousand NTD and 389 thousand NTD, respectively.

In addition, the Company does not adopt hedge accounting as the basis for entries due to the relevant transactions by the Company is not consistent to the definitions of hedge accounting.

7.6.3 Future Research & Development Projects and Corresponding Budget

A. Future Research & Development Projects

a. Development of LED Indoor Fixture Products

With broad application of high-efficiency COB LED lighting and the increasing demand for reading quality, the Company will continue to invest in the R&D of recessed lamps and spotlights. In addition to maintaining the appearance and structure of current products, the design concepts of professional lighting will be utilized to expand product values of innovation such as providing clients with comfortable lighting by designing the user-friendly cut-off angle to provide customers with a comfortable lighting experience.

b. Development of LED Outdoor Fixture Products

Besides indoor lighting fixtures, the Company also expands market of outdoor lighting fixture series products. As of recently, the Company has completed the product development of outdoor wall lamps, spotlights and wall washers. However, due to the changes in the CoB LED lighting market, the Company will continue to develop new lighting in the future to satisfy the market demands such as LED products easier to be installed and more reliable for making the products more attractive to clients.

c. Development of Alternative LED Lighting

By using high-efficiency COB LED, considering the different alternative habits and occasions of users, implementing excellent design capability and sophisticated manufacturing processes, the alternative lighting modules for conventional lighting would be developed. The Company hopes while the aesthetics and quality of lighting will keep on benefiting the public, more cost-effective products will be available for clients for expanding the market of alternative lighting.

d. Development of Built-in Track Ultra-thin Power Plug Drivers

The demands of simplification to the appearance and structure of the spotlights are getting more, and the trend of “unboxing” power plugs of track spotlights will be more obvious. However, the manufacturing of fixture bodies allowing installation of built-in drivers would increase the cost of implementing efficient heat dissipation mechanism and requirements of sufficient space for installation.

The combination of drivers and plugs is inevitable for achieving simplification to newly-developed spotlights. By developing ultra-thin and power plugs with built-in drivers, the drivers hidden in the tracks can be realized via installation by end users. In addition, the IOT module interface is included in the driver panel, which can realize connection with Internet of Things while dimming fixtures.

e. Development of Office LED Ceiling Light Bars

The modern office spaces are no longer just places where employees work independently, but also communication centers. They are places for communication and exchange of information between employees and clients which could have significant impact on the performance of works. People are busy typing on computers, writing documents, reading materials, making phone calls, convening meeting, discussing work with colleagues, etc. in offices, and all of these activities have their own required visibility and lighting design. Bright and comfortable office lighting environment can mitigate fatigue and improve working efficiency. Therefore, the Company will also invest in the development of LED lighting for office spaces.

f. Development of LED Lighting Fixtures in Compliance with Zhaga Standards

To improve the convenience of user experience, the Zhaga Consortium will establish standards for LED module specifications in the future to increase the compatibility of LED lighting products between various manufacturers. Therefore, the Company will also invest in the development of LED lighting fixtures to be in compliance with Zhaga standards.

g. High/low-voltage track systems

Track applications and linear lights have quickly become the most popular and fashionable lighting solutions for modern commercial spaces. Simple and efficient, track systems are aesthetically appealing. The Company will invest in the development of high/low-voltage track systems.

h. Extension for Various Product Types

In addition to LED products, the Company will continue to improve the diversity of other types of products such as providing fixtures of the same product series which are compatible with conventional lighting, increasing the combination diversity of products, and providing clients with services of "one-time purchase".

B. Future Research & Development Corresponding Budget

The Company's R&D expenses for 2018 and 2019 are 40,133 thousand NTD and 42,269 thousand NTD, accounting for 3.81% and 3.89% of the revenue, respectively. The estimated R&D investment in future product development plan is 51,188 thousand NTD.

Item	Research Projects	Completion	Expected Research Expenditure	Expected Completion Schedule	Major Risk Factors
1	LED basic recessed luminaires	Product verification	51,188NT$ thousands	2020Q2	The Company has engaged in lighting for 20 years with the integration of key technologies; the Company has engaged in LED lighting for over a decade and manufactures 500 LED commercial lighting products that can satisfy various needs of commercial space. In addition, the Company has set up its own verification lab and the complete quality assurance system to provide quick verification and quality products.
2	LED functional recessed luminaires	Product design		2020Q3	
3	LED 基礎型投射燈	Product design		2020Q3	
4	LED 機能型投射燈	Product design		2020Q4	
5	LED 機能型低壓投射燈	Product verification		2020Q2	
6	LED 基础型低壓条形燈	Product design		2020Q2	
7	LED 機能型辦公室吊燈	Product verification		2020Q2	
8	LED 機能型辦公室吸頂燈	Product design		2020Q4	
9	LED 機能型吸頂燈	Product design		2020Q3	
10	LED outdoor spotlights	Product verification		2020Q2	
11	LED outdoor wall-mounted luminaires	Product verification		2020Q2	
12	LED outdoor bollards	Product verification		2020Q2	
13	嵌入式低壓軌道系統	Product verification		2020Q3	
14	明裝式三線高壓軌道系統	Product design		2020Q4	
15	嵌入式三線高壓軌道系統	Product design		2020Q4	
16	low-voltage track system power box	Product design		2020Q3	

Note: More investment in Group R&D expense for 2020 is required.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

According to Financial Supervisory Commission's regulations, listed companies at the emerging stock market and TWSE/GTSM listed companies are required to compile the financial statements based on IFRSs starting from January 1, 2013. The Company has set up the cross-department task force, which was approved by the Board of Directors in April 2011, and instituted the countermeasures and expected progress of the adoption of IFRSs and reported the implementation to the Board of Directors on a regular basis. The Company will continuously pay close attention to the impact of the amendments to IFRSs and related supporting laws and regulations on the Company.

In addition, the daily operations of the Company comply with related regulations at home and abroad. The Company shall pay attention to the trend of important policies and changes in laws and regulations at any time in order to fully control the changes in the business environment.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

Looking at the trend of lighting development, the most watched products are LED lighting in recent years. Compared with other sources of light, LED has rapidly growing applications, given the continuous improvement in luminous efficiency and the reduction in costs, and is viewed as a new-generation source of light that replaces traditional ones.

The Company has received results in the development of lighting products using the LED light source. Four key technologies, thus light, machinery, electricity, and heat, showed a considerable achievement. The Company installed a set of professional testing equipment and set up a safety certification lab to verify functional requirements for lighting, such as high light, high color rendering, low glare and stability of light source and offer quality products. With the trend of technological innovation and green lighting, the Company's insistence on quality of products allows the Company to obtain the market opportunities and make progress step by step.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has focused on the market operation of lighting since its establishment and has always had a good corporate image. There was no adverse impact of changes in corporate image on the Company.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The Company has no ongoing merger and acquisition activities. In considering future M&A activities, the Company will evaluate their efficiency, risks, vertical integration and other factors in accordance with its internal control system.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

Any expansion of the Company's facilities will be subject to careful evaluation by a special task force in accordance with the Company's internal control system.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

A. Risks Relating to and Response to Excessive Concentration of Purchasing Sources

The suppliers of the Company (a consolidated entity) accounted for up to 9.38% and 9.01% in 2018 and 2019 respectively, both less than 20%. Thus, there was no risk related to excessive concentration of purchasing sources.

B. Risks Relating to and Response to Excessive Customer Concentration

The top customer of the Company accounted for 18.65% and 19.00% of the revenue in 2018 and 2019 respectively, followed by 10.81% and 9.60% respectively. Other customers accounted for less than 10% of the revenue. Thus, there was no risk related to excessive customer concentration. In addition to maintaining a good relationship with existing customers, the Company actively expanded the sales market and developed new customers in order to reduce the risks related to excessive customer concentration.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with

Shareholdings of over 10%

The shareholdings of the Company's directors and supervisors have been stable during the last few years, and there have been no major transfers or swaps of shares.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

None

7.6.12 Litigation or Non-litigation Matters

A. Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.

B. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

7.6.13 Other Major Risks

The Company has established a complete set of network and computer security protection system for the security risks mitigation to control or maintain the functions of the Company's manufacturing, accounting and other important business operations. However, such implementation cannot warrant the avoidance of any cyber-attack from any third party. The so-called cyber-attack may be hacking in an illegal approach (such as spam) to have computer virus infect the system which may damage the Company's important confidential files. Moreover, spam may also jam the flow of the Company's server, further decreasing the space and computing efficiency of CPU, server hard drives and end-user hard drives space, and disrupting the operation as well as damaging the goodwill of the Company. The cyber-attack may also be used to illegally extract business secrets, other intellectual property and confidential information such as proprietary information of clients or other stakeholders and personal information of employees.

To prevent severe cyber-attack which may cause losses to the Company, besides appointing external professional computer auditors who examines whether the network and information security precaution measures have significant deficiencies annually, the Company adopts offsite backups for archival documents on a regularly basis, network firewalls and anti-virus software as well as other precaution measures. Meanwhile, the education and training for

IT staff have been enhanced. Promotion of cyber information security to employees is held on a random basis. However, such implementation cannot warrant the avoidance of any cyber-attack in the context of ever-changing network security threats. During the annual period of 2018 and as of the printing date of this Annual Report, no significant or severe cyber-attack or event have been found by the Company, nor has the Company involved in any judicial supervisory or investigation to such events.

7.6.14 Organization of Risk Management System

To integrate the needs of the Company's various risk control mechanisms, the staff of the Chairman's Office plans to promote and implement the risk management program in which each authority is responsible for the management of relevant business risks. The Board of Directors shall be ultimately responsible for the overall risk management of the Company.

Audit Office: Prepare audit program based on results of risk appraisal and implement auditing, and submit the auditing results and improvement to the Board of Directors to mitigate the overall operational risks.

Department of Financing and Accounting: Mitigate the Company's financial risk via capital and tax planning and client credit risk management and control mechanism.

Department of Information: Responsible for the security management and maintenance of the information network systems, and implementing the off-site backup mechanism for the Company's crucial information assets to mitigate the impact from operational risks.

Department of Management: Responsible for reviewing various contracts and intellectual property rights applications, and handling legal disputes or litigation to mitigate the legal risks to the Company's operations.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

Please refer to page 237 of the Chinese annual report.

8.2 Private Placement Securities in the Most Recent Years

None

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

None

8.4 Other Matters Required to be Described

According to requirements from the Official Letter No. 1020100348 of Taipei Exchange issued on March 15, 2013, the Company hereby presents the Letter of Commitments and reports the performance status as of Q1 of 2020.

Commitments of Registering for Emerging Stock Market	Performance of Commitments
The Company undertakes to add the following wording “the Company shall not waive the annual capital increase to World Extend Holding Inc. (hereinafter referred to as “Yu-kuan”) in the future, and Yu-kuan shall not waive the annual capital increase to Tons Lighting Co., Ltd. and GreatSuper. Technology Limited (hereinafter referred to as “GS”), GS shall not waive the annual capital increase to Zhongshan Tons Lighting Co., Ltd. and Zhongshan Titan Lighting Co., Ltd. in future years. In the future, the resolution from the Board of Directors of TONS LIGHTOLOGY INC. is required for any waive of the preceding capital increase or treatment due to concerns of strategic alliance or approval by Taipei Exchange.” in the context of “Regulations Governing the Acquisition and Disposal of Assets”. Should there be any amendment to the Regulations, relevant disclosure shall be posted at the website of Mops and submitted to Taipei Exchange for reference.	Amendment to “Regulations Governing the Acquisition and Disposal of Assets” based on commitments of registering for emerging stock market has been ratified at the meeting of the Board of Directors on April 24, 2013 and approved at the resolution to the sixth proposal at the Shareholders’ Meeting on June 10, 2013. The status of performance has been reported in Official Letter of Tons FA No. 0702001 issued on July 2, 2013. The dissolution of Tons Lighting Co., Ltd. was approved by the Taipei Exchange in the Letter Zheng-Gui-Jian-Zi No. 108000688 dated July 5, 2019 and adopted by the Board of Directors through a special resolution on July 26, 2019.

8.5 During the most recent annual period and as of the printing date of this Annual Report, upon any occurrence of matters specified in Subparagraph 2

of Paragraph 2 of Article 36 of the Act which would significantly affect the equities or securities prices： None.