

Stock Code : 4972

Tons:

TONS LIGHTOLOGY Inc.

2021 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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Spokesperson

Name: WANG, CHIH-YUAN
Title: Vice General Management
Tel: 886-2-86857855
E-mail: investor@tons.com.tw

Deputy Spokesperson

Name: CHAN, YI-CHEN
Title: Assistant Vice President of
Chairman office
Tel: 886-2-86857855
E-mail: investor@tons.com.tw

Stock Transfer Agent

Horizon Securities CO., LTD.
Stock Registration Division
Address: 3th Fl., No.236 Sec.4,
Hsin-I RD. Taipei, Taiwan R.O.C.
Tel: 886-2-7719-8899
Website: <http://www.honsec.com.tw>

Auditors

PricewaterhouseCoopers Taiwan
Auditors: HUNG, SHU-HUA, LIU, MEI-LAN
Address: 27F, 333 Keelung Rd., Sec. 1, Taipei City 110, Taiwan
Tel.: 886-2-27296666
Website: <http://www.pwc.tw>

Overseas Securities Exchange

None

Corporate Website

<http://www.tonslight.com/tw>

Headquarters, Branches and Plant

Headquarters
Address: 4F, No.236, Bo'ai St., Shulin
District, New Taipei City, Taiwan,
R.O.C.
Tel: 886-2-86857855

Hong Kong Branch

Address: Unit B, 6/F., Lockhart Centre,
301-307 Lockhart Road, Hong Kong
Tel: 852-37089138

Plant

Address: 4F, No.236, Bo'ai St., Shulin
District, New Taipei City, Taiwan,
R.O.C.

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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 2022 annual meeting of shareholders.

The global economic recovery continued as the COVID-19 pandemic slowed down and vaccination rates increased. Supported by various economic stimuli, major countries and regional economies around the world reported significant growth in 2021. Looking forward to 2022, however, a number of uncertainties await as the recent emergence of COVID variants and inflation can lead to monetary tightening and interest rates rises.

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 many lighting engineering projects 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, in the fiercely competitive and ever-changing environment, the Company reported an increase in revenue and stable profitability with the support of shareholders and the dedication of employees. 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 2021 business operation and 2022 operational plans are briefed as follows.

I. The 2021 business operation

(I) Operating plan results and operating income and expense

In 2021, the Company's individual and consolidated net operating revenue were NT\$922,353 thousand and NT\$1,051,699 thousand respectively, increase of 26.67% and 30.00% respectively compared with NT\$728,124 thousand and NT\$808,981 thousand in 2020. The Company's individual and consolidated net income after tax were the same as NT\$95,972 thousand, an increase of 21.40% (NT\$16,918 thousand) compared with NT\$79,054 thousand in 2020.

(II) Profitability analysis

The Company's operating revenue in 2021 was more than that in 2020. Due to rising raw material prices and fluctuations in exchange rates, the

gross profit decreased slightly; with the proper control of operating expenses, the operating profit margin remained at 13.56%. Due to an increase in non-operating losses, the consolidated net profit margin reached 9.12%, slightly lower than 9.77% in 2020.

(III) Research and development status

In 2021, the Company developed products and took out patents as follows:

1. In terms of products, power plug for foolproof single circuit track (HT-323), surface/pendant-mounted low track system (TUH), wireless power plug for low track system (TU-212CA and TU-212Wiz), power cord box for surface-mounted low track system (TU-T100T), fixed-angle micro track spotlight (SAM-543A), micro-adjustable track spotlight (SAM-533A), optical modular interchangeable multifunctional spotlights (four applications), mirror front lights for the bathroom (BS-L01ST), modular recessed downlights (ModFun A), light shading structure (AC-162AZ), energy-efficient recessed downlights (DG-633RST), surface-mounted ceiling lights (WG-633RST), office LED recessed downlights (DG-L051D), and high lumens outdoor in-ground lights (OGA-236R) were developed.
2. In terms of patents, utility model patents on the fixing base for lights and its surface-mounted ceiling lights, track lights, and switches, as well as design patents on recessed downlights (economical module), bollards (outdoor landscaping), and (track linear lights) were taken out.

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 2022 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 expected to rebound, but the environmental law in each country is increasingly stringent, added with the continuing increase of production cost in China and fluctuations in raw material prices 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 : HUNG, CHIA-CHENG

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.

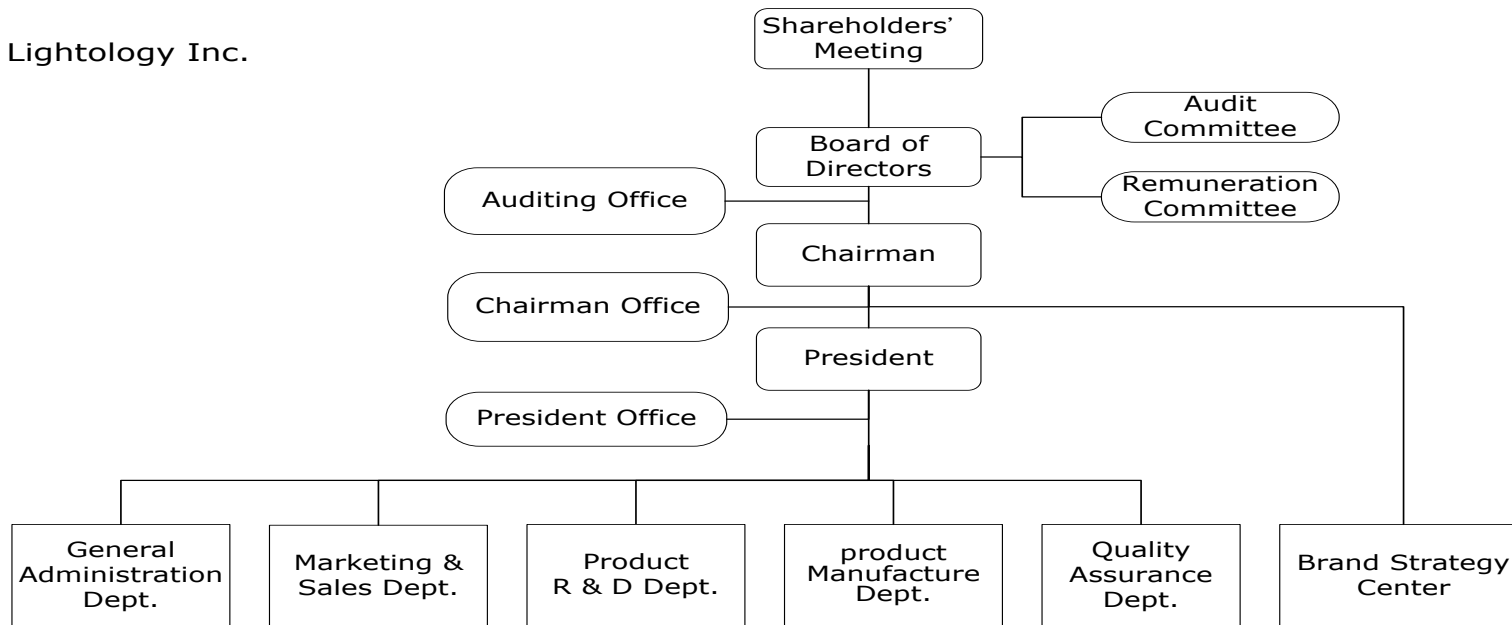
Year	Milestones
March 2019	The capital increased by NT\$780 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$ 400,408 thousand.
November 2019	The capital increased by NT\$ 845 thousand from shares converted from employee stock option certificates 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.
August 2020	The capital decreased by NT\$ 6,000 thousand from the cancellation of stock repurchase and the paid-in capital reached NT\$ 396,533 thousand.
November 2020	The capital increased by NT\$ 190 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$ 396,723 thousand.
March 2021	The capital increased by NT\$ 2,893 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$ 399,616 thousand.
August 2021	The capital increased by NT\$ 2,000 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$ 401,616 thousand.
November 2021	The capital increased by NT\$ 415 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$ 402,031 thousand.
March 2022	The capital increased by NT\$ 1,690 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$ 403,721 thousand.
April 2022	The capital decreased by NT\$ 10,000 thousand from the cancellation of stock repurchase and the paid-in capital reached NT\$ 393,721 thousand.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart

Tons Lightology Inc.



3.1.2 Major Corporate Functions

Department	Primary Functions
Auditing Office	<ul style="list-style-type: none"> -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	<ul style="list-style-type: none"> -to assist in Board Meeting related issues. -to perform routine tasks assigned by Chairman.
President Office	<ul style="list-style-type: none"> -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.	<p>HR and general administration section:</p> <ul style="list-style-type: none"> -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. <p>IT section:</p> <ul style="list-style-type: none"> -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
	<p>Accounting & financial section:</p> <ul style="list-style-type: none"> -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.	<p>responsible for all affairs as follows:</p> <ul style="list-style-type: none"> -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.	<ul style="list-style-type: none"> -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.	<ul style="list-style-type: none"> -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
	<ul style="list-style-type: none"> -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.	<ul style="list-style-type: none"> -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	<p>In charge of the affairs as follows:</p> <ul style="list-style-type: none"> -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 and Management Team

3.2.1 Directors

03 28, 2022

Title	Nationality/ Country of Origin	Name	Gender/ Age	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 / 51~60	05 28,2020	3	08 14, 1992	3,535,633	8.78%	3,535,633	8.76%	1,215,013	3.01%	-	-	Oriental Institute of Technology / Dept. of Clothes Manufacturing Tons Lightology Inc. / Founder Tons Lightology Inc. Concurrent R&D Director Titan Lighting Co., Ltd. / Chairman ZhongshanTons Lighting Co., Ltd. / Chairman 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 Art So Trading Ltd./Director. Artso International, Inc./Director.	-	-	-	
Director	R.O.C.	HUNG, CHIA-CHENG	Male / 51~60	05 28,2020	3	03 08,2002	1,085,381	2.70%	1,107,881	2.74%	249,062	0.62%	-	-	Kainan Vocational High School / Dept. of Electronic Engineering Tons Lightology Inc. / Senior Executive Vice President Tons Lightology Inc. / G.M. 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	-	-	-	

Title	Nationality/ Country of Origin	Name	Gender/ Age	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.	CHEN, MING-HS IN	Male / 51~60	05 28,2020	3	05 26,2017	-	-	-	-	-	-	-	-	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	-	-	-	

Title	Nationality/ Country of Origin	Name	Gender/ Age	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.	HSIAO, CHEN-CHI	Male /61~70	05 28,2020	3	05 28,2020	25,250	0.06%	25,250	0.06%	-	-	-	-	EMBA, Feng Chia University PwC Taiwan / Partner	Honmyue Enterprise Co. Ltd. / Independent Director and Remuneration Committee Member United Recommend International Co., Ltd./ Independent Director, Audit Committee Convener, and Remuneration Committee Convener Horizon Securities CO., Ltd./ Independent Director , Audit Committee Member ,and Remuneration Committee Member ,Risk Management Committee Member Yao I Fabric Co., Ltd. / Independent Director , Audit Committee Member ,and Remuneration Committee Member Ruopu Construction and Development Co., Ltd. / Supervisor Yeong Chin Machinery Industries Co. Ltd. / Supervisor	-	-	-

Title	Nationality/ Country of Origin	Name	Gender/ Age	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 / 61~70	05 28,2020	3	05 28,2015	-	-	-	-	-	-	-	-	Ph.D. in Accounting, University of Memphis (USA) Chair and Professor, Department of Accounting, National Chengchi University Senior Partner, BDO Taiwan Supervisor of Securities and Futures Investors Protection Center	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-C HENG	Female / 51~60	05 28,2020	3	05 26,2017	-	-	-	-	-	-	-	-	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 Chenming Electronic Tech Corp./ Independent Director , Audit Committee Member ,and Remuneration Committee Member Addcn Technology Co., Ltd / Director	-	-	-

Title	Nationality/ Country of Origin	Name	Gender/ Age	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.	LEE, SHYH-C HIN	Male / 61~70	05 28,2020	3	05 28,2020	-	-	-	-	-	-	-	-	Master in Management Science, National Chiao Tung University Chunghwa Precision Test Tech. Co., Ltd. / Chairman Chunghwa Telecom / Vice President of Finance Chunghwa Investment Co., Ltd. / President, Chairman	Chunghwa Telecom / Consultant	-	-	-

Professional qualifications and independence analysis of directors

04 30, 2022

Name \ Criteria	Professional Qualification and Work Experience (Note1)	Independence Criteria(Note2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
TANG, SHIH-CHUAN	Professionalism in Optoelectronics Industry with ability in operational management and leadership decision-making. Founder of the Company.	-	0
HUNG, CHIA-CHENG	Professionalism in Optoelectronics Industry with ability in operational management and leadership decision-making. President of the Company.	-	0
CHEN, MING-HSIN	Expertise in financial securities and investment. Served as the accountant in charge of the Taiwan Stock Exchange and president of Hung Mao Tech.	-	0
HSIAO, CHEN-CHI	Certified public accountant with a specialty in auditing and taxation. Previous partner of PwC Taiwan.	-	4
HSU, CHUNG-YUAN (Independent Director)	A certified public account with a specialty in bank financing. Served as director at Taipei Exchange and concurrent professor and director at National Chengchi University. Currently the adjunct professor at the accounting department of National Chengchi University. Not under the circumstances prescribed in Article 30 of Company Act.	<ol style="list-style-type: none"> 1. Not a person, spouse, relative within the second degree of kinship acting as the director, supervisor or employee of the Company or affiliated enterprise. 2. The person, spouse, or relative within the second degree of kinship does not hold company shares. 3. The person does not act as the director, supervisor or employee of an affiliated enterprise with specific relation with the Company. 4. Not a professional who provides commercial, legal, financial, accounting, or other related services with compensation with the past two years to the Company or affiliated enterprise. 	0

<p>CHOU, LIANG-CHENG (Independent Director)</p>	<p>Certified attorney with specialty in asset management. Currently the attorney in charge at Jia Wei & Co., CPAs. Not under the circumstances prescribed in Article 30 of Company Act.</p>	<p>1. Not a person, spouse, relative within the second degree of kinship acting as the director, supervisor or employee of the Company or affiliated enterprise. 2. The person, spouse, or relative within the second degree of kinship does not hold company shares. 3. The person does not act as the director, supervisor or employee of an affiliated enterprise with specific relation with the Company. 4. Not a professional who provides commercial, legal, financial, accounting, or other related services with compensation with the past two years to the Company or affiliated enterprise.</p>	<p>2</p>
<p>LEE, SHYH-CHIN (Independent Director)</p>	<p>Expertise in business, finance, and accounting professionalism with information and communication industries. Served as Vice President of Finance in Chunghwa Telecom and Chairman of CHPT. Not under the circumstances prescribed in Article 30 of Company Act.</p>	<p>1. Not a person, spouse, relative within the second degree of kinship acting as the director, supervisor or employee of the Company or affiliated enterprise. 2. The person, spouse, or relative within the second degree of kinship does not hold company shares. 3. The person does not act as the director, supervisor or employee of an affiliated enterprise with specific relation with the Company. 4. Not a professional who provides commercial, legal, financial, accounting, or other related services with compensation with the past two years to the Company or affiliated enterprise.</p>	<p>0</p>

Note: 1. Professional qualification and experience: Describe the professional qualification and experience of individual director and supervisor. For member of Audit Committee with expertise in accounting or finance, describe their background in accounting or finance and work experience. Additionally, explain if the person is free from the circumstances prescribed under Article 30 of Company Act.

2. Describe conformance of independence required for independent director, including but not limited to if the person, spouse, and relative within the second degree of kinship serving as the director, supervisor, or employee of the Company and affiliated enterprise. The company shares and weight held by the person, spouse, and relative within second degree of kinship (or using other's name). Does the person serve as the director, supervisor or employee to the affiliated company with special relation to the Company (refer to Article 3, paragraph 1 and provisions 5~8 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). The person provides compensation to the Company or affiliated enterprise within the

past two years by providing commercial, legal, financial, or other related services.

Diversification and Independence of Board of Directors

(1) Diversification of Board of Directors: The “Corporate Governance Best Practice Principles” of the Company is listed below and has implemented the following diversification guidelines. The composition of members of the Board of Directors shall be equipped with the knowledge, skills and qualities required for executing the tasks, who are not restricted by sex, age, nationality, culture, and other basic conditions, value and professional background, professional skills, and industry experience, as a result of diversification. The members of the 10th Board of Directors specialize in different professional domain, including optoelectronic industry, investment securities, audit and taxation, bank financing, asset management, information and communication industry, law, financial accounting, managerial operation, and decision-making, with one female serving as the director, meeting the corporate objectives of director diversification.

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	51-60		√	√	√	Optoelectronics industry		
HUNG, CHIA-CHENG	M	51-60		√	√	√	Optoelectronics industry		
CHEN, MING-HSIN	M	51-60			√	√	Investment securities	√	
HSIAO, CHEN-CHI	M	61-70			√	√	Audit & Tax Consultation	√	
HSU, CHUNG-YUAN	M	61-70	3				Banking	√	
CHOU, LIANG-CHENG	F	51-60	2				Asset management		√
LEE, SHYH-CHIN	M	61-70	1		√	√	Information and Communication Technology	√	

(2) Board of Directors Independence: The Company sets up independent directors and all directors in the ratio of 3:7, in accordance with the Articles of Incorporation. The three independent directors do not hold shares of the Company and have acquired Statement of Independent Director. The content of statement includes the provisions under Article 3 of “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” None of the member of Board of Directors is the spouse or relative with second degree of kinship and therefore have not violated the incidents provisions under item 3 of Article 26-3 of Securities and Exchange Act (No more than majority of directors are spouses or relatives of second degree kinship).

3.2.2 Management Team

03 28, 2022

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 Managem ent	R.O.C	HUNG, CHIA-CHE NG	male	08 01,2020	1,107,881	2.74%	249,062	0.62%	-	-	Kainan Vocational High School / Dept. of Electronic Engineering 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	-	-	-
Senior Vice General Managem ent	R.O.C	HU, CHEN-KU ANG	male	08 01,2008	196,375	0.49%	-	-	-	-	WuFeng University/Department of Digital Electronics TUV Rheinland Co., Ltd./Vice President TUV Rheinland Taiwan Manager Phihong Technology Co., Ltd./Deputy Manager	Titan Lighting Co., Ltd. / Senior Vice General Management	-	-	-
Vice General Managem ent / Director of Corporate Governan ce	R.O.C	WANG, CHIH-YUAN	male	08 01,2008	540,350	1.34%	-	-	-	-	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	-	-	-

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
R&D Director	R.O.C	TANG, SHIH-CHU AN	male	05 01,2008	3,535,633	8.76%	1,215,013	3.01%	-	-	Oriental Institute of Technology / Dept. of Clothes Manufacturing Tons Lightology Inc. / Founder	Titan Lighting Co., Ltd. / Chairman ZhongshanTons Lighting Co., Ltd. / Chairman 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 Art So Trading Ltd./Director. Artso International, Inc./Director.	-	-	-
Assistant Vice President of Research and Developm ent Dept.	R.O.C	KUO, CHING-HS ING	male	09 01,2012	266,374	0.66%	-	-	-	-	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 Chairman office	R.O.C	CHAN, YI-CHEN	male	09 01,2012	426,214	1.06%	-	-	-	-	Ming Chuan University/Graduate Institute of Finance Horizon Securities/Assistant Vice President	Titan Lighting Co., Ltd. / Assistant Vice President of Chairman office Shanghai Tons Lightology Co., Ltd / Director	-	-	-
Assistant Vice President of Oversea sales Dept.	R.O.C	KUO, CHUNG-T SU	male	09 01,2012	72,000	0.18%	-	-	-	-	National Central University/Department of Mechanical Engineering Drexel University(USA) MBA	Titan Lighting Co., Ltd. / Assistant Vice President of Sales Dept.	-	-	-

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
											Shanghai Cheng Xin Electronics Company/Business Manager Dongguan BESDATA Company/Business Manager SPACIOUS INDUSTRIAL CO., LTD./Assistant Vice President				
Assistant Vice President of Grand China Sales Dept.	R.O.C	HUNG, YAO-YANG	male	10 01,2013	315,123	0.78%	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	-	-	-	

Note: Mr. WANG CHIH-YUAN was promoted to Vice General Management from Assistant Vice President on March 1, 2022.

3.2.3 Remuneration of Directors, President, and Vice President

Remuneration of Directors

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio and Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio and 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 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	Cash	Stock	Cash	Stock	The company	Companies in the consolidated financial statements	
Director	TANG, SHIH-CHUAN	-	-	-	-	496	496	21	21	517/0.54	517/0.54	4,489	5,789			1,340	-	1,340	-	7,893/8.22	9,193/9.58	-
Director	HUNG, CHIA-CHENG	-	-	-	-	496	496	18	18	514/0.54	514/0.54											
Director	CHEN, MING-HSIN	-	-	-	-	496	496	21	21	517/0.54	517/0.54											
Director	HSIAO, CHEN-CHI	-	-	-	-	496	496	21	21	517/0.54	517/0.54											
Independent Director	HSU, CHUNG-YUAN	720	720	-	-	-	-	24	24	744/0.77	744/0.77	-	-	-	-	-	-	-	2,232/2.32	2,232/2.32	-	
Independent Director	CHOU, LIANG-CHENG	720	720	-	-	-	-	24	24	744/0.77	744/0.77											
Independent Director	LEE, SHYH-CHIN	720	720	-	-	-	-	24	24	744/0.77	744/0.77											
Total		2,160	2,160	-	-	1,983	1,983	153	153	4,296/4.48	4,296/4.48	4,489	5,789	-	-	1,340	-	1,340	-	10,125/10.54	11,425/11.90	-

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, HSU,CHUNG-YUAN, CHEN, MING-HSIN, CHOU, LIANG-CHENG HSIAO, CHEN-CHI LEE, SHYH-CHIN	TANG,SHIH-CHUAN, HUNG,CHIA-CHENG, HSU,CHUNG-YUAN CHEN, MING-HSIN CHOU, LIANG-CHENG HSIAO, CHEN-CHI LEE, SHYH-CHIN	HSU,CHUNG-YUAN CHEN, MING-HSIN CHOU, LIANG-CHENG HSIAO, CHEN-CHI LEE, SHYH-CHIN	HSU,CHUNG-YUAN CHEN, MING-HSIN CHOU, LIANG-CHENG HSIAO, CHEN-CHI LEE, SHYH-CHIN
NT\$1,000,000 ~ Under NT\$2,000,000	-	-	-	-
NT\$2,000,000 ~ Under NT\$3,500,000	-	-	TANG,SHIH-CHUAN,	TANG,SHIH-CHUAN
NT\$3,500,000 ~ Under NT\$5,000,000	-	-	HUNG,CHIA-CHENG	-
NT\$5,000,000 ~ Under NT\$10,000,000	-	-	-	HUNG,CHIA-CHENG
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 and 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	HUNG, CHIA-CHENG	3,119	4,989	79	79	1,091	1,575	2,420	-	2,420	-	6,709/	9,063/	-
Senior Vice General Manager	HU, CHEN-KUANG											6.99	9.44	

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	HU,CHEN-KUANG	-
NT\$3,500,000 ~ Under NT\$5,000,000	HUNG,CHIA-CHENG	HU,CHEN-KUANG
NT\$5,000,000 ~ Under NT\$10,000,000	-	HUNG,CHIA-CHENG
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	2	2

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	General Manager	HUNG, CHIA-CHENG	-	5,867	5,867	6.11
	Senior Vice General Manager	HU, CHEN-KUANG				
	Assistant Vice President	WANG, CHIH-YUAN				
	Assistant Vice President	KUO, CHING-HSING				
	Assistant Vice President	CHAN, YI-CHEN				
	Assistant Vice President	KUO, CHUNG-TSU				
	Assistant Vice President	HUNG, YAO-YANG				

3.2.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, 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, presidents and vice presidents of the Company, to the net income.

Title	Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)			
	2020		2021	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors	4.56%	4.56%	4.48%	4.48%
Presidents and Vice Presidents	7.92%	10.51%	6.99%	9.44%

- 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.

- a. With regard to the remuneration to general directors, it is stipulated in the Articles of Incorporation that 2.5% of the profit of the current year shall be appropriated as the total remuneration to the directors. The Board of Directors shall resolve and report to the Shareholders' Meeting. The individual directors shall be appraised for individual director performance according to the "Self-Evaluation or Peer Evaluation of the Board of Directors." According to the "Regulations Governing Director Remuneration and Remuneration Management," individual director shall be evaluated for the director involvement in corporate operation and the level of contribution as the basis of calculating the distribution proportion in individual salary and remuneration. The distribution results are submitted to the Salary and Remuneration Committee for review and then implemented after the Board of Directors have reached resolution.

b. The remuneration paid to independent directors is executed by the Board of Directors according to “Regulations Governing Remuneration to Directors and Remuneration Management.” The Company shall pay remuneration to independent directors and members of functional committee who execute the corporate tasks, regardless of the corporation operating with profit or loss. In addition to taking consideration of the remuneration level of the industries in Taiwan and abroad. The Board of Directors may make adjustment according to their involvement in corporate operation and value of contribution.

The remuneration paid to managers, 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 content of appraisal include the level of achievement in annual important objectives, plan execution and inspection analysis, and ability to improve, communicate, coordinate, and integrate, training of subordinates and cultivating/empowerment level, compliance with corporate regulation systems, growth and expression of professionalism and management knowledge, attendance, and merits and punishment for special incidents, as well as other important items of appraisal before generating the appraisal results. 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 7, 2022, 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 6 (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	6	0	100.00%	
Director	HUNG,CHIA-CHENG	6	0	100.00%	
Director	CHEN,MING-HSIN	6	0	100.00%	
Director	HSIAO, CHEN-CHI	6	0	100.00%	
Independent Director	HSU,CHUNG-YUAN	6	0	100.00%	
Independent Director	CHOU, LIANG-CHENG	6	0	100.00%	
Independent Director	LEE, SHYH-CHIN	6	0	100.00%	
Total/Average		42	0	100.00%	

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 2020 managers' bonuses proposed on February 26, 2021, 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 2020 employee's remuneration proposed on April 9, 2021, 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 2020 incentives proposed on April 9, 2021, 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.
 - (4) For the Company repurchase of stock options to employees proposed on June 30, 2021, 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.
 - (5) For the suggestions for Salary Increase in Company Managers proposed on October 29, 2021, 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.
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) Last year, the Company's Directors participated in courses on corporate governance for 91 hours.
 - (3) The Company has formulated the Regulations Governing Evaluation of the Board's Performance on July 11, 2016(amended on July 31, 2020) to implement the performance evaluation. In 2021. The result of the peer evaluation was reported in the board meeting on December 20, 2021.
 - (4) The "Rules of Procedures for Board of Directors Meeting" was amended in 2022, adding interim financial statements for submission to the Board of Director to discuss.

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 6 th Meeting of the 10 th Board of Directors on February 26, 2021	Proposal of distribution of wage to employees, Directors of 2020	√	
	Amended the “Regulations Governing Remunerations to Directors and Remuneration Management” of the Company.	√	
	Drafting to increase the investment line for “ARTSO INTERNATIONAL, INC.”	√	
	Opinions of independent directors: N/A		
	Disposal of opinions of independent directors: N/A		
	Resolution: Passed by all attendees		
The 7 th Meeting of the 10 th Board of Directors on April 9, 2021	Proposal of the 2020 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	√	
	Opinions of independent directors: N/A		
	Disposal of opinions of independent directors: N/A		
	Resolution: Passed by all attendees		
The 10 th Meeting of the 10 th Board of Directors on October 29, 2021	Proposal of performance assessment indicators for Board of Directors and members as well as functional committees.	√	
	Amended the “Regulations Governing Remunerations to Directors and Remuneration Management” of the Company.	√	
	Opinions of independent directors: N/A		
	Disposal of opinions of independent directors: N/A		
	Resolution: Passed by all attendees		
The 11 th Meeting of	Zhongshan Titan Lighting Co., Ltd. signed the factory lease contract with Zhongshan TONS	√	

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 10 th Board of Directors on Dec. 20, 2021	Lighting Co., Ltd.		
	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, 2021~December 31, 2021	1. Board of Directors 2. Board members 3. Functional committees	Self-evaluations of the Board and Board members	<p>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.</p> <p>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.</p> <p>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.</p>

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

Title	Name	Date	Course Name	Hour
Director	TANG, SHIH-CHUAN	09 01, 2021	Morning session and afternoon session of “13 th Taipei Corporate Governance Forum.”	6
		09 30, 2021	2021 Post-Pandemic Economic Trends and New Investment Direction	3
Director	HUNG, CHIA-CHENG	09 01, 2021	Morning session and afternoon session of “13 th Taipei Corporate Governance Forum.”	6
Director	CHEN, MING-HSIN	08 31, 2021	2021 OTC Sustainable Upgrade Online Forum	2
		09 01, 2021	2021 OTC Sustainable Upgrade Online Forum	2
		09 01, 2021	Morning session of “13 th Taipei Corporate Governance Forum.”	3
Director	HSIAO, CHEN-CHI	01 25, 2021	Analysis of Company Act	3
		03 25, 2021	Interpretation New Letter Issued for Real Estate Trust Clause Case and Real Estate Transaction Income Tax	3
		03 29, 2021	Common Flaws in the Auditing and Attestation of Paid-in Capital	3
		08 05, 2021	Corporate Operation and Management Practice: Industry 4.0 –A Different Perspective	3
		09 01, 2021	2021 OTC Sustainable Upgrade Online Forum	2
		09 01, 2021	Morning session and afternoon session of “13 th Taipei Corporate Governance Forum.”	6
		09 30, 2021	2021 Post-Pandemic Economic Trends and New Investment Direction	3
		10 04, 2021	Analysis of Business Income Tax Practice for Non-Profit Seeking Organization	3
		10 05, 2021	Tax Planning for Inheritance of Trust Fund Assets	3
		11 05, 2021	AI Smart Living APP Seminar	2
		11 09, 2021	2021 Insider Trade Prevention Promotion Conference	3
		12 02, 2021	2021 Second Half Latest Taxation Laws and	7

Title	Name	Date	Course Name	Hour
			Practice Analysis	
		12 09, 2021	2021 Discussion of Corporate Registration Special and Practical Issues	4
		12 28, 2021	Impact and Response of CFC Anti-Tax Evasion Clause	3
		12 29, 2021	Regulations Governing Accountant Money-Laundering Prevention Supervision and Practices Sharing	3
Independent Director	HSU, CHUNG-YUAN	09 01, 2021	Afternoon session of “13 th Taipei Corporate Governance Forum.”	3
		10 18, 2021	Seminar for Promoting Insider Shareholding Right at Unlisted/OTC Companies	3
Independent Director	CHOU, LIANG-CHENG	09 01, 2021	“Legal Responsibility of Director and Supervisor at Public Companies” course	3
		10 18, 2021	“Legal Responsibility of Director and Supervisor at Public Companies” course	3
Independent Director	LEE, SHYH-CHIN	09 01, 2021	Morning session and afternoon session of “13 th Taipei Corporate Governance Forum.”	6

Independent Directors’ Attendance of Meeting of the Board of Directors in 2021

Attending in person : √ ; Attending by proxy : *

2020	1st	2nd	3rd	4th	5th	6th
	2/26	4/9	4/29	7/30	10/29	12/20
HSU, CHUNG-YUAN	√	√	√	√	√	√
CHOU, LIANG-CHENG	√	√	√	√	√	√
LEE, SHYH-CHIN	√	√	√	√	√	√

3.3.2 Audit Committee

Attendance of Independent Directors at Audit Committee Meetings

A total of 5 (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
Convener	HSU, CHUNG-YUAN	5	100.00%	
Independent Director	CHOU, LIANG-CHENG	5	100.00%	
Independent Director	LEE, SHYH-CHIN	5	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

Audit Committee 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 5th Meeting of the 2th Audit Committee Meeting on February 26, 2021	Proposal of 2020 Statement of Internal Control Systems	√		
	The Company's 2020 Business Report, Individual Financial Report and Consolidated Financial Report	√		
	Proposal of the distribution of 2020 earnings of the Company	√		
	Drafting to increase the investment line for "ARTSO INTERNATIONAL, INC."	√		
	Audit Committee resolution results: 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 9th Meeting of the 2th Audit Committee Meeting on Dec. 20, 2021	Zhongshan Titan Lighting Co., Ltd. signed the factory lease contract with Zhongshan TONS Lighting Co., Ltd.	√		
	Audit Committee resolution results: 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
10 29,2021	<ul style="list-style-type: none"> ● Description to Risk Assessment of 2022 Annual Audit Plan Describe the risk factors of various internal control procedures (level of care by the management/audit items to be reinforced/number of days since the previous audit) to conduct weighted scoring and to quantify the standard scores, apart from the audit items required by law, and include the first 24 items into the audit plan of 2022 based on scoring by quantified criteria.
	Opinions of Independent Directors: N/A.
12 20,2021	<ul style="list-style-type: none"> ● 2022 Annual Audit Plan Report 65 audit items for the 2022 Report including the first 29 items of risk factors of each operation cycle based on the scoring, 30 legally-mandatory items, and adding 6 items taking consideration of the circulation process risk and audit sequence.
	Opinions of Independent Directors: N/A.

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

Date	Major resolutions
02 26,2021	<ul style="list-style-type: none"> ● Basis of inspections and opinions of the 2020 annual financial report ● 2020 annual inspection highlights <ol style="list-style-type: none"> 1. Key investigated and audited items, 2. Importance of the current period, 3. Scope of the financial report of the Group, 4. Audit execution that could not be performed on site, 5. Internal control investigation/current adjustment, reclassification and unadjusted entries, 6. Related parties and transactions of related parties, 7. Choices and changes of significant accounting policies and major accounting estimations, 8. Fraud and non-compliance with laws and regulations, events/post-term events, and 9. Representation letters/significant insufficiencies/inconsistencies with comments by managerial levels regarding internal controls. ● Independence of accountants ● Updates on laws and regulations <ol style="list-style-type: none"> 1. Reminders for 2020 financial statements. 2. Upgrade the self-preparation capacity in financial statements.
	Opinions of Independent Directors: N/A.
10 29,2021	<ul style="list-style-type: none"> ● 2021 CPA communication plan ● CPA's roles and responsibilities ● The scope of the annual audit and annual audit service plan ● Auditing and non-auditing services for such annual period ● Independence of accountants ● Financial block chain
	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 04/07/2022). 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	
(4)Does the company establish internal rules against insiders trading with undisclosed information?	✓		executed the risk management based on the internal control system. (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, with the objective of comprising least one female of each. Directors of the 10 th Board of Directors have expertise in each professional field as optoelectronics industry, investment securities, Audit & Tax Consultation, banking, asset management, Information and Communication Technology, laws, financial accounting, business management, and leadership decision-making, and one female director had been enlisted to the Board.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	(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 committees as needed.	Will be added 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 July 31, 2020) to implement the performance evaluation. In 2021, 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 met the standard operation in 20 evaluation items in 6 dimensions. The self-evaluation results were reported to the Board of Directors on December 20, 2021, including an explanation for the non-compliance evaluation item. Each director’s compensation and reelection will be based on the	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	✓		evaluation results in accordance with the “Directors’ Remuneration Regulations.” (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 Hung, Shu-Hua and Liu, Mei-Lan conformed to the standards. The result of the evaluation was reported in the board meeting and audit committee meeting on December 20, 2021.	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 (six 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 (three 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 (two times) and auditing managers (two times), and reporting the implementation to	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			directors once an annual period. A 14-hour education course is implemented within one year. The implementation of the Company’s corporate governance in 2021 was reported to the Board of Directors on February 24, 2022.	
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 2021, communication between the Company and stakeholders regarding important issues was reported to the Board of Directors on December 20, 2021.	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 standings and the status of corporate	✓		(1) The Company has a corporate website (http://www.tonslight.com/tw) to disclose both financial standings and the status of corporate governance. Such information is also disclosed in the Market Observation Post	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
governance? (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)?	✓		System according to laws. (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 9, 2021, May 11, 2021, August 06, 2021, and November 08, 2021) 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, 2020 on February 26, 2021 and quarterly financial statements for the 2021 on April 29, 2021, July 30, 2021, and October 29, 2021 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 management policies and risk evaluation	✓		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 relations, supplier relations, rights of stakeholders, directors’ and	None

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>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):</p> <ol style="list-style-type: none"> 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 91 hours in 2021. 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 2022 were submitted to the independent directors for discussion in the internal audit meeting held on October 29, 2021 and December 20, 2021. 5. The Company has purchased the liability insurance for 	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			directors at the amount of USD4 million and reported it to the Board of Directors on October 29, 2021.	
<p>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.</p> <p>The Company obtains the top 5% ranking of 6th corporate governance evaluation, matters lower than the index and improved in the 8th evaluation:</p> <ol style="list-style-type: none"> 1. The Company shall upload the annual report in English 16 days prior the Regular Shareholders Meeting held. 2. The Company will disclose the independent communication between independent directors, internal audit supervisors, and CPA on the company website. 3. The Company shall upload the yearly financial report disclosed in English 16 days prior the Regular Shareholders Meeting held. <p>The Company continues to obtain the top 5% ranking of 8th corporate governance evaluation. Prioritized matters to be reviewed and improved for items which 9th corporate governance evaluation index:</p> <ol style="list-style-type: none"> 1. The Company shall upload the annual report in English 18 days prior the Regular Shareholders Meeting held. 2. The Company shall develop and disclose prohibitions of insiders such as directors or employees to use the insider regulation unpublished to the market and to trade stock securities on the company website. The content includes (but not limited to) prohibiting the directors from trading the stocks in 30 days before the publication of the annual financial statements and during the closing period in 15 days before the publication of quarterly financial statements, as well as explanation of the execution. 3. The corporate interim financial statements are agreed by the Audit Committee and submitted to the Board for Directors for discussion and resolution. 4. Each year the company routinely conducts internal performance evaluation on functional committees (at least including the audit committee and salary and remuneration committee) and disclose the execution and evaluation results on the company website or annual report. 5. The Company calls for physical Shareholders’ Meeting with assistance in video conferencing (video conference assisted shareholders) 				

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	Professional Qualification and Work Experience(Note1)	Independence Criteria(Note2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director (Convener)	LEE, SHYH-CHIN	Expertise in business, finance, and accounting professionalism with information and communication industries. Served as Vice President of Finance in Chunghwa Telecom and Chairman of CHPT (at least five years' work experience).	<ol style="list-style-type: none"> 1. Not a person, spouse, relative within the second degree of kinship acting as the director, supervisor or employee of the Company or affiliated enterprise. 2. The person, spouse, or relative within the second degree of kinship does not hold company shares. 3. The person does not act as the director, supervisor or employee of an affiliated enterprise with specific relation with the Company. 4. Not a professional who provides commercial, legal, financial, accounting, or other related services with compensation with the past two years to the Company or affiliated enterprise. 	0
Independent Director	HSU, HUNG-YUAN	A certified public account with a specialty in bank financing. Served as director at Taipei Exchange and concurrent professor and director at National Chengchi University. Currently the adjunct professor at the accounting department of National Chengchi University (at least five years' work experience).	<ol style="list-style-type: none"> 1. Not a person, spouse, relative within the second degree of kinship acting as the director, supervisor or employee of the Company or affiliated enterprise. 2. The person, spouse, or relative within the second degree of kinship does not hold company shares. 3. The person does not act as the director, supervisor or employee of an affiliated enterprise with specific relation with the Company. 4. Not a professional who provides commercial, legal, financial, accounting, or other related services with compensation with the past two years to the Company or affiliated enterprise. 	0

Independent Director	CHOU, LIANG-CHEN G	Certified attorney with specialty in asset management. Currently the attorney in charge at Jia Wei & Co., CPAs (at least five years' work experience).	<ol style="list-style-type: none"> 1. Not a person, spouse, relative within the second degree of kinship acting as the director, supervisor or employee of the Company or affiliated enterprise. 2. The person, spouse, or relative within the second degree of kinship does not hold company shares. 3. The person does not act as the director, supervisor or employee of an affiliated enterprise with specific relation with the Company. 4. Not a professional who provides commercial, legal, financial, accounting, or other related services with compensation with the past two years to the Company or affiliated enterprise. 	2
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- Note:1. Professional qualification and experience: Describe the professional qualification and experience of individual member of salary and remuneration committee.
2. Conformance with independence: Describe the conformance of independence by members of the Salary and Remuneration Committee, including but not limited to the person, spouse, relative of second degree kinship serving as the director, supervisor, or employee of the Company or affiliated enterprises; The number of shares and weight held by the person, spouse and relative of second degree kinship (or holding through the name of others); Does the person serve as the director, supervisor or employee of the enterprises with special relation to the Company (Refer to the establishment of corporate salary and remuneration committee when the stocks go listing at Taiwan Stock Exchange and under the provisions 5~8 of paragraph 1, Article 6 of Regulations Governing the Exercise of Power); the amount of remuneration acquired from providing commercial, legal, financial, accounting services to the Company or other affiliated enterprises in recent 2 years.

B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 4 (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	LEE, SHYH-CHIN	4	0	100.00%	
Committee Member	HSU, CHUNG-YUAN	4	0	100.00%	
Committee Member	CHOU, LIANG-CHENG	4	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 6th Meeting of the 10th Board of Directors on February 26, 2021	1. Proposal of distribution of 2020 managers' bonuses.
	2. Proposal of the 2020 incentives reserves for the Company's employees.
	3. Proposal of distribution of 2020 remuneration of employees and directors.
	4. Proposal of amendment to "Director Remuneration and Remuneration Management Regulations".
	Resolutions by the Remuneration Committee (on Feb. 03, 2021): 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 7th Meeting of the 10th Board of Directors on April 09, 2021	1. Proposal for distribution of compensation to each Director in 2020.
	2. Proposal for distribution employee's remuneration to each manager in 2020.
	3. Proposal for distribution of employee incentive to each manager in 2020.
	4. Proposal of the separate performance appraisal to directors and managers and the relevance and reasons of the contents and amounts of remuneration.
	Resolutions by the Remuneration Committee (on April 09, 2021): 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 9th Meeting of the 10th Board of Directors on July 30, 2021	1. Proposal of Company repurchase of stock options to employees.
	Resolutions by the Remuneration Committee (on July 30, 2021): 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 10th Meeting of the 10th Board of Directors on Oct. 29, 2021	1. Proposal of performance assessment indicators for Board of Directors and members as well as functional committees.
	2. Proposal of Second repurchase of company stock options to employees' subscription of inadequate number of shares through subscription by other employees (including managerial officers).

Board Meeting	Proposal and Subsequent Disposal
	3. Proposal of amendment to Company’s “Regulations Governing the Administration of Company Cars for Supervisors.”
	4. Proposal of suggestions for Salary Increase in Company Managers.
	5. Proposal of amendment to “Director Remuneration and Remuneration Management Regulations”.
	Resolutions by the Remuneration Committee (on Oct. 29, 2021): 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 Execution of Promotion in Sustainable Development and Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company establish the governance framework for promoting sustainable development and establish the unit dedicated to the promotion of sustainable development full-time (part-time)? The board of directors authorize the senior management and report supervisions to the Board of Directors.	✓		The company has established the sustainable development (previously corporate social responsibility) promotion project organization on February 2017. Department of Administration serves as the concurrently dedicated unit in charge of preparing the annual related budget, assisting with proposal of sustainable development policy or system, with all execution units implementing the corporate governance, customer care, environmental protection, and employee and social care (charity) policies, thereby reporting the execution to the Board of Directors under the supervision of the Board of Directors. The result of implementing the 2021 social responsibility was reported to the Board of Directors on February 24, 2022.	None
2. 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	None

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>in major meetings and on the intranet.</p> <p>(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.”</p> <p>Environmental Protection and Product Liability</p> <p>(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 units in charge at factories and are reviewed on a monthly basis.</p> <p>(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.</p> <p>(3) The Company assesses the potential risks and opportunities of climate change for the future business operations while continuously improving production equipment and</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>hardware processes and investing in the development of energy-saving products.</p> <p>(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.</p> <p>Protection of Labor Rights and Workplace Safety</p> <p>(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.</p> <p>(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</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>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.</p> <p>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 sporting activities for the disadvantaged in remote areas. The aforementioned risk assessment includes all companies within the group.</p>	
<p>3. Environmental Issues</p> <p>(1) Does the company establish proper environmental management systems based on the characteristics of their industries?</p>	✓		<p>(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 and REACH. The Company will continue to comply with</p>	None

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		RoHS . 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). (2) The Company has authorized qualified suppliers to be in 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. Coating powder collection tower, waste gas sprinkler maintenance and repair, and sewage treatment system projects.	None
(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	✓		(4) The company compiled the statistics on the greenhouse gas emission, water consumption and waste weight from the	None

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
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?			<p>past 2 years. Please refer to the following Table 1~3 for statistics and explanation. The Utilities Conservation Management Regulations have been formulated to specify management approaches and units in charge at factories and set the target at 2%, and wastes at 5% for 2021. The Company has currently completed the introduction of hardware automation equipment and silane pre-Treatment for coating, electric control box alteration, carbonization furnace exhaust pipe, coating exhaust treatment, improvement project on paint mixing room, installation of active charcoal filter, as well as environmental projects and continued to improve manufacturing processes. In addition, the Company has formulated the "Environmental Impact Management Procedures" to enhance energy conservation and carbon reduction, environmental protection, and waste reduction. The following information has not be verified by third party but the administration unit reports utilities consumption for analysis and review in monthly meetings.</p> <p>Table 1: Greenhouse Gas Emission in last 2 years (Scope 1 and Scope 2 include overseas plans, Scope 3 includes headquarters in Taiwan)</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																														
	Yes	No	Abstract Explanation																															
			<p style="text-align: right;">unit : KgCO2</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Scope 1 + Scope 2</th> <th>Product emission by unit</th> <th>Scope 3</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>26.11</td> <td>176.71</td> <td>202.82</td> <td>0.685</td> <td>0.46</td> </tr> <tr> <td>2021</td> <td>34.41</td> <td>203.04</td> <td>237.45</td> <td>0.622</td> <td>0.35</td> </tr> <tr> <td>Difference</td> <td>8.30</td> <td>26.33</td> <td>34.63</td> <td>-0.063</td> <td>-0.10</td> </tr> <tr> <td>%</td> <td>31.74</td> <td>14.90</td> <td>17.07</td> <td>-9.20</td> <td>-22.99</td> </tr> </tbody> </table> <p>CO2 emission conversion citing the greenhouse gas emission coefficient management Table 6.0.4</p> <p>The total greenhouse emission in scope 1 and scope 2 of 2021 was 237.45 thousand tons CO2e, with the product emission by unit being 0.622kgCO2e/pcs, which mainly came from the power emission in scope 2, accounting for 85.51% of the aforementioned emission, followed by the gas emission used for the processing of Scope 1, accounting for 14.49%. The 2021 greenhouse gas emission was increased by 34.62 thousand tons, up 17.07%, compared with that in 2020. The main reason being that the increased production in 2021 led to the increase in gas and power consumption used by the processing, while the greenhouse gas emission also relatively increased. The greenhouse gas emission in Scope 3 of 2021 was declined compared with</p>	Year	Scope 1	Scope 2	Scope 1 + Scope 2	Product emission by unit	Scope 3	2020	26.11	176.71	202.82	0.685	0.46	2021	34.41	203.04	237.45	0.622	0.35	Difference	8.30	26.33	34.63	-0.063	-0.10	%	31.74	14.90	17.07	-9.20	-22.99	
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	Yes	No	Abstract Explanation											
			<p>2020 mainly because the impact of COVID-19 pandemic reduced business trips and thereby declined overseas business. With regards to the product emission by unit, the 2021 emission was down by 9.2% compared with 2020, which exceeded the target objectives by $\pm 2\%$.</p> <p>Table 2: Statistics of Water Consumption</p> <p style="text-align: right;">unit : m³</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2020</th> <th>2021</th> <th>Difference</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Water consumption</td> <td>67,043</td> <td>65,237</td> <td>(1,806)</td> <td>-2.69</td> </tr> </tbody> </table> <p>Identification reveals that water consumption for hardware vibration and grinding, water consumption for pre-coating treatment, and employee living water ranked the top three water consumption. The water consumption for hardware vibrating and grinding has been introduced with waste water recycling equipment, where generated waste water undergoes flocculation, sludge separation, before returning. The two sand-blasters are introduced to polish some processing previously done by sand-blasters in order to reduce water consumption. The water consumption for pre-coating treatment cuts down the spillover water under operation standards to centralize the production process.</p>	Year	2020	2021	Difference	%	Water consumption	67,043	65,237	(1,806)	-2.69	
Year	2020	2021	Difference	%										
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Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons															
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			<p>Table 3: Wastes Statistics</p> <p style="text-align: right;">unit : ton</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Non-Hazardous Wastes</th> <th>Hazardous Wastes</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>80.18</td> <td>26.75</td> </tr> <tr> <td>2021</td> <td>80.14</td> <td>26.49</td> </tr> <tr> <td>Difference</td> <td>(-0.04)</td> <td>(0.26)</td> </tr> <tr> <td>%</td> <td>-0.05</td> <td>-0.98</td> </tr> </tbody> </table> <p>Corporate wastes are treated separately by non-hazardous wastes and hazardous wastes. In particular, the former accounts for the majority of treatment and the hazardous wastes mainly consist of the coating dregs and surface treatment sludge, which are consigned to external professional companies for cleaning and treatment. Recently, the system of waste classification has been widely promoted in overseas plants in order to improve employees’ awareness of environmental protection and developing habits of classifying the wastes. Meanwhile, the suppliers are encouraged to recycle the package for reuse, thereby to reduce the amount of wastes and recycle for reuse.</p>	Year	Non-Hazardous Wastes	Hazardous Wastes	2020	80.18	26.75	2021	80.14	26.49	Difference	(-0.04)	(0.26)	%	-0.05	-0.98	
Year	Non-Hazardous Wastes	Hazardous Wastes																	
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2021	80.14	26.49																	
Difference	(-0.04)	(0.26)																	
%	-0.05	-0.98																	
<p>4. Social Issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to</p>	✓		<p>(1) The company has formulated human rights protection policies and concrete management plans based on</p>	None															

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>relevant regulations and the International Bill of Human Rights?</p> <p>(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 appropriately?</p>	✓		<p>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.</p> <p>(2) Description of Employee Benefits</p> <p>a. Employee Remuneration</p> <p>The employee remuneration is appropriated from 5%~15% of the company surplus for current year, if any, in accordance with the provisions prescribed in Articles of Incorporation. The year-end bonus system takes comprehensive consideration of the operation conditions of the current year before determining the base of annual bonus, and is calculated and distributed to all employees according to the employee seniority and annual performance weight. The system will encourage all employees to work for the company objectives. A special</p>	None

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>budget connecting the company management and personal work performance will be appropriated to different staff in design, production and sales/marketing through various rewards. For example, the employee stock options, performance bonus and production bonus. The annual cumulative operating revenue of the company is also linked with accomplishment of the pre-tax income to appropriate incentive bonus to employees.</p> <p>b. Other benefit measures To take full care of employees and protect their living conditions, the Company provides basic security by law and provide or sponsor the promotion of various benefit plan. The occupational welfare commission is incorporated to take charge of the planning and execution of different occupational welfare matters. For example, the three major lunar calendar holidays, labor’s day, birthdate, wedding, giving birth, emergency rescue, funeral subsidies, monthly birthday celebration, and employee travel subsidy as well as other occupational benefits. Additionally, free health examination programs for employees, supervisor health examination grants, and transportation allowance and free parking space for</p>	

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>supervisors are also offered. For personnel dispatched overseas, their spouses will be offered subsidy for transportation and accommodation. The Company also offers incentive leave for female giving birth, birthday leave, and pandemic vaccination leave with pay, as well as other benefits.</p> <p>c. Workplace diversification and equality The Company is committed to implement the remuneration criteria for men and women with the same work and same pay, with equality in promotion. In 2021, the female employees account for 49% of all employees of the group while female supervisors account for 44% of all managerial officers. The Company values employees’ rights by providing employee opinion response platform and sharing profits with employees, in order to maintain excellent work condition and environment.</p> <p>d. Total remuneration policy The Company takes consideration of the corporate finance and operation each year, consumer price index, and the salary base adjusted by the government each year to evaluate the annual salary adjustment program. In 2021, the average salary increase for employees is approximately</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(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?	✓		<p>3.5%.</p> <p>(3) The Company organizes related activities on a regular basis. Inspection to public safety of buildings is conducted biennially (conducted in December, 2021), occupational disease hazardous factor testing in factory environment (conducted in May), secondary training for factory safety management personnel (conducted in June), fire safety inspection (conducted in November), fire safety seminar (conducted in July), emergency rescue seminar (conducted in August), employee health examination (conducted in Sep. and Oct.) 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 safety and 6S for a total of 304.75 hours were organized for China-based employees to improve their awareness of safety. There were five occupational safety accidents occurred in overseas factory in 2021, and the injury of 5 people accounted for 0.83% of total employees. In particular, 3 of the accidents involved traffic accidents outside the factory and 2 accidents involved production line workers not wearing the protective</p>	None

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company provide its employees with career development and training sessions?	✓		<p>device by requirement. For traffic and occupational safety accidents, the Company has reinforced the promotion on safety education and assisted the employees with medical treatment and family care during the period of hospitalization; 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 regularly assign the third party to conduct factory environmental safety inspection (including noise, wastewater, and exhaust monitoring). Each month, the third party inspects the wastewater disposed of coating production and executes monthly safety production accident screening to prevent the working environment from health hazards.</p> <p>(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 plan and budget for training sessions to conduct pre-work, on-the-job, and dispatch training, in order to provide training for employees and encourage employees with certification in work related competence. The total training hours for 2021 reached 3,338.5 H.</p>	None

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(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. Meanwhile, the company also insures product liability insurance that applies to all sales region worldwide, in attempt to protect user interests in products.	None
(6) Does the company establish the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or	✓		(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 should meet the regulations of the following standards: legal commitment, respect for employees' human rights, prohibiting the use of child labor, employee safety and	None

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
labor rights and supervise their compliance?			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. Each year the suppliers will undergo evaluation.	
5. Does the company refer to the guidelines for the preparation of internationally accepted reports and prepare Sustainable Development 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 Sustainable Development but has disclosed its Sustainable Development in the annual report.	The Company shall prepare the report according to the regulatory requirement or actual needs.
6. If the Company has established the Sustainable Development principles based on “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has established its Sustainable Development Best Practice Principles according to the Sustainable Development 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 Sustainable Development 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. 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. The overseas plants have been selected by local governments at the end of 2021 as the 2020 “Enterprise of Environmental Protection Excellence.”				

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
2. 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.				
5. Fulfillment of other CSR and social welfare in 2020 are as following				
(1) The Company donated NT50,000 to Taiwan Society of Interior Designers in April in sponsorship of the 15 th aiwan Student Interior Design Award..				
(2) The company donated 800RMB to (Zhong Shan) Taiwan Business Investors Social Association in May in sponsorship of Mother’s Day and photography competition campaign.				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>(3) Donated 100,000 NTD in Sep. to the Andrew Center of Diocese of Hualien, Catholic Church.</p> <p>(4) Donated 100,000 NTD for funding the construction of “Andrew Nursing Home” to Diocese of Hualien, Catholic Church in Sep. to raise welfare for aged and physical and mental challenged.</p> <p>The Company would continue to fulfill its corporate social responsibility through practical actions.</p>				

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	
<p>1.Establishment of ethical corporate management policies and programs</p> <p>(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?</p> <p>(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</p>	<p>✓</p> <p>✓</p>		<p>(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.</p> <p>(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</p>	<p>None</p> <p>None</p>

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(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?</p>	✓		<p>conflicts of interest to ensure open and transparent decision-making. Additionally, the employees may not accept gifts or cash from customers or suppliers but should hand it over to the management for collective handling.</p> <p>(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.</p>	None
2.Fulfill operations integrity policy				

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) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		(1) Before developing a commercial relationship with 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.	None
(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 2021 was reported to the Board of Directors on December 20, 2021. 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.	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	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		<p>II. Formulate prevention programs against unethical conduct and establish the standard operating procedures and code of conduct in each program.</p> <p>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.</p> <p>IV, Promote and organize training on ethical corporate management policies.</p> <p>V. Develop a whistle-blowing system and ensure its effectiveness.</p> <p>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.</p>	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	
(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?	✓		<p>discussion and voting, where there is a likelihood that the interests of this Corporation would be prejudiced. In 2021, some directors had a stake in 5 proposals at the board meeting and recused themselves from the voting.</p> <p>(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.</p> <p>In addition, lighting imported by the Company was tested and certified by the Electronics Testing Center to ensure the safety of lighting. In 2021, the following items were certified additionally: 40 items of 2 type of recessed lights, 8 items of 2 type of track lights, the certification operation would be conducted by the Department of Materials.</p>	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 2021, 413 personnel of the Company had attended internal and external education and courses regarding integrity management (including integrity management regulations and safety certification, accounting systems and internal control and other related ones) for 934.3 hours. In 2021, the Company scheduled internal and external training courses for directors, managers, and related parties of material information. The content of the courses includes 16.5 hours in total of insider trading act, applicable investment, the framework of regulations, scope of material impact and information, and recognition and penalties of insider trading period. The presentation and video of internal training courses are uploaded to the internal employee system for review at any time.	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	✓		(1) The Company has established the Regulations Governing Handling of Reported Illegal and Unethical or Dishonest Cases and set up the unit in charge	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	
reached by an appropriate person for follow-up?			(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.	
(2) Does the company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	✓		(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 Regulations, the unit in charge shall hold the entire process of the investigation confidential.	None
(3) Does the company provide proper whistleblower protection?	✓		(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	✓		The Company disclosed its Ethical Corporate Management Best Practice Principles and corporate governance on 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	
corporate management policies and the results of its implementation on the company’s website and MOPS?			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.	
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 (amended on April 07, 2022) and specify that directors, 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, 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 and directors would receive regulation-related documents by e-mail to avoid the insider trading.

To fulfill Sustainable Development utmost, the Company had established a Sustainable Development 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 24, 2022

The Statement and Self-appraisal to the Internal Control Systems of the Company in 2021 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, 2021 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 24 of 2022 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: HUNG, CHIA-CHENG

3.3.10 Major Resolutions of Shareholders' Meeting and Board Meetings

Date	Item	Major resolutions
02.26,2021	Board meeting	<ol style="list-style-type: none"> 1. Approved the proposal of distribution of 2020 managers' bonuses. 2. Approved the proposal of the 2020 incentives reserves for the Company's employees. 3. Approved the proposal of distribution of 2020 remuneration of employees and directors. 4. Approved the proposal of amendment to "Director Remuneration and Remuneration Management Regulations." 5. Approved the proposal of record date for issuance of new shares by common stock exchanged from employee stock option certificates. 6. Approved the 2020 annual internal control system statement. 7. Approved the Company's 2020 annual business operating report, individual statement and consolidated financial reports. 8. Approved of the proposal of the distribution of 2020 earnings of the Company. 9. Approved the proposal of the distribution of cash dividends of the Company 10. Approved of the proposal of call for 2021 Shareholders' Meeting. 11. Approved the proposal of applying for credit applying for credit lines to Mega International Commercial Bank by the Company. 12. Approved the additional investment credit on "ARTSO INTERNATIONAL, INC."
04.09,2021	Board meeting	<ol style="list-style-type: none"> 1. Approved the proposal of the 2020 separate distribution of remuneration to directors. 2. Approved the proposal of 2020 amount of employee remuneration for managers. 3. Approved the proposal of 2020 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 amendment to the Company's "Regulations for Property Management"

Date	Item	Major resolutions
07.30,2021	Board meeting	<ol style="list-style-type: none"> 1. Approved the proposal of changing the date and venue convened for the 2021 Shareholders' Meeting. 2. Approved the proposal of Company repurchase of stock options to employees. 3. Approved the proposal of record date for issuance of new shares by common stock exchanged from employee stock option certificates.
08.19,2021	Shareholders' meeting (Note)	<ol style="list-style-type: none"> 1. Adoption of the 2020 Business Report and Financial Statements. 2. Adoption of the Proposal for Distribution of 2020 Profits. 3. Discussion of the Proposal for Amendment to the Company's Rules of Procedure for Shareholder Meetings. 4. Discussion of the Proposal for Amendment to the Company's Regulations Governing the Election of Director. 5. Discussion of the Proposal for Amendment to the Company's Loans and Funds Operating Procedures.
10.29,2021	Board meeting	<ol style="list-style-type: none"> 1. Approved the proposal of performance assessment indicators for Board of Directors and members as well as functional committees. 2. Approved the proposal of second repurchase of company stock options to employees' subscription of inadequate number of shares through subscription by other employees (including managerial officers). 3. Approved the proposal of amendment to Company's "Regulations Governing the Administration of Company Cars for Supervisors." 4. Approved the proposal of suggestions for Salary Increase in Company Managers. 5. Approved the proposal of amendment to the Company's "Director Remuneration and Remuneration Management Regulations." 6. Approved the proposal of record date for issuance of new shares by common stock exchanged from employee stock option certificates.
12.20,2021	Board meeting	<ol style="list-style-type: none"> 1. Approved the proposal of 2022 annual budget. 2. Approved the proposal of 2022 audit projects. 3. Approved the proposal of increasing working capital of Hong Kong Branch of TONS LIGHTOLOGY INC. 4. Approved the proposal of factory lease contract signed between Zhongshan Titan Lighting Co., Ltd. and Zhongshan TONS

Date	Item	Major resolutions
		Lighting Co., Ltd
02.24,2022	Board meeting	<ol style="list-style-type: none"> 1. Approved the proposal of distribution of 2021 managers' bonuses. 2. Approved the proposal of the 2021 incentives reserves for the Company's employees. 3. Approved the proposal of distribution of 2021 remuneration of employees and directors. 4. Approved the proposal of Mr. WANG CHIH-YUAN's promotion from associate manager to vice president and the salary increase. 5. Approved the proposal of record date for issuance of new shares by common stock exchanged from employee stock option certificates. 6. Approved the 2021 annual internal control system statement. 7. Approved the Company's 2021 annual business operating report, individual statement and consolidated financial reports. 8. Approved the proposal of the distribution of 2021 earnings of the Company. 9. Approved the proposal of the distribution of cash dividends of the Company. 10. Approved the amendment to the Company's "Articles of Incorporation." 11. Approved the amendment to the Company's "Articles of Incorporation for Audit Committee". 12. Approved the amendment to the Company's "Regulations Governing Procedure for Board of Directors Meetings". 13. Approved the amendment to the Company's "Corporate Social Responsibility Best Practice Principles." 14. Approved the proposal of call for 2021 Shareholders' Meeting. 15. Approved the proposal of applying for credit applying for credit lines to Mega International Commercial Bank by the Company. 13. Approved the proposal of 2022 and 2023 accountant's fees.
04.07,2022	Board meeting	<ol style="list-style-type: none"> 1. Approved the proposal of the 2021 separate distribution of remuneration to directors. 2. Approved the proposal of 2021 amount of employee remuneration for managers. 3. Approved the proposal of 2021 amount of special incentives for managers. 4. Approved the proposal of the separate performance appraisal to

Date	Item	Major resolutions
		<p>directors and managers and the relevance and reasons of the contents and amounts of remuneration.</p> <p>5. Approved the amendment to the Company’s “Procedures for the Acquisition and Disposal of Assets”.</p> <p>6. Approved the amendment to the Company’s “Rules of Procedure for Shareholder Meetings”.</p> <p>7. Approved the amendment to the Company’s “Corporate Governance Best Practice Principles.”</p> <p>8. Approved the amendment to the Company’s “Procedures for Handling Material Inside Information.”</p> <p>9. Approved the proposal of Setting up management department as concurrent department in promoting sustainable development.</p> <p>10. Approved the proposal of capital reduction of the first repurchased treasury shares.</p>
04.28,2022	Board meeting	1. Approved the proposal of 2022 Q1 Consolidated Financial Statements.

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

1. For distribution of surplus, at the meeting on Feb. 26, 2021, the Board of Directors had determined the June 22, 2021 as the ex-dividend date and the distribution of cash dividends shall be completed by July 16, 2021 (2.40 NTD as cash dividend per share).
2. “Rules of Procedure for Shareholder Meetings”, “Rules of Procedure for Shareholder Meetings” and “Rules of Procedure for Shareholder Meetings” will be set up on the company website after the approval by the Shareholders’ Meeting with revision for procedure execution.

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, Director of Corporate Governance and R&D

None

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Subtotal	Remarks
Pricewaterhouse Coopers Taiwan	HUNG, SHU-HUA	01 01, 2021-12 31, 2021	3,420		3,420	Quarterly report, annual report
	LIU, MEI-LAN	01 01, 2021-12 31, 2021				
Pricewaterhouse Coopers Taiwan	LEE, PEI-HSUAN	01 01, 2021-12 31, 2021		116	116	Registration of change
Pricewaterhouse Coopers Taiwan	LEE, PEI-HSUAN	01 01, 2021-12 31, 2021		420	420	Transfer pricing report
Pricewaterhouse Coopers Taiwan	HUNG, SHU-HUA	01 01, 2021-12 31, 2021-		200	200	Tax return
Pricewaterhouse Coopers Taiwan	HUNG, SHU-HUA	01 01, 2021-12 31, 2021		40	40	Payroll checklist

3.4.2 Replacement of CPA

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

A. Formerly Appointed CPAs

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

B. Newly Appointed CPAs

Firm Name	PwC Taiwan
Names of CPAs	HUNG, SHU-HUA /LIU, MEI-LAN
Dates of Appointment	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 2021.

3.5 Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2021		As of April 30, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director Chairman	TANG,SHIH-CHUAN	-	-	-	-
Director General Manager	HUNG,CHIA-CHENG	22,500	-	-	-
Director	CHEN,MING-HSIN	-	-	-	-
Director	HSIAO, CHEN-CHI	-	-	-	-
Independent Director	HSU,CHUNG-YUAN	-	-	-	-
Independent Director	CHOU,LIANG-CHENG	-	-	-	-
Independent Director	LEE, SHYH-CHIN	-	-	-	-
Senior Vice President	HU,CHEN-KUANG	75,500	-	-	-
Vice General Management	WANG,CHIH-YUAN	101,750	-	-	-
Assistant Vice President	KUO,CHUNG-TSU	(26,000)	-	-	-
Assistant Vice President	KUO,CHING-HSING	35,000	-	-	-
Assistant Vice President	CHAN,YI-CHEN	139,700	-	11,000	-
Assistant Vice President	HUNG,YAO-YANG	34,750	-	9,000	-
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	02/04/2021	HUNG, YU-JOU	Father and daughter	78,000	-

3.5.2 Shares Pledge with Related Parties

None

3.6 Relationship among the Top Ten Shareholders

As of 03/28/2022

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	8.76%	1,215,013	3.01%	-	-	1.YU, HUI-CHEN 2.TANG, CHENG-HAN 3.TANG, MIN 4.TANG,YUN	1.Spouse 2.Father and son 3.Father and daughter 4.Father and daughter	-
Chengmin Investment Corp. (Note 1)	1,950,182	4.83%	-	-	-	-	YU, HUI-CHEN	Director	-
TANG, CHENG-HAN	1,602,034	3.97%	-	-	-	-	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	3.81%	-	-	-	-	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	-
TANG, MIN	1,537,306	3.81%	-	-	-	-	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	-

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	
Tons Lightology Inc	1,500,000	3.72%	-	-	-	-	-	-	Treasury Stock
YU, HUI-CHEN (Note 1)	1,215,013	3.01%	3,535,633	8.76%	-	-	1.TANG, SHIH-CHUAN 2.TANG, CHENG-HAN 3.TANG, MIN 4.TANG, YUN	1.Spouse 2.Mother and son 3.Mother and daughter 4.Mother and daughter	-
HUNG, CHIA-CHENG	1,107,881	2.74%	249,062	0.62%	-	-	-	-	-
LU, HUI-CHUAN	807,858	2.00%	717,226	1.78%	-	-	HUANG, YI-PO	Spouse	-
HUANG, YI-PO	717,226	1.78%	807,858	2.00%	-	-	LU, HUI-CHUAN	Spouse	-
WANG, CHIH-YUAN	540,350	1.34%	-	-	-	-	-	-	-

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 28, 2022. The paid-in share capital is 40,372,053 shares.

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
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.	16,000	100.00	-	-	16,000	100.00
ART SO TRADING LIMITED	17,000	48.57	-	-	17,000	48.57
ARTSO INTERNATIONAL, INC.	15,000	30.00			15,000	30.00

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

As of 04/30/2022, 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
08/2020	-	50,000	500,000	39,653	396,533	Decrease in 600 thousand shares by the cancellation of stock repurchase	-	Note37
11/2020	25.7	50,000	500,000	39,672	396,723	Increase in 19 thousand shares by employee stock options	-	Note38
03/2021	25.7	50,000	500,000	39,961	399,615	Increase in 289.25 thousand shares by employee stock options	-	Note39
08/2021	23.6	50,000	500,000	40,161	401,615	Increase in 2005 thousand shares by employee stock options	-	Note40
11/2021	23.6	50,000	500,000	40,203	402,030	Increase in 41.5 thousand shares by employee stock options	-	Note41

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
03/2022	23.6	50,000	500,000	40,372	403,720	Increase in 169 thousand shares by employee stock options	-	Note42
04/2022	-	50,000	500,000	39,372	393,720	Decrease in 1,000 thousand shares by the cancellation of stock repurchase	-	Note43

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 Dec. 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 Oct. 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.
 Note 37: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1098057961 dated August 27, 2020.
 Note 38: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1098083442 dated November 24, 2020.
 Note 39: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1108018112 dated March 22, 2021.
 Note 40: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1108058495 dated August 23, 2021.
 Note 41: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1108082509 dated November 19, 2021.
 Note 42: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1118019905 dated March 22, 2022.
 Note 43: Board of Directors approved reverse split date for April, 25, 2022 on April 7, 2022.

B. Type of Stock

As of 03/28/2022

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	40,372,053	9,627, 947	50,000,000	Shares of GTSM listed companies

C. Information for Shelf Registration

None

4.1.2 Status of Shareholders

As of 03/28/2022

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Treasury Stock	Total
Number of Shareholders	-	-	17	7,421	13	1	7,452
Shareholding (shares)	-	-	2,444,074	36,060,084	367,895	1,500,000	40,372,053
Percentage	-	-	6.05%	89.32%	0.91%	3.72%	100.00%

4.1.3 Shareholding Distribution Status

A. Common Shares

As of 03/28/2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	3,337	315,872	0.78
1,000 ~ 5,000	3,384	6,353,375	15.74
5,001 ~ 10,000	399	3,125,288	7.74
10,001 ~ 15,000	116	1,418,498	3.51
15,001 ~ 20,000	49	906,703	2.25
20,001 ~ 30,000	62	1,561,610	3.87
30,001 ~ 40,000	22	768,115	1.90
40,001 ~ 50,000	18	796,133	1.97
50,001 ~ 100,000	21	1,467,945	3.64
100,001 ~ 200,000	17	2,677,482	6.63
200,001 ~ 400,000	14	4,051,509	10.04
400,001 ~ 600,000	3	1,419,084	3.52
600,001 ~ 800,000	1	717,226	1.77
800,001 ~ 1,000,000	1	807,858	2.00
1,000,001 or over	8	13,985,355	34.64
Total	7,452	40,372,053	100.00

B. Preferred Shares

None

4.1.4 List of Major Shareholders

As of 03/28/2022

Shareholder's Name	Shares	Percentage
TANG,SHIH-CHUAN	3,535,633	8.76%
Chengmin Investment Corp.	1,950,182	4.83%
TANG, CHENG-HAN	1,602,034	3.97%
TANG, YUN	1,537,306	3.81%
TANG, MIN	1,537,306	3.81%
YU, HUI-CHEN	1,215,013	3.01%
HUNG, CHIA-CHENG	1,107,881	2.74%
LU, HUI-CHUAN	807,858	2.00%
HUANG, YI-PO	717,226	1.78%
WANG,CHIH-YUAN	540,350	1.34%

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

Unit: NT\$

Items		2020	2021	01/01/2022- 03/31/2022	
Market Price per Share	Highest Market Price	32.20	38.90	33.90	
	Lowest Market Price	25.30	28.00	31.00	
	Average Market Price	29.14	33.67	32.45	
Net Worth per Share	Before Distribution	30.03	29.70	30.73	
	After Distribution	27.62	27.59	28.63	
Earnings per Share	Weighted Average Shares (thousand shares)	38,098	38,282	38,850	
	Diluted Earnings Per Share	2.08	2.51	0.25	
	Adjusted Diluted Earnings Per Share	2.08	(Note 1)	(Note 1)	
Dividends per Share	Cash Dividends	2.40	2.10(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)	14.01	13.41	-	
	Price / Dividend Ratio (Note 3)	12.14	16.03	-	
	Cash Dividend Yield Rate% (Note 4)	8.24	6.24	-	

Note 1: The cash dividends distribution for the fiscal year of 2021 was approved by the Board of Directors on February 24, 2022. 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 – 2021	\$95,972,019
Less: Retained earnings adjusted amount - 2021	(48,840)
Less: 10% legal reserve	(9,592,318)
Less: special reserve	(15,935,424)
Distributable amount - 2021	\$70,395,437
Add: Unappropriated earnings - beginning	91,045,122
Accumulated distributable amount - 2021	\$161,440,559
Distributions:	
Shareholder dividend - Cash	81,631,312
Unappropriated earnings - ending	\$79,809,247
Remark: Cash dividend: NT\$2.10 per share	

Note 1: Retained earnings adjusted amount in 2020 for NT\$(48,840) was resulted from the re-valuation of the defined benefit plan.

Note 2: The Company set aside special reserve of NT\$15,935,424 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 24, 2022, the Board of Directors resolved to distribute cash dividends at NT\$2.10 per share.

Note 4: The cash dividend per share was calculated in accordance with the outstanding 38,872,053 shares on February 24, 2022.

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

None

4.1.7 Employees' and Directors' Remuneration

A. Information Relating to Employees' and Directors' 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' 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' Remuneration for Approved in Board of Directors Meeting

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

The proposal for the distribution of the 2021 compensation for employees and directors was approved by the Board of Directors on February 24, 2022. 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	11,896,000	11,896,000	0	N/A
Directors	1,983,000	1,983,000	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\$ 11,896,000.

D. Information of 2020 Earnings Set Aside for Employee Bonus and Directors' Remuneration:

There was no difference between the actual amount of the 2020 compensation distributed to employees and directors and the estimate.

- (a) Compensation distributed to employees: NT\$ 8,691,000.
- (b) Compensation distributed to directors : NT\$ 1,304,000.

4.1.8 Buyback of Treasury Stock

A. Completed

As of 04/30/2022

Terms	First term (note)	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 Repurchased Stock	1,000,000 shares of common stock	1,000,000 shares of common stock
Amount of Repurchased Stock	33,992,152 NTD	28,744,269 NTD
Quantity of Cancelled and Transferred Stock	1,000,000 share	500,000 shares
Accrued Quantity of the Company's Stock Held	0 shares	500,000 shares
Percentage of Accrued Quantity of the Company's Stock Held to the Total Quantity of Issued Stock (%)	0%	1.27%

Note: Board of Directors cancelled on April 7, 2022 and date of reverse split will be April 25, 2022, with changes in paid-in capital being applied.

B. Ongoing

None

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 04/30/2022, Unit: NT, Share, %

Type of Stock Option	5 th Tranche	6 th Tranche
Approval date	12.06,2016	09.07,2018
Issue date	12.23,2016	11.02,2018
Units issued	600,000	600,000
Shares of stock options to be issued as a percentage of outstanding shares(Note 1)	1.50%	1.50%
Duration	5 years	5 years
Conversion measures	Issuance of new shares	Issuance of new shares
Conditional conversion periods and percentages	50% over 2 years	50% over 2 years
	75% over 3 years	75% over 3 years
	100% over 4 years	100% over 4 years
Converted shares	567,250	325,000
Exercised amount	14,542,625	7,890,500
Number of shares yet to be converted	0	261,000
Adjusted exercise price for those who have yet to exercise their rights	23.6	23.6
Unexercised shares as a percentage of total issued shares(Note 2)	0.00%	0.65%

Type of Stock Option	5 th Tranche	6 th Tranche
Impact on possible dilution of shareholdings (Note 3)	100% employee stock options are converted.	If 100% employee stock options are converted, the share capital will increase NT\$2,610 thousand with the equity dilution rate of 0.64%. 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.
<p>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.</p> <p>Note 2 : Refer to the percentage of unexercised shares to total issued shares as of the date of publication</p> <p>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).</p>		

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

As of 04/30/2022, 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	General Manager	HUNG, CHIA-CHENG	568,000	1.4%	87,750	27.80	2,439,450	1.11%	121,250	23.60	2,861,500	0.30%	
	Senior Vice General Manager	HU, CHEN-KUANG			94,750	25.70	2,435,075						
	Vice General Manager	WANG, CHIH-YUAN			264,250	23.60	6,236,300						
	Assistant Vice President	CHAN, YI-CHEN											
	Assistant Vice President	KUO, CHUNG-TSU											
	Assistant Vice President	KUO, CHING-HSING											
	Assistant Vice President	HUNG, YAO-YANG											

	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	Consultant	HUANG, YI-PO(note)	368,000	0.91%	57,750	27.80	1,605,450	0.69%	89,500	23.60	2,112,200	0.22%
	Special Assistant	YU, HUI-CHEN			155,750	25.70	4,002,775					
	Manager	CHANG, HUNG-YU			65,000	23.60	1,534,000					
	Manager	LEE, CHING-KUN										
	Manager	LEE, CHING-WEN										
	Manager	WANG, SU-LAN										
	Manager	YANG, JENG-REN										
	Manager	CHEN, PO-CHOU										
	Assistant Manager	CHIEN, JENG-DAN										
	Assistant Manager	LIN, CHING-WEI										

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 2021	(%) of Total Sales
Lighting and parts	1,051,699	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 Modular Recessed Light
- B. LED High-Performance Module Recessed Light
- C. LED Cabin Ultra-Thin Recessed Light
- D. LED IOT Low Track Spotlight
- E. LED IOT Low Track Pendant Light
- F. LED Low Track Adjustable Spotlight
- G. LED Low Tract Modular Spotlight
- H. LED Office Top/Bottom Wall Light
- I. LED Basic GU10 Spotlight
- J. LED Office Color Switching Light
- K. LED Outdoor Stair High Voltage Wall Light
- L. LED DALI Wiring 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 withdrawn 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.

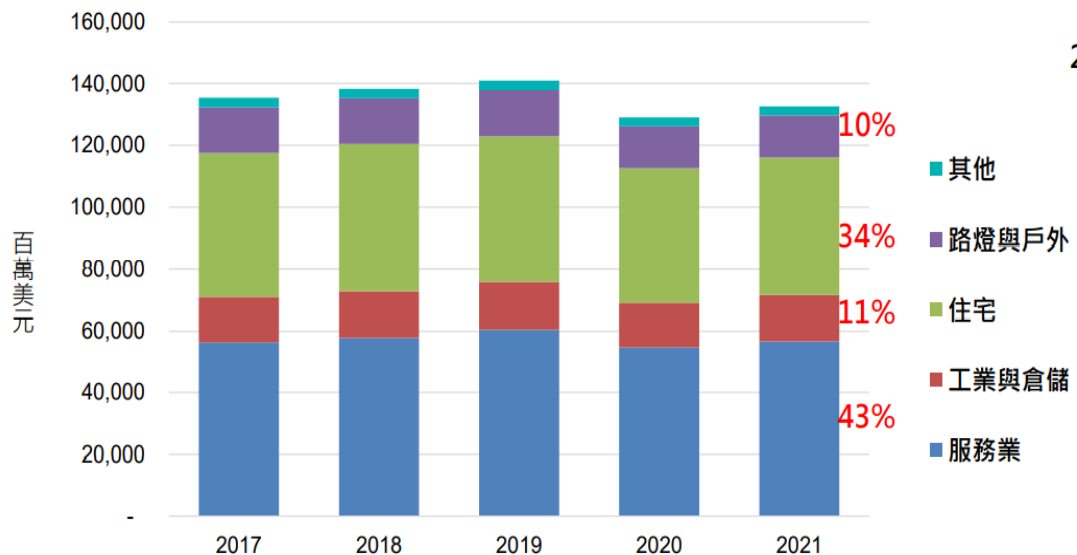
LED lighting is regarded as the illumination source of the century; it has advantages such as smaller sizes, lower energy consumption, longer durability, easier controllability and better shock resistance. Almost every manufacturer is actively involved in the R&D of LED lighting, therefore the obstacles 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.

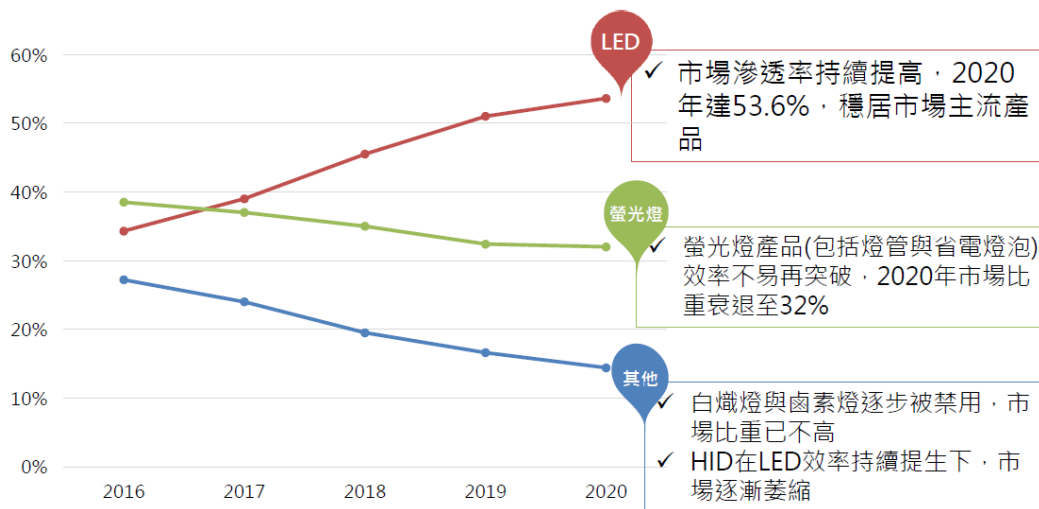
b. Summary of LED Lighting Market

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, and the market penetration rate reached 38%. It reached market penetration rate at 53.6% in 2020. It is estimated by 2021 that the market access rate will reach 57.5% and even 79% by 2025. The LED lighting market is growing at a much higher rate than the one of the global lighting market. 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.

Analysis to Global Market Scale of LED Lighting





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

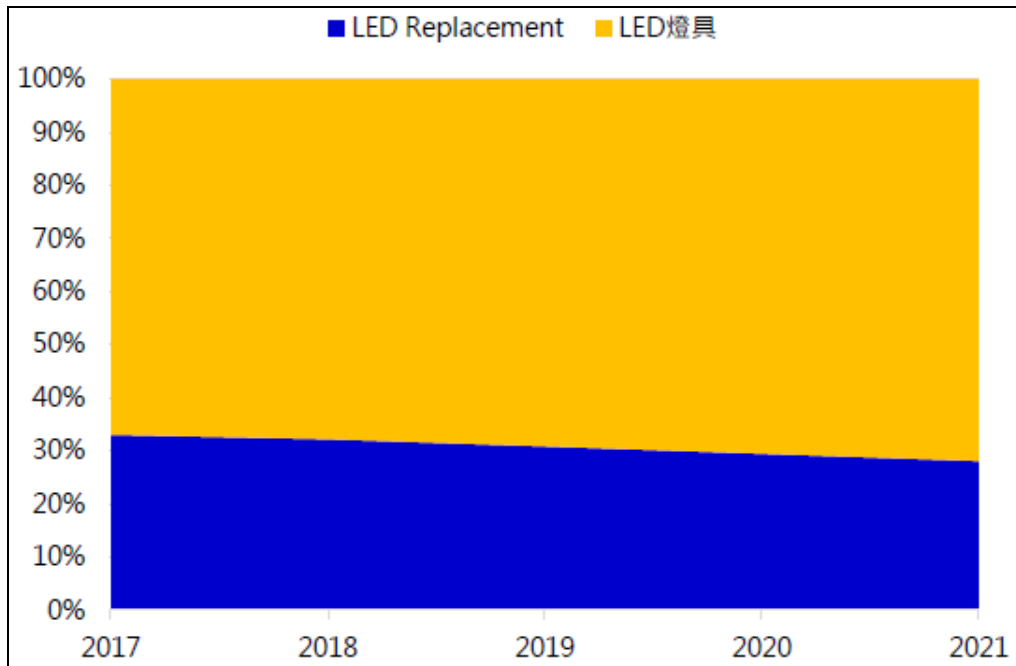


Source: IEK, March, 2011

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.

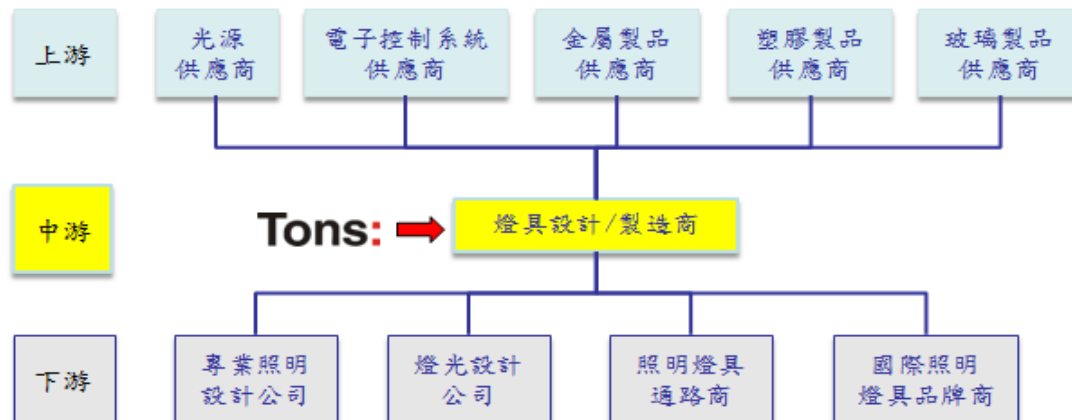
Market Scale of LED Fixtures and LED Lighting in Recent Years



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.

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	2021	2022 (As of March 31)
Expenses	39,420	9,984
Revenue	1,051,699	252,653
(%)	3.75	3.95

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

Year	Specific R&D Results
2021	<ol style="list-style-type: none">1. HT-323* Series One-Circuit Track Power Supply2. TUH Surface/Pendant Installation Low Track System3. TU-212* IOT Low Track Wireless Power Supply System4. Optical Module Switching Spotlight Series, including; SA-1780A Fixed Angle Series SA-4780A Focus variant adjustable series SA-1790A switching light series SL-1780A wall series5. ModFun A cozy modular recessed series, including: DA-162R Fixed series DA-562R Swinging series DA-572R Mini-hole Hotel Light DA-1622R/DA-5622R Complex dual-head series AC-162AZ Interception series accessories6. TU-T100T Low track surface installed with driver box7. DG-L051D Office lighting LED Recessed light8. OGA-236R High Lumens Output Outdoor In-Ground Series
2022	<ol style="list-style-type: none">1. DG-633RST high-performance recessed light2. WG-633RST surface-mounted light3. ModFun C High-performance modular recessed light, including: DA-582R Swinging series DA-F182A Cabin ultra-thin recessed light.4. SAM-533B IOT low track spotlight5. SAM-543B IOT low track spotlight6. PAM-108 IOT low track pendant7. OBS-542S Outdoor Stair High Voltage Wall Light8. PG-L501 Color Switching Lamp9. HSP-380 GU10 Spotlight Series10. DALI Wiring Box Lighting Accessories

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	2021	
	NT\$ thousands	%
Taiwan	47,820	4.55
Europe	753,257	71.62
Asia	187,806	17.86
Oceania	61,421	5.84
Other Area	1,395	0.13
Total	1,051,699	100.00

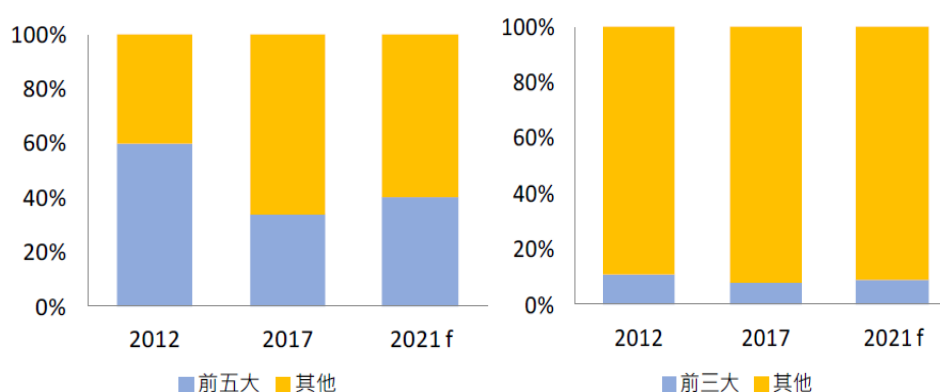
B. Market Share (%) of Major Product Categories

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 (2019/02), the top three manufacturers in the lighting market in 2021 will be under 10% 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

全球光源市場產業集中度變化

全球燈具市場產業集中度變化



Sources: IHS; IEK (Feb. 2019)

C. Future Supply and Demand and Growth of Market

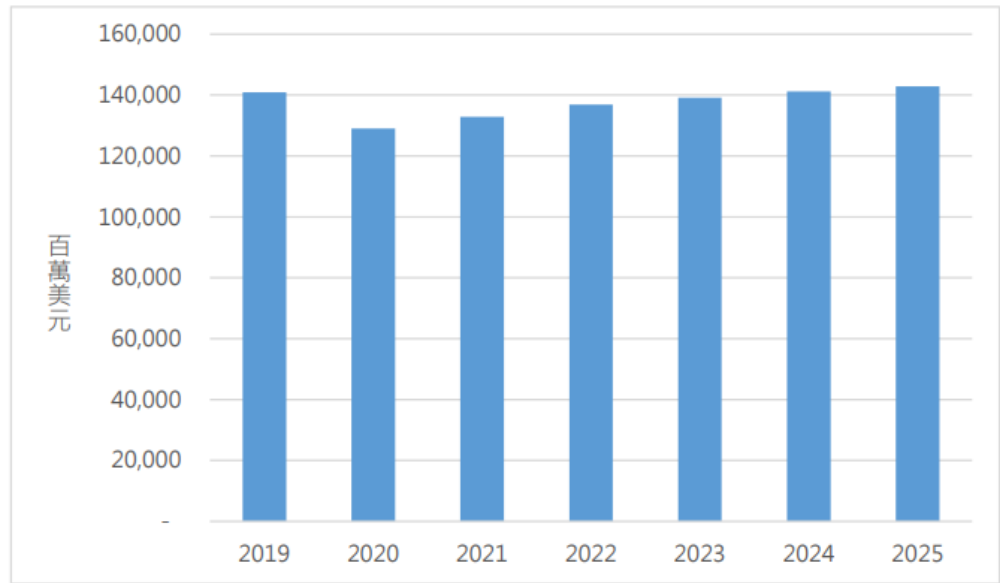
The foundation of the global lighting market is rather stable and sudden explosive growth is unlikely to take place. Its development is mainly affected by factors such as

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 of ancient artifacts, the focus of 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 of 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.

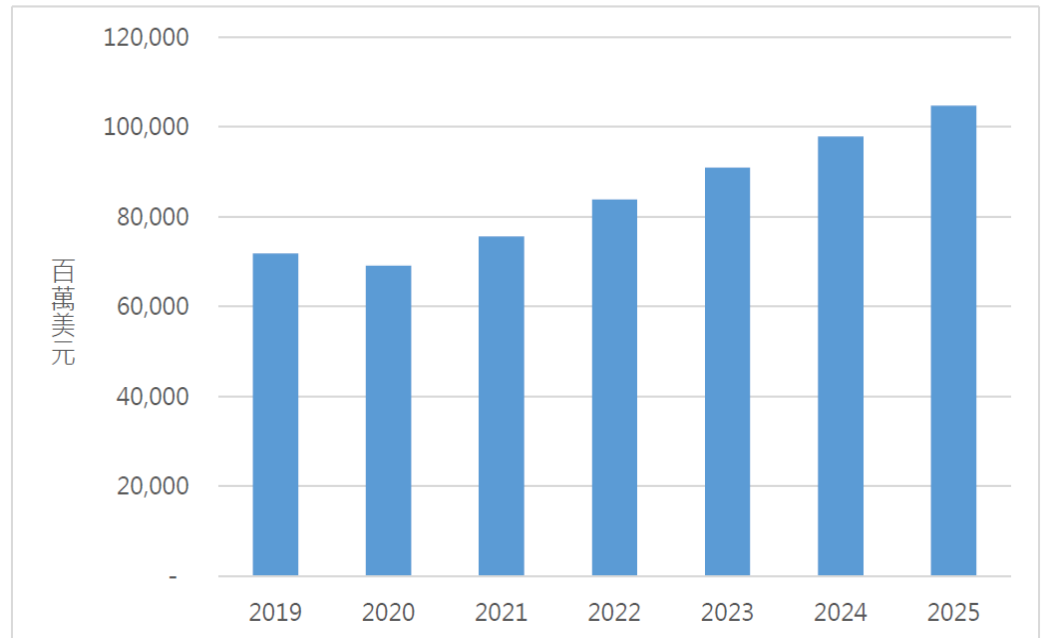
The Company's main clients are professional lighting designing and lighting engineering companies, and large international lighting fixtures manufacturers and distributors. The Company's products are distributed for daily lighting applications. With the trends of global economic growth and continuous urbanization, commercial activities will flourish and consumption of lighting products and services will increase, further triggering the growth of global lighting industry and 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



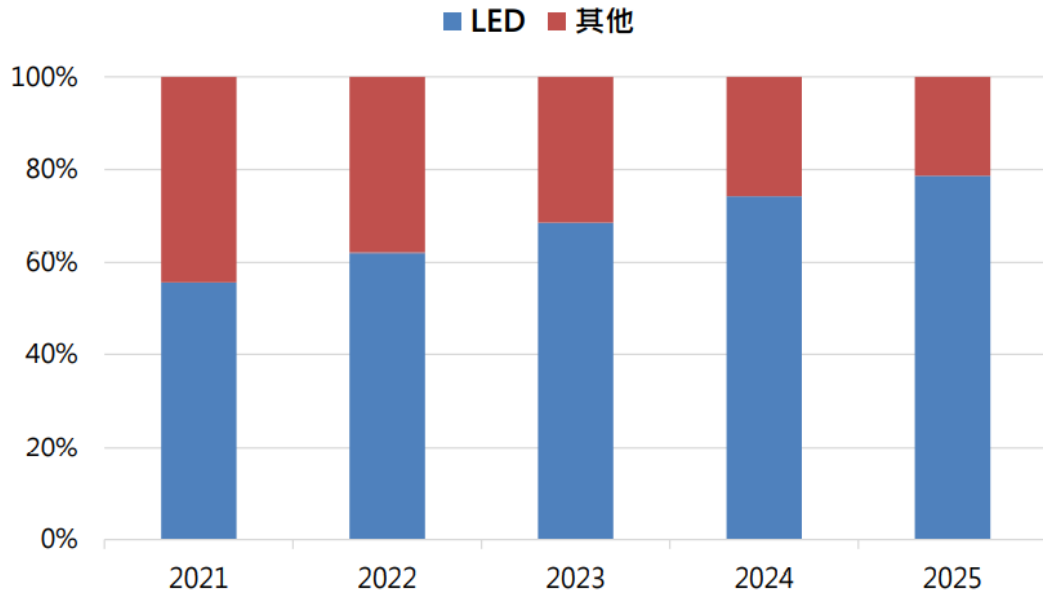
資料來源：工研院產科國際所 (2021/01)

Estimation and Forecast of Global LED Lighting Market Scale

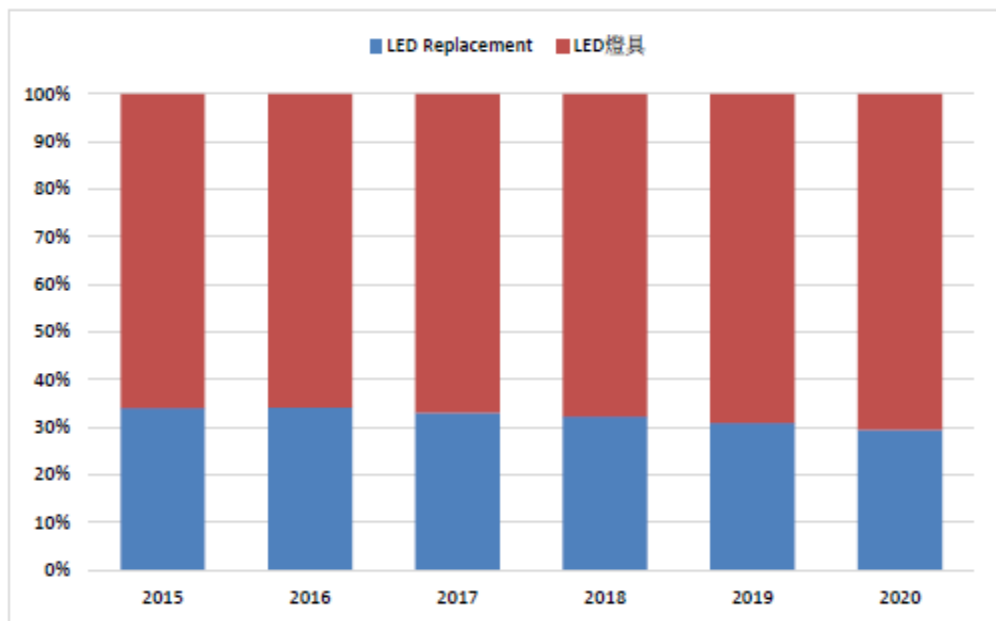


資料來源：工研院產科國際所 (2021/01)

Product Analysis to Global LED Lighting Market



資料來源：工研院產科國際所



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. Under the global pandemic impact in 2020, the economic growth was hit while demand for lighting reduced. It is estimated that the 2020 global lighting market showed 8.4% decline, with market reaching USD129 billion of scale. The pandemic situation is likely to slow down in mid to long-term perspective, and the lighting market demand will restore the normal growth. In particular, the demand for Led lighting shifts to small quantity with diversification, which gross profit also becomes higher. In the future, the LED component price will continue to decline while market accessibility increases eventually. The

market scale will also grow, which is estimated to upgrade the market accessibility from 57.5% to 79% between 2021 and 2025. 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 marketing 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 is 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.

Countermeasures

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

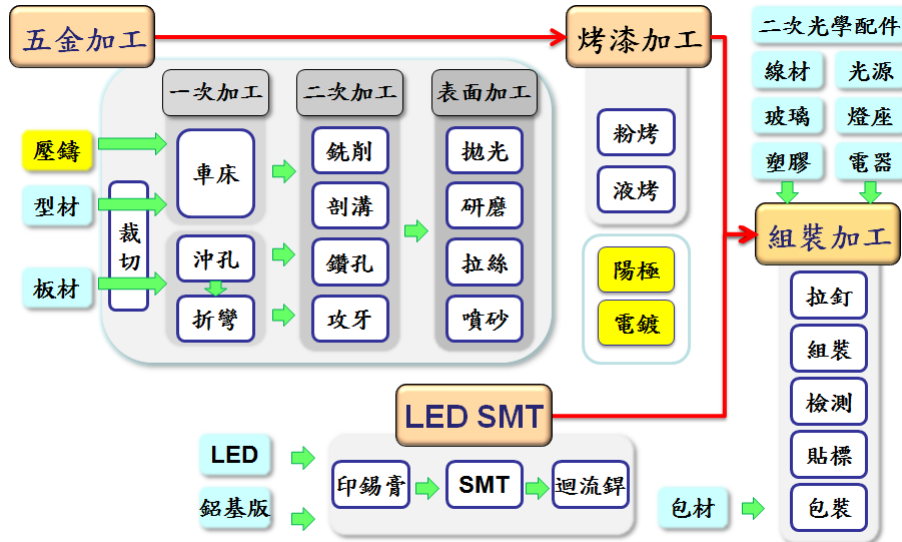
A. Major Products and Their Main Uses

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	2019				2020				2022 (As of March 31)			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	Vendor C	27,836	8.4	No	Vendor A	51,428	9.7	No	Vendor A	12,901	12.3	No
2	Vendor A	26,617	8.1	No	Vendor B	34,130	6.5	No	Vendor D	8,866	8.5	No
	Others	275,971	83.5	-	Others	441,921	83.8	-	Others	82,732	79.2	-
	Net Total Supplies	330,424	100	-	Net Total Supplies	527,479	100	-	Net Total Supplies	104,499	100	-

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	2020				2021				2022 (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	179,783	22.2	No	Clients A	280,387	26.7	No	Clients A	53,825	21.3	No
2	Clients B	85,250	10.6	No	Clients B	87,431	8.3	No	Clients B	10,131	4.0	No
	Others	543,948	67.2	-	Others	683,881	65.0	-	Others	188,697	74.7	-
	Net Sales	808,981	100	-	Net Sales	1,051,699	100	-	Net Sales	252,653	100	-

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

Output Year	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by department)						
Lighting and parts	4,800	2,961	481,543	4,800	3,819	641,834
Total	4,800	2,961	481,543	4,800	3,819	641,834

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

Shipments & Sales Major Products	Year	2020				2021			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Lighting and parts		52	62,464	3,031	746,517	41	47,820	4,051	1,003,879
Total		52	62,464	3,031	746,517	41	47,820	4,051	1,003,879

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		2020	2021	2022 (As of March 31)
Number of Employees	Management and Sales	140	144	146
	R&D	29	25	24
	Technology & Operations	342	343	351
	Administration	73	61	59
	Total	584	573	580
Average Age		34.98	35.08	35.58
Average Years of Service		6.45	6.51	6.60
Education	Ph.D.	0	0	0
	Masters	1.03%	1.05%	0.86%
	Bachelor's Degree	22.95%	23.56%	23.62%
	Senior High School	21.92%	20.24%	21.55%
	Below Senior High School	54.10%	55.15%	53.97%

Note: The total number of employees does not include 86 temporary employees in 2020, 226 temporary employees in 2021 and 150 temporary employees as of March 31, 2022.

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
- l. Wedding cash gift, maternity benefit, funeral subsidy, emergency allowance, and transport allowance for managerial level
- m. Paid leave for COVID-19 vaccination.

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, birthday leave
 - 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. Factory celebration (lottery and meal gathering)
 - g. Cozy office and staff restaurant environment
 - h. Free accommodation and meals available
 - i. Employee recreational activities (basketball games)
 - j. Educational training and advanced studies for employees
 - k. Group insurance for retiring or rehiring employees
 - l. Employee referral bonuses, and transport allowance for returning to work during Chinese New Year holidays
 - m. Free health examination for employees
- 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 2021

Items	Classes	Total Admission	Total Hours	Total Expense (NTD)
New employees	10	158	158	161,164
Internal functional training	218	2,903	2,746	
External training	41	86	435	
Total	269	3,147	3,339	

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 (14% 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 statutory 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.

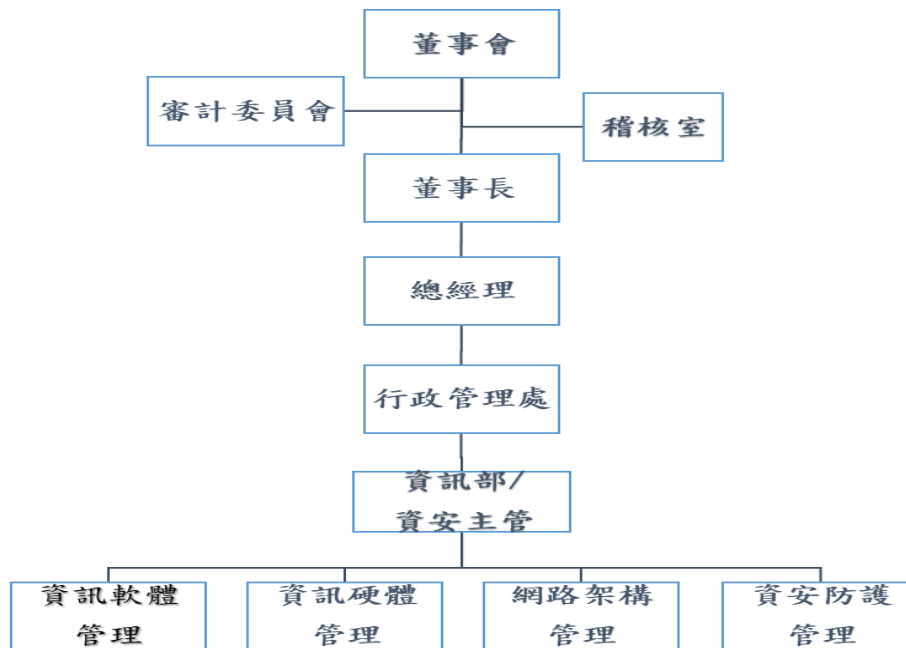
E. Measures and Implementation of Employee Right Protection

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 relevant 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 yes, 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 Information communication security management

5.6.1 Information security risk management framework



5.6.2 Information communication security policy

- Reduce probability of being attacked and boost hacking difficulty as primary approach.

- Use backup data as basis to administer measures and reduce data disclosure.
- Establish internal audit mechanism for various operating procedures.

5.6.3 Specific management solutions

- Reduce unnecessary hacks: Avoid services placed on internet, including FTP or website. Hand over corporate website to professional service providers to avoid turning the corporate internet into a target of attack.
- Establish protective mechanism from external firewall to the internal antivirus software and encryption routes to boost difficulty for hacking.
 - a. Adopt MPLS VPN in offices of different locations as network connection to boost the security of data exchange in different locations.
 - b. Set up firewall in Taiwan and China offices. Separate the internal and external networks and adopt online behavior control equipment (AC) to manager user behavior online through account and authority.
 - c. Establishing the internal online antivirus control center, monitor the network computer antivirus software upgrade and deployment. Monitor the virus condition of computer and take necessary actions to avoid expansion of situation.
 - d. Establishing Mail SPAN mechanism in mail server and make adjustment according to actual conditions. Establish DNS SPA rules to reduce likelihood of email fraud.
 - e. Establishing WSUS mechanism to maintain online operation system with excellent upgrade.
- The complete backup mechanism is established to build the backup restoration mechanism and remote backup for File server, DB and important services.
- The online use by users shall be administered by authorization, including Email, instant messenger, general internet browsing all require the application with approval before releasing the authorization of use while monitoring and recording the user online behavior.
- If the online educational training conducted on users involve personal data, a declaration of personal data law will be addressed and shall require the verification by users before release.
- The access control of personnel in/out of computer room, server maintenance records, online behavior records, online accounts and system accounts authorization application/cancelation mechanism, with the exception of internal audit on the information security items, the equipment security control shall be authenticated and verified for the execution of

system restoration test. The audit results should be reported to the Board of Directors (2021.02.26, 2021.12.20,” with the introduction of external audit such as ISO and CPA annual audit to verify the effective implementation of various mechanisms.

5.6.4 Resource invested in information communication safety management

To improve the backup mechanism and upgrade the difficulty for hacking in 2021, one NAS is invested in the office of Taiwan and two NAS invested in mainland China as backup mechanism automation and off-line backup.

5.6.5 With respect to the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, if the loss, possible impact and response measures could not be reasonable estimated due to material information communication safety incidents, explain the facts that could not be reasonable estimated: None.

5.7 Important Contracts

As of 04/30/2022

Agreement	Counterparty	Period	Major Contents	Restrictions
Loan contract	Mega International Commercial Bank Co., Ltd.	12.5,2021~12.4,2022	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		Financial Summary for The Last Five Years (Note1)					As of
		2017	2018	2019	2020	2021	03/31/2022 (Note1)
Item							
Current assets		927,068	926,187	840,386	951,697	1,033,564	1,047,842
Long term Investment (Note3)		127,576	133,342	185,271	91,319	88,287	82,686
Property, Plant and Equipment		331,908	324,120	299,446	273,609	252,587	252,249
Right-of-use assets		0	0	32,589	41,028	37,029	35,991
Intangible assets		5,087	3,568	1,681	4,337	3,455	2,897
Other assets		49,268	81,318	14,738	11,758	11,280	12,335
Total assets		1,440,907	1,468,535	1,374,111	1,373,748	1,426,202	1,434,000
Current liabilities	Before distribution	237,517	259,046	210,087	221,688	255,286	302,345
	After distribution	329,275	351,140	294,482	312,796	336,917	302,345
Non-current liabilities		21,776	15,589	21,842	17,828	18,287	18,564
Total liabilities	Before distribution	259,293	274,635	231,929	239,516	273,573	320,909
	After distribution	351,051	366,729	316,324	330,624	355,204	320,909
Equity attributable to shareholders of the parent							
Capital stock		398,655	399,628	401,556	397,688	403,134	403,721
Capital surplus		502,257	505,825	510,666	508,419	518,118	518,987
Retained earnings	Before distribution	290,754	304,558	318,275	362,976	367,791	295,800
	After distribution	198,996	212,464	233,880	271,868	286,160	295,800
Other equity interest		(10,052)	(16,111)	(54,323)	(72,115)	(88,050)	(57,053)
Treasury stock		0	0	(33,992)	(62,736)	(48,364)	(48,364)
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	1,181,614	1,193,900	1,142,182	1,134,232	1,152,629	1,113,091
	After distribution	1,089,856	1,101,806	1,057,787	1,043,124	1,070,998	1,113,091

Note1 : The above financial data for the last 5 years and those as of March 31, 2022 have been audited by CPAs.

Note2 : The cash dividends distribution for the fiscal year of 2021 was approved by the Board of Directors on February 24, 2022 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

Item	Year	Financial Summary for The Last Five Years (Note1)					As of
		2017	2018	2019	2020	2021	03/31/2022 (Note1)
Operating revenue		986,926	1,053,036	1,086,420	808,981	1,051,699	252,653
Gross profit		345,815	360,693	420,453	294,924	364,335	76,612
Income from operations		96,950	93,515	164,829	86,753	142,709	22,734
Non-operating income and expenses		56,520	43,507	(14,008)	16,534	(10,796)	(4,773)
Income before tax		153,470	137,022	150,821	103,287	131,913	17,961
Income from operations of continued segments - after tax		121,083	105,557	105,688	79,054	95,972	9,640
Income from discontinued operations		0	0	0	0	0	0
Net income (Loss)		121,083	105,557	105,688	79,054	95,972	9,640
Other comprehensive income (income after tax)		(4,535)	(6,054)	(38,089)	36,561	(15,984)	30,997
Total comprehensive income		116,548	99,503	67,599	115,615	79,988	40,637
Net income attributable to shareholders of the parent		121,083	105,557	105,688	79,054	95,972	9,640
Net income attributable to non-controlling interest		0	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent		116,548	99,503	67,599	115,615	79,988	40,637
Comprehensive income attributable to non-controlling interest		0	0	0	0	0	0
Earnings per share (Note2)		3.04	2.65	2.69	2.08	2.51	0.25

Note1 : The above financial data for the last 5 years and those as of March 31, 2022 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 2017 to 2021

Year	Accounting Firm	CPA	Audit 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
2020	PricewaterhouseCoopers Taiwan	HUNG, SHU-HUA , LIU, MEI-LAN	Unqualified opinion
2021	PricewaterhouseCoopers Taiwan	HUNG, SHU-HUA , LIU, MEI-LAN	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 03/31/2022
		2017	2018	2019	2020	2021	(Note1)
Financial structure (%)	Debt Ratio	18.00	18.70	16.88	17.44	19.18	22.38
	Ratio of long-term capital to property, plant and equipment	356.01	368.35	381.43	414.54	456.33	441.27
Solvency (%)	Current ratio	390.32	357.54	400.02	429.30	404.87	346.57
	Quick ratio	315.87	283.34	313.69	348.12	303.44	264.41
	Interest earned ratio (times)	(Note 4)	(Note 4)	843.58	234.15	400.74	273.14
Operating performance	Accounts receivable turnover (times)	6.02	6.63	7.02	5.78	7.57	7.66
	Average collection period	61	55	52	63	48	48
	Inventory turnover (times)	3.76	3.91	3.73	2.90	3.12	2.71
	Average days in sales	97	93	98	126	117	135
	Accounts payable turnover (times)	5.82	6.11	6.53	5.78	7.17	7.78
	Property, plant and equipment turnover (times)	3.33	3.21	3.48	2.82	4.00	4.00
	Total assets turnover (times)	0.69	0.72	0.76	0.59	0.75	0.71
Profitability	Return on total assets (%)	8.46	7.26	7.45	5.78	6.87	0.68
	Return on stockholders' equity (%)	10.34	8.89	9.05	6.95	8.39	0.85
	Pre-tax income to paid-in capital (%)	38.55	34.29	37.56	25.97	32.72	4.45
	Profit ratio (%)	12.27	10.02	9.73	9.77	9.13	3.82
	Earnings per share (NT\$)(Note2)	3.04	2.65	2.69	2.08	2.51	0.25
Cash flow	Cash flow ratio (%)	56.99	53.30	84.17	79.39	46.82	16.28
	Cash flow adequacy ratio (%)	122.07	113.22	123.08	111.66	91.83	(Note3)
	Cash reinvestment ratio (%)	1.97	2.74	5.23	5.60	1.70	2.97
Leverage	Operating leverage	1.49	1.56	1.38	1.69	1.43	1.69
	Financial leverage	1.00	1.00	1.00	1.01	1.00	1.00

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

1. Lowered interest coverage ratio: Interest expenses are incurred from the lease contract. As pandemic gradually slowed down, the demand returned and profits increased.
2. Increase in Accounts receivable turnover and Decline in Average collection period: Due to The revenue growth and customer revenue growth rate in short-day term were greater than the overall revenue growth rate. Hence, the turnover rate increase with number of cash collection days reduced.
3. Increase in Accounts payable turnover: The revenue grew while the cost of sales also grew.
4. Increase in Property, plant and equipment turnover: Revenue growth and fixed asset net amount are declined by depreciation and amortization, and therefore the turnover rate increased.
5. Increase in total asset turnover: Increase in revenue due to pandemic slowdown.
6. Increase in ROE, pre-tax income to paid-in capital, and EPS: The pandemic slowed down, revenue grew and profit increased.
7. Decline in Cash flow ratio : Due to the continuous surge in raw material price and the cash outflow from inventory increase, the end of term sales rise before the day\ of receivables, the cash inflow of operating activities declined.
8. Decline in Cash reinvestment ratio : The increase in inventory and accounts receivables reduce the cash inflow of operating activities while the profits from securities increase the cash dividends. The cash reinvestment declines again.

Note 1 : The above financial data for the last 5 years and those as of March 31, 2022 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 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 2021 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 HUNG, SHU-HUA and CPA LIU, MEI-LAN 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 2022 Annual Shareholders' Meeting of Tons Lightology Inc.

Tons Lightology Inc

Audit Committee Convener : HSU, CHUNG-YUAN

February 24, 2022

6.4 Consolidated Financial Statements for the Years Ended December 31, 2021 and Independent Auditors' Report

Please refer from page 157 page 236

6.5 Financial Statements for the Years Ended December 31, 2021 and Independent Auditors' Report

Please refer from page 237 page 308

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 FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2021 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 FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, TONS LIGHTOLOGY INC does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

TONS LIGHTOLOGY INC

By

TANG, SHIH-CHUAN, Chairman

February 24, 2022

INDEPENDENT AUDITORS' REPORT 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, 2021 and 2020, 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, 2021 and 2020, 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. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Group's 2021 consolidated financial statements. 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 2021 consolidated financial statements are stated as follows:

Timing of recognising sales revenue

Description

Please refer to Note 4(29) for a description of accounting policy on sales revenue. Please refer to Note 6(18) 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 revenue includes different transaction terms and the timing of transfer of the control of goods involves manual judgement, we thus identified the timing of sales revenue recognition 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, 2021, the Group's inventory amounted to NT\$261,662 thousand and inventory valuation losses amounted to NT\$18,618 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, 2021 and 2020.

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.

Auditors' 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 auditors' 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 the generally accepted auditing standards in the Republic of China 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 the generally accepted auditing standards in the Republic of China, 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 auditors' 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 auditors' 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 auditors' 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.

Hung, Shu-Hua

Liu, Mei Lan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2022

Hung, Shu-Hua

Liu, Mei Lan

For and on Behalf of PricewaterhouseCoopers, Taiwan

April 12, 2022

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 344,436	24	\$ 353,565	26
1110	Financial assets at fair value through profit or loss - current	6(2)	85,588	6	104,166	8
1136	Current financial assets at amortised cost	6(3) and 8	187,720	13	179,361	13
1150	Notes receivable, net	6(4)	2,204	-	1,205	-
1170	Accounts receivable, net	6(4)	143,165	10	127,431	9
1180	Accounts receivable - related parties	6(4) and 7(2)	-	-	518	-
1200	Other receivables		9,724	1	3,615	-
130X	Inventories	6(5)	243,044	17	163,797	12
1410	Prepayments		15,891	1	16,170	1
1470	Other current assets		1,792	-	1,869	-
11XX	Current Assets		<u>1,033,564</u>	<u>72</u>	<u>951,697</u>	<u>69</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	46,171	3	53,906	4
1550	Investments accounted for using equity method	6(7)	42,116	3	37,413	3
1600	Property, plant and equipment	6(8)	252,587	18	273,609	20
1755	Right-of-use assets	6(9)	37,029	3	41,028	3
1780	Intangible assets		3,455	-	4,337	-
1840	Deferred income tax assets	6(25)	4,140	-	3,571	-
1900	Other non-current assets	6(10) and 8	7,140	1	8,187	1
15XX	Non-current assets		<u>392,638</u>	<u>28</u>	<u>422,051</u>	<u>31</u>
1XXX	Total assets		<u>\$ 1,426,202</u>	<u>100</u>	<u>\$ 1,373,748</u>	<u>100</u>

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ 25	-	\$ 25	-
2170	Accounts payable		103,500	7	88,144	6
2200	Other payables	6(11)	87,726	6	85,986	6
2230	Current income tax liabilities		27,984	2	22,200	2
2250	Provisions for liabilities - current		1,967	-	400	-
2280	Current lease liabilities		7,689	1	7,192	1
2300	Other current liabilities	6(18)	26,395	2	17,741	1
21XX	Current Liabilities		<u>255,286</u>	<u>18</u>	<u>221,688</u>	<u>16</u>
Non-current liabilities						
2550	Provisions for liabilities - non-current		335	-	316	-
2570	Deferred income tax liabilities	6(25)	7,241	-	3,445	-
2580	Non-current lease liabilities		2,186	-	5,591	-
2600	Other non-current liabilities	6(12)	8,525	1	8,476	1
25XX	Non-current liabilities		<u>18,287</u>	<u>1</u>	<u>17,828</u>	<u>1</u>
2XXX	Total Liabilities		<u>273,573</u>	<u>19</u>	<u>239,516</u>	<u>17</u>
Equity attributable to owners of parent						
Share capital 6(14)						
3110	Share capital - common stock		402,031	28	396,723	29
3140	Advance receipts for share capital		1,103	-	965	-
Capital surplus 6(15)						
3200	Capital surplus		518,118	36	508,419	37
Retained earnings 6(16)						
3310	Legal reserve		108,709	8	95,799	7
3320	Special reserve		72,115	5	54,323	4
3350	Unappropriated retained earnings		186,967	13	212,854	16
Other equity interest 6(17)						
3400	Other equity interest		(88,050)	(6)	(72,115)	(5)
3500	Treasury shares	6(14)	(48,364)	(3)	(62,736)	(5)
31XX	Equity attributable to owners of the parent		<u>1,152,629</u>	<u>81</u>	<u>1,134,232</u>	<u>83</u>
3XXX	Total equity		<u>1,152,629</u>	<u>81</u>	<u>1,134,232</u>	<u>83</u>
3X2X	Total liabilities and equity		<u>\$ 1,426,202</u>	<u>100</u>	<u>\$ 1,373,748</u>	<u>100</u>

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

				Year ended December 31			
				2021		2020	
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Sales revenue	6(18) and 7	\$ 1,051,699	100	\$ 808,981	100	
5000	Operating costs	6(5) and 7	(687,364)	(66)	(514,057)	(63)	
5900	Net operating margin		<u>364,335</u>	<u>34</u>	<u>294,924</u>	<u>37</u>	
	Operating expenses	6(23)(24)					
6100	Selling expenses		(91,422)	(9)	(87,321)	(11)	
6200	General and administrative expenses		(90,784)	(8)	(86,663)	(11)	
6300	Research and development expenses		(39,420)	(4)	(34,187)	(4)	
6000	Total operating expenses		<u>(221,626)</u>	<u>(21)</u>	<u>(208,171)</u>	<u>(26)</u>	
6900	Operating profit		<u>142,709</u>	<u>13</u>	<u>86,753</u>	<u>11</u>	
	Non-operating income and expenses						
7100	Interest income	6(19)	8,513	1	6,598	1	
7010	Other income	6(20)	5,332	-	10,697	1	
7020	Other gains and losses	6(21)	(14,014)	(1)	19,146	2	
7050	Finance costs	6(22)	(330)	-	(443)	-	
7060	Share of loss of associates and joint ventures accounted for using equity method	6(7)	(10,297)	(1)	(19,464)	(2)	
7000	Total non-operating income and expenses		<u>(10,796)</u>	<u>(1)</u>	<u>16,534</u>	<u>2</u>	
7900	Profit before income tax		<u>131,913</u>	<u>12</u>	<u>103,287</u>	<u>13</u>	
7950	Income tax expense	6(25)	(35,941)	(3)	(24,233)	(3)	
8200	Profit for the year		<u>\$ 95,972</u>	<u>9</u>	<u>\$ 79,054</u>	<u>10</u>	
	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)	(\$ 61)	-	\$ 279	-	
8316	Total expenses, by nature	6(17)	(7,735)	-	28,194	3	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)					
			<u>12</u>	<u>-</u>	<u>(98)</u>	<u>-</u>	
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>(7,784)</u>	<u>-</u>	<u>28,375</u>	<u>3</u>	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(17)	(8,200)	(1)	8,186	1	
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		<u>(8,200)</u>	<u>(1)</u>	<u>8,186</u>	<u>1</u>	
8300	Total other comprehensive (loss) income for the year		<u>(\$ 15,984)</u>	<u>(1)</u>	<u>\$ 36,561</u>	<u>4</u>	
8500	Total comprehensive income for the year		<u>\$ 79,988</u>	<u>8</u>	<u>\$ 115,615</u>	<u>14</u>	
	Basic earnings per share	6(26)					
9750	Total basic earnings per share		<u>\$ 2.51</u>		<u>\$ 2.08</u>		
	Diluted earnings per share	6(26)					
9850	Total diluted earnings per share		<u>\$ 2.46</u>		<u>\$ 2.05</u>		

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Equity attributable to owners of the parent												
	Capital		Capital Reserves			Retained Earnings			Other equity interest				
	Notes	Share capital - common stock	Advance receipts for share capital	Additional paid-in capital	Treasury share transactions	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity
2020													
Balance at January 1, 2020		\$ 401,253	\$ 303	\$ 505,787	\$ -	\$ 4,879	\$ 85,219	\$ 38,429	\$ 194,627	(\$ 81,791)	\$ 27,468	(\$ 33,992)	\$ 1,142,182
Profit for the year		-	-	-	-	-	-	79,054	-	-	-	-	79,054
Other comprehensive income for the year	6(17)	-	-	-	-	-	-	223	8,186	28,152	-	-	36,561
Total comprehensive income for the year		-	-	-	-	-	-	79,277	8,186	28,152	-	-	115,615
Appropriation and distribution of 2019 retained earnings	6(16)												
Legal reserve		-	-	-	-	10,580	-	(10,580)	-	-	-	-	-
Special reserve		-	-	-	-	-	15,894	(15,894)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(84,395)	-	-	-	(84,395)	-
Share-based payment transaction - employee stock options	6(13)	1,470	662	4,958	-	369	-	-	-	-	-	-	7,459
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(17)	-	-	-	-	-	-	54,130	-	(54,130)	-	-	-
Purchase of treasury shares		-	-	-	-	-	-	-	-	-	(46,629)	(46,629)	-
Retirement of treasury shares		(6,000)	-	(7,574)	-	-	-	(4,311)	-	-	-	17,885	-
Balance at December 31, 2020		<u>\$ 396,723</u>	<u>\$ 965</u>	<u>\$ 503,171</u>	<u>\$ -</u>	<u>\$ 5,248</u>	<u>\$ 95,799</u>	<u>\$ 54,323</u>	<u>\$ 212,854</u>	<u>(\$ 73,605)</u>	<u>\$ 1,490</u>	<u>(\$ 62,736)</u>	<u>\$ 1,134,232</u>
2021													
Balance at January 1, 2021		\$ 396,723	\$ 965	\$ 503,171	\$ -	\$ 5,248	\$ 95,799	\$ 54,323	\$ 212,854	(\$ 73,605)	\$ 1,490	(\$ 62,736)	\$ 1,134,232
Profit for the year		-	-	-	-	-	-	95,972	-	-	-	-	95,972
Other comprehensive loss for the year	6(17)	-	-	-	-	-	-	(49)	(8,200)	(7,735)	-	-	(15,984)
Total comprehensive income (loss) for the year		-	-	-	-	-	-	95,923	(8,200)	(7,735)	-	-	79,988
Appropriation and distribution of 2020 retained earnings	6(16)												
Legal reserve		-	-	-	-	12,910	-	(12,910)	-	-	-	-	-
Special reserve		-	-	-	-	-	17,792	(17,792)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(91,108)	-	-	-	(91,108)	-
Share-based payment transaction - employee stock options	6(13)	5,308	138	11,419	-	(3,007)	-	-	-	-	-	-	13,858
Treasury shares transferred to employees		-	-	-	1,287	-	-	-	-	-	14,372	-	15,659
Balance at December 31, 2021		<u>\$ 402,031</u>	<u>\$ 1,103</u>	<u>\$ 514,590</u>	<u>\$ 1,287</u>	<u>\$ 2,241</u>	<u>\$ 108,709</u>	<u>\$ 72,115</u>	<u>\$ 186,967</u>	<u>(\$ 81,805)</u>	<u>\$ 6,245</u>	<u>(\$ 48,364)</u>	<u>\$ 1,152,629</u>

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 131,913	\$ 103,287
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(23)	49,333	48,615
Depreciation - right - of - use asset	6(9)(23)	9,318	9,181
Amortisation	6(23)	2,517	2,075
Expected credit loss	12(2)	294	1,452
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(21)	18,555	(13,817)
Interest expense - lease liability	6(22)	330	443
Interest income	6(19)	(8,513)	(6,598)
Dividend income	6(20)	(4,304)	(2,690)
Wages and salaries - employee's compensation	6(13)	1,935	1,773
Share of loss of associates and joint ventures accounted for under equity method	6(7)	10,297	19,464
Gain on disposal of property, plant and equipment	6(21)	(1,419)	133
Property, plant and equipment transferred to expenses		99	-
Unrealized foreign exchange (gain) loss		(1,733)	1,254
Provision for (reversal of) warranty expense		20	(60)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(999)	(901)
Accounts receivable, net		(16,087)	19,965
Accounts receivable due from related parties		518	(331)
Other receivables		(4,742)	2,552
Inventories		(80,363)	1,761
Prepayments		197	2,293
Other current assets		64	2,097
Changes in operating liabilities			
Notes payable		1	(19)
Accounts payable		15,933	7,409
Accounts payable to related parties		-	(10,104)
Other payables		1,945	(13,500)
Contract liabilities		8,403	9,762
Other current liabilities		1,854	(36)
Other non-current liabilities		(12)	(2,010)
Cash inflow generated from operations		135,354	183,184
Interest received		7,124	5,446
Dividend received		4,304	2,690
Interest paid		(330)	(443)
Income tax paid		(26,922)	(14,878)
Net cash flows from operating activities		119,530	175,999

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		\$ -	(\$ 11,730)
Proceeds from disposal of financial assets at fair value through profit or loss		-	44,787
Increase in financial assets at amortised cost		(10,782)	(115,027)
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	102,682
Acquisition of investments accounted for using the equity method		(15,000)	-
Acquisition of property, plant and equipment	6(27)	(24,133)	(15,518)
Proceeds from disposal of property, plant and equipment		1,643	210
Decrease (increase) in refundable deposits		177	(146)
Acquisition of intangible deposits		(1,634)	(4,731)
Increase in other non-current assets		(5,486)	(1,718)
Net cash flows used in investing activities		(55,215)	(1,191)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of principal portion of lease liabilities	6(9)(28)	(8,441)	(8,231)
Cash dividends paid	6(16)(28)	(91,108)	(84,395)
Exercise of employee stock options		13,255	5,686
Treasury shares sold to employees		14,327	-
Repurchase of treasury stock	6(14)	-	(46,629)
Net cash flows used in financing activities		(71,967)	(133,569)
Effect of exchange rate changes on cash equivalents		(1,477)	3,166
Net (decrease) increase in cash and cash equivalents		(9,129)	44,405
Cash and cash equivalents at beginning of year		353,565	309,160
Cash and cash equivalents at end of year		<u>\$ 344,436</u>	<u>\$ 353,565</u>

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, 2021 AND 2020

(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 24, 2022.

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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendment to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendment to IAS 37, 'Onerous contracts – cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendment to IAS 12, 'Deferred tax related to asset and liabilities arising from a single transaction'	January 1, 2023

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.

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B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2021	December 31, 2020	
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	
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) 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.

(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	3 ~ 6 years
Machinery and equipment	2 ~ 20 years
Equipment for research and development	5 ~ 11 years
Transportation equipment	4 ~ 6 years
Other assets	3 ~ 20 years

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

- 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:
- The amount of the initial measurement of lease liability;
 - Any lease payments made at or before the commencement date;
 - 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) 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.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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'.

(25) 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.

(26) 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.

(27) 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.

(28) 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.

(29) 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.

(30) 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, 2021, the carrying amount of inventories was \$243,044 thousand.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 760	\$ 648
Checking accounts and demand deposits	50,656	49,976
Time deposits	<u>293,020</u>	<u>302,941</u>
	<u>\$ 344,436</u>	<u>\$ 353,565</u>

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

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

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 113,347	\$ 113,347
Forward foreign exchange contracts	1,132	2,966
Valuation adjustment	(28,891)	(12,147)
	<u>\$ 85,588</u>	<u>\$ 104,166</u>

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

	<u>December 31, 2021</u>	
Derivative financial assets (liabilities)	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2021.01.11~2022.12.12
	<u>December 31, 2020</u>	
Derivative financial assets (liabilities)	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,800 thousand	2021.01.12~2021.12.18

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

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

	Years ended December 31,	
	2021	2020
Net (loss) gain on financial assets (liabilities) at fair value through profit or loss	(\$ 18,555)	\$ 13,817

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

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

(3) Financial assets at amortised cost

	December 31, 2021	December 31, 2020
Time deposits	\$ 187,720	\$ 179,361

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

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

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

	December 31, 2021	December 31, 2020
Notes receivable	\$ 2,204	\$ 1,205
Less: Allowance for bad debts	-	-
	<u>\$ 2,204</u>	<u>\$ 1,205</u>
Accounts receivable	\$ 145,038	\$ 129,010
Less: Allowance for bad debts	(1,873)	(1,579)
	<u>\$ 143,165</u>	<u>\$ 127,431</u>
Accounts receivable due from related parties	\$ 4	\$ 518
Less: Allowance for bad debts	-	-
	<u>\$ 4</u>	<u>\$ 518</u>

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

	December 31, 2021		December 31, 2020	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 2,204	\$ 138,932	\$ 1,205	\$ 121,696
Up to 30 days	-	3,438	-	6,053
31 to 120 days	-	917	-	325
Over 120 days	-	1,751	-	1,454
	<u>\$ 2,204</u>	<u>\$ 145,038</u>	<u>\$ 1,205</u>	<u>\$ 129,528</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, all the Group's accounts and notes receivable arose from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with

customers amounted to \$149,293 thousand.

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

D. As of December 31, 2021 and 2020, 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, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 122,424	(\$ 5,493)	\$ 116,931
Work in progress	26,224	(1,176)	25,048
Semi-finished goods	51,540	(2,699)	48,841
Finished goods	61,427	(9,250)	52,177
Inventory in transit	47	-	47
	<u>\$ 261,615</u>	<u>(\$ 18,618)</u>	<u>\$ 243,044</u>
	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 79,284	(\$ 3,093)	\$ 76,191
Work in progress	21,374	(450)	20,924
Semi-finished goods	34,593	(2,300)	32,293
Finished goods	43,507	(9,118)	34,389
	<u>\$ 178,758</u>	<u>(\$ 14,961)</u>	<u>\$ 163,797</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2021	2020
Cost of goods sold	\$ 680,641	\$ 508,315
Loss on market price decline and obsolescence	3,733	1,592
Loss on scrapping inventory	6,605	6,049
Expenses related to inventory	(3,615)	(1,899)
	<u>\$ 687,364</u>	<u>\$ 514,057</u>

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed stocks	\$ 44,200	\$ 44,200
Unlisted stocks	8,481	8,481
Valuation adjustment	(6,510)	1,225
	<u>\$ 46,171</u>	<u>\$ 53,906</u>

- A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$46,171 thousand and \$53,906 thousand, respectively, as at December 31, 2021 and 2020.
- B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 7,735)	\$ 28,152
Reclassified to retained earnings due to derecognition	-	(54,130)
	<u>(\$ 7,735)</u>	<u>(\$ 25,978)</u>

- C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$46,171 thousand and \$53,906 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).

(7) Investments accounted for using equity method

A. Associates

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Insignificant associate:		
Art So Trading Limited	\$ 28,660	\$ 37,413
Art So International, Inc	13,456	-
	<u>\$ 42,116</u>	<u>\$ 37,413</u>

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

Company name	Principal place of business	Shareholding ratio(%)		Nature of relationship	Methods of measurement
		December 31, 2021	December 31, 2020		
Art So Trading Limited	Samoa	48,57%	48,57%	Owens at least 20% of the voting rights	Equity method
Art So International, Inc.	Taiwan	30.00%	-	Owens 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 Artso International, Inc. which was a subsidiary of Art So Trading Limited on February 26, 2021. The Company acquired 30% equity interests in Artso International, Inc. on May 6, 2021. After the capital increase, the Company's comprehensive shareholding ratio was 43.99%.

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

Investee	Years ended December 31,	
	2021	2020
Art So Trading Limited	(\$ 8,753)	(\$ 19,464)
Art So International, Inc.	(1,544)	-
	<u>(\$ 10,297)</u>	<u>(\$ 19,464)</u>

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(8) Property, plant and equipment

	Year ended December 31, 2021					
	<u>At January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Net exchange differences</u>	<u>At December 31</u>
Cost						
Buildings and structures	\$ 390,733	\$ 2,045	(\$ 742)	\$ 868	(\$ 2,946)	\$ 389,958
Molding equipment	185,197	15,957	(16,802)	2,676	(1,394)	185,634
Machinery and equipment	132,485	1,332	(9,485)	206	(1,005)	123,533
Research and development equipment	28,310	786	(176)	1,183	(213)	29,890
Transportation equipment	14,322	560	(2,226)	1,259	(103)	13,812
Others	55,098	2,919	(5,602)	1,260	(410)	53,265
Construction in progress	974	804	-	(1,248)	(7)	523
	<u>\$ 807,119</u>	<u>\$ 24,403</u>	<u>(\$ 35,033)</u>	<u>\$ 6,204</u>	<u>(\$ 6,078)</u>	<u>\$ 796,615</u>
Accumulated depreciation						
Buildings and structures	(\$ 187,128)	(\$ 21,821)	\$ 742	\$ -	\$ 1,398	(\$ 206,809)
Molding equipment	(162,671)	(15,473)	16,797	-	1,226	(160,121)
Machinery and equipment	(100,701)	(5,642)	9,291	-	762	(96,290)
Research and development equipment	(25,424)	(1,097)	176	-	192	(26,153)
Transportation equipment	(11,866)	(1,071)	2,226	-	85	(10,626)
Others	(45,720)	(4,229)	5,577	-	343	(44,029)
	<u>(\$ 533,510)</u>	<u>(\$ 49,333)</u>	<u>\$ 34,809</u>	<u>\$ -</u>	<u>\$ 4,006</u>	<u>(\$ 544,028)</u>
	<u>\$ 273,609</u>					<u>\$ 252,587</u>

Year ended December 31, 2020

	<u>At January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Net exchange differences</u>	<u>At December 31</u>
Cost						
Buildings and structures	\$ 381,590	\$ 903	(\$ 7,809)	\$ 9,607	\$ 6,442	\$ 390,733
Molding equipment	170,357	10,227	(753)	2,258	3,108	185,197
Machinery and equipment	129,114	443	(516)	1,258	2,186	132,485
Research and development equipment	27,747	187	(201)	111	466	28,310
Transportation equipment	15,029	67	(1,987)	990	223	14,322
Others	60,600	1,703	(8,449)	367	877	55,098
Construction in progress	10,603	955	-	(10,546)	(38)	974
	<u>\$ 795,040</u>	<u>\$ 14,485</u>	<u>(\$ 19,715)</u>	<u>\$ 4,045</u>	<u>\$ 13,264</u>	<u>\$ 807,119</u>
Accumulated depreciation						
Buildings and structures	(\$ 171,225)	(\$ 20,564)	\$ 7,809	\$ -	\$ (3,148)	(\$ 187,128)
Molding equipment	(145,107)	(15,532)	721	-	(2,753)	(162,671)
Machinery and equipment	(93,975)	(5,536)	496	-	(1,686)	(100,701)
Research and development equipment	(23,832)	(1,368)	201	-	(425)	(25,424)
Transportation equipment	(12,216)	(1,453)	1,987	-	(184)	(11,866)
Others	(49,239)	(4,162)	8,424	-	(743)	(45,720)
	<u>(\$ 495,594)</u>	<u>(\$ 48,615)</u>	<u>\$ 19,638</u>	<u>\$ -</u>	<u>(\$ 8,939)</u>	<u>(\$ 533,510)</u>
	<u>\$ 299,446</u>					<u>\$ 273,609</u>

For the years ended December 31, 2021 and 2020, the Group has no property, plant and equipment that were pledged to others as collateral.

For the years ended December 31, 2021 and 2020, the Group has no capitalised interest.

(9) Leasing arrangements – lessee

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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 27,141	\$ 28,188
Buildings	9,888	12,840
Machinery and equipment	-	-
	<u>\$ 37,029</u>	<u>\$ 41,028</u>

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 834	\$ 822
Buildings	8,376	8,252
Machinery and equipment	108	107
	<u>\$ 9,318</u>	<u>\$ 9,181</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets amounted to \$5,581 thousand and \$17,258 thousand, respectively.

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

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 330	\$ 443

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases amounted to \$8,771 thousand and \$8,674 thousand, respectively.

(10) Other non-current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Guarantee deposits paid	\$ 2,712	\$ 2,901
Prepayments for business facilities	2,913	3,022
Other non-current assets	1,515	2,264
	<u>\$ 7,140</u>	<u>\$ 8,187</u>

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

(11) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salary and bonus payable	\$ 57,678	\$ 46,056
Payable for consumables and purchases	13,175	12,994
Insurance and pension expense payable	4,910	8,040
Housing fund payable	-	4,576
Others	11,963	14,320
	<u>\$ 87,726</u>	<u>\$ 85,986</u>

(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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 13,127	\$ 12,934
Fair value of plan assets	(5,728)	(5,584)
Net defined benefit liability	<u>\$ 7,399</u>	<u>\$ 7,350</u>

(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, 2021			
Balance at January 1	\$ 12,934	(\$ 5,584)	\$ 7,350
Interest income	64	(28)	36
	<u>12,998</u>	<u>(5,612)</u>	<u>7,386</u>
Remeasurements:			
Change in financial assumptions	299	-	299
Experience adjustments	(170)	(68)	(238)
	<u>129</u>	<u>(68)</u>	<u>61</u>
Pension fund contribution	-	(48)	(48)
Paid pension	-	-	-
Balance at December 31	<u>\$ 13,127</u>	<u>(\$ 5,728)</u>	<u>\$ 7,399</u>
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
Year ended December 31, 2021			
Balance at January 1	\$ 14,985	(\$ 5,342)	\$ 9,643
Interest income	112	(40)	72
	<u>15,097</u>	<u>(5,382)</u>	<u>9,715</u>
Remeasurements:			
Change in financial assumptions	271	-	271
Experience adjustments	(397)	(153)	(550)
	<u>(126)</u>	<u>(153)</u>	<u>(279)</u>
Pension fund contribution	-	(49)	(49)
Paid pension	(2,037)	-	(2,037)
Balance at December 31	<u>\$ 12,934</u>	<u>(\$ 5,584)</u>	<u>\$ 7,350</u>

(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, 2021 and 2020 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,	
	2021	2020
Discount rate	0.50%	0.75%
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	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2021				
Effect on present value				
of defined benefit obligation	\$ 246	(\$ 251)	(\$ 238)	\$ 234
December 31, 2020				
Effect on present value				
of defined benefit obligation	\$ 271	(\$ 278)	(\$ 264)	\$ 259

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, 2022 amount to \$49 thousand.

(g) As of December 31, 2021, the weighted average duration of that retirement plan is 6.51 years. The analysis of timing of the future pension payment was as follows:

2-5 years	\$	2,842
Over 5 years		9,012
	\$	11,854

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

(b) The Company's Hong Kong branch contributes 5% of employees' salaries and wages (below the ceiling of HKD1,500) pursuant to the mandatory provident fund schemes. The accrued benefits is deposited in a specialised account in Manulife (International) Limited and can only be withdrawn when scheme members reach the age of 65. Other than the monthly contributions, the Group has no further obligations.

(c) Titan Lighting Co. Ltd. and Zhongshan Tons Lighting Co. Ltd. have a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. On December 31, 2021 and 2020, abovementioned contribution percentage was 14% and 13%, respectively. 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 ending December 31, 2021 and 2020 were \$14,926 thousand and \$2,736 thousand, respectively.

(13) Share-based payment

A. As at December 31, 2021 and 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousand)	Contract period	Vesting conditions	Actual turnover rate in 2021	Actual turnover rate in 2020	Estimated future turnover rate
Fifth employee stock options	2016.12.23	600	5 years	2-4 years' service	0.00%	2.70%	0.00%
Sixth employee stock options	2018.11.02	600	5 years	2-4 years' service	0.00%	5.00%	0.00%
Treasury stock transferred to employees	2021.07.30	500	-	Vested immediately	-	-	-

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

(a) Fifth employee stock options

	2021		2020	
	Weighted-average		Weighted-average	
	No. of options (in thousands)	exercise price (in dollars)	No. of options (in thousands)	exercise price (in dollars)
Options outstanding at January 1	346	\$ 25.70	493	\$ 27.80
Options exercised	(156)	25.70	(98)	27.80
Options exercised (Note)	(190)	23.60	(47)	25.70
Options forfeited	-	-	(2)	27.80
Options outstanding at December 31 (Note)	-	-	346	25.70
Options exercisable at December 31	-	-	346	-

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

(b) Sixth employee stock options

	2021		2020	
	No. of options (in thousands)	Weighted-average	No. of options (in thousands)	Weighted-average
		exercise price (in dollars)		exercise price (in dollars)
Options outstanding at January 1 (Note)	518	\$ 25.70	598	\$ 27.80
Options exercised	(37)	25.70	-	-
Options exercised (Note)	(161)	23.60	(68)	25.70
Options forfeited	-	-	(12)	27.80
Options outstanding at December 31 (Note)	<u>320</u>	23.60	<u>518</u>	25.70
Options exercisable at December 31	<u>173</u>		<u>225</u>	

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:

	Expiry date	December 31, 2021		December 31, 2020	
		No. of options	Exercise	No. of options	Exercise
		(in thousands)	price	(in thousands)	price
Fifth employee stock options	2021.12.22	-	\$ 23.60	346	\$ 25.70
Sixth employee stock options	2023.11.01	320	23.60	518	25.70

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 1)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
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
Treasury stock transferred to employees	2021.7.30	31.4	28.74	20.89%	Note 2	-	0.16%	2.67

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

Note 2: Period from the grant date to final payment data(2021.08.11).

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

	Years ended December 31,	
	2021	2020
Equity-settled - Employees' compensation costs	\$ 1,935	\$ 1,773

(14) Share capital

- A. As of December 31, 2021, 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 \$402,031 thousand with a par value of \$10 (in dollars) per share. Advance receipts for ordinary shares amounting to \$1,103 thousand, equivalent to 110 thousand shares, arose from exercise of employee stock options, and the total share capital amounted to \$403,134 thousand.
- B. The employees exercised options for 42 thousand shares of common stock during the period from July 23, 2021 to October 20, 2021, and the subscription price was NT\$23.6 per share. The share issuance became effective on November 5, 2021, as resolved at the meeting of Board of Directors on October 29, 2021. The registration was completed on November 19, 2021.
- C. The employees exercised options for 200 thousand shares of common stock during the period from June 24, 2021 to July 21, 2021, and the subscription price was NT\$23.6 per share. The share issuance became effective on August 5, 2021, as resolved at the meeting of Board of Directors on July 30, 2021. The registration was completed on August 23, 2021.
- D. The employees exercised options for 289 thousand shares of common stock during the period from November 2, 2020 to February 17, 2021, and the subscription price was NT\$25.7 per share. The share issuance became effective on March 5, 2021, as resolved at the meeting of Board of Directors on February 26, 2021. The registration was completed on March 22, 2021.
- E. The employees exercised options for 19 thousand shares of common stock during the period from July 2, 2020 to October 22, 2020, and the subscription price was NT\$25.7 per share. The share issuance became effective on November 6, 2020, as resolved at the meeting of Board of Directors on October 30, 2020. The registration was completed on November 24, 2020.
- F. 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 completed on March 30, 2020.

(Unit: shares in thousands)

	2021	2020
At January 1	\$ 37,769	\$ 39,156
Employee stock options exercised	544	213
Treasury shares reissued to employees (purchase of treasury shares)	500	(1,600)
At December 31	\$ 38,813	\$ 37,769

G. Treasury shares

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

Reason for reacquisition	Year ended December 31, 2021			
	No. of shares at beginning of the year	Increase in the year	Decrease in the year	No. of shares at end of the year
Reissued to employees	2,000	-	(500)	1,500

Reason for reacquisition	Year ended December 31, 2020			
	No. of shares at beginning of the year	Increase in the year	Decrease in the year	No. of shares at end of the year
Reissued to employees	1,000	1,000	-	2,000
To secure the Company's credit rating and stockholders' interest	-	600	(600)	-
	<u>\$ 1,000</u>	<u>\$ 1,600</u>	<u>(\$ 600)</u>	<u>\$ 2,000</u>

- (b) The Company's shares repurchased pursuant to the 'Regulations Governing Transfer of the Company's 2nd repurchased shares' shall be reissued to employees in one time or several times within five years commencing from the completion date of share repurchase. The transfer price is the average actual share repurchase price. The Board of Directors during its meeting on July 30, 2021 adopted a resolution to transfer 500,000 shares which were acquired in the 2nd share repurchase to employees at a transfer price of NT\$28.74 per share. All proceeds from share subscription have been collected as of August 11, 2021. The transfer of treasury shares to employees has been completed on August 25, 2021.
- (c) In order to encourage employees and strengthen coherence of the Company, the Board of Directors during its meeting on April 26, 2020 adopted a resolution to purchase 600 thousand treasury shares for transferring to employees for the third time. On June 29, 2020, the Board of Directors resolved to change the purpose of 600 thousand treasury shares which were acquired in the 3rd repurchase from transferring to employees to securing the Company's credit rating and stockholders' interest, which was approved by the FSC on July 8, 2020. On July 31, 2020, the Board of Directors resolved to retire treasury shares with the effective date for the retirement of treasury shares set on August 3, 2020, and the registration for the retirement was completed on August 27, 2020.
- (d) In order to encourage employees and strengthen coherence of the Company, the Board of Directors during its meeting on February 26, 2020 and 2019 adopted resolutions to purchase 2 million treasury shares in total for transferring to employees. As of December 31, 2021 and 2020, the balances of treasury shares after repurchases and transfers to employees were \$48,364 thousand and \$62,736 thousand, respectively.
- (e) 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.
- (f) 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.

- (g) Pursuant to the R.O.C. Securities and Exchange Act, the 1st and 2nd purchase of treasury shares should be reissued to the employees within three and five years from the reacquisition date, respectively, and shares not reissued within the three-year or five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(15) 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.

(16) 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 abovementioned is not applicable.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No.

Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be the same as the amount reclassified from accumulated translation adjustment under shareholders' equity to retained earnings for the exemptions elected by the Group. The increase in special reserve as a result of retained earnings arising from the adoption of IFRS was \$38,429 thousand.

E. (a) The appropriations of 2020 and 2019 earnings as resolved at the shareholders' meeting on August 19, 2021 and May 28, 2020, respectively, are detailed as follows:

	Years ended December 31,			
	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 12,910		\$ 10,580	
Special reserve	17,792		15,894	
Cash dividends	91,108	\$ 2.4	84,395	\$ 2.24
	<u>\$ 121,810</u>		<u>\$ 110,869</u>	

(b) The details about the appropriation of 2021 earnings which was proposed at the Board of Directors' meeting on February 24, 2022 are as follows:

	Year ended December 31, 2021	
	Amount	Dividend per share (in dollar)
Legal reserve	\$ 9,562	
Special reserve	15,936	
Cash dividends	81,631	\$ 2.1
	<u>\$ 107,159</u>	

Apart from the cash dividends which have been resolved at the meeting of Board of Directors on February 24, 2022, 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).

(17) Other equity items

	2021		2020	
	Currency translation	Unrealised gains (losses) on valuation	Currency translation	Unrealised gains (losses) on valuation
At January 1	(\$ 73,605)	\$ 1,490	(\$ 81,791)	\$ 27,468
Currency translation differences: –Group	(8,200)	-	8,186	-
Revaluation	-	(7,735)	-	28,152
Revaluation transferred to retained earnings – gross	-	-	-	(54,130)
At December 31	<u>(\$ 81,805)</u>	<u>(\$ 6,245)</u>	<u>(\$ 73,605)</u>	<u>\$ 1,490</u>

(18) Operating revenue

	Years ended December 31,	
	2021	2020
Sales revenue	\$ 1,051,699	\$ 808,981

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2021											
	TONS LIGHTOLOGY INC.				TITAN LIGHTING CO., LTD.				ZHONGSHAN TONS LIGHTING CO., LTD.	Others	Total
	Europe	Asia	Oceania	Others	Europe	Asia	Oceania	Others	Asia	Asia	
	Revenue from contracts	\$ 750,108	\$ 109,963	\$ 60,888	\$ 1,394	\$ 3,149	\$ 8,951	\$ 533	\$ 1	\$ 63,742		$ 52,970	$ 1,051,699
Year ended December 31, 2020											
	TONS LIGHTOLOGY INC.				TITAN LIGHTING CO., LTD.				ZHONGSHAN TONS LIGHTING CO., LTD.	Others	Total
	Europe	Asia	Oceania	Others	Europe	Asia	Oceania	Others	Asia	Asia	
	Revenue from contracts	\$ 557,019	\$ 110,884	\$ 52,459	\$ 962	\$ 2,491	\$ 6,320	\$ 573	\$ 2	\$ 41,541		$ 36,730	$ 808,981

B. Contract liabilities (shown as ‘other current liabilities’)

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract liabilities:		
Contract liabilities – advance sales receipts	\$ <u>25,418</u>	\$ <u>17,047</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2021</u>	<u>2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ <u>16,692</u>	\$ <u>6,922</u>
(19) <u>Interest income</u>		
	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ <u>8,513</u>	\$ <u>6,598</u>
(20) <u>Other income</u>		
	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2021</u>	<u>2020</u>
Dividend income	\$ 4,304	\$ 2,690
Other income - others	1,028	8,007
	<u>\$ 5,332</u>	<u>\$ 10,697</u>
(21) <u>Other gains and losses</u>		
	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2021</u>	<u>2020</u>
Gains on disposals of property, plant and equipment	\$ 1,419	\$ 133
Net currency exchange gain	3,178	5,261
Net (loss) gain on financial assets (liabilities) at fair value through profit or loss	(18,555)	13,817
Other losses	(56)	(65)
	<u>(\$ 14,014)</u>	<u>\$ 19,146</u>
(22) <u>Finance costs</u>		
	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2021</u>	<u>2020</u>
Interest expense	\$ <u>330</u>	\$ <u>443</u>

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,	
	2021	2020
Employee benefit expense	\$ 261,388	\$ 218,706
Depreciation charges on property, plant and equipment	49,333	48,615
Depreciation charges on right-of-use assets	9,318	9,181
Amortisation charges	2,517	2,075

(24) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 227,532	\$ 198,610
Labour and health insurance fees	4,407	3,436
Pension costs	14,963	2,808
Directors' remunerations	4,296	3,605
Other employee benefit expenses	10,190	10,247
	<u>\$ 261,388</u>	<u>\$ 218,706</u>

Note: For the years ended December 31, 2021 and 2020, the Group had 605 and 655 employees,

respectively, and had 5 non-employee directors for both periods.

- A. In accordance with the Articles of Incorporation of the Company, the current year's earnings, if profit, the Company shall appropriate 5% to 15% as the employees' compensation; if loss, shall first reserve the offset amount.
- B. For the years ended December 31, 2021 and 2020, the accrued employees' compensation and directors' remuneration is as follows:

	Years ended December 31,	
	2021	2020
Employees' compensation	\$ 11,896	\$ 8,691
Directors' remuneration	1,983	1,304
	<u>\$ 13,879</u>	<u>\$ 9,995</u>

The aforementioned amounts were recognised in salary expenses. The Group accrued expenses based on 9% and 1.5% of the pre-tax income that has not been accrued for employees' compensation and directors' remuneration, respectively, for the year ended December 31, 2021, and the Group accrued the above expenses based on 8% and 1.2% of distributable profit of current year for the year ended December 31, 2020.

Employees' compensation and directors' remuneration for 2020 and 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 and 2019 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,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 36,197	\$ 31,703
Tax on undistributed surplus earnings	219	-
Prior year income tax overestimation	(3,714)	(2,268)
Total current tax	32,702	29,435
Deferred tax:		
Origination and reversal of temporary differences	3,239	(5,202)
Income tax expense	<u>\$ 35,941</u>	<u>\$ 24,233</u>

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

	Years ended December 31,	
	2021	2020
Temporary differences:		
Remeasurement of defined benefit obligations	(\$ 12)	\$ 56
Changes in fair value of financial assets at fair value through other comprehensive income	-	36
	<u>(\$ 12)</u>	<u>\$ 92</u>
Current tax:		
Realised gain on valuation of proceeds from disposal of financial assets at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ 6</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 37,450	\$ 28,804
Expenses disallowed by tax regulation	3,522	65
Tax exempt income by tax regulation	(1,536)	(3,513)
Prior year income tax overestimation	(3,714)	(2,268)
Change in assessment of realisation of deferred tax assets	-	(167)
Basic tax on gains derived from the securities transactions	-	1,312
Tax on undistributed surplus earnings	219	-
Income tax expense	<u>\$ 35,941</u>	<u>\$ 24,233</u>

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

	2021			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation and obsolescence losses	\$ 1,298	\$ 263	\$ -	\$ 1,561
Unrealised sales returns and discounts	81	313	-	394
Warranty liabilities	50	(9)	-	41
Unallocated amount of accrued pension expense	178	(2)	-	176
Remeasurement of defined benefit obligations	1,291		12	1,303
Unrealised loss on financial assets at fair value through other comprehensive income	266	(1)	-	265
Amount of allowance for bad debts that exceed the limit for tax purpose	51	(51)	-	-
Unused compensated absences	356	44	-	400
	<u>\$ 3,571</u>	<u>\$ 557</u>	<u>\$ 12</u>	<u>\$ 4,140</u>
-Deferred tax liabilities:				
Amount of allowance for bad debts that exceed the limit for tax purpose	(\$ 2,248)	(\$ 4,702)	\$ -	(\$ 6,950)
Gains (loss) on foreign long-term investments	(1,197)	906	-	(291)
Unrealised foreign exchange losses (gains)	(3,445)	(3,796)	-	(7,241)
	<u>\$ 126</u>	<u>(\$ 3,239)</u>	<u>\$ 12</u>	<u>(\$ 3,101)</u>

	2020			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation and obsolescence losses	\$ 1,702	(\$ 404)	\$ -	\$ 1,298
Unrealised sales returns and discounts	66	15	-	81
Warranty liabilities	69	(19)	-	50
Unallocated amount of accrued pension expense	581	(403)	-	178
Remeasurement of defined benefit obligations	1,347	-	(56)	1,291
Unrealised loss on financial assets at fair value through other comprehensive income	302	-	(36)	266
Amount of allowance for bad debts that exceed the limit for tax purpose	-	51	-	51
Unused compensated absences	370	(14)	-	356
	<u>\$ 4,437</u>	<u>(\$ 774)</u>	<u>(\$ 92)</u>	<u>\$ 3,571</u>
-Deferred tax liabilities:				
Amount of allowance for bad debts that exceed the limit for tax purpose	(\$ 167)	\$ 167	\$ -	\$ -
Gains (loss) on foreign long-term investments	(8,251)	6,003	-	(2,248)
Unrealised foreign exchange losses (gains)	(1,003)	(194)	-	(1,197)
	<u>(9,421)</u>	<u>5,976</u>	<u>-</u>	<u>(3,445)</u>
	<u>(\$ 4,984)</u>	<u>\$ 5,202</u>	<u>(\$ 92)</u>	<u>\$ 126</u>

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary difference unrecognised as deferred tax liabilities were \$74,523 and \$68,222 thousand, respectively.

E. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(26) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 95,972	38,282	\$ 2.51
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	95,972	38,282	
Assumed conversion of all dilutive potential ordinary shares			
-Employees' compensation	-	372	
-Employee stock options	-	327	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 95,972	38,981	\$ 2.46
	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 79,054	38,098	\$ 2.08
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	79,054	38,098	
Assumed conversion of all dilutive potential ordinary shares			
-Employees' compensation	-	309	
-Employee stock options	-	180	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 79,054	38,587	\$ 2.05

(27) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 24,403	\$ 14,485
Add: Opening balance of payable on equipment	755	1,788
Less: Ending balance of payable on equipment	(1,025)	(755)
Cash paid during the period	<u>\$ 24,133</u>	<u>\$ 15,518</u>

(28) Changes in liabilities from financing activities

	Guarantee	Lease	Dividends	Liabilities from
	deposits received	liabilities	payable	financing activities- gross
At January 1, 2021	\$ 1,126	\$ 12,783	\$ -	\$ 13,909
Changes in cash flow from financing activities	-	(8,441)	(91,108)	(99,549)
Impact of changes in foreign exchange rate	-	(48)	-	(48)
Changes in other non- cash items	-	5,581	91,108	96,689
At December 31, 2021	<u>\$ 1,126</u>	<u>\$ 9,875</u>	<u>\$ -</u>	<u>\$ 11,001</u>

	Guarantee	Lease	Dividends	Liabilities from
	deposits received	liabilities	payable	financing activities- gross
At January 1, 2020	\$ 1,126	\$ 3,857	\$ -	\$ 4,983
Changes in cash flow from financing activities	-	(8,231)	(84,395)	(92,626)
Impact of changes in foreign exchange rate	-	(44)	-	(44)
Changes in other non- cash items	-	17,201	84,395	101,596
At December 31, 2020	<u>\$ 1,126</u>	<u>\$ 12,783</u>	<u>\$ -</u>	<u>\$ 13,909</u>

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 (Note)
ARTSO INTERNATIONAL, INC.	Associate
BEIJING ARTSO FURNITURE CO.,LTD	Associate
Shanghai Art So Zhong Trading Limited	Associate

Note: On June 22, 2020, the Company was discharged as the corporate director of HEP TECH CO., LTD. (hereinafter "HEP") due to the expiration of the term, therefore, HEP and its subsidiaries were removed from the related parties. The following purchases and sales transactions were for the period from January 1, 2020 to June 22, 2020 and the balances of accounts receivable, accounts payable and other payables as of June 22, 2020 were no longer related party transactions.

(2) Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2021	2020
Sales of goods:		
-Associates	\$ 368	\$ 1,376

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. Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable:		
-ARTSO INTERNATIONAL, INC.	\$ -	\$ 473
-BEIJING ARTSO FURNITURE CO., LTD	-	45
	\$ -	\$ 518

C. Purchases

	Years ended December 31,	
	2021	2020
Purchases of raw materials:		
- Other related parties	\$ -	\$ 11,327

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.

(3) Key management compensation

	Years ended December 31,	
	2021	2020
Short-term employee benefits	\$ 30,682	\$ 26,565
Post-employment benefits	502	523
Share-based payments	739	785
	<u>\$ 31,923</u>	<u>\$ 27,873</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Restricted time deposits (shown as 'financial assets at amortised cost')	\$ 4,660	\$ 5,325	Construction and forward foreign exchange contracts
Guarantee deposits paid (shown as 'other non-current assets')	2,712	2,901	Construction and security deposits
	<u>\$ 7,372</u>	<u>\$ 8,226</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2021, the Group's strategy, which was unchanged from 2020, was to maintain the debt-to-asset ratio within 20% to 40%. The debt-to-asset ratios at December 31, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 273,573	\$ 239,516
Total assets	\$ 1,426,202	\$ 1,373,748
Gearing ratio	19%	17%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 85,588	\$ 104,166
Financial assets at fair value through other comprehensive income	46,171	53,906
Cash and cash equivalents	344,436	353,565
Financial assets at amortised cost	187,720	179,361
Notes receivable	2,204	1,205
Accounts receivable (including related parties)	143,165	127,949
Other receivables	9,724	3,615
Guarantee deposits paid	2,712	2,901
	<u>\$ 821,720</u>	<u>\$ 826,668</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 25	\$ 25
Accounts payable	103,500	88,144
Other accounts payable	87,726	85,986
Guarantee deposits received	1,126	1,126
	<u>\$ 192,377</u>	<u>\$ 175,281</u>
Lease liability (including current portion)	<u>\$ 9,875</u>	<u>\$ 12,783</u>

B. Financial risk management policies

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

exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

Year ended December 31, 2021

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 3,573	27.680	\$ 98,901	1%	\$ 989	\$ -
HKD:NTD	1,056	3.549	3,748	1%	37	-
EUR:NTD	850	31.320	26,622	1%	266	-
RMB:NTD	28,179	4.344	122,410	1%	1,224	-
RMB:USD	11,811	0.149	51,307	1%	513	-
USD:RMB	5,912	6.372	163,644	-1%	(1,636)	-
USD:RMB (Note)	1,800	6.434	1,132	-1%	503	-
<u>Non-monetary items</u>						
USD:NTD	\$ 270	27.680	\$ 7,474	1%	\$ -	\$ 75
<u>Investments accounted for using the equity method</u>						
USD:NTD	\$ 1,700	27.680	\$ 47,056	1%	\$ -	\$ 471
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 6,635	27.630	\$ 183,325	1%	(\$ 1,833)	\$ -
RMB:NTD	16,072	4.319	69,415	1%	(694)	-

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.

Year ended December 31, 2020

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 1,954	28.480	\$ 55,650	1%	\$ 556	\$ -
HKD:NTD	700	3.673	2,571	1%	26	-
EUR:NTD	1,587	35.020	55,577	1%	556	-
RMB:NTD	18,143	4.377	79,412	1%	794	-
RMB:USD	11,564	0.149	50,616	1%	506	-
USD:RMB	5,890	6.507	167,747	-1%	(1,677)	-
EUR:RMB	6	8.001	210	1%	2	-
USD:RMB (Note)	2,000	6.626	2,966	-1%	580	-
<u>Non-monetary items</u>						
USD:NTD	\$ 270	28.480	\$ 7,690	1%	\$ -	\$ 77
<u>Investments accounted for using the equity method</u>						
USD:NTD	\$ 1,700	28.480	\$ 48,416	1%	\$ -	\$ 484
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 6,163	28.430	\$ 175,214	1%	(\$ 1,752)	\$ -
EUR:NTD	5	34.820	174	1%	(2)	-
RMB:NTD	14,579	4.352	63,448	1%	(634)	-

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

- vi. Total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020 amounted to \$3,178 thousand and \$5,261 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, 2021 and 2020 would have decreased/increased by \$856 thousand and \$1,042 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have decreased/increased by \$462 thousand and \$539 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, 2021 and 2020, 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 reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with product types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2021 and 2020, the loss rate methodology is as follows:

	Not past due	Up to 30 days past due	30~120 days past due	Over 120 days	Total
<u>December 31, 2021</u>					
Expected loss rate	0.00%	0.00%	13.74%	99.77%	
Total book value	\$ 138,932	\$ 3,438	\$ 917	\$ 1,751	\$ 145,038
Loss allowance	\$ -	\$ -	(\$ 126)	(\$ 1,747)	(\$ 1,873)
	Not past due	Up to 30 days past due	30~120 days past due	Over 120 days	Total
<u>December 31, 2020</u>					
Expected loss rate	0.00%	1.01%	19.69%	100.00%	
Total book value	\$ 121,696	\$ 6,053	\$ 325	\$ 1,454	\$ 129,528
Loss allowance	\$ -	(\$ 61)	(\$ 64)	(\$ 1,454)	(\$ 1,579)

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

	<u>2021</u>
	<u>Accounts receivable</u>
At January 1	\$ 1,579
Provision for impairment	294
Effect of exchange rate changes	-
At December 31	<u>\$ 1,873</u>
	<u>2020</u>
	<u>Accounts receivable</u>
At January 1	\$ 125
Provision for impairment	1,452
Effect of exchange rate changes	2
At December 31	<u>\$ 1,579</u>

(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. As of December 31, 2021 and 2020, the Group's undrawn borrowing facilities amounted to \$13,420 thousand and \$130,115 thousand, respectively.

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

Non-derivative financial liabilities

	Less than 1	Between 1 and 2	Between 2 and 3	Between 3 and 5	Over 5
December 31, 2021	year	years	years	years	years
Notes and accounts payable	\$ 103,525	\$ -	\$ -	\$ -	\$ -
Other payables	87,726	-	-	-	-
Lease liabilities	7,867	1,940	292	-	-

Non-derivative financial liabilities

	Less than 1	Between 1 and 2	Between 2 and 3	Between 3 and 5	Over 5
December 31, 2020	1 year	years	years	years	years
Notes and accounts payable	\$ 88,169	\$ -	\$ -	\$ -	\$ -
Other payables	85,986	-	-	-	-
Lease liabilities	7,414	5,655	-	-	-

(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, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ 84,456</u>	<u>\$ 1,132</u>	<u>\$ -</u>	<u>\$ 85,588</u>
Financial assets at fair value through other comprehensive income - equity securities	<u>\$ 39,015</u>	<u>\$ -</u>	<u>\$ 7,156</u>	<u>\$ 46,171</u>
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ 101,200</u>	<u>\$ 2,966</u>	<u>\$ -</u>	<u>\$ 104,166</u>
Financial assets at fair value through other comprehensive income - equity securities	<u>\$ 46,750</u>	<u>\$ -</u>	<u>\$ 7,156</u>	<u>\$ 53,906</u>

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

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

D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2021 and 2020, movements on Level 3 are as follows:

	2021	2020
	<u>Equity instruments</u>	<u>Equity instruments</u>
At January 1	\$ 7,156	\$ 9,889
Gain recognized in other comprehensive income	-	179
Sold in the year	-	(2,912)
Effect of exchange rate changes	-	-
At December 31	<u>\$ 7,156</u>	<u>\$ 7,156</u>

F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

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

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

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 7,156	Market comparable companies	Price to book ratio	0.76	The higher the multiple, the higher the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 7,156	Market comparable companies	Price to book ratio	0.76	The higher the multiple, the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to

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

				<u>December 31, 2021</u>	
				<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	
Financial assets					
Equity securities	Price to book ratio	± 5%	\$ 352	(\$ 352)	
				<u>December 31, 2020</u>	
				<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	
Financial assets					
Equity securities	Price to book ratio	± 5%	\$ 372	(\$ 372)	

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: Titan Lighting Co., Ltd. entered into forward foreign exchange contracts for the year ended December 31, 2021. As of December 31, 2021, financial assets at fair value through profit or loss of \$1,132 thousand was recognized.
- 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, 2021 are provided in Note 13(1) J.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. Business organisation is divided into Tons Lightology Inc., Titan Lighting Co., Ltd. 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, 2021			
	ZHONGSHAN			Total
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO.,LTD.	TONS LIGHTING CO.,LTD.	
Revenue from external customers	\$ 922,353	\$ 12,634	\$ 63,742	\$ 998,729
Inter-segment revenue	-	735,900	56,739	792,639
Segment revenue	\$ 922,353	\$ 748,534	\$ 120,481	\$ 1,791,368
Segment profit (loss) before tax	\$ 77,167	\$ 59,668	\$ 6,373	\$ 143,208
Segment income (loss) including:				
Depreciation and amortisation	\$ 9,349	\$ 40,543	\$ 7,934	\$ 57,826
Income tax expense	22,321	12,653	335	35,309
Investment loss adopting equity method	(10,297)	-	-	(10,297)
	Year ended December 31, 2020			
	ZHONGSHAN			Total
	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO.,LTD.	TONS LIGHTING	
Revenue from external customers	\$ 721,324	\$ 9,386	\$ 41,541	\$ 772,251
Inter-segment revenue	6,800	546,551	48,199	601,550
Segment revenue	\$ 728,124	\$ 555,937	\$ 89,740	\$ 1,373,801
Segment profit (loss) before tax	\$ 60,627	\$ 24,145	\$ 2,139	\$ 86,911
Segment income (loss) including:				
Depreciation and amortisation	\$ 9,030	\$ 41,909	\$ 5,348	\$ 56,287
Income tax expense	19,581	3,195	146	22,922
Investment loss adopting equity method	(19,464)	-	-	(19,464)

- B. The Group's reportable operating segments are the result of the organization divided by operating business.
- C. The Group's revenue is mainly from manufacturing and trading of lighting equipment and lamps.
- D. The Group did not allocate income tax expense to reportable segments. The reportable amounts are in agreement with the amount stated in the report to the Chief Operating Decision-Maker.
- E. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4. The Group's segment profit (loss) is measured with the operating profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segment.

(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,	
	2021	2020
Reportable operating segments revenue after adjustment	\$ 1,791,368	\$ 1,373,801
Other operating segments revenue after adjustment	52,970	226,119
Total operating segments revenue	1,844,338	1,599,920
Elimination of intersegment loss	(792,639)	(790,939)
Total consolidated operating revenue	\$ 1,051,699	\$ 808,981

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

	Years ended December 31,	
	2021	2020
Reportable operating segments revenue after adjustment	\$ 143,208	\$ 86,911
Other operating segments (loss) revenue after adjustment	(11,620)	16,682
Total operating segments revenue	131,588	103,593
Elimination of intersegment revenue (loss)	325	(306)
Total consolidated operating revenue	\$ 131,913	\$ 103,287

(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,	
	2021	2020
Sales revenue	\$ 1,051,699	\$ 808,981

(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,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Europe	\$ 753,257	\$ -	\$ 559,510	\$ -
Asia	235,626	293,071	195,475	318,974
Oceania	61,421	-	53,032	-
Others	1,395	-	964	-
	<u>\$ 1,051,699</u>	<u>\$ 293,071</u>	<u>\$ 808,981</u>	<u>\$ 318,974</u>

(7) Major customer information

The major customer information is as follows:

	Years ended December 31,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
A	\$ 280,387	TONS LIGHTOLOGY INC and TITAN	\$ 179,783	TONS LIGHTOLOGY INC and TITAN
		LIGHTING CO., LTD		LIGHTING CO., LTD
B	87,431	TONS LIGHTOLOGY INC and TITAN	85,250	TONS LIGHTOLOGY INC and TITAN
		LIGHTING CO., LTD		LIGHTING CO., LTD
	<u>\$ 367,818</u>		<u>\$ 265,033</u>	

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TONS LIGHTOLOGY INC. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (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 INC. CO., LTD.	TONS LIGHTOLOGY	(3)	\$ 95,635	\$ 15,800	\$ 15,800	\$ 15,800	\$ -	11.56	\$ 95,635	N	Y	N	-

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

(1) The Company is '0'.

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

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

(1) Having business relationship.

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

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

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

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

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

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

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

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

December 31, 2021

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, 2021				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	\$ 7,156	19.00	\$ 7,156	-
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	39,015	4.59	39,015	-
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	3,680,000	84,456	9.94	84,456	-
				Total	130,627	Total	130,627	

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

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, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	\$ 721,598	95	90 days after monthly billing for purchases	Note 2	Note 1	(\$ 227,685)	(98)	Note 3

Note 1: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 90 days after monthly billing for purchases and payment is made timely according to the capital needs of subsidiaries.

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

Year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021 (Note 2)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
TITAN LIGHTING CO., LTD.	TONS LIGHTOLOGY INC.	Parent company	Accounts receivable \$227,685	3.17	\$ -	-	\$ 124,154	\$ -

Note 1: Subsequent collection is the amount of receivables collected from related parties as of February 24, 2021.

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, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
0	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	(1)	(Purchases)	(\$ 721,598)	90 days after monthly billing for purchases	68.61
0	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	(1)	(Accounts payable)	(227,685)	90 days after monthly billing for purchases	15.96

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

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

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

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

Note 4: Transaction amounts account for at least NTD 30 million.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Information on investees
Year ended December 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	\$ 545,972	\$ 545,972	18,333,402	100	\$ 917,556	\$ 55,025	\$ 55,350	Subsidiary (Note 1, 4)
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	135,000	135,000	16,000,000	100	136,622 (	14,224) (	14,224)	Subsidiary (Note 4)
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	Samoa	Wholesale of furniture	70,000	70,000	1,700,000	48.57	28,660 (	12,542) (	8,753)	Note 3
TONS LIGHTOLOGY INC.	ART SO INTERNATIONAL, INC	Taiwan	Wholesale of furniture	15,000	-	1,500,000	30.00	13,456 (	11,221) (	1,544)	Note 3
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100	86,410 (	41)	-	Indirect subsidiary (Note 2, 4)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	792,603	54,129	-	Indirect subsidiary (Note 2, 4)

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: 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, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				Remitted to Mainland China	Remitted back to Taiwan	Remitted to Taiwan for the year ended December 31, 2021								
TITAN LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	\$ 339,149	(2)	\$ 368,845	\$ -	\$ -	\$ 368,845	\$ 47,015	100.00	\$ 47,015	\$ 651,451	\$ 104,414	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	99,648	(2)	110,585	-	-	110,585	6,039	100.00	6,039	111,606	-	Note 1,2,4,5	
SHANGHAI TONS LIGHTOLOGY CO., LTD.	Sales of various lighting products and accessories	88,576	(2)	42,842	-	-	42,842	(16)	100.00	(16)	85,130	-	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	-	14.14	-	-	-	Note 1,7	
Grand Canyon (Su Zhou) Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	381,233	(2)	43,299	-	-	43,299	-	14.14	-	-	510	Note 1,7	
ART SO ZHONG TRADING LIMITED	Trade of furniture	12,456	(2)	6,206	-	-	6,206	-	48.57	-	-	-	Note 1,8	
Shanghai Art So Zhong Trading Limited	Trade of furniture	24,761	(2)	15,455	-	-	15,455	-	48.57	-	-	-	Note 1,8	
BELJING ARTSO FURNITURE CO.,LTD	Trade of furniture	24,761	(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, 2021 is based on financial statements audited and attested by R.O.C. parent company's CPA.

Note 3: Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021, 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, 2021.

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 investees in Mainland China.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Note 1)	Investment amount Ceiling on approved investments in by the Mainland China Commission of imposed by the Ministry of the Economic Affairs (MOEA) Investment Commission of MOEA	
		(Notes 2)	(Note 3)
TONS LIGHTOLOGY INC.	\$ 605,863	\$ 619,628	\$ 691,577

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 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, 2021.

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2021

Table 8

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
TANG,SHIH-CHUAN	3,535,633	8.77%

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

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

INDEPENDENT AUDITORS' REPORT 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, 2021 and 2020, 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, 2021 and 2020, 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. 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 TONS LIGHTOLOGY INC. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 revenue includes different transaction terms and the timing of transfer

of the control of goods involves manual judgement, we thus identified the timing of sales revenue recognition 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 the generally accepted auditing standards in the Republic of China 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 the generally accepted auditing standards in the Republic of China, we exercise professional judgment 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 TONS LIGHTOLOGY INC.'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 TONS LIGHTOLOGY INC.'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 Group 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 financial information of the entities or business activities within TONS LIGHTOLOGY INC. 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.

Hung, Shu-Hua

Liu, Mei-Lan

For and on behalf of PricewaterhouseCoopers, Taiwan

February __, 2022

Hung, Shu-Hua

Liu, Mei Lan

For and on Behalf of PricewaterhouseCoopers, Taiwan

April 12, 2022

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 independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 176,510	12	\$ 185,910	13
1136	Current financial assets at amortised cost	6(2) and 8	316	-	948	-
1150	Notes receivable, net	6(3)	2,204	-	1,205	-
1170	Accounts receivable, net	6(3)	139,155	9	121,662	8
1180	Accounts receivable - related parties	6(3) and 7	112	-	845	-
1200	Other receivables		90	-	467	-
130X	Inventories	6(4)	8,568	1	11,464	1
1410	Prepayments		399	-	5,330	-
1470	Other current assets		128	-	180	-
11XX	Current Assets		<u>327,482</u>	<u>22</u>	<u>328,011</u>	<u>22</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(5)	46,171	3	53,906	4
1550	Investments accounted for using equity method	6(6)	1,096,294	74	1,058,487	73
1600	Property, plant and equipment	6(7)	1,007	-	656	-
1755	Right-of-use assets	6(8)	7,126	1	11,774	1
1780	Intangible assets		3,455	-	4,337	-
1840	Deferred income tax assets	6(22)	4,140	-	3,571	-
1990	Other non-current assets, others	8	2,201	-	2,447	-
15XX	Non-current assets		<u>1,160,394</u>	<u>78</u>	<u>1,135,178</u>	<u>78</u>
1XXX	Total assets		<u>\$ 1,487,876</u>	<u>100</u>	<u>\$ 1,463,189</u>	<u>100</u>

(Continued)

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
		AMOUNT	%	AMOUNT	%
Current liabilities					
2150	Notes payable	\$ 25	-	\$ 25	-
2170	Accounts payable	2,057	-	9,764	1
2180	Accounts payable - related parties	7 231,847	16	230,527	16
2200	Other payables	30,276	2	26,792	2
2220	Other payables - related parties	7 1,467	-	1,035	-
2230	Current income tax liabilities	6(22) 20,849	1	21,079	1
2280	Current lease liabilities	6,498	1	6,331	-
2300	Other current liabilities	6(15) 25,492	2	15,642	1
21XX	Current Liabilities	<u>318,511</u>	<u>22</u>	<u>311,195</u>	<u>21</u>
Non-current liabilities					
2550	Provisions for liabilities - non-current	203	-	249	-
2570	Deferred income tax liabilities	6(22) 7,241	-	3,445	-
2580	Non-current lease liabilities	767	-	5,591	-
2600	Other non-current liabilities	6(9) 8,525	1	8,477	1
25XX	Non-current liabilities	<u>16,736</u>	<u>1</u>	<u>17,762</u>	<u>1</u>
2XXX	Total Liabilities	<u>335,247</u>	<u>23</u>	<u>328,957</u>	<u>22</u>
Equity					
Share capital					
3110	Share capital - common stock	6(11) 402,031	27	396,723	27
3140	Advance receipts for share capital	1,103	-	965	-
Capital surplus					
3200	Capital surplus	6(12) 518,118	35	508,419	34
Retained earnings					
3310	Legal reserve	6(13) 108,709	7	95,799	7
3320	Special reserve	72,115	5	54,323	4
3350	Unappropriated retained earnings	186,967	12	212,854	15
Other equity interest					
3400	Other equity interest	6(14) (88,050)	(6)	(72,115)	(5)
3500	Treasury shares	6(11) (48,364)	(3)	(62,736)	(4)
3XXX	Total equity	<u>1,152,629</u>	<u>77</u>	<u>1,134,232</u>	<u>78</u>
3X2X	Total liabilities and equity	<u>\$ 1,487,876</u>	<u>100</u>	<u>\$ 1,463,189</u>	<u>100</u>

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(15) and 7	\$ 922,353	100	\$ 728,124	100
5000	Operating costs	6(4) and 7	(759,092)	(82)	(587,541)	(81)
5900	Net operating margin		<u>163,261</u>	<u>18</u>	<u>140,583</u>	<u>19</u>
	Operating expenses	6(20)(21)				
6100	Selling expenses		(29,649)	(3)	(34,148)	(5)
6200	General and administrative expenses		(47,615)	(5)	(42,357)	(6)
6300	Research and development expenses		(4,429)	(1)	(4,680)	-
6000	Total operating expenses		(81,693)	(9)	(81,185)	(11)
6900	Operating profit		<u>81,568</u>	<u>9</u>	<u>59,398</u>	<u>8</u>
	Non-operating income and expenses					
7100	Interest income	6(16)	1,799	-	1,920	-
7010	Other income	6(17)	1,481	-	4,997	1
7020	Other gains and losses	6(18)	2,831	-	14,148	2
7050	Finance costs	6(19)	(215)	-	(372)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	<u>30,829</u>	<u>4</u>	<u>18,544</u>	<u>3</u>
7000	Total non-operating income and expenses		<u>36,725</u>	<u>4</u>	<u>39,237</u>	<u>6</u>
7900	Profit before income tax		<u>118,293</u>	<u>13</u>	<u>98,635</u>	<u>14</u>
7950	Income tax expense	6(22)	(22,321)	(2)	(19,581)	(3)
8200	Profit for the year		<u>\$ 95,972</u>	<u>11</u>	<u>\$ 79,054</u>	<u>11</u>
	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(9)	(\$ 61)	-	\$ 279	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(14)	(7,735)	(1)	28,194	4
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	<u>12</u>	-	(98)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(7,784)	(1)	<u>28,375</u>	<u>4</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation	6(14)	(8,200)	(1)	8,186	1
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		(8,200)	(1)	<u>8,186</u>	<u>1</u>
8300	Other comprehensive loss (income) for the year		(\$ 15,984)	(2)	<u>\$ 36,561</u>	<u>5</u>
8500	Total comprehensive income for the year		<u>\$ 79,988</u>	<u>9</u>	<u>\$ 115,615</u>	<u>16</u>
	Basic earnings per share					
9750	Total basic earnings per share	6(23)	<u>\$ 2.51</u>		<u>\$ 2.08</u>	
	Diluted earnings per share					
9850	Total diluted earnings per share	6(23)	<u>\$ 2.46</u>		<u>\$ 2.05</u>	

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital		Capital Surplus			Retained Earnings			Other equity interest			Total equity
		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	Treasury shares		
<u>2020</u>													
Balance at January 1, 2020		\$ 401,253	\$ 303	\$ 505,787	\$ -	\$ 4,879	\$ 85,219	\$ 38,429	\$ 194,627	(\$ 81,791)	\$ 27,468	(\$ 33,992)	\$ 1,142,182
Profit		-	-	-	-	-	-	-	79,054	-	-	-	79,054
Other comprehensive income	6(14)	-	-	-	-	-	-	-	223	8,186	28,152	-	36,561
Total comprehensive income		-	-	-	-	-	-	-	79,277	8,186	28,152	-	115,615
Appropriation and distribution of 2019 earnings													
Legal reserve	6(13)	-	-	-	-	-	10,580	-	(10,580)	-	-	-	-
Special reserve	6(13)	-	-	-	-	-	-	15,894	(15,894)	-	-	-	-
Cash dividends	6(13)	-	-	-	-	-	-	-	(84,395)	-	-	-	(84,395)
Share-based payment transactions-employees	6(10)	1,470	662	4,958	-	369	-	-	-	-	-	-	7,459
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(5)	-	-	-	-	-	-	-	54,130	-	(54,130)	-	-
Purchase of treasury shares	6(11)	-	-	-	-	-	-	-	-	-	-	(46,629)	(46,629)
Retirement of treasury income	6(11)	(6,000)	-	(7,574)	-	-	-	-	(4,311)	-	-	17,885	-
Balance at December 31, 2020		\$ 396,723	\$ 965	\$ 503,171	\$ -	\$ 5,248	\$ 95,799	\$ 54,323	\$ 212,854	(\$ 73,605)	\$ 1,490	(\$ 62,736)	\$ 1,134,232
<u>2021</u>													
Balance at January 1, 2021		\$ 396,723	\$ 965	\$ 503,171	\$ -	\$ 5,248	\$ 95,799	\$ 54,323	\$ 212,854	(\$ 73,605)	\$ 1,490	(\$ 62,736)	\$ 1,134,232
Profit		-	-	-	-	-	-	-	95,972	-	-	-	95,972
Other comprehensive loss	6(14)	-	-	-	-	-	-	-	(49)	(8,200)	(7,735)	-	(15,984)
Total comprehensive income (loss)		-	-	-	-	-	-	-	95,923	(8,200)	(7,735)	-	79,988
Appropriations and distribution of 2020 earnings													
Legal reserve	6(13)	-	-	-	-	-	12,910	-	(12,910)	-	-	-	-
Special reserve	6(13)	-	-	-	-	-	-	17,792	(17,792)	-	-	-	-
Cash dividends	6(13)	-	-	-	-	-	-	-	(91,108)	-	-	-	(91,108)
Share-based payment transactions-employees	6(10)	5,308	138	11,419	-	(3,007)	-	-	-	-	-	-	13,858
Treasury shares transferred to employees	6(11)	-	-	-	1,287	-	-	-	-	-	-	14,372	15,659
Balance at December 31, 2021		\$ 402,031	\$ 1,103	\$ 514,590	\$ 1,287	\$ 2,241	\$ 108,709	\$ 72,115	\$ 186,967	(\$ 81,805)	(\$ 6,245)	(\$ 48,364)	\$ 1,152,629

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 118,293	\$ 98,635
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(20)	374	423
Depreciation-right of use asset	6(8)(20)	6,458	6,532
Amortisation	6(20)	2,517	2,075
Expected credit loss (gain)	12(2)	(1,419)	1,500
Interest expense-lease liability	6(8)	215	372
Interest income	6(16)	(1,799)	(1,920)
Dividend income		(1,360)	(850)
Wages and salaries- employee stock options	6(10)	1,935	1,773
Share of loss of subsidiary, associates and joint ventures	6(6)	(30,829)	(18,544)
Property, plant and equipment transferred to expenses		99	-
Unrealised foreign exchange loss (gain)		4,535	(970)
Reversal of provision for warranty expense		(46)	(96)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(999)	(901)
Account receivable, net		(16,090)	15,156
Account receivable due from related party		733	(845)
Other receivables		401	2,369
Inventories		2,891	(4,523)
Prepayments		4,929	(313)
Other current assets		53	(30)
Changes in operating liabilities			
Notes payable		1	(19)
Accounts payable		(7,706)	8,082
Accounts payable to related parties		1,331	(45,122)
Other payables		3,536	(2,003)
Other payables to related parties		432	(23,710)
Contract liabilities		8,287	9,316
Other current liabilities		1,580	(54)
Other non-current liabilities		(12)	(2,009)
Cash inflow generated from operations		98,340	44,324
Interest received		1,774	1,919
Dividend received		1,360	38,398
Interest paid		(215)	(372)
Income tax paid		(19,313)	(5,986)
Net cash flows from operating activities		<u>81,946</u>	<u>78,283</u>

(Continued)

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortised cost		\$ 632	(\$ 948)
Proceeds from disposal of financial assets at fair value through profit or loss		-	102,682
Acquisition of investments accounted for using the equity		(15,000)	(10,000)
Acquisition of property, plant and equipment	6(7)(24)	(844)	(461)
Acquisition of intangible deposits		(1,634)	(4,731)
Increase (decrease) in refundable deposits		236	(242)
Net cash flows (used in) from investing activities		(16,610)	86,300
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of principal portion of lease liability	6(8)	(6,467)	(6,387)
Cash dividend paid	6(13)	(91,108)	(84,395)
Exercise of employee stock options		13,255	5,686
Repurchase of treasury stock	6(11)	-	(46,629)
Treasury shares sold to employees		14,327	-
Net cash flows used in financing activities		(69,993)	(131,725)
Effect of exchange rate changes on cash equivalents		(4,743)	662
Net (decrease) increase in cash and cash equivalents		(9,400)	33,520
Cash and cash equivalents at beginning of year		185,910	152,390
Cash and cash equivalents at end of year		\$ 176,510	\$ 185,910

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, 2021 AND 2020

(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 __, 2022.

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 FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

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

(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 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	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.

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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 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) Financial assets at amortised cost

The Company'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.

(8) 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.

(9) 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.

(10) Derecognition of financial assets

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

(11) 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.

(12) 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.

(13) 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

(14) Leased assets — lease (lessee)

- 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.

(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

A. 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.

B. Service revenue

The Company entered into an agreement with a subsidiary to render administrative services to the subsidiary. Revenue from rendering administrative services is calculated based on salaries of employees dispatched to the subsidiary, and is recognised when the performance obligation is satisfied.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 118	\$ 121
Checking accounts and demand deposits	25,825	23,785
Time deposits	<u>150,567</u>	<u>162,004</u>
	<u>\$ 176,510</u>	<u>\$ 185,910</u>

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 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 at amortised cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Restricted time deposits	<u>\$ 316</u>	<u>\$ 948</u>

A. The above mentioned are time deposits that do not meet short-term cash commitments. For the years ended December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company were \$316 and \$948 thousand, respectively.

B. Information about the financial assets at amortised cost that were pledged to others as collateral is provided in Note 8.

(3) Notes and accounts receivable, net

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 2,204	\$ 1,205
Less: Allowance for bad debts	<u>-</u>	<u>-</u>
	<u>\$ 2,204</u>	<u>\$ 1,205</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 139,236	\$ 123,162
Less: Allowance for bad debts	<u>(81)</u>	<u>(1,500)</u>
	<u>\$ 139,155</u>	<u>\$ 121,662</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable due from related parties	\$ 112	\$ 845
Less: Allowance for bad debts	<u>-</u>	<u>-</u>
	<u>\$ 112</u>	<u>\$ 845</u>

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 2,204	\$ 137,571	\$ 1,205	\$ 117,718
Up to 30 days	-	1,435	-	4,850
31 to 120 days	-	342	-	17
over 120 days	-	-	-	1,422
	<u>\$ 2,204</u>	<u>\$ 139,348</u>	<u>\$ 1,205</u>	<u>\$ 124,007</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2021 and 2020, all the Company's accounts and notes receivable arose from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$138,644 thousand.
- C. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).
- D. As of December 31, 2021 and 2020, 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.

(4) Inventories

December 31, 2021			
	Cost	Allowance for slow-moving inventories and valuation loss	Book value
Goods	\$ 15,327	(\$ 7,270)	\$ 8,057
Raw materials	1,137	(626)	511
Finished goods	39	(39)	-
	<u>\$ 16,503</u>	<u>(\$ 7,935)</u>	<u>\$ 8,568</u>

December 31, 2020			
	Cost	Allowance for slow-moving inventories and valuation loss	Book value
Goods	\$ 16,944	(\$ 5,972)	\$ 10,972
Raw materials	1,022	(530)	492
Finished goods	39	(39)	-
	<u>\$ 18,005</u>	<u>(\$ 6,541)</u>	<u>\$ 11,464</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2021	2020
Cost and expense of goods sold	\$ 757,751	\$ 586,990
Loss on (gain on reversal of) market price decline and obsolescence	1,396 (	1,984)
Expenses related to inventory	(55)	(2,535)
	<u>\$ 759,092</u>	<u>\$ 582,471</u>

The Group reversed a previous inventory write-down because obsolete and slow-moving inventories and inventories with decline in market value were partially sold or disposed by the Group for the year ended December 31, 2020.

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed stocks	\$ 44,200	\$ 44,200
Unlisted stocks	8,481	8,481
Valuation adjustment	(6,510)	1,225
	<u>\$ 46,171</u>	<u>\$ 53,906</u>

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 \$46,171 thousand and \$53,906 thousand as at December 31, 2021 and 2020, respectively.

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

<u>Equity instruments at fair value through other comprehensive income</u>	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Fair value change recognised in other comprehensive income	(\$ 7,735)	\$ 28,152
Reclassified to retained earnings due to derecognition	-	(54,130)
	<u>(\$ 7,735)</u>	<u>(\$ 25,978)</u>

C. As at December 31, 2021 and 2020, 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 \$46,171 thousand and \$53,906 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).

(6) Investments accounted for using equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
WORLD EXTEND HOLDING INC.	\$ 917,556	\$ 870,228
HONG BO INVESTMENT CO., LTD.	136,622	150,846
Art So Trading Limited	28,660	37,413
Art So International, Inc	13,456	-
	<u>\$ 1,096,294</u>	<u>\$ 1,058,487</u>

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, 2021.

(b) The Company's share of profit of subsidiaries accounted for using equity method for the years ended December 31, 2021 and 2020 amounted to \$41,126 thousand and \$38,008 thousand, respectively.

B. Associate:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Insignificant associate:		
Art So Trading Limited	\$ 28,660	\$ 37,413
Art So International, Inc	13,456	-
	<u>\$ 42,116</u>	<u>\$ 37,413</u>

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

Company name	Principal place of business	Shareholding ratio(%)		Nature of relationship	Methods of measurement
		December 31, 2021	December 31, 2020		
Art So Trading Limited	Samoa	48.57%	48.57%	Owns at least 20% of the voting rights	Equity method
Art So International, Inc	Taiwan	30.00%	—	Owns at least 20% of the voting rights	Equity method

(b) To meet the industrial investment requirement, the Board of Directors resolved to increase its investment in Artso International, Inc. which was a subsidiary of Art So Trading Limited on February 26, 2021. The Company acquired 30% equity interests in Artso International, Inc. on May 6, 2021. After the capital increase, the Company's comprehensive shareholding ratio was 43.99%.

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

Investee	Years ended December 31,	
	2021	2020
Art So Trading Limited	(\$ 8,753)	(\$ 19,464)
Art So International, Inc	(1,544)	-
	<u>(\$ 10,297)</u>	<u>(\$ 19,464)</u>

(Remainder of page intentionally left blank)

(7) Property, plant and equipment

	2021					
	<u>At January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Net exchange differences</u>	<u>At December 31</u>
Cost						
Machinery equipment	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ 80
Transportation equipment	572	-	(572)	-	-	-
Office equipment	260	-	-	(41)	-	219
Leasehold improvements	-	-	-	282	-	282
Other facilities	818	462	(344)	41	-	977
Unfinished construction	99	282	-	(381)	-	-
	<u>\$ 1,749</u>	<u>\$ 824</u>	<u>(\$ 916)</u>	<u>(\$ 99)</u>	<u>\$ -</u>	<u>\$ 1,558</u>
Accumulated depreciation						
Machinery equipment	\$ -	(\$ 2)	\$ -	\$ -	\$ -	(\$ 2)
Transportation equipment	(553)	(19)	572	-	-	-
Office equipment	(83)	(53)	-	-	-	(136)
Leasehold improvements	-	(8)	-	-	-	(8)
Other facilities	(457)	(292)	344	-	-	(405)
	<u>(\$ 1,093)</u>	<u>(\$ 374)</u>	<u>\$ 916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 551)</u>
	<u>\$ 656</u>					<u>\$ 1,007</u>

2020

	<u>At January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Net exchange differences</u>	<u>At December 31</u>
Cost						
Transportation equipment	\$ 1,143	\$ -	(\$ 571)	\$ -	\$ -	\$ 572
Office equipment	113	147	-	-	-	260
Leasehold improvements	3,730	-	(3,730)	-	-	-
Other facilities	898	191	(271)	-	-	818
Unfinished construction	-	99	-	-	-	99
	<u>\$ 5,884</u>	<u>\$ 437</u>	<u>(\$ 4,572)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,749</u>
Accumulated depreciation						
Transportation equipment	(\$ 1,000)	(\$ 124)	\$ 571	\$ -	\$ -	(\$ 553)
Office equipment	(43)	(40)	-	-	-	(83)
Leasehold improvements	(3,731)	-	3,730	-	1	-
Other facilities	(469)	(259)	271	-	-	(457)
	<u>(\$ 5,243)</u>	<u>(\$ 423)</u>	<u>\$ 4,572</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>(\$ 1,093)</u>
	<u>\$ 641</u>					<u>\$ 656</u>

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, 2021 and 2020.

B. Information about the property, plant and equipment that were pledged to others as collaterals: None for the years ended December 31, 2021 and 2020.

(8) Leasing arrangements-lessee

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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 7,126</u>	<u>\$ 11,774</u>
	<u>Years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	<u>\$ 6,458</u>	<u>\$ 6,532</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets amounted to \$1,852 thousand and \$16,362 thousand, respectively.

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

	<u>Years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 215	\$ 372

E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases amounted to \$6,759 thousand and \$6,759 thousand, respectively.

(9) 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 13,127	\$ 12,934
Fair value of plan assets	(5,728)	(5,584)
Net defined benefit liability	<u>\$ 7,399</u>	<u>\$ 7,350</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Present value of defined benefit obligations</u>
Year ended December 31, 2021			
Balance at January 1	\$ 12,934	(\$ 5,584)	\$ 7,350
Interest cost	<u>64</u>	<u>(28)</u>	<u>36</u>
	<u>12,998</u>	<u>(5,612)</u>	<u>7,386</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)			
Change in financial assumptions	299	-	299
Experience adjustments	<u>(170)</u>	<u>(68)</u>	<u>(238)</u>
	<u>129</u>	<u>(68)</u>	<u>61</u>
Pension fund contribution	-	(48)	(48)
Paid pension	-	-	-
Balance at December 31	<u>\$ 13,127</u>	<u>(\$ 5,728)</u>	<u>\$ 7,399</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Present value of defined benefit obligations</u>
Year ended December 31, 2020			
Balance at January 1	\$ 14,985	(\$ 5,342)	\$ 9,643
Interest cost	<u>112</u>	<u>(40)</u>	<u>72</u>
	<u>15,097</u>	<u>(5,382)</u>	<u>9,715</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)			
Change in financial assumptions	271	-	271
Experience adjustments	<u>(397)</u>	<u>(153)</u>	<u>(550)</u>
	<u>(126)</u>	<u>(153)</u>	<u>(279)</u>
Pension fund contribution	-	(49)	(49)
Paid pension	<u>(2,037)</u>	<u>-</u>	<u>(2,037)</u>
Balance at December 31	<u>\$ 12,934</u>	<u>(\$ 5,584)</u>	<u>\$ 7,350</u>

(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, 2021 and 2020 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,	
	2021	2020
Discount rate	0.50%	0.75%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 6th 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, 2021				
Effect on present value of defined benefit obligation	\$ 246	(\$ 251)	(\$ 238)	\$ 234
December 31, 2020				
Effect on present value of defined benefit obligation	\$ 271	(\$ 278)	(\$ 264)	\$ 259

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, 2022 amount to \$49.

(g) As of December 31, 2021, the weighted average duration of that retirement plan is 6.51 years. The analysis of timing of the future pension payment was as follows:

2-5 years	\$	2,842
Over 5 years		9,012
	\$	<u>11,854</u>

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, 2021 and 2020, were \$1,829 thousand and \$1,827 thousand, respectively.

(10) Share-based payment

A. For the years ended December 31, 2021 and 2020, 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 2021	Actual turnover rate in 2020	Estimated future turnover rate
Fifth employee stock options	2016.12.23	600	5 years	2~4 years’ service	0.00%	2.70%	0%
Sixth employee stock options	2018.11.02	600	5 years	2~4 years’ service	0.00%	5.00%	0%
Treasury stock transferred to employees	2021.07.30	500	–	Vested immediately	–	–	–

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

(a) Fifth employee stock options

	2021		2020	
	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	346	\$ 25.70	493	\$ 27.80
Options exercised	(156)	25.70	(98)	27.80
Options exercised (Note)	(190)	23.60	(47)	25.70
Options forfeited	-	-	(2)	27.80
Options outstanding at December 31 (Note)	-	-	346	25.70
Options exercisable at December 31	-	-	346	-

Note: Price was adjusted due to ex-dividend.

(b) Sixth employee stock options

	2021		2020	
	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	518	\$ -	598	\$ 27.80
Options exercisable	(37)	-	-	-
Options exercisable (Note)	(161)	-	(68)	25.70
Options forfeited	-	-	(12)	27.80
Options outstanding at December 31 (Note)	320	-	518	25.70
Options exercisable at December 31	173	-	225	-

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:

	Expiry date	December 31, 2021		December 31, 2020	
		No. of options (in thousands)	Exercise price	No. of options (in thousands)	Exercise price
Fifth employee stock options	2021.12.22	-	\$ 23.60	346	\$ 27.80
Sixth employee stock options	2023.11.01	320	23.60	518	27.80

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 1)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
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
Treasury stock transferred to employees	2021.07.30	31.40	28.74	20.89%	Note 2	-	0.16%	2.67

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

Note 2: Period from the grant date to final payment data(2020.08.01).

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

	Years ended December 31	
	2021	2020
Equity-settled - employee stock options	\$ -	\$ 1,773

(11) Share capital

A. As of December 31, 2021, 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 \$402,031 thousand with a par value of \$10 (in dollars) per share. Advance receipts for ordinary shares amounting to \$1,103 thousand (equivalent to 96 thousand shares) arose from exercising employee stock options. The total share capital was \$403,134 thousand.

B. The employees exercised options for 42 thousand shares of common stock during the period

from July 23, 2021 to October 20, 2021, and the subscription price was NT\$23.6 per share, respectively. The share issuance became effective on November 5, 2021, as resolved at the meeting of Board of Directors on October 29, 2021. The registration was completed on November 19, 2021.

- C. The employees exercised options for 200 thousand shares of common stock during the period from June 24, 2021 to July 21, 2021, and the subscription price was NT\$23.6 per share. The share issuance became effective on August 5, 2021, as resolved at the meeting of Board of Directors on July 30, 2021. The registration was completed on August 23, 2021.
- D. The employees exercised options for 289 thousand shares of common stock during the period from November 2, 2020 to February 17, 2021, and the subscription price was NT\$25.7 per share. The share issuance became effective on March 5, 2021, as resolved at the meeting of Board of Directors on February 26, 2021. The registration was completed on March 22, 2021.
- E. The employees exercised options for 19 thousand shares of common stock during the period from July 2, 2020 to October 22, 2020, and the subscription price was NT\$25.7 per share. The share issuance became effective on November 6, 2020, as resolved at the meeting of Board of Directors on October 30, 2020. The registration was completed on November 24, 2020.
- F. 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 completed on March 30, 2020.

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

	(Unit: shares in thousands)	
	2021	2020
At January 1	37,769	39,156
Employee stock options exercised	544	213
Purchase of treasury share	500	(1,600)
At December 31	<u>38,813</u>	<u>37,769</u>

G. Treasury shares

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

Reason for reacquisition	Year ended December 31, 2021			No. of shares at end of the period
	No. of shares at beginning of the period	Increase in the period	Decrease in the period	
Reissued to employees	<u>2,000</u>	-	(500)	<u>1,500</u>

Reason for reacquisition	Year ended December 31, 2020			No. of shares at end of the period
	No. of shares at beginning of the period	Increase in the period	Decrease in the period	
Reissued to employees	1,000	1,000	-	2,000
To enhance the company's credit rating and the stockholders' equity	-	600	(600)	-
	<u>1,000</u>	<u>1,600</u>	<u>(600)</u>	<u>2,000</u>

- (b) The Company's shares repurchased pursuant to the 'Regulations Governing Transfer of the Company's 2nd repurchased shares' shall be reissued to employees in one time or several times within five years commencing from the completion date of share repurchase. The transfer price is the average actual share repurchase price. The Board of Directors during its meeting on July 30, 2021 adopted a resolution to transfer 500,000 shares which were acquired in the 2nd share repurchase to employees at a transfer price of NT\$28.74 per share. All proceeds from share subscription have been collected as of August 11, 2021. The transfer of treasury shares to employees has been completed on August 25, 2021.
- (c) In order to encourage employees and strengthen coherence of the Company, the Board of Directors during its meeting on April 26, 2020 adopted a resolution to purchase 600 thousand treasury shares for transferring to employees for the third time. On June 29, 2020, the Board of Directors resolved to change the purpose of 600 thousand treasury shares which were acquired in the 3rd repurchase from transferring to employees to securing the Company's credit rating and stockholders' interest, which was approved by the FSC on July 8, 2020. On July 31, 2020, the Board of Directors resolved to retire treasury shares with the effective date for the retirement of treasury shares set on August 3, 2020, and the registration for the retirement was completed on August 27, 2020.
- (d) In order to encourage employees and strengthen coherence of the Company, the Board of Directors during its meeting on February 26, 2020 and 2019 adopted resolutions to purchase 2 million treasury shares in total for transferring to employees. As of September 30, 2021 and 2020, the balances of treasury shares after repurchases and transfers to employees were \$48,364 thousand and \$62,736 thousand, respectively.
- (e) 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.
- (f) 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.
- (g) Pursuant to the R.O.C. Securities and Exchange Act, the 1st and 2nd purchase of treasury shares should be reissued to the employees within three and five years from the

reacquisition date, respectively, and shares not reissued within the three-year or five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(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 2020 and 2019 earnings, which was resolved at the shareholders' meeting on August 19, 2021, and May 28, 2020, respectively, are detailed as follows:

	Years ended December 31,			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 12,910		\$ 10,580	
Special reserve	17,792		15,894	
Cash dividends	<u>91,108</u>	\$ 2.40	<u>84,395</u>	\$ 2.24
	<u>\$ 121,810</u>		<u>\$ 110,869</u>	

- (b) The details about the appropriation of 2021 earnings which was proposed at the Board of Directors' meeting on February 24, 2022 are as follows:

	Year ended December 31, 2021	
	Amount	Dividend per share (in dollar)
Legal reserve	\$ 9,592	
Special reserve	15,936	
Cash dividends	<u>81,631</u>	\$ 2.1
	<u>\$ 107,159</u>	

Apart from the cash dividends which have been resolved at the meeting of Board of Directors on February 24, 2022, 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(21).

(14) Other equity items

	2021		2020	
	Currency translation	Unrealised gains (losses) on valuation	Currency translation	Unrealised gains (losses) on valuation
At January 1	(\$ 73,605)	\$ 1,490	(\$ 81,791)	\$ 27,468
Currency translation differences:				
- Group	(8,200)	-	8,186	-
Revaluation retained	-	(7,735)	-	28,152
earnings-tax	-	-	-	(54,130)
At December 31	<u>(\$ 81,805)</u>	<u>(\$ 6,245)</u>	<u>(\$ 73,605)</u>	<u>\$ 1,490</u>

(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, 2021							
	Lamps					Service revenue		Total
	Europe	Asia	Oceania	America	Others	Asia	America	
Revenue from external customer contracts	<u>\$750,108</u>	<u>\$109,963</u>	<u>\$60,888</u>	<u>\$ 1,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$922,353</u>
	Year ended December 31, 2020							
	Lamps					Service revenue		Total
	Europe	Asia	Oceania	America	Others	Asia	America	
Revenue from external customer contracts	<u>\$557,019</u>	<u>\$110,884</u>	<u>\$52,459</u>	<u>\$ 962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$721,324</u>
Inter-segment revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,800</u>	<u>6,800</u>
Total segment revenue	<u>\$557,019</u>	<u>\$110,884</u>	<u>\$52,459</u>	<u>\$ 962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,800</u>	<u>\$728,124</u>

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

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

	December 31, 2021	December 31, 2020
Contract liabilities:		
Contract liabilities-advance sales receipts	<u>\$ 23,312</u>	<u>\$ 15,043</u>

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

	Years ended December 31,	
	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ 14,874	\$ 5,575

(16) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 1,799	\$ 1,920

(17) Other income

	Years ended December 31,	
	2021	2020
Other income-others	\$ 1,481	\$ 4,997

(18) Other gains and losses

	Years ended December 31,	
	2021	2020
Net currency exchange gain	\$ 2,884	\$ 14,202
Other losses	(53)	(54)
	\$ 2,831	\$ 14,148

(19) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense	\$ 215	\$ 372

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

(20) Expenses by nature

	Years ended December 31,					
	2021			2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense	\$ 5,714	\$ 60,705	\$ 66,419	\$ 5,373	\$ 55,736	\$ 61,109
Depreciation charges on property, plant and equipment	13	361	374	11	412	423
Depreciation charges on right-of-use assets	2,182	4,276	6,458	2,182	4,350	6,532
Amortisation charges	268	2,249	2,517	252	1,823	2,075

(21) Employee benefit expense

	Years ended December 31,					
	2021			2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Wages and salaries	\$ 4,813	\$ 48,749	\$ 53,562	\$ 4,514	\$ 44,690	\$ 49,204
Labour and health insurance fees	471	3,027	3,498	447	2,925	3,372
Pension costs	250	1,616	1,866	247	1,652	1,899
Directors' remunerations	-	4,296	4,296	-	3,605	3,605
Other employee benefit expense	180	3,017	3,197	165	2,864	3,029

- A. As at December 31, 2021 and 2020, the Company had 51 and 52 employees, including 5 non-employee directors, respectively.
- B. Average employee benefit expense in current year was \$1,351 ('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 \$1,223 ('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 \$1,164 (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 \$1,047 (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 employee salaries and wages for the current year was 11.17% ('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). Adjustments of

average employee salaries and wages for the previous year was -5.85% ('the average employee salaries and wages in previous year - the average employee salaries and wages for the past two years / the average employee salaries and wages for the past two years).

- E. The Company has an Audit Committee, thus, there was no supervisor.
- F. The Company's remuneration for directors includes directors' remuneration, traveling expenses and rewards paid to directors. Directors' return was based on standard rates within the same industry. Traveling expenses were based on the attendance of the Board of Directors. Directors' remuneration was regulated by the Company's Articles of Incorporation and reviewed by the remuneration committee and shall resolved by the Board of Directors and then reported to the shareholders. The individual directors' performance was assessed in accordance with "Self-Evaluation or Peer Evaluation of the Board of Directors", which were listed as the calculation basis of appropriation rate of individual salary and return in accordance with the 'management regulation of directors' remuneration and return'. The appropriation result shall be reviewed by the remuneration committee and approved by the Board of Directors, then the Company pays the salaries to directors. Managers and employees compensation including salary, award, and employee stock options were determined based on the position and responsibility, and referred to the standard rates of the same position in the same industry and 'Regulations on performance management' to assess individual performance. The assessment result will be listed as the computing bases according to the performance of employees' assessment. Managers' remuneration will be reviewed by the remuneration committee and resolved by the Board of Directors.
- G. 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 accumulated deficit, earnings should be reserved to cover losses first.
- H. For the years ended December 31, 2021 and 2020, the accrued employees' compensation and directors' remuneration is as follows:

	Years ended December 31,	
	2021	2020
Employees' compensation	\$ 11,896	\$ 8,691
Directors' remuneration	1,983	1,304
	<u>\$ 13,879</u>	<u>\$ 9,995</u>

The aforementioned amounts were recognised in salary expenses. The Group accrued expenses based on 9% and 1.5% of the pre-tax income that has not been accrued for employees' compensation and directors' remuneration, respectively, for the year ended December 31, 2020, and the Group accrued the above expenses based on 8% and 1.2% of distributable profit of current year for the year ended December 31, 2021.

Employees' compensation and directors' remuneration for 2021 and 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 and 2020 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.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 20,590	\$ 24,827
Tax on undistributed surplus earnings	219	-
Prior year income tax (over) underestimation	(1,727)	(44)
Total current tax	19,082	24,783
Deferred tax:		
Origination and reversal of temporary differences	3,239	(5,202)
Income tax expense	<u>\$ 22,321</u>	<u>\$ 19,581</u>

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

	Years ended December 31,	
	2021	2020
Temporary differences:		
Remeasurement of defined benefit obligations	(\$ 12)	\$ 56
Unrealised loss on financial assets at fair value through other comprehensive income	-	36
	<u>(\$ 12)</u>	<u>\$ 92</u>
Current tax:		
Realised gains on valuation from disposal of financial assets at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ 6</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 23,659	\$ 19,727
Expenses disallowed by tax regulation	170	65
Prior year income tax (over) underestimation	(1,727)	(44)
Change in assessment of realisation of deferred tax assets	-	(167)
Tax on undistributed surplus earnings	219	-
Income tax expense	<u>\$ 22,321</u>	<u>\$ 19,581</u>

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

	2021			
	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	\$ 1,298	\$ 263	\$ -	\$ 1,561
Unrealised sales returns and discounts	81	313	-	394
Warranty liabilities	50	(9)	-	41
Unallocated amount of accrued pension expense	178	(2)	-	176
Remeasurement of defined benefit obligations	1,291	-	12	1,303
Unrealised loss on financial assets at fair value through other comprehensive income	266	(1)	-	265
Amount of allowance for bad debts that exceed the limit for tax purpose	51	(51)	-	-
Unused compensated absences	356	44	-	400
	<u>\$ 3,571</u>	<u>\$ 557</u>	<u>\$ 12</u>	<u>\$ 4,140</u>
-Deferred tax liabilities:				
Gains on foreign long-term investments	(\$ 2,248)	(\$ 4,702)	\$ -	(\$ 6,950)
Unrealised foreign exchange (gains) losses	(1,197)	906	-	(291)
	<u>(\$ 3,445)</u>	<u>(\$ 3,796)</u>	<u>\$ -</u>	<u>(\$ 7,241)</u>
	<u>\$ 126</u>	<u>(\$ 3,239)</u>	<u>\$ 12</u>	<u>(\$ 3,101)</u>

	2020			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation and obsolescence	\$ 1,702	(\$ 404)	\$ -	\$ 1,298
Unrealised sales returns and discounts	66	15	-	81
Warranty liabilities	69	(19)	-	50
Unallocated amount of accrued pension expense	581	(403)	-	178
Remeasurement of defined benefit obligations	1,347	-	(56)	1,291
Unrealised loss on financial assets at fair value through other comprehensive income	302	-	(36)	266
Amount of allowance for bad debts that exceed the limit for tax purpose	-	51	-	51
Unused compensated absences	370	(14)	-	356
	<u>\$ 4,437</u>	<u>(\$ 774)</u>	<u>(\$ 92)</u>	<u>\$ 3,571</u>
-Deferred tax liabilities:				
Amount of allowance for bad debts that exceed the limit for	(\$ 167)	\$ 167	\$ -	\$ -
Gains on foreign long-term investments	(8,251)	6,003	-	(2,248)
Unrealised foreign exchange (gains) losses	(1,003)	(194)	-	(1,197)
	<u>(\$ 9,421)</u>	<u>\$ 5,976</u>	<u>\$ -</u>	<u>(\$ 3,445)</u>
	<u>(\$ 4,984)</u>	<u>\$ 5,202</u>	<u>(\$ 92)</u>	<u>\$ 126</u>

- D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary difference unrecognised as deferred tax liabilities were \$74,523 and \$68,222 thousand, respectively.
- E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(23) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	\$ 95,972	38,282	\$ 2.51
<u>Diluted earnings per share</u>			
Profit for the year	95,972	38,282	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	372	
- Employee stock options	-	327	
Profit plus assumed conversion of all dilutive potential ordinary shares	\$ 95,972	38,981	\$ 2.46

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	\$ 79,054	38,098	\$ 2.08
<u>Diluted earnings per share</u>			
Profit for the year	79,054	38,098	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	309	
- Employee stock options	-	180	
Profit plus assumed conversion of all dilutive potential ordinary shares	\$ 79,054	38,587	\$ 2.05

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 824	\$ 437
Add: Opening balance of payable on equipment	20	44
Less: Ending balance of payable on equipment	-	(20)
Cash paid during the year	\$ 844	\$ 461

(25) Changes in liabilities from financing activities

	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities - gross
At January 1, 2021	\$ 1,126	\$ 11,922	\$ -	\$ 13,048
Changes in cash flow from financing activities	-	(6,467)	(91,108)	(97,575)
Impact of changes in foreign exchange rate	-	(42)	-	(42)
Changes in other non-cash items	-	1,852	91,108	92,960
At December 31, 2021	<u>\$ 1,126</u>	<u>\$ 7,265</u>	<u>\$ -</u>	<u>\$ 8,391</u>

	Guarantee deposits received	Lease liabilities	Dividends payable	Liabilities from financing activities - gross
At January 1, 2020	\$ 1,126	\$ 2,001	\$ -	\$ 3,127
Changes in cash flow from financing activities	-	(6,387)	(84,395)	(90,782)
Impact of changes in foreign exchange rate	-	(54)	-	(54)
Changes in other non-cash items	-	16,362	84,395	100,757
At December 31, 2020	<u>\$ 1,126</u>	<u>\$ 11,922</u>	<u>\$ -</u>	<u>\$ 13,048</u>

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 (Note)
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

Note: Because of the increase of regulation compliance cost, the Board of Directors of the Company resolved to dissolve the Company's indirect wholly-owned subsidiary, Tons Lighting Co., Ltd., on July 26, 2019, and distributed the residual assets to the parent company, World Extend Holding Inc. on December 15, 2020, to complete the retirement registration.

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2021	2020
Sales of goods:		
-ARTSO INTERNATIONAL,INC	\$ 368	\$ 1,063
Sales of services:		
-TL	-	6,800
	<u>\$ 368</u>	<u>\$ 7,863</u>

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. Accounts receivable

	Years ended December 31,	
	2021	2020
Accounts receivable:		
-ARTSO INTERNATIONAL, INC	\$ -	\$ 473
-TITAN	112	372
	<u>\$ 112</u>	<u>\$ 845</u>

C. Purchases

	Years ended December 31,	
	2021	2020
Purchases of goods:		
-TITAN	\$ 721,598	\$ 347,099
-TL	-	193,104
-ZHONGSHAN TONS	16,708	23,090
	<u>\$ 738,306</u>	<u>\$ 563,293</u>

(a) Purchase transactions between the Company and subsidiaries 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 90 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 \$___ thousand and \$705 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, 2021 and 2020. The amounts were eliminated in the Company's parent company only financial statements.

D. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
-TITAN	\$ 227,685	\$ 227,151
-ZHONGSHAN TONS	4,162	3,376
	<u>\$ 231,847</u>	<u>\$ 230,527</u>

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.

E. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables to related parties:		
-TITAN	<u>\$ 1,467</u>	<u>\$ 1,035</u>

Other payables to related parties mainly arose from collection of payments on behalf of related parties.

F. 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

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salary and short-term employee benefits	\$ 25,860	\$ 22,700
Post-employment benefits	502	523
Share-based payments	739	785
	<u>\$ 27,101</u>	<u>\$ 24,008</u>

8. PLEGGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Guarantee deposits paid (shown as 'other non-current assets')	\$ 2,201	\$ 2,447	Security commitment deposits and Construction deposits paid
Restricted time deposits (shown as 'financial assets at amortised cost')	<u>316</u>	<u>948</u>	Construction deposits paid
	<u>\$ 2,517</u>	<u>\$ 3,395</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

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, 2021, the Company's strategy, which was unchanged from 2020, was to maintain the debt-to-asset ratio within 20% to 40%. The debt-to-asset ratios at December 31, 2021 and 2020, were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	<u>\$ 335,247</u>	<u>\$ 328,957</u>
Total assets	<u>\$ 1,487,876</u>	<u>\$ 1,463,189</u>
Gearing ratio	<u>23%</u>	<u>22%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ 46,171	\$ 53,906
Financial assets at amortised cost/Loans and receivables / loans and receivables		
Cash and cash equivalents	\$ 176,510	\$ 185,910
Financial assets at amortised cost	316	948
Notes receivable	2,204	1,205
Accounts receivable (including related parties)	139,267	122,507
Other receivables	90	467
Guarantee deposits paid	2,201	2,447
	<u>\$ 320,588</u>	<u>\$ 313,484</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 25	\$ 25
Accounts payable (including related parties)	233,904	240,291
Other accounts payable (including related parties)	31,743	27,827
Guarantee deposits received	1,126	1,126
Lease liability (including current portion)	7,265	11,922
	<u>\$ 274,063</u>	<u>\$ 281,191</u>

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:

Year ended December 31, 2021						
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 3,573	27.680	\$ 98,901	1%	\$ 989	\$ -
HKD : NTD	1,056	3.549	3,748	1%	37	-
EUR : NTD	850	31.320	26,622	1%	266	-
RMB : NTD	28,179	4.344	122,410	1%	1,224	-
<u>Non-monetary items</u>						
USD : NTD	\$ 270	27.680	\$ 7,474	1%	\$ -	\$ 75
<u>Investments accounted for using equity method</u>						
USD : NTD	\$ 20,033	27.680	\$ 554,513	1%	\$ -	\$ 5,545
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 6,635	27.630	\$ 183,325	1%	(1,833)	\$ -
EUR : NTD	29	31.120	902	1%	(9)	-
RMB : NTD	16,072	4.319	69,415	1%	(694)	-

Year ended December 31, 2020

	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 1,954	28.480	\$ 55,650	1%	\$ 557	\$ -
HKD : NTD	700	3.673	2,571	1%	26	-
EUR : NTD	1,587	35.020	55,577	1%	556	-
RMB : NTD	18,143	4.377	79,412	1%	794	-
<u>Non-monetary items</u>						
USD : NTD	\$ 270	28.480	\$ 7,690	1%	\$ -	\$ 77
<u>Investments accounted for using equity method</u>						
USD : NTD	\$ 20,033	28.480	\$ 570,540	1%	\$ -	\$ 5,705
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 6,163	28.430	\$ 175,214	1%	(1,752)	\$ -
EUR : NTD	5	34.820	174	1%	(2)	-
RMB : NTD	14,579	4.352	63,448	1%	(634)	-

vi. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020 amounted to \$___ thousand and \$14,202 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, 2021 and 2020, other components of equity would have increased/decreased by \$462 thousand and \$539 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, 2021 and 2020, 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, 2021 and 2020, the loss rate methodology is as follows:

	Not past due	Up to 30 days past due	30~120 days past due	Over 120 days	Total
<u>December 31, 2021</u>					
Expected loss rate	0.00%	0.00%	23.68%	0.00%	
Total book value	<u>\$ 137,571</u>	<u>\$ 1,435</u>	<u>\$ 342</u>	<u>\$ -</u>	<u>\$ 139,348</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 81)</u>	<u>\$ -</u>	<u>(\$ 81)</u>
	Not past due	Up to 30 days past due	30~120 days past due	Over 120 days	Total
<u>December 31, 2020</u>					
Expected loss rate	0.00%	1.26%	100.00%	100.00%	
Total book value	<u>\$ 117,718</u>	<u>\$ 4,850</u>	<u>\$ 17</u>	<u>\$ 1,422</u>	<u>\$ 124,007</u>
Loss allowance	<u>\$ -</u>	<u>(\$ 61)</u>	<u>(\$ 17)</u>	<u>(\$ 1,422)</u>	<u>(\$ 1,500)</u>

- vii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	<u>2021</u>
	<u>Accounts receivable</u>
At January 1	\$ 1,500
Provision for impairment	(1,419)
At December 31	<u>\$ 81</u>
	<u>2020</u>
	<u>Accounts receivable</u>
At January 1	\$ -
Reversal of impairment loss	1,500
At December 31	<u>\$ 1,500</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by 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:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
December 31, 2021					
Notes payable	\$ 25	\$ -	\$ -	\$ -	\$ -
Accounts payable	2,057	-	-	-	-
Accounts payable -related parties	231,847	-	-	-	-
Other payables	30,276	-	-	-	-
Other payables- related parties	1,467	-	-	-	-
Lease liabilities	6,580	771	-	-	-

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
December 31, 2021					
Notes payable	\$ 25	\$ -	\$ -	\$ -	\$ -
Accounts payable	9,764	-	-	-	-
Accounts payable -related parties	230,527	-	-	-	-
Other payables	26,792	-	-	-	-
Other payables- related parties	1,035	-	-	-	-
Lease liabilities	6,542	5,655	-	-	-

(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, guarantee deposits paid, notes payable, accounts payable, accounts payable-related parties and other payables, other payable-related parties, guarantee deposits received, lease liabilities) 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, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income-equity securities	\$ 39,015	\$ -	\$ 7,156	\$ 46,171
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income-equity securities	\$ 46,750	\$ -	\$ 7,156	\$ 53,906

(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, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, movements on Level 3 are as follows:

	<u>2021</u>	<u>2020</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
At January 1	\$ 7,156	\$ 9,889
Gain recognized in other comprehensive income	-	179
Sold in the year	-	(2,912)
At December 31	<u>\$ 7,156</u>	<u>\$ 7,156</u>

F. For the years ended December 31, 2020 and 2021, there was no transfer into or out from Level 3.

G. 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.

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

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 7,156	Market comparable companies	Price to book ratio	0.76	The higher the multiple, the higher the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 7,156	Market comparable companies	Price to book ratio	0.76	The higher the multiple, the higher the fair value

I. 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:

	Input	Change	December 31, 2021	
			Recognised in other comprehensive income	
			Favourable change	Unfavourable change
Financial assets				
Equity securities	Price to book ratio	± 5%	\$ 352	(\$ 352)

		December 31, 2020	
		<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	
			<u>Favourable change</u> <u>Unfavourable change</u>
Financial assets			
Equity securities	Price to book ratio	± 5%	\$ 372 (\$ 372)

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: Please refer to table 3.
- 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, 2021 are provided in Note 13(1) J.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

None.

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TONS LIGHTOLOGY INC. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 1

Expressed in thousands of NTD (Except as otherwise indicated)														
Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum	Outstanding	Actual amount (Note 4)	Amount of endorsements secured with collateral	Katio of	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of	Provision of	Provision of	Footnote
					endorsement/ guarantee amount as of December 31, 2021 (Note 4)	endorsement/ guarantee amount at December 31, 2021 (Note 4)			accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor		endorsements / guarantees by parent company to subsidiary	endorsements / guarantees by subsidiary to parent company	endorsements / guarantees to the party in Mainland China (Note 5)	
1	HONG BO INVESTMENT CO., LTD.	TONS LIGHTOLOGY INC.	(3)	\$ 95,635	\$ 15,800	\$ 15,800	\$ 15,800	\$ -	11.56	\$ 95,635	N	Y	N	-

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

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

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

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

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

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

December 31, 2021

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, 2021				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	\$ 7,156	19.00	\$ 7,156	-
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	39,015	4.59	39,015	-
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	3,680,000	84,456	9.94	84,456	-
				Total	130,627	Total	130,627	

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

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, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	Subsidiary of the Company	Purchases	\$ 721,598	95	90 days after monthly billing for purchases	Note 2	Note 1	(\$ 227,685)	(98)	Note 3

Note 1: Transaction amount is based on the transfer pricing policy of Tons Lightology Inc. The credit term is 90 days after monthly billing for purchases and payment is made timely according to the capital needs of subsidiaries.

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

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

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

Year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021 (Note 2)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
TITAN LIGHTING CO., LTD.	TONS LIGHTOLOGY INC.	Parent company	Accounts receivable \$227,685	3.17	\$ -	-	\$ 124,154	\$ -

Note 1: Subsequent collection is the amount of receivables collected from related parties as of February 24, 2021.

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, 2021

Table 5

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
0	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	(1)	(Purchases)	(\$ 721,598)	90 days after monthly billing for purchases	68.61
0	TONS LIGHTOLOGY INC.	TITAN LIGHTING CO., LTD.	(1)	(Accounts payable)	(227,685)	90 days after monthly billing for purchases	15.96

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

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

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

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

Note 4: Transaction amounts account for at least NTD 30 million.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Information on investees
Year ended December 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	Samoa	Reinvestment company	\$ 545,972	\$ 545,972	18,333,402	100	\$ 917,556	\$ 55,025	\$ 55,350	Subsidiary (Note 1, 4)
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	Taiwan	Reinvestment company	135,000	135,000	16,000,000	100	136,622 (	14,224) (	14,224)	Subsidiary (Note 4)
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	Samoa	Wholesale of furniture	70,000	70,000	1,700,000	48.57	28,660 (	12,542) (	8,753)	Note 3
TONS LIGHTOLOGY INC.	ART SO INTERNATIONAL, INC	Taiwan	Wholesale of furniture	15,000	-	1,500,000	30.00	13,456 (	11,221) (	1,544)	Note 3
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	Samoa	Reinvestment company	100,590	100,590	3,250,000	100	86,410 (	41)	-	Indirect subsidiary (Note 2,4)
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	British Virgin Islands	Reinvestment company	500,917	500,917	27,666	100	792,603	54,129	-	Indirect subsidiary (Note 2,4)

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: 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, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021	Remitted back to Taiwan							
TITAN LIGHTING CO., LTD.	Design of products, manufacturing of hardware parts, and production and trading of lamps and accessories	\$ 339,149	(2)	\$ 368,845	\$ -	\$ -	\$ 368,845	\$ 47,015	100.00	\$ 47,015	\$ 651,451	\$ 104,414	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	99,648	(2)	110,585	-	-	110,585	6,039	100.00	6,039	111,606	-	Note 1,2,4,5
SHANGHAI TONS LIGHTOLOGY CO., LTD.	Sales of various lighting products and accessories	88,576	(2)	42,842	-	-	42,842	(16)	100.00	(16)	85,130	-	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	-	14.14	-	-	-	Note 1,7
Grand Canyon (Su Zhou) Co., Ltd.	Research, development, production and sales of LED semiconductor application and other products	381,233	(2)	43,299	-	-	43,299	-	14.14	-	-	510	Note 1,7
ART SO ZHONG TRADING LIMITED	Trade of furniture	12,456	(2)	6,206	-	-	6,206	-	48.57	-	-	-	Note 1,8
Shanghai Art So Zhong Trading Limited	Trade of furniture	24,761	(2)	15,455	-	-	15,455	-	48.57	-	-	-	Note 1,8
BEIJING ARTSO FURNITURE	Trade of furniture	24,761	(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, 2021 is based on financial statements audited and attested by R.O.C. parent company's CPA.

Note 3: Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021, 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, 2021.

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 investees in Mainland China.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
		(Note 2)	(Note 3)
TONS LIGHTOLOGY INC.	\$ 605,863	\$ 619,628	\$ 691,577

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 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, 2021.

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

TONS LIGHTOLOGY INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2021

Table 8

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
TANG,SHIH-CHUAN	3,535,633	8.77%

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

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

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2021	2020	Difference	
				Amount	%
Current Assets		1,033,564	951,697	81,867	8.60
Long term Investment (note1)		88,287	91,319	(3,032)	(3.32)
Property, Plant and Equipment		252,587	273,609	(21,022)	(7.68)
Right-of-use assets		37,029	41,028	(3,999)	(9.75)
Intangible assets		3,455	4,337	(882)	(20.34)
Other Assets		11,280	11,758	(478)	(4.07)
Total Assets		1,426,202	1,373,748	52,454	3.82
Current Liabilities		255,286	221,688	33,598	15.16
Non-current liabilities		18,287	17,828	459	2.57
Total Liabilities		273,573	239,516	34,057	14.22
Capital stock		403,134	397,688	5,446	1.37
Capital surplus		518,118	508,419	9,699	1.91
Retained Earnings		367,791	362,976	4,815	1.33
Other equity interest		(88,050)	(72,115)	(15,935)	22.10
Treasury shares		(48,364)	(62,736)	14,372	(22.91)
Total Stockholders' Equity		1,152,629	1,134,232	18,397	1.62
<p>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.</p> <p>(1) Decrease in Other equity interest: (1) Value of current financial assets at fair value through other consolidated income decreased by NT\$7,735 thousand. (2) The recognition of depreciation in RMB adopts the exchange difference converted from the foreign operating institution's financial statements of the subsidiary in foreign currency is decreased by NT\$8,200 thousand.</p> <p>(2) Decrease in Treasury shares: The second buyback of 500,000 shares was transferred to employees. The buyback cost is NT\$14,372 thousand.</p>					

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

Item	Year	2021	2020	Difference	
				Amount	%
Net Sales		1,051,699	808,981	242,718	30.00
Cost of Sales		687,364	514,057	173,307	33.71
Gross Profit		364,335	294,924	69,411	23.54
Operating Expenses		221,626	208,171	13,455	6.46
Operating Income		142,709	86,753	55,956	64.50
Non-operating Income and Loss		(10,796)	16,534	(27,330)	(165.30)
Income Before Tax		131,913	103,287	28,626	27.72
Tax Benefit (Expense)		(35,941)	(24,233)	(11,708)	48.31
Net income		95,972	79,054	16,918	21.40

The main reason for the change of 20% or NT\$10 million and its impact are analyzed as follows:

- (1). Increase in Net Sales, Cost of Sales, and Gross Profit : The COVID-19 pandemic last year affected the revenue with drastic reduction. This year, the closed-down in regions in Europe is lifted and the demand is on the rise.
- (2). Increase in Operating Income : Apart from increasing the operating gross profit, the operating expense did not increase by the same level and hence the operating profit increased substantially.
- (3). Decrease in Non-operating Income : The financial assets evaluation measured at fair value through profit and loss was reduced by NT32,372 thousand.
- (4). Increase in Tax Expense : Pre-tax increased compared with previous period and increased the income tax expense accordingly.
- (5). Increase in Income Before Tax and Net income : The epidemic slowdown increases the operating revenue but the evaluation loss of financial asset measured at fair value through profit and loss reduces the pre-tax and current net profits.

- **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. Nonetheless, the fluctuation of the global economy due to the spread of Coronavirus also affected the sales delay of the Company. The global economic recovery continued as the COVID-19 pandemic slowed down and vaccination rates increased. Supported by various economic stimuli, major countries and regional economies around the world reported significant growth in 2021. Looking forward to 2022, however, a number of uncertainties await as the recent emergence of COVID variants and inflation can lead to monetary tightening and interest rates rises.

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

Item	Year	2021	2020	Variance (%)
Cash Flow Ratio (%)		46.82	79.39	(41.03)
Cash Flow Adequacy Ratio (%)		91.83	111.66	(17.76)
Cash Reinvestment Ratio (%)		1.7	5.60	(69.64)
Analysis of financial ratio change: Nine.				

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
344,436	195,952	138,920	401,468	-	-
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. 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 12/31/2021 Unit: NT\$ thousands

Name of investor	Name of subsidiary	Amount of Profits made by Invested Companies in 2020	Amount of Profits (losses) recognized by the Company in 2020	Reasons for Gain or Loss	Action Plan
TONS LIGHTOLOGY INC.	WORLD EXTEND HOLDING INC.	55,025	55,350	Recognition of gains or losses on investment of GS and TL.	None
TONS LIGHTOLOGY INC.	HONG BO INVESTMENT CO., LTD.	(14,224)	(14,224)	Gains or losses arising from operation of investment business.	None
TONS LIGHTOLOGY INC.	ART SO TRADING LIMITED	(12,542)	(8,753)	Losses on a 48.57% equity interest in business	None
TONS LIGHTOLOGY INC.	ARTSO INTERNATIONAL, INC.	(11,221)	(1,544)	Losses on a 30% equity interest in business	None
WORLD EXTEND HOLDING INC.	LUMINOUS HOLDING INCORPORATED	(41)	-	Recognition of investment profit/loss of invested business Shanghai Tons.	None
WORLD EXTEND HOLDING INC.	GREATSUPER TECHNOLOGY LIMITED	54,129	-	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.	47,015	-	Production and delivery of products required by the parent company in Taiwan.	None
GREATSUPER TECHNOLOGY LIMITED	ZHONGSHAN TONS LIGHTING CO., LTD.	6,039	-	Production and delivery of products in mainland China and Taiwan	None
LUMINOUS HOLDING INCORPORATED	SHANGHAI TONS LIGHTOLOGY CO., LTD.	(16)	-	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	2021	03/31/2022
Short-term Loan	0	0
Long-term Loan	0	0
Interest expense(1)	330	0
Operating Revenue(2)	1,051,699	66
Operating Profit(3)	142,709	252,653
(1)/(2)	0.03%	22,734
(1)/(3)	0.23%	0.03%

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	2021	03/31/2022
Exchange gains (losses) (1)	3,178	1,846
Operating Revenue(2)	1,051,699	252,653
Operating Profit(3)	142,709	22,734
(1)/(2)	0.30%	0.73%
(1)/(3)	2.23%	8.12%

The foreign exchange gain of NT\$3,178 thousand in 2021 was caused by the appreciation of USD and RMB, and accounted for 0.30% of the operating revenue and 2.23% 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 loss of forward exchange of 2021 were 1,811 thousand NTD) 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 2022 is 3.27%, With regards to the rising price of raw materials worldwide, the Company not only negotiates the price with suppliers by increasing materials for inventory but also increased the price to customers. The recent gross profit compared with the same period before shows no significant impact on the profit and loss of 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	2021		03/31/2022	
		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, 2021 and March 31, 2022 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 loss are 1,811 thousand NTD and 41 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 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.

e. 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.

f. IoT product development of high/low track system

Smart lighting allows mobile App operation and can be portable through smart switch or on-push button. The sound control command to the smart box or through sensors as well as diversity of methods drive lighting environment to follow the pace of human and bring natural lighting environment indoor to provide the most comfortable living environment.

g. 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”.

h. Economic Cycle Planning and Implementation

All products and processes are evaluated to replace the raw materials and processing with hazard to the environment, energy consumption and water consumption through non-toxic raw materials, cleaning energy and water-saving process. The recycling channels are well designed to maintain environmental-friendliness on the product supply chain, products and the

recycling/recuse method. Under the premise of pursuing ecological effect, the nutrients of the materials are recycled as nutrients for materials while the use of renewable energy and carbon management encourage three principles of diversification and implements the design concept from cradle to cradle.

B. Future Research & Development Corresponding Budget

The Company's R&D expenses for 2020 and 2021 are 34,187 thousand NTD and 39,420 thousand NTD, accounting for 4.23% and 3.75% of the revenue, respectively. The estimated R&D investment in future product development plan is 51,242 thousand NTD.

Item	Research Projects	Completion	Expected Research Expenditure	Expected Completion Schedule	Major Risk Factors
1	LED Modular Recessed Light	Product verification	51,242NT\$ thousands	2022Q3	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 High-Performance Module Recessed Light	Product verification		2022Q2	
3	LED Cabin Ultra-Thin Recessed Light	Product verification		2022Q3	
4	LED IOT Low Track Spotlight	Product verification		2022Q2	
5	LED IOT Low Track Pendant Light	Product design		2022Q3	
6	Low Track Adjustable Spotlight	Product design		2022Q2	
7	LED Low Tract Modular Spotlight	Product design		2022Q4	
8	LED Office Top/Bottom Wall Light	Product design		2022Q4	
9	LED Basic GU10 Spotlight	Product design		2022Q3	
10	LED Office Color Switching Light	Product design		2022Q4	
11	LED Outdoor Stair High Voltage Wall Light	Product design		2022Q4	
12	LED DALI Wiring Box	Product design		2022Q4	

Note: More investment in Group R&D expense for 2022 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.

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.

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 8.42% and 9.75% in 2020 and 2021 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 22.22% and 26.662% of the revenue in 2020 and 2021 respectively, followed by 10.54% and 8.31% 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, or Shareholders with Shareholdings of over 10%

The shareholdings of the Company's directors 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 or shareholders with over 10% shareholdings: None.

7.6.13 Other Major Risks

Organization of Risk Management System

Board of Directors: Highest level of risk management policy with responsibilities in the approval, review, and monitoring of corporate risk management policies, thereby to assure risk validity and bear the ultimate responsibility of risk management.

Audit Committee: Monitor the group with the execution of risk management and propose improvement suggestions for risk management policy.

Chairman Office: The Chairman Office is the competent authority responsible for implementing risk assessment.

Affiliated Department: The supervisors of functional departments are responsible for risk management shall analyze and monitor the risks related to the department in charge.

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 247 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 2022.

Commitments of Registering for Emerging Stock Market	Performance of Commitments
<p>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.</p>	<p>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.</p> <p>The status of performance has been reported in Official Letter of Tons FA No. 0702001 issued on July 2, 2013.</p> <p>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. Moreover, the resolution and liquidation procedure was completed on December 15, 2020.</p>

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.