

**EVERLIGHT ELECTRONICS CO., LTD. AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2019 and 2018**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Everlight Electronics Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Everlight Electronics Co., Ltd. and its subsidiaries as of June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$6,464,392 thousand and \$6,584,752 thousand, constituting 23% and 19% of consolidated total assets as of June 30, 2019 and 2018, respectively, total liabilities amounting to \$1,533,365 thousand and \$1,370,482 thousand, constituting 13% and 8% of consolidated total liabilities as of June 30, 2019 and 2018, respectively, and the absolute value of total comprehensive income (loss) amounting to \$(206,256) thousand, \$(132,146) thousand, \$(310,085) thousand and \$(199,504) thousand, constituting 171%, 89%, 74% and 59% of consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2019 and 2018, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of Everlight Electronics Co., Ltd. and its subsidiaries in its investee companies amounted to \$131,801 thousand and \$119,735 thousand as of June 30, 2019 and 2018, respectively, and its equity in net earnings on these investee companies amounted to \$(6,992) thousand, \$(739) thousand, \$(13,067) thousand and \$(259) thousand for the three months and six months ended June 30, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Everlight Electronics Co., Ltd. and its subsidiaries as of June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, as well as its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Emphasis of Matter

As stated in Note 3(a), Everlight Electronics Co., Ltd. and its subsidiaries initially adopt the IFRS 16, “Leases” at January 1, 2019, and apply the modified retrospective approach, with no restatement of comparative period amounts. Our conclusion is not qualified in respect of this matter.

The engagement partners on the reviews resulting in this independent auditors' report are Yiu-Kwan Au and Jui-Lan Lo.

KPMG

Taipei, Taiwan (Republic of China)
August 8, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2019 and 2018

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019, December 31, 2018, and June 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2019		December 31, 2018		June 30, 2018		June 30, 2019		December 31, 2018		June 30, 2018		
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Current assets:		Liabilities and Equity												
Cash and cash equivalents (note 6(a))		\$ 3,484,869	12	4,530,385	16	4,417,482	13	2100	Short-term borrowings (note 6(m))					9
Current financial assets at fair value through profit or loss (note 6(b))		2,138,031	7	1,327,790	5	1,560,064	5	2130	Current contract liabilities (note 6(x))					21
Current contract assets (note 6(x))		1,256	-	78,550	-	-	-	2170	Notes and accounts payable					11
Notes and accounts receivable, net (note 6(d))		6,547,387	23	6,699,339	23	7,699,534	23	2180	Accounts payable to related parties (note 7)					11
Accounts receivable due from related parties, net (notes 6(d) and 7)		28,095	-	97,465	-	115,310	-	2213	Payable on machinery and equipment					1
Inventories (note 6(f))		1,512,704	5	1,850,867	6	2,217,553	7	2216	Dividends payable (note 6(u))					4
Other current assets		533,429	2	505,270	2	511,904	2	2230	Current tax liabilities					1
Other current financial assets (notes 6(d), 6(e), 6(f) and 8)		2,795,342	10	2,270,755	8	4,976,023	15	2280	Current lease liabilities (note 6(q))					-
		17,041,113	59	17,360,421	60	21,497,870	65	2300	Other current liabilities (notes 6(b), 6(n) and 6(p))					6
								2410	Bonds payable, current portion (note 6(p))					9
								2322	Long-term borrowings, current portion (note 6(o))					-
									Non-Current liabilities:					44
Non-current financial assets at fair value through profit or loss (note 6(b))		34,596	-	41,467	-	31,685	-	2530	Bonds payable (note 6(p))					3
Non-current financial assets at fair value through other comprehensive income (note 6(c))		325,056	1	331,056	1	465,155	1	2540	Long-term borrowings (note 6(o))					-
Investments accounted for using equity method, net (note 6(g))		131,801	-	110,868	-	119,735	-	2570	Deferred tax liabilities					1
Property, plant and equipment (note 6(j))		9,647,701	34	10,239,693	35	10,848,071	32	2580	Non-current lease liabilities (note 6(q))					-
Right-of-use assets (note 6(k))		423,952	2	-	-	-	-	2640	Non-current provisions for employee benefit					-
Intangible assets		104,923	-	124,585	-	155,296	-	2600	Other non-current liabilities					-
Deferred tax assets		430,369	2	427,294	2	332,602	1		Total liabilities					1
Other non-current assets (notes 6(d) and 8)		506,049	2	448,759	2	433,946	1		Equity:					5
		11,604,447	41	11,723,722	40	12,386,490	35		Equity attributable to owners of parent (note 6(u)):					49
								3110	Ordinary share					13
								3200	Capital surplus (note 6(p))					27
									Retained earnings:					2
								3310	Legal reserve					7
								3320	Special reserve					3
								3350	Unappropriated retained earnings					2
								3400	Other equity interests					12
								3610	Non-controlling interests					50
									Total equity					1
Total assets		\$ 28,645,560	100	29,084,143	100	33,884,360	100		Total liabilities and equity					100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the six months ended June 30, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share, which is expressed in New Taiwan Dollars)**

	For the three months ended June 30				For the six months ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (notes 6(x) and 7)	\$ 5,218,007	100	5,929,737	100	10,347,197	100	12,209,925	100
5110 Cost of sales (notes 6(f), 6(s), 7 and 12)	4,030,337	77	4,462,192	75	8,046,536	78	9,372,770	77
5900 Gross profit	1,187,670	23	1,467,545	25	2,300,661	22	2,837,155	23
Operating expenses (notes 6(s) and 12):								
6100 Selling expenses	354,041	7	417,882	7	703,036	7	850,738	7
6200 Administrative expenses	487,652	9	589,768	10	968,670	9	1,120,314	9
6300 Research and development expenses	188,607	4	238,656	4	354,615	3	453,041	4
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	(4,233)	-	(1,137)	-	(2,261)	-	(3,902)	-
6900 Net operating income	1,026,067	20	1,245,169	21	2,024,060	19	2,420,191	20
Non-operating income and expenses:	161,603	3	222,376	4	276,601	3	416,964	3
7100 Interest income (note 6(z))	11,619	-	21,986	-	21,701	-	43,214	-
7190 Other income	44,664	-	55,308	1	77,496	1	80,695	-
7210 Gains on disposals of property, plant and equipment	55,285	1	(10,129)	-	57,662	-	(10,401)	-
7235 Gains on financial assets (liabilities) at fair value through profit or loss, net (notes 6(b) and 6(p))	(6,699)	-	17,014	-	13,681	-	31,557	-
7050 Finance costs (notes 6(p), 6(q) and 6(z))	(18,181)	-	(31,336)	(1)	(33,542)	-	(70,223)	-
7590 Other expenses and losses (note 6(p))	(19,692)	-	(63,086)	(1)	(22,708)	-	(66,671)	-
7630 Foreign exchange gains (losses), net (note 6(ab))	77,546	1	103,259	2	52,161	-	66,941	-
7770 Share of profit (loss) of associates accounted for using equity method (note 6(g))	(6,992)	-	(739)	-	(13,067)	-	(259)	-
Profit (loss) from continuing operations before tax	137,550	2	92,277	1	153,384	1	74,853	-
7950 Less: Income tax expenses (note 6(t))	299,153	5	314,653	5	429,985	4	491,817	3
Profit	66,736	1	58,292	1	106,798	1	116,710	-
8300 Other comprehensive income:	232,417	4	256,361	4	323,187	3	375,107	3
8310 Components of other comprehensive income that will not be reclassified to profit or loss								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	2,000	-	(52,101)	(1)	(6,000)	-	(78,896)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(t))	-	-	-	-	-	-	(3,569)	-
	2,000	-	(52,101)	(1)	(6,000)	-	(75,327)	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	(112,698)	(2)	(54,991)	(1)	99,694	1	33,240	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(t))	1,393	-	837	-	(218)	-	(4,324)	-
Components of other comprehensive income that will be reclassified to profit or loss	(114,091)	(2)	(55,828)	(1)	99,912	1	37,564	-
8300 Other comprehensive income	(112,091)	(2)	(107,929)	(2)	93,912	1	(37,763)	-
Total comprehensive income	\$ 120,326	2	148,432	2	417,099	4	337,344	3
Profit, attributable to:								
Owners of parent	\$ 218,819	4	236,984	4	306,369	3	346,234	3
Non-controlling interests	13,598	-	19,377	-	16,818	-	28,873	-
Total comprehensive income attributable to:	\$ 232,417	4	256,361	4	323,187	3	375,107	3
Owners of parent	\$ 109,676	2	131,232	2	396,745	4	306,050	3
Non-controlling interests	10,650	-	17,200	-	20,354	-	31,294	-
Earnings per share (note 6(w))	\$ 120,326	2	148,432	2	417,099	4	337,344	3
9750 Basic earnings per share	\$ 0.49		0.54		0.69		0.79	
9850 Diluted earnings per share	\$ 0.48		0.49		0.68		0.73	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Other equity interest		Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Total equity attributable to owners of parent				
			Legal reserve	Special reserve	Unappropriated retained earnings			Income	Total					
Balance at January 1, 2018	\$ 4,404,486	9,139,711	2,390,096	-	1,419,253	1,326,186	(437,489)	393,305	-	(830,794)	17,848,938	323,710	18,172,648	
Effects of retrospective application	-	-	-	-	-	-	-	393,305	(389,010)	4,295	4,295	-	4,295	
Adjusted balance at January 1, 2018	4,404,486	9,139,711	2,390,096	-	1,419,253	1,326,186	(437,489)	-	(389,010)	(826,499)	17,853,233	323,710	18,176,943	
Appropriation and distribution of retained earnings:														
Legal reserve	-	-	120,351	-	-	(120,351)	-	-	-	-	-	-	-	
Special reserve	-	-	-	(588,459)	-	588,459	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	-	(1,321,133)	-	-	-	-	(1,321,133)	-	(1,321,133)	
Profit for the period	-	-	-	-	-	346,234	-	-	-	-	346,234	28,873	375,107	
Other comprehensive income for the period	-	-	-	-	-	3,569	35,143	-	(78,896)	(43,753)	(40,184)	2,421	(37,763)	
Total comprehensive income for the period	-	-	-	-	-	349,803	35,143	-	(78,896)	(43,753)	306,050	31,294	337,344	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(3,656)	-	-	-	-	-	-	-	-	(3,656)	-	(3,656)	
Share-based payments transactions	13,621	10,198	-	-	-	-	-	-	-	-	23,819	-	23,819	
Balance at June 30, 2018	\$ 4,418,107	9,146,253	2,510,447	830,794	822,964	(402,346)	-	-	(467,906)	(870,252)	16,858,313	355,004	17,213,317	
Balance at January 1, 2019	\$ 4,429,996	9,159,142	2,510,447	830,794	1,281,854	(632,321)	-	-	(591,956)	(1,224,277)	16,987,956	364,670	17,352,626	
Appropriation and distribution of retained earnings:														
Legal reserve	-	-	79,307	-	-	(79,307)	-	-	-	-	-	-	-	
Special reserve	-	-	-	393,483	-	(393,483)	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	-	(664,555)	-	-	-	-	(664,555)	-	(664,555)	
Profit for the period	-	-	-	-	-	306,369	-	-	-	-	306,369	16,818	323,187	
Other comprehensive income for the period	-	-	-	-	-	-	96,376	-	(6,000)	90,376	3,536	3,536	93,912	
Total comprehensive income for the period	-	-	-	-	-	306,369	96,376	-	(6,000)	90,376	396,745	20,354	417,099	
Share-based payments transactions	926	1,537	-	-	-	-	-	-	-	-	2,463	-	2,463	
Balance at June 30, 2019	\$ 4,430,922	9,160,679	2,589,754	1,224,277	450,878	(535,945)	-	-	(597,956)	(1,133,901)	16,722,609	385,024	17,107,633	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 429,985	491,817
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	1,080,284	1,064,493
Expected credit loss (gain)	(2,261)	(3,902)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	65,849	1,080
Interest expense	33,542	70,223
Interest income	(21,701)	(43,214)
Share-based payments	765	(3,056)
Share of loss of associates and joint ventures accounted for using equity method	13,067	259
Loss (gain) on disposal of property, plan and equipment	(57,662)	10,401
Loss on bonds redemption	-	42,668
Others	4,681	3,537
Total adjustments to reconcile profit (loss)	1,116,564	1,142,489
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value	(853,288)	(317,977)
Decrease in contract assets	77,294	-
Decrease in notes and accounts receivable (including related parties)	166,287	734,648
Decrease in inventories	338,163	272,099
Decrease (increase) in other current assets	14,061	(38,187)
Decrease in notes and accounts payable (including related parties)	(426,351)	(684,130)
Decrease in provisions	(15,500)	(18,159)
Decrease in other current liabilities	(209,759)	(350,842)
Increase (decrease) in non-current provisions for employee benefits	2,351	(17,463)
Increase (decrease) in current contract liability	(22,199)	5,588
Others	27,764	(18,260)
Total changes in operating assets and liabilities	(901,177)	(432,683)
Cash inflow generated from operations	645,372	1,201,623
Interest received	28,519	61,782
Interest paid	(27,102)	(22,604)
Income taxes paid	(102,264)	(89,341)
Net cash flows from operating activities	544,525	1,151,460
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(34,000)	(30,000)
Acquisition of property, plant and equipment	(496,364)	(655,741)
Proceeds from disposal of property, plant and equipment	97,223	105,719
Increase in refundable deposits	(65,122)	(25,830)
Acquisition of intangible assets	(31,768)	(24,833)
Decrease (increase) in other financial assets	(726,678)	1,691,330
Decrease (increase) in restricted deposit	70,170	(37,614)
Decrease (increase) in prepayments for business facilities	(15,391)	2,844
Others	-	1,190
Net cash flows from (used in) investing activities	(1,201,930)	1,027,065
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(435,206)	947,547
Repayments of bonds	-	(3,480,500)
Repayments of long-term debt	(3,278)	-
Increase (decrease) in guarantee deposits received	36,125	(12,479)
Payment of lease liabilities	(24,730)	-
Exercise of employee share options	1,698	26,875
Net cash flows from (used in) financing activities	(425,391)	(2,518,557)
Effect of exchange rate changes on cash and cash equivalents	37,280	(11,492)
Net decrease in cash and cash equivalents	(1,045,516)	(351,524)
Cash and cash equivalents at beginning of period	4,530,385	4,769,006
Cash and cash equivalents at end of period	\$ 3,484,869	4,417,482

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(1) Company history

Everlight Electronics Co., Ltd. (the "Company") was incorporated in May 1983 as a company limited by shares under the Company Act of the Republic of China (ROC). The major business activities of the Company are the manufacture and sale of LEDs. The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in November 1999.

The consolidated financial statements are comprised of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Please refer to note 4(c) for related information of the Group entities main business activities.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the board of directors on August 8, 2019.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the initial application does not have any material impact on retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of office, transportation equipment and IT equipment.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$347,210 thousand of both of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 1.85%. In addition, for the leases of land that were classified as long-term prepaid rents under IAS 17, they are reclassified as right-of-use assets in accordance with IFRS 16, amounting to \$100,645 thousand.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application is disclosed as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 184,397
Recognition exemption for:	
short-term leases	(6,960)
leases of low-value assets	(3,022)
Extension and termination options reasonably certain to be exercised	<u>277,567</u>
	451,982
Discounted using the incremental borrowing rate at January 1, 2019	347,210
Finance lease liabilities recognized as at December 31, 2018	<u>-</u>
Lease liabilities recognized at January 1, 2019	<u><u>\$ 347,210</u></u>

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Group believes that initial application of the new standard on January 1, 2019 has no material impact on the deferred tax liabilities and retained earnings.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows:

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. The Group will continue to assess the impact of this amendment on its consolidated financial position and financial performance.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

The Group assessed that the above IFRSs may not be relevant to the Group.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(4) Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "*Interim Financial Reporting*" which are endorsed and issued into effect by the FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018.

(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2018.

List of subsidiaries in the consolidated financial statements:

Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
The Company	Pai-ye Investment Co., Ltd. (Pai-ye)	Investment	100 %	100 %	100 %	
The Company and Pai-ye	Everlight (BVI) Co., Ltd. (Everlight BVI)	Investment	100 %	100 %	100 %	
The Company	Everlight Electronics (Europe) GmbH (Everlight Europe)	Sale of LEDs	75 %	75 %	75 %	Note 4
The Company	Everlight Americas, Inc. (ELA)	Sale of LEDs	99 %	99 %	99 %	Note 4
The Company	Everlight Optoelectronics Korea Co., Ltd. (ELK)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company	Forever Investment Co., Ltd. (Forever)	Investment	100 %	100 %	100 %	Note 4
The Company	Everlight Intelligence Technology Co., Ltd. (ELIT, former name: Everlight Lighting Co., Ltd.)	Sale of LED lighting products	100 %	100 %	100 %	Note 4
The Company	Zenaro Lighting Co., Ltd. (Zenaro TW)	Sale of LED lighting products and investment	100 %	100 %	100 %	Note 4
The Company	WOFI Leuchten GmbH (WOFI Holding)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 4
The Company and Pai-ye	Everlight Electronic India Private Limited (ELI)	Sale of LEDs	100 %	100 %	100 %	Note 4

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Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
The Company	Evlite Electronics Co., Ltd. (Evlite)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company	Everlight Electronics Singapore Pte. Ltd. (ELS)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company	Everlight Japan Corporation (ELJ)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company 、 Pai-ye and Forever	Evervision Electronics Co., Ltd. (Evervision TW)	Manufacture and sales of liquid crystal displays and LED processing	65.50 %	65.50 %	65.50 %	Note 4
Pai-ye	Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia)	Business development and customer services	100 %	100 %	100 %	Note 4
Everlight BVI	Everlight Electronics (China) Co., Ltd. (Everlight China)	Manufacture of LEDs	100 %	100 %	100 %	
Everlight BVI and Everlight China	Everlight Lighting (China) Co., Ltd. (Everlight Lighting China)	Sale of LEDs	100 %	100 %	100 %	Note 4
Everlight BVI and Everlight China	Everlight Electronic (Guangzhou) Co., Ltd. (Everlight Electronic (Guangzhou), former name: Guangzhou Yi-Liang Trading Co., Ltd.)	Business development and customer services	100 %	100 %	100 %	Note 4
Everlight BVI	Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	Manufacture of LED-related components	100 %	100 %	100 %	
Everlight BVI	Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	Manufacture and sale of LED backlights and related components	90 %	90 %	90 %	Note 4
Everlight BVI	Eralite Optoelectronics (Jiangsu) Co., Ltd. (Eralite)	Manufacture and sale of LED backlights and related components	100 %	100 %	100 %	Note 4
The Company and Everlight Electronic (Guangzhou)	Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	Research and sale of LED lighting products	100 %	100 %	100 %	Note 4
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	100 %	Note 4
The Company and ELIT	Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	Research of electronic components	100 %	100 %	100 %	Note 4
Zenaro TW	Zenaro Lighting Inc. (USA) (Zenaro USA)	Research, manufacture and sale of LED lighting products	- %	- %	100 %	Note 1
WOFI Holding	WOFI Wortmann & Fliz GmbH (WOFI W&F GmbH)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 4
WOFI Holding	Euro Technics Trade GmbH (ETT)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 4

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
WOFI Holding	WOFI Technics Trade Limited (WTT)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 4
WOFI Holding	Action GmbH (Action)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 4
WOFI Holding	WOFI Verkaufsgesellschaft mbH (WOFI VG)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 4
WOFI Holding	Lamp For Less GmbH (LFL)	Sale of lighting products, pendants and accessories	100 %	100 %	- %	Note 2 and Note 4
Evervision TW	Evervision Electronics (B.V.I.) Limited (Evervision BVI)	Investment	100 %	100 %	100 %	Note 4
Evervision TW	VBest GmbH (VBest)	Sale of LCDs	75 %	75 %	75 %	Note 4
Evervision	VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	Manufacture of LCDs	100 %	100 %	100 %	Note 4
Evervision	Evervision Electronics (H.K.) Limited (Evervision HK)	Sale of LCDs	100 %	100 %	100 %	Note 4
Evervision	Topbest Holding (Samoa) Limited (Topbest)	Sale of LCDs	- %	100 %	100 %	Note 3 and Note 4

Note 1: The subsidiary completed the liquidation procedure in December 2018.

Note 2: The subsidiary was incorporated in July 2018.

Note 3: The subsidiary completed the liquidation procedure in May 2019.

Note 4: Non-significant subsidiary, its financial statements have not been reviewed.

(c) Leases (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from usage of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability are comprised of the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of offices and machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS 15 to be accounted for as a sale of the asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the transfer of an asset does not satisfy the requirement of IFRS 15 to be accounted for as a sale of the asset, the Group will continue to recognize the transferred asset and shall recognize the financial liability equal to the transfer proceeds.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rental income'.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change immediately should be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time that the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost under defined benefit plans in the interim period was calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, the significant market fluctuation, significant curtailment, settlement and others, subsequent to the reporting date and was adjusted together with.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "*Interim Financial Reporting*" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2018.

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(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 6 of the 2018 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash, checking accounts, and demand deposits	\$ 2,451,178	2,958,280	2,805,789
Time deposits	867,667	1,402,753	1,236,630
Bonds purchased under resale agreements	166,024	169,352	375,063
	<u><u>\$ 3,484,869</u></u>	<u><u>4,530,385</u></u>	<u><u>4,417,482</u></u>

- (i) The time deposits with maturities within three months or less from the acquisition date that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Therefore, the time deposits are classified as cash and cash equivalents. Please refer to note 6(l) for the time deposits with maturities over three months from the acquisition date that are recorded as other current financial assets.
- (ii) Please refer to note 6(aa) for the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss

	June 30, 2019	December 31, 2018	June 30, 2018
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging	\$ 7,340	64,238	54,066
Listed convertible bonds	55,537	70,886	68,951
Credit-Linked Note (CLN)	-	21,584	23,589
Structured deposits	1,605,426	753,449	989,654
Beneficiary certificate-funds	77,731	30,585	30,514
Stocks listed on domestic markets	9,506	9,306	393,290
Unlisted common shares	417,087	419,209	31,685
	<u><u>\$ 2,172,627</u></u>	<u><u>1,369,257</u></u>	<u><u>1,591,749</u></u>
Current	\$ 2,138,031	1,327,790	1,560,064
Non-current	34,596	41,467	31,685
	<u><u>\$ 2,172,627</u></u>	<u><u>1,369,257</u></u>	<u><u>1,591,749</u></u>

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	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current financial liabilities held-for-trading:			
Derivative instruments not used for hedging	\$ 11,608	427	47,116
	<u>\$ 11,608</u>	<u>427</u>	<u>47,116</u>

- (i) The Group uses derivative financial instruments to hedge certain foreign exchange and interest risks the Group is exposed to, arising from its operating and financing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

1) Forward exchange contracts

<u>June 30, 2019</u>				
	<u>Contract amount (in thousands)</u>		<u>Currency</u>	<u>Maturity date</u>
Financial assets:				
Forward exchange sold	USD	14,000	USD to TWD	2019.07.18~2019.09.10
Forward exchange sold	USD	13,000	USD to RMB	2019.07.09~2019.09.10
Financial liabilities:				
Forward exchange sold	USD	10,000	USD to TWD	2019.07.09~2019.07.25
Forward exchange sold	EUR	3,250	EUR to USD	2019.07.11~2019.09.19
<u>December 31, 2018</u>				
	<u>Contract amount (in thousands)</u>		<u>Currency</u>	<u>Maturity date</u>
Financial assets:				
Forward exchange sold	USD	18,000	USD to TWD	2019.01.08~2019.03.07
Forward exchange sold	USD	11,000	USD to RMB	2019.01.08~2019.03.07
Forward exchange sold	EUR	1,071	EUR to USD	2019.01.08~2019.03.15
Financial liabilities:				
Forward exchange sold	USD	3,000	USD to TWD	2019.01.17~2019.02.21
Forward exchange sold	USD	1,000	USD to RMB	2019.02.19
Forward exchange sold	EUR	1,750	EUR to USD	2019.01.17~2019.03.14

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June 30, 2018				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	3,000	USD to TWD	2018.08.23~2018.09.13
Forward exchange sold	EUR	7,249	EUR to USD	2018.07.06~2018.11.23
Financial liabilities:				
Forward exchange sold	EUR	250	EUR to USD	2018.09.13
Forward exchange sold	USD	32,000	USD to TWD	2018.07.05~2018.09.20
Forward exchange sold	USD	25,000	USD to RMB	2018.07.05~2018.09.20

2) Swap contracts

June 30, 2018				
	Contract amount (in thousands)		Currency	Maturity date
Financial liabilities:				
Currency swap	EUR	250	EUR to USD	2018.07.09

3) Cross currency swap

June 30, 2019					
Contract amount (in thousands)		Contract period	Interest rate payable	Interest rate receivable	Swap period
Financial liabilities:					
USD	30,000	2019.06.18~2020.06.10	0.52%	0.45%+1LIBOR	2019.06.18~2020.06.10

December 31, 2018					
Contract amount (in thousands)		Contract period	Interest rate payable	Interest rate receivable	Swap period
Financial assets:					
USD	15,000	2018.01.04~2019.01.15	0.23%	0.50%+1LIBOR	2018.01.04~2019.01.15
USD	5,000	2018.03.09~2019.03.08	0.23%	0.70%+1LIBOR	2018.03.09~2019.03.08
USD	5,000	2018.03.09~2019.03.11	0.18%	0.50%+1LIBOR	2018.03.09~2019.03.11
USD	5,000	2018.03.23~2019.03.25	0.23%	0.70%+1LIBOR	2018.03.23~2019.03.25
USD	5,000	2018.03.28~2019.03.27	0.18%	0.52%+1LIBOR	2018.03.28~2019.03.27
USD	5,000	2018.05.23~2019.05.23	0.18%	0.56%+1LIBOR	2018.05.23~2019.05.23
USD	7,000	2018.05.25~2019.05.27	0.15%	0.55%+1LIBOR	2018.05.25~2019.05.27
USD	3,000	2018.05.25~2019.05.27	0.15%	0.55%+1LIBOR	2018.05.25~2019.05.27

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June 30, 2018					
Contract amount (in thousands)		Contract period	Interest rate payable	Interest rate receivable	Swap period
Financial assets:					
USD	15,000	2018.01.04~2019.01.15	0.23%	0.50%+1LIBOR	2018.01.04~2019.01.15
USD	5,000	2018.03.09~2019.03.08	0.23%	0.70%+1LIBOR	2018.03.09~2019.03.08
USD	5,000	2018.03.09~2019.03.11	0.18%	0.50%+1LIBOR	2018.03.09~2019.03.11
USD	5,000	2018.03.23~2019.03.25	0.23%	0.70%+1LIBOR	2018.03.23~2019.03.25
USD	5,000	2018.03.28~2019.03.27	0.18%	0.52%+1LIBOR	2018.03.28~2019.03.27
USD	5,000	2018.05.23~2019.05.23	0.18%	0.56%+1LIBOR	2018.05.23~2019.05.23
USD	7,000	2018.05.25~2019.05.27	0.15%	0.55%+1LIBOR	2018.05.25~2019.05.27
USD	3,000	2018.05.25~2019.05.27	0.15%	0.55%+1LIBOR	2018.05.25~2019.05.27

4) Other derivative financial instrument contracts

June 30, 2019		
Contract amount (in thousands)	Rate	Maturity period
Financial assets:		
RMB 134,130	3.7%~4%	2019.07.08~2019.12.25

December 31, 2018		
Contract amount (in thousands)	Rate	Maturity period
Financial assets:		
TWD 21,500	2.50%	2019.05.03
RMB 97,600	3.9%~4%	2019.02.25~2019.04.04

June 30, 2018		
Contract amount (in thousands)	Rate	Maturity period
Financial assets:		
TWD 23,500	2.50%	2018.08.18~2019.05.03
RMB 91,850	4.20%~4.30%	2018.07.16~2018.09.18

- (ii) Please refer to note 6(p) for asset and debt components of convertible bonds payable.
- (iii) As of June 30, 2019, December 31, and June 30, 2018, the Group did not provide any aforementioned financial assets as collateral for its loans.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(c) Non-current financial assets at fair value through other comprehensive income

	<u>June 30,</u> <u>2019</u>	<u>December</u> <u>31, 2018</u>	<u>June 30,</u> <u>2018</u>
Equity investments at fair value through other comprehensive income			
Stocks listed on domestic markets	\$ 250,004	256,004	381,506
Stocks unlisted on domestic markets	75,052	75,052	73,600
Stocks unlisted on foreign markets	<u>-</u>	<u>-</u>	<u>10,049</u>
	<u>\$ 325,056</u>	<u>331,056</u>	<u>465,155</u>

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold long-term for strategic purposes.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments in the six months ended June 30, 2019 and 2018.

(ii) For the Group's information on market risk, please refer to note 6(aa).

(iii) As of June 30, 2019, December 31, and June 30, 2018, the Group did not provide any aforementioned financial assets as collateral for its loans.

(d) Notes and accounts receivable

	<u>June 30,</u> <u>2019</u>	<u>December</u> <u>31, 2018</u>	<u>June 30,</u> <u>2018</u>
Notes receivable from operating activities	\$ 28,337	11,416	35,417
Accounts receivable-measured as amortized cost	<u>6,794,220</u>	<u>6,981,114</u>	<u>7,926,859</u>
	6,822,557	6,992,530	7,962,276
Less: Allowance for uncollectible accounts	<u>(121,340)</u>	<u>(127,287)</u>	<u>(115,593)</u>
	<u>\$ 6,701,217</u>	<u>6,865,243</u>	<u>7,846,683</u>
Notes and accounts receivable, net	\$ 6,547,387	6,699,339	7,699,534
Accounts receivable due from related parties, net	28,095	97,465	115,310
Long-term receivables (recorded as other non-current assets)	<u>125,735</u>	<u>68,439</u>	<u>31,839</u>
	<u>\$ 6,701,217</u>	<u>6,865,243</u>	<u>7,846,683</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Impairment loss on notes and accounts receivables

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including the reasonable prediction of historical credit loss experience and the future economic situation.

The loss allowance provision in Taiwan region were determined as follows:

June 30, 2019			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not overdue	\$ 5,061,459	0.134%	6,766
Overdue 0-90 days	102,899	0.933%	960
Overdue 91-180 days	94,561	1.152%	1,089
Overdue 181-270 days	49,847	10.011%	4,990
Overdue 271-365 days	94	50.000%	47
Overdue over one year	100,028	90.849%	90,874
	\$ 5,408,888		104,726
December 31, 2018			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not overdue	\$ 5,240,149	0.129%	6,764
Overdue 0-90 days	200,835	0.953%	1,913
Overdue 91-180 days	30,028	5.009%	1,504
Overdue 181-270 days	37,871	16.701%	6,325
Overdue 271-365 days	42,754	50%	21,377
Overdue over one year	61,465	100%	61,465
	\$ 5,613,102		99,348
June 30, 2018			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not overdue	\$ 5,885,962	0.079%	4,650
Overdue 0-90 days	228,848	0.572%	1,309
Overdue 91-180 days	50,107	4.949%	2,480
Overdue 181-270 days	138,093	10.119%	13,973
Overdue 271-365 days	83,893	18.685%	15,675
Overdue over one year	54,719	100%	54,719
	\$ 6,441,622		92,806

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance provision in non-Taiwan region were determined as follows:

June 30, 2019			
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Rating A	\$ 1,398,604	0.196%	2,747
Rating B	15,065	92.048%	13,867
	\$ 1,413,669		16,614

	Gross carrying amount
Not overdue	\$ 1,323,593
Overdue 0-90 days	63,726
Overdue 91-180 days	8,764
Overdue 181-270 days	2,521
Overdue 271-365 days	-
Overdue over one year	15,065
	\$ 1,413,669

December 31, 2018			
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Rating A	\$ 1,348,504	0.185%	2,489
Rating B	30,924	82.299%	25,450
	\$ 1,379,428		27,939

	Gross carrying amount
Not overdue	\$ 1,267,454
Overdue 0-90 days	78,802
Overdue 91-180 days	903
Overdue 181-270 days	1,345
Overdue 271-365 days	-
Overdue over one year	30,924
	\$ 1,379,428

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Credit rating	June 30, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Rating A	\$ 1,500,773	0.194%	2,906
Rating B	19,881	100%	19,881
	<u>\$ 1,520,654</u>		<u>22,787</u>

	Gross carrying amount
Not overdue	\$ 1,404,520
Overdue 0-90 days	72,753
Overdue 91-180 days	22,212
Overdue 181-270 days	1,288
Overdue 271-365 days	-
Overdue over one year	19,881
	<u>\$ 1,520,654</u>

- (ii) The movements in the allowance for impairment loss with respect to notes and accounts receivable were as follows:

	2019	2018
Balance on January 1	\$ 127,287	132,051
Impairment loss recognized (reversed impairment loss)	(2,261)	(3,902)
Amounts written off	(3,791)	(12,851)
Foreign exchange (gains) losses	105	295
Balance on June 30	<u>\$ 121,340</u>	<u>115,593</u>

- (iii) The Group entered into an accounts receivable factoring agreement with banks. Based on the terms of agreement, the Group is not responsible for any inability of repayment by accounts receivable during the debt transfer and repayment period. From the factoring of AR, the Group will receive prepayment and pledged deposit amounts in accordance with the factoring agreement. The Group will pay interest to the bank, calculated based on the agreed interest rate for the repayment period made by the customer. Furthermore, the pledged deposit amount cannot be withdrawn prior to the repayment made by the customer, the remaining amount and pledged deposit will be received from banks upon the actual payment from customer and will be recorded under bank accounts. In addition, the Group has to pay the transaction fee with a certain percentage. As of June 30, 2019, December 31, and June 30, 2018, the pledged deposits amounted to \$67,905, \$138,075, and \$71,226, respectively, were recorded under other current financial assets.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of June 30, 2019, December 31, and June 30, 2018, the details of the factored accounts receivable were as follows:

June 30, 2019				
Amount of sold A/R	Limitation amount	Advance amount	Amount derecognized	Interest rate
\$ 106,883	600,539	38,978	106,883	2.2%
December 31, 2018				
Amount of sold A/R	Limitation amount	Advance amount	Amount Derecognized	Interest rate
\$ 392,051	598,845	253,976	392,051	2.2%
June 30, 2018				
Amount of sold A/R	Limitation amount	Advance amount	Amount Derecognized	Interest rate
\$ 273,113	552,550	201,887	273,113	1.5%

(iv) As of June 30, 2019, December 31, and June 30, 2018, the Group did not provide any notes and accounts receivable as collateral for its loans. Furthermore, the Group provided part of its bank deposits (recorded as other financial assets) as collateral for the factoring of accounts receivable. Please refer to note 8 for details.

(e) Other receivables (recorded as other current financial assets)

	June 30, 2019	December 31, 2018	June 30, 2018
Other accounts receivable	\$ 83,096	153,247	144,767
Less: Loss allowance	(4,978)	(4,978)	(4,978)
	\$ 78,118	148,269	139,789

The following table presents whether other receivables held by the Group measured at an amount equal to lifetime ECL, and in the latter case, whether they were credit-impaired:

	June 30, 2019	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 78,118	-
Overdue	-	4,978
Gross carrying amount	78,118	4,978
Impairment losses	-	(4,978)
Carrying amount	\$ 78,118	-

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 148,269	-
Overdue	-	4,978
Gross carrying amount	148,269	4,978
Impairment losses	-	(4,978)
Carrying amount	<u><u>\$ 148,269</u></u>	<u><u>-</u></u>

	June 30, 2018	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 139,789	-
Overdue	-	4,978
Gross carrying amount	139,789	4,978
Impairment losses	-	(4,978)
Carrying amount	<u><u>\$ 139,789</u></u>	<u><u>-</u></u>

For the six months ended June 30, 2019 and 2018, the allowance for financial assets of other receivables had no change.

As of June 30, 2019, December 31 and June 30, 2018, the Group did not provide any other receivables as collateral for its loans.

(f) Inventories

	June 30, 2019	December 31, 2018	June 30, 2018
Raw materials	\$ 180,020	213,365	414,112
Work in progress	293,236	312,082	387,188
Finished goods	<u>1,039,448</u>	<u>1,325,420</u>	<u>1,416,253</u>
	<u><u>\$ 1,512,704</u></u>	<u><u>1,850,867</u></u>	<u><u>2,217,553</u></u>

The Group reversed its allowance for inventory valuation and obsolescence loss amounting to \$27,415 in the six months ended June 30, 2019, and recorded them as reduction of cost of sales, because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The write-down of the inventories to net realizable value amounted to \$9,522, \$14,221, and \$26,888 which were recorded as cost of sales in the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2018, respectively.

As of June 30, 2019, December 31 and June 30, 2018, the Group did not provide any inventories as collateral for its loans.

(g) Investments accounted for using equity method

- (i) A summary of the Group's financial information for equity-accounted investees at the reporting date was as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Associates	<u>\$ 131,801</u>	<u>110,868</u>	<u>119,735</u>

- (ii) The Group's financial information for investments accounted for using equity method that are individually insignificant was as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
The carrying amount of individually insignificant associates equity	<u>\$ 131,801</u>	<u>110,868</u>	<u>119,735</u>

	For the three months ended June 30, 2019	2018	For the six months ended June 30, 2019	2018
Attributable to the Group:				
Profit (loss) from continuing operations	<u>\$ (6,992)</u>	<u>(739)</u>	<u>(13,067)</u>	<u>(259)</u>

- (iii) Except as described below, there were no significant changes in the investments accounted for using equity method of the Group for the six months ended June 30, 2019 and 2018. For related information, please refer to note 6(j) of the 2018 annual consolidated financial statements.
- (iv) The Group had acquired 20.00% ownership of Well Service Company Limited (Well) from third parties with the cash considerations of \$24,000 in June, 2019. Since the Group is able to exercise significant influence over Well's operations and financial policies, the long-term investment in Well is accounted for using the equity method.
- (v) The Group invested additional cash of \$10,000 into EleOcom Inc. (EleOcom) in June, 2019. The Group decreased its shareholding from 31.58% to 29.63%, because the Group did not contribute additional capital by cash to EleOcom at the original shareholding ratio.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Pledges

As of June 30, 2019, December 31, and June 30, 2018, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

(h) Joint operation

There were no significant changes in joint operation of the Group for the six months ended June 30, 2019. For related information, please refer to note 6(k) of the 2018 annual consolidated financial statements.

(i) Loss control of subsidiaries

There were no significant changes in loss control of subsidiaries of the Group in the six months ended June 30, 2019. For related information, please refer to note 6(m) of the 2018 annual consolidated financial statements.

(j) Property, plant and equipment

The movements in the property, plant and equipment of the Group were as follows:

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Cost or deemed cost:							
Balance on January 1, 2019	\$ 645,175	8,209,170	13,707,628	1,706,878	1,163,726	125,568	25,558,145
Add: additions	-	49,544	225,135	54,839	15,419	33,935	378,872
Add: reclassification	-	20,554	13,736	1,154	(25)	(15,543)	19,876
Less: sales	-	-	(290,637)	(45,620)	(1,612)	(2,038)	(339,907)
Less: retirement	-	(67)	(34,918)	(105,224)	(2,559)	-	(142,768)
Effect of movements in exchange rates	129	38,152	75,537	7,038	7,731	-	128,587
Balance on June 30, 2019	<u>\$ 645,304</u>	<u>8,317,353</u>	<u>13,696,481</u>	<u>1,619,065</u>	<u>1,182,680</u>	<u>141,922</u>	<u>25,602,805</u>
Balance on January 1, 2018	\$ 651,235	8,016,840	14,063,604	1,564,202	1,181,827	294,190	25,771,898
Add: additions	-	39,336	238,309	95,119	39,262	45,323	457,349
Add: reclassification	-	46,718	52,399	119	(19,316)	(28,931)	50,989
Less: sales	-	-	(317,699)	(10,830)	(57,567)	(950)	(387,046)
Less: retirement	-	(67)	(83,573)	(14,082)	(14,563)	-	(112,285)
Effect of movement in exchange rates	(203)	15,196	45,800	2,124	3,753	-	66,670
Balance on June 30, 2018	<u>\$ 651,032</u>	<u>8,118,023</u>	<u>13,998,840</u>	<u>1,636,652</u>	<u>1,133,396</u>	<u>309,632</u>	<u>25,847,575</u>
Depreciation and impairments loss:							
Balance on January 1, 2019	\$ -	3,401,783	10,083,877	1,194,248	638,544	-	15,318,452
Add: depreciation for the year	-	222,601	637,143	95,771	49,485	-	1,005,000
Add: reclassification	-	-	-	-	(4)	-	(4)
Less: sales	-	-	(257,127)	(42,517)	(913)	-	(300,557)
Less: retirement	-	(67)	(34,851)	(105,146)	(2,493)	-	(142,557)
Effect of movements in exchange rates	-	20,923	47,293	3,452	3,102	-	74,770
Balance on June 30, 2019	<u>\$ -</u>	<u>3,645,240</u>	<u>10,476,335</u>	<u>1,145,808</u>	<u>687,721</u>	<u>-</u>	<u>15,955,104</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Modeling equipment</u>	<u>Office and other equipment</u>	<u>Prepaid Property, plant and equipment</u>	<u>Total</u>
Balance on January 1, 2018	\$ -	3,012,162	9,691,147	1,050,195	590,699	-	14,344,203
Add: depreciation for the year	-	221,558	646,216	94,793	49,075	-	1,011,642
Less: sales	-	-	(250,083)	(9,510)	(21,283)	-	(280,876)
Less: retirement	-	(67)	(76,906)	(14,075)	(11,287)	-	(102,335)
Effect of movements in exchange rates	-	8,171	15,880	892	1,927	-	26,870
Balance on June 30, 2018	<u>\$ -</u>	<u>3,241,824</u>	<u>10,026,254</u>	<u>1,122,295</u>	<u>609,131</u>	<u>-</u>	<u>14,999,504</u>
Carrying amounts:							
Balance on January 1, 2019	<u>\$ 645,175</u>	<u>4,807,387</u>	<u>3,623,751</u>	<u>512,630</u>	<u>525,182</u>	<u>125,568</u>	<u>10,239,693</u>
Balance on June 30, 2019	<u>\$ 645,304</u>	<u>4,672,113</u>	<u>3,220,146</u>	<u>473,257</u>	<u>494,959</u>	<u>141,922</u>	<u>9,647,701</u>
Balance on January 1, 2018	<u>\$ 651,235</u>	<u>5,004,678</u>	<u>4,372,457</u>	<u>514,007</u>	<u>591,128</u>	<u>294,190</u>	<u>11,427,695</u>
Balance on June 30, 2018	<u>\$ 651,032</u>	<u>4,876,199</u>	<u>3,972,586</u>	<u>514,357</u>	<u>524,265</u>	<u>309,632</u>	<u>10,848,071</u>

As of June 30, 2019, December 31 and June 30, 2018, the aforesaid property, plant and equipment were not pledged as collateral.

(k) Right-of-use assets

The Group leases many assets including land, buildings, vehicles, and office equipment. Information about leases for which the Group as a lessee is presented below:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Office and other equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2019	\$ -	-	-	-
Effect of retrospective application	357,906	65,058	24,891	447,855
Adjusted balance at January 1, 2019	357,906	65,058	24,891	447,855
Acquisitions	-	-	2,066	2,066
Effect of changes in foreign exchange rates	1,230	515	110	1,855
Balance on June 30, 2019	<u>\$ 359,136</u>	<u>65,573</u>	<u>27,067</u>	<u>451,776</u>
Accumulated depreciation and impairment losses:				
Balance on January 1, 2019	\$ -	-	-	-
Effect of retrospective application	-	-	-	-
Adjusted balance on January 1, 2019	-	-	-	-
Depreciation for the year	5,728	15,412	6,585	27,725
Effect of changes in foreign exchange rates	(14)	87	26	99
Balance on June 30, 2019	<u>\$ 5,714</u>	<u>15,499</u>	<u>6,611</u>	<u>27,824</u>
Carrying amount:				
Balance on June 30, 2019	<u>\$ 353,422</u>	<u>50,074</u>	<u>20,456</u>	<u>423,952</u>

The Group leases offices, warehouses and factory facilities under the operating leases in the six months ended June 30, 2018, please refer to note 6(r).

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Other current financial assets

	June 30, 2019	December 31, 2018	June 30, 2018
Time deposits with maturities over three months	\$ 2,649,319	1,984,411	4,765,008
Restricted cash in bank	67,905	138,075	71,226
Other receivables	78,118	148,269	139,789
	<u>\$ 2,795,342</u>	<u>2,270,755</u>	<u>4,976,023</u>

- (i) As of June 30, 2019, December 31 and June 30, 2018, the Group had provided parts of financial assets as collateral for the factoring of accounts receivable and guarantee for contract grant; please refer to note 8 for more information.

(m) Short-term borrowings

The short-term loans were summarized as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Unsecured bank loans	<u>\$ 2,676,764</u>	<u>3,111,970</u>	<u>3,128,958</u>
Unused short-term credit lines	<u>\$ 15,238,549</u>	<u>12,429,732</u>	<u>11,825,723</u>
Annual interest rates	<u>0.42%~3.23%</u>	<u>0.44%~3.6%</u>	<u>0.43%~2.8%</u>

- (i) For information on the Group's interest risk, foreign currency risk, and liquidity risk, please refer to note 6(aa) for details.

- (ii) The Group did not provide any assets as collateral for its loans.

(n) Other current liabilities

	June 30, 2019	December 31, 2018	June 30, 2018
Refund liabilities	\$ 6,729	9,817	20,196
Derivative instruments not used for hedging	11,608	427	47,116
Wages and salaries payable	243,211	238,618	265,552
Other payables	937,586	1,018,568	1,332,346
Others	318,900	450,788	356,921
	<u>\$ 1,518,034</u>	<u>1,718,218</u>	<u>2,022,131</u>

For sales contracts, the Group reduces its revenue by the amount of expected returns and records them as refund liabilities.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(o) Long-term loans

The details were as follows:

	June 30, 2019	December 31, 2018
Unsecured bank loans	\$ 62,281	64,789
Less: current portion	<u>(16,390)</u>	<u>(12,958)</u>
Total	<u>\$ 45,891</u>	<u>51,831</u>
Unused long-term credit lines	<u>\$ -</u>	<u>-</u>
Range of interest rates	<u>6.96%~7.81%</u>	<u>6.96%~7.81%</u>

- (i) For information on the Group's interest risk and liquidity risk, please refer to Note 6(aa) for details.
- (ii) The Group did not provide any asset as collateral for its loans.
- (iii) There were no significant issues, repurchases, and repayments of long-term borrowings in the six months ended June 30, 2019. Information on interest expense for the period is discussed in Note 6(z). Please refer to Note 6(r) of the 2018 annual consolidated financial statements for other related information.

(p) Convertible bonds payable

The Company issued the fifth and the sixth domestic unsecured convertible bonds with the face values of \$4,000,000 and \$5,000,000 on December 20, 2013, and May 18, 2015, respectively. The details were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Total convertible bonds issued	\$ 5,000,000	9,000,000	9,000,000
Unamortized discounted bonds payable	(14,154)	(22,200)	(50,645)
Cumulated converted amount	-	(184,600)	(184,600)
Cumulated repurchased and redeemed amount	<u>(3,873,900)</u>	<u>(7,689,300)</u>	<u>(4,641,000)</u>
	1,111,946	1,103,900	4,123,755
Unamortized amount of the cost of issuing convertible bonds	(875)	(1,375)	(2,347)
Bonds payable, current portion	<u>(1,111,071)</u>	<u>-</u>	<u>(3,027,415)</u>
Non-current	<u>\$ -</u>	<u>1,102,525</u>	<u>1,093,993</u>
Equity components – conversion options (recognized as capital surplus – redemption rights)	<u>\$ 87,820</u>	<u>87,820</u>	<u>343,930</u>

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Embedded derivative – gains or losses resulting from put options at fair value (recorded as gains (losses) on financial assets (liabilities) at fair value through profit or loss)	\$ <u>-</u>	<u>(5,630)</u>	<u>-</u>	<u>(12,078)</u>
Interest expense	\$ <u>(4,030)</u>	<u>(18,928)</u>	<u>(8,046)</u>	<u>(45,925)</u>

Except as described below, there were no significant changes in the convertible bonds payable of the Group in the six months ended June 30, 2019 and 2018. For related information, please refer to note 6(s) of the 2018 annual consolidated financial statements.

For the six months ended June 30, 2018, the Company made a cash payment of \$3,480,500 to redeem its bonds payable at the carrying amount of \$3,480,500 upon the bondholder's request, and reversed the unamortized discount on bonds payable and other current liabilities (embedded derivative instrument - put option). Therefore, the Group recognized the loss on redemption of convertible bonds amounting to \$42,668, which was recorded under other expenses and losses. In addition, due to the said bond redemption, the Company reclassified its capital surplus - stock option to capital surplus - treasury stock amounting to \$257,180. The aforesaid amount had been paid.

(q) Lease liabilities

	June 30, 2019		
	Future minimum lease payments	Interest	Present value of minimum lease payment
Less than 1 year	\$ 54,688	5,445	49,243
Between 1 and 5 years	69,584	16,384	53,200
More than 5 years	<u>301,521</u>	<u>78,902</u>	<u>222,619</u>
	<u>\$ 425,793</u>	<u>100,731</u>	<u>325,062</u>
Current	\$ <u>54,688</u>	<u>5,445</u>	<u>49,243</u>
Non-current	\$ <u>371,105</u>	<u>95,286</u>	<u>275,819</u>

There were no significant issues and repurchases of lease liabilities in the six months ended June 30, 2019.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30, 2019	For the six months ended June 30, 2019
Interest on lease liabilities	\$ <u>1,531</u>	<u>3,126</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>793</u>	<u>1,790</u>
Expenses relating to short-term leases	\$ <u>8,510</u>	<u>20,152</u>
Expenses relating to leases of low-value assets, excluding short- term leases of low-value assets	\$ <u>71</u>	<u>149</u>

The amount recognized in the statement of cash flows for the Group was as follows:

	For the three months ended June 30, 2019	For the six months ended June 30, 2018
Total cash outflow for leases	\$ <u>23,351</u>	<u>49,947</u>

(i) Real estate leases

As of June 30, 2019, the Group leases land and buildings for its office space and factory. The leases of land typically run for a period for 5 years to 50 years, of office space for 1 to 5 years, and of factory for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of land and equipment contain extension or cancellation options. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Group leases vehicles and other equipment, with lease terms of 3 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group also leases office, vehicles, and IT equipment with contract terms of 1 to 3 years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(r) Operating lease

There were no significant differences between the new lease contracts and the long-term prepaid rents of the Group in the six months ended June 30, 2018. For related information, please refer to note 6(t) of the 2018 annual consolidated financial statements.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year, the pension cost of the Company and Evervision TW in the interim consolidated financial statements shall be measured and disclosed in accordance with the actuarial report measured on December 31, 2018 and 2017.

The pension costs of the defined benefit plans were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Cost of sales and operating expenses	\$ <u>759</u>	<u>1,062</u>	<u>1,591</u>	<u>2,101</u>

(ii) Defined contribution plans

The Group recognized its pension costs under the defined contribution plans were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Cost of sales and operating expenses	\$ <u>33,084</u>	<u>42,052</u>	<u>68,325</u>	<u>79,491</u>

(t) Income taxes

The Group entities are subject to income tax rates, according to the profit before tax of the interim reporting period, multiplied by the best estimated measurement of the expected effective tax rate by the managers over the year.

(i) The amount of income tax was as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Current tax expense	\$ <u>66,736</u>	<u>58,292</u>	<u>106,798</u>	<u>116,710</u>

(ii) The amount of income tax (profit) recognized in other comprehensive income was as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Exchange differences on translating foreign operations	\$ 1,393	837	(218)	(4,324)
Actuarial gains (losses) on defined benefit plans	-	-	-	(3,569)
	\$ <u>1,393</u>	<u>837</u>	<u>(218)</u>	<u>(7,893)</u>

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) The tax authorities have examined the Company's income tax returns through 2017. The income tax returns of the subsidiaries in the ROC have been assessed by the tax authorities through 2017.

(u) Capital and other equities

Except as described below, there were no significant changes in the capital and other equity in the six months ended June 30, 2019 and 2018. For related information, please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2018.

As of June 30, 2019 and 2018, the authorized common stocks amounted to \$10,000,000 (of which \$400,000 were reserved for the exercising of employee share options); face value of each share is \$10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,092 and 441,811 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding in the six months ended June 30, 2019 and 2018 were as follows:

(in thousands of shares)	For the six months ended June 30	
	2019	2018
Balance on January 1	443,000	440,449
Employee stock options exercised	92	1,362
Balance on June 30	<u>443,092</u>	<u>441,811</u>

(i) Ordinary shares

Based on a resolution at the annual shareholders' meeting held on June 12, 2015, the Company increased the authorized common stock to \$10,000,000. As of August 8, 2019, the registration procedures related to the authorized common stock had not been completed.

The employee stock options exercised in six months ended June 30, 2019 amounted to \$926, which resulted in a capital surplus of \$4,351 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$3,579). The registration procedures of the employee stock options amounting to \$359 had not been completed.

The employee stock options exercised in six months ended June 30, 2018 amounted to \$13,621, which resulted in capital surplus of \$64,091 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$50,837). The registration procedures of the employee stock options had been completed.

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus of the Company were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Additional paid-in capital	\$ 7,803,122	7,798,771	7,743,060
Difference between consideration and carrying amount of subsidiaries disposed	147,087	147,087	147,087
Changes in equity of associates accounted for using equity method	6,489	6,489	6,489
Redemption rights resulting from issuance of convertible bonds	87,820	87,820	343,930
Treasury stock resulting from the redemption of convertible bonds	983,812	983,812	727,702
Share-based payment – employee stock options	131,773	134,587	177,941
Others	<u>576</u>	<u>576</u>	<u>44</u>
	<u>\$ 9,160,679</u>	<u>9,159,142</u>	<u>9,146,253</u>

(iii) Retained earnings

In accordance with the Company's articles, net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes, of the remaining balance, 10% is to be appropriated as legal reserve, and the Company should appropriate the same amount as the special reserve from retained earnings in accordance with legal authorities and legislations. The remainder, accumulated with the unappropriated earnings of prior years, is distributed as additional dividends to shareholders, which cannot be lower than 50% of the total accumulated unappropriated earnings. The distribution rate is based on the proposal of the Company's board of directors and should be approved in the shareholders' meeting.

Cash dividends cannot be lower than 10% of the total cash and stock dividends. However, stock dividends instead of cash dividends are declared if the cash dividends per share are less than NT\$0.2 (dollars).

1) Earnings distribution

Based on a resolution of the annual shareholder's meeting held on June 14, 2019 and June 15, 2018, the appropriations of dividends from the earnings distribution for 2018 and 2017 were as follows:

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2018		2017	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ <u>1.50</u>	<u>664,555</u>	<u>3.00</u>	<u>1,321,133</u>
(iv) Other equity (net of tax)				
	Foreign exchange differences arising from foreign operation	Available- for-sale financial assets	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2019	\$ (632,321)	-	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):				
The Group	96,376	-	-	96,376
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
The Group	-	-	(6,000)	(6,000)
Balance on June 30, 2019	\$ <u>(535,945)</u>	<u>-</u>	<u>(597,956)</u>	<u>(1,133,901)</u>
Balance of January 1, 2018	\$ (437,489)	(393,305)	-	(830,794)
Effect of retrospective application	-	393,305	(389,010)	4,295
Balance at January 1, 2018 after adjustments	(437,489)	-	(389,010)	(826,499)
Foreign exchange differences (net of taxes):				
The Group	35,143	-	-	35,143
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:				
The Group	-	-	(78,896)	(78,896)
Balance on June 30, 2018	\$ <u>(402,346)</u>	<u>-</u>	<u>(467,906)</u>	<u>(870,252)</u>

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Share-based payment

Except as described below, there were no significant changes in the share-based payment of the Group in the six months ended June 30, 2019 and 2018. For related information, please refer to note 6(x) of the 2018 annual consolidated financial statements.

1) The information on the total options issued is summarized as follows:

Six months ended June 30, 2019								
Date of issuance	2019.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2019.6.30 Outstanding units	2019.6.30 Exercisable units	Remaining duration
August 6, 2015	17,500	-	2,500	-	-	15,000	9,000	1.0 years
April 2, 2015	712,850	-	90,050	-	-	622,800	622,800	0.8 years
	<u>730,350</u>	<u>-</u>	<u>92,550</u>	<u>-</u>	<u>-</u>	<u>637,800</u>	<u>631,800</u>	
Weighted-average exercise price (dollars)	\$ <u>18.33</u>	<u>-</u>	<u>18.34</u>	<u>-</u>	<u>-</u>	<u>18.33</u>	<u>18.32</u>	
Six months ended June 30, 2018								
Date of issuance	2018.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2018.6.30 Outstanding units	2018.6.30 Exercisable units	Remaining duration
August 6, 2015	60,000	-	32,500	-	-	27,500	6,500	2.0 years
April 2, 2015	3,194,000	-	1,210,400	-	-	1,983,600	1,664,200	1.8 years
July 18, 2013	489,600	-	119,200	21,400	-	349,000	349,000	- years
	<u>3,743,600</u>	<u>-</u>	<u>1,362,100</u>	<u>21,400</u>	<u>-</u>	<u>2,360,100</u>	<u>2,019,700</u>	
Weighted-average exercise price (dollars)	\$ <u>19.67</u>	<u>-</u>	<u>19.73</u>	<u>18.60</u>	<u>-</u>	<u>19.64</u>	<u>19.60</u>	

The compensation cost of the stock options amounted to \$7, \$780, and \$765 for the three months ended June 30, 2019, the three months ended June 30, 2018 and six months ended June 30, 2018, respectively. The compensation cost of the stock options, which were overestimated, have been reversed in the previous years due to the abandonment of resigned employees, which amounted to \$3,056 as of June 30, 2018 .

(w) Earnings per share

For the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, the Group's basic and diluted earnings per share were calculated as follows:

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	<u>\$ 218,819</u>	<u>236,984</u>	<u>306,369</u>	<u>346,234</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>443,070</u>	<u>440,966</u>	<u>443,055</u>	<u>440,733</u>
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ 218,819	236,984	306,369	346,234
Dilutive effect of potential ordinary shares:				
Convertible bonds (note)	<u>4,030</u>	<u>24,558</u>	<u>8,046</u>	<u>58,003</u>
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u>\$ 222,849</u>	<u>261,542</u>	<u>314,415</u>	<u>404,237</u>
Weighted-average number of outstanding ordinary shares (thousands)	443,070	440,966	443,055	440,733
Dilutive effect of potential ordinary shares:				
Employee stock bonus	219	633	258	861
Convertible bonds	18,462	89,219	18,462	106,817
Employee stock options	<u>1,179</u>	<u>1,194</u>	<u>1,401</u>	<u>1,863</u>
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)	<u>462,930</u>	<u>532,012</u>	<u>463,176</u>	<u>550,274</u>

The average market value of the Company's shares for purpose of calculating the dilutive effect of stock options was based on the quoted market price for the period during which the options were outstanding.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

		For the three months ended June 30, 2019				
		LED	LCD	Illumination	Others	Total
Primary geographical markets:						
Asia	\$	4,168,340	83,766	151,736	17,856	4,421,698
Europe		326,714	53,872	191,687	-	572,273
Others		167,157	56,879	-	-	224,036
Total	\$	<u>4,662,211</u>	<u>194,517</u>	<u>343,423</u>	<u>17,856</u>	<u>5,218,007</u>
Major products						
Construction revenue	\$	-	-	35,595	-	35,595
Sales revenue		4,662,211	194,517	307,828	17,856	5,182,412
	\$	<u>4,662,211</u>	<u>194,517</u>	<u>343,423</u>	<u>17,856</u>	<u>5,218,007</u>
		For the three months ended June 30, 2018				
		LED	LCD	Illumination	Others	Total
Primary geographical markets:						
Asia	\$	4,592,604	95,892	174,178	24,655	4,887,329
Europe		497,457	47,656	251,196	-	796,309
Others		184,469	61,766	(136)	-	246,099
Total	\$	<u>5,274,530</u>	<u>205,314</u>	<u>425,238</u>	<u>24,655</u>	<u>5,929,737</u>
Major products						
Construction revenue	\$	-	-	35,468	-	35,468
Sales revenue		5,274,530	205,314	389,770	24,655	5,894,269
	\$	<u>5,274,530</u>	<u>205,314</u>	<u>425,238</u>	<u>24,655</u>	<u>5,929,737</u>
		For the six months ended June 30, 2019				
		LED	LCD	Illumination	Others	Total
Primary geographical markets:						
Asia	\$	8,046,427	166,542	320,195	33,616	8,566,780
Europe		721,621	102,311	523,192	-	1,347,124
Others		330,725	102,568	-	-	433,293
Total	\$	<u>9,098,773</u>	<u>371,421</u>	<u>843,387</u>	<u>33,616</u>	<u>10,347,197</u>
Major products						
Construction revenue	\$	-	-	45,834	-	45,834
Sales revenue		9,098,773	371,421	797,553	33,616	10,301,363
	\$	<u>9,098,773</u>	<u>371,421</u>	<u>843,387</u>	<u>33,616</u>	<u>10,347,197</u>

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30, 2018				
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 9,249,780	187,044	327,119	47,282	9,811,225
Europe	989,117	85,756	823,174	-	1,898,047
Others	386,414	96,319	17,920	-	500,653
Total	<u>\$ 10,625,311</u>	<u>369,119</u>	<u>1,168,213</u>	<u>47,282</u>	<u>12,209,925</u>
Major products					
Construction revenue	\$ -	-	47,875	-	47,875
Sales revenue	<u>10,625,311</u>	<u>369,119</u>	<u>1,120,338</u>	<u>47,282</u>	<u>12,162,050</u>
	<u>\$ 10,625,311</u>	<u>369,119</u>	<u>1,168,213</u>	<u>47,282</u>	<u>12,209,925</u>

(ii) Contract balance

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	\$ 28,337	11,416	35,417
Accounts receivables	6,794,220	6,981,114	7,926,859
Less: allowance for impairment	(121,340)	(127,287)	(115,593)
	<u>\$ 6,701,217</u>	<u>6,865,243</u>	<u>7,846,683</u>
Contract assets-illumination	<u>\$ 1,256</u>	<u>78,550</u>	<u>-</u>
Contract liabilities	<u>\$ 3,992</u>	<u>26,191</u>	<u>13,657</u>

For details on accounts receivable and allowance for impairment, please refer to note (6)(d).

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(y) Remuneration of employees, directors, and supervisors

In accordance with the amendments to the Company's articles of incorporation on June 14, 2019, if there is annual net income, the Company should appropriate 6%~12% as remuneration to employees, and remuneration to directors and supervisors should not exceed 1%. However, if the Company has accumulated deficits, the after-tax earnings shall first be offset against any deficit. The employees include those in the subsidiaries who meet specific conditions, which were formulated by the shareholders' meeting.

The remuneration to employees amounted to \$15,831, \$17,526, \$27,879, and \$25,613, and the remuneration to directors and supervisors amounted to \$2,638, \$2,045, \$3,843, and \$2,988 in the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees, directors and supervisors for the period, and are determined using the earnings allocation method which was stated under the Company's articles. These remunerations are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting.

The remuneration to employees amounted to \$59,098 and \$84,213, and the remuneration to directors and supervisors amounted to \$6,895 and \$7,677, in 2018 and 2017, respectively. The related information can be accessed from the Market Observation Post System website. There had been no differences between the actual amounts and the estimation of employee compensation in 2018 and 2017.

(z) Non-operating income and expenses

For the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, the interest income and finance costs were as follows:

(i) Interest income

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Cash in banks	\$ 10,896	19,791	20,292	38,246
Other	723	2,195	1,409	4,968
	<u>\$ 11,619</u>	<u>21,986</u>	<u>21,701</u>	<u>43,214</u>

(ii) Finance costs – interest expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Loans	\$ 12,620	12,408	22,370	24,298
Lease liabilities	1,531	-	3,126	-
Convertible Bonds	4,030	18,928	8,046	45,925
	<u>\$ 18,181</u>	<u>31,336</u>	<u>33,542</u>	<u>70,223</u>

(aa) Financial Instruments

Except for the contention mentioned below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk, and market risk arising from financial instruments. For the related information, please refer to note 6(ae) of the 2018 annual consolidated financial statement.

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Credit risk of receivables

For credit risk and credit impairment of note and accounts receivable, please refer to note 6(d).

For credit impairment of other receivables, please refer to note 6(e).

(ii) Liquidity Risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
June 30, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,676,764	(2,676,764)	(2,676,764)	-	-
Notes and accounts payable (including related parties)	4,076,032	(4,076,032)	(4,076,032)	-	-
Payables on construction and equipment	299,701	(299,701)	(299,701)	-	-
Dividends payable	664,555	(664,555)	(664,555)	-	-
Other payables	937,586	(937,586)	(937,586)	-	-
Lease liabilities (including current and non-current)	325,062	(425,793)	(54,688)	(38,462)	(332,643)
Unsecured convertible bonds	1,111,946	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	62,281	(62,281)	(16,390)	(16,390)	(29,501)
Guaranteed deposits received	167,494	(167,494)	-	-	(167,494)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	2,499				
Outflow	-	(425,529)	(425,529)	-	-
Inflow	-	423,298	423,298	-	-
Cross currency swap:	9,109				
Outflow	-	(942,000)	(942,000)	-	-
Inflow	-	932,160	932,160	-	-
	<u>\$ 10,333,029</u>	<u>(10,448,377)</u>	<u>(9,863,887)</u>	<u>(54,852)</u>	<u>(529,638)</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 3,111,970	(3,111,970)	(3,111,970)	-	-
Notes and accounts payable (including related parties)	4,502,383	(4,502,383)	(4,502,383)	-	-
Payables on construction and equipment	417,193	(417,193)	(417,193)	-	-
Other payables	1,018,568	(1,018,568)	(1,018,568)	-	-
Unsecured convertible bonds	1,103,900	(1,126,100)	-	(1,126,100)	-
Long-term loans (including current portion)	64,789	(64,789)	(12,958)	(12,958)	(38,873)
Guaranteed deposits received	131,369	(131,369)	-	-	(131,369)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	427				
Outflow	-	(184,578)	(184,578)	-	-
Inflow	-	184,199	184,199	-	-
	<u>\$ 10,350,599</u>	<u>(10,372,751)</u>	<u>(9,063,451)</u>	<u>(1,139,058)</u>	<u>(170,242)</u>
June 30, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 3,128,958	(3,128,958)	(3,128,958)	-	-
Notes and accounts payable (including related parties)	4,900,501	(4,900,501)	(4,900,501)	-	-
Payables on construction and equipment	431,897	(431,897)	(431,897)	-	-
Dividends payable	1,321,133	(1,321,133)	(1,321,133)	-	-
Other payables	1,332,346	(1,332,346)	(1,332,346)	-	-
Unsecured convertible bonds	4,123,755	(4,174,400)	(3,048,300)	(1,126,100)	-
Guaranteed deposits received	119,543	(119,543)	-	-	(119,543)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	47,053				
Outflow	-	(1,747,412)	(1,747,412)	-	-
Inflow	-	1,699,675	1,699,675	-	-
Swap contracts:	63				
Outflow	-	(8,906)	(8,906)	-	-
Inflow	-	8,957	8,957	-	-
	<u>\$ 15,405,249</u>	<u>(15,456,464)</u>	<u>(14,210,821)</u>	<u>(1,126,100)</u>	<u>(119,543)</u>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

June 30, 2019					December 31, 2018				June 30, 2018			
Foreign currency (in thousands)					Foreign currency (in thousands)				Foreign currency (in thousands)			
Exchange rate					Exchange rate				Exchange rate			
TWD					TWD				TWD			
Financial assets												
Monetary items												
USD	\$	133,773	USD/TWD =31.072	4,156,595	170,402	USD/TWD =30.733	5,236,965	180,695	USD/TWD =30.500	5,511,198		
USD		10,914	USD/RMB =6.8649	339,120	50,631	USD/RMB =6.8754	1,556,043	41,976	USD/RMB =6.6170	1,280,268		
RMB		292,142	RMB/TWD =4.5262	1,322,293	342,128	RMB/TWD =4.4700	1,529,312	312,626	RMB/TWD =4.6093	1,440,987		
HKD		331,332	HKD/TWD =3.9774	1,317,840	371,986	HKD/TWD =3.8625	1,460,082	380,225	HKD/TWD =3.8875	1,478,125		
Financial liabilities												
Monetary items												
USD		84,252	USD/TWD =31.072	2,617,878	132,441	USD/TWD =30.733	4,070,309	147,649	USD/TWD =30.500	4,503,295		
USD		36,809	USD/RMB =6.8649	1,143,729	49,426	USD/RMB =6.875	1,519,009	52,091	USD/RMB =6.6170	1,588,776		
RMB		810,092	RMB/TWD =4.5262	3,666,638	684,620	RMB/TWD =4.4700	3,060,251	710,524	RMB/TWD =4.6093	3,275,018		

2) Sensitivity analysis

The Group's exposure to foreign currency risk of monetary items arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of each major foreign currency against the Group's functional currency as of June 30, 2019 and 2018 would have increased (decreased) the net profit before tax by \$8,970 for the six months ended June 30, 2019, and decreased (increased) the net profit before tax by \$78,755 for the six months ended June 30, 2018. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, the foreign exchange gains, including both realized and unrealized, amounted to \$77,546, \$103,259, \$52,161 and \$66,941, respectively.

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount		
	June 30, 2019	December 31, 2018	June 30, 2018
Variable rate instruments:			
Financial assets	\$ 4,663,237	3,918,619	4,040,904
Financial liabilities	<u>(2,182,099)</u>	<u>(2,858,795)</u>	<u>(3,128,958)</u>
	<u>\$ 2,481,138</u>	<u>1,059,824</u>	<u>911,946</u>

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax in the six months ended June 30, 2019 and 2018, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

	For the six months ended June 30,	
	2019	2018
Increase by 0.25%	\$ 3,101	1,140
Decrease by 0.25%	(3,101)	(1,140)

5) Fair value

a) The kinds of financial instruments and fair value

The fair value of the Group's financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and financial assets at fair value through other comprehensive income are measured on a recurring basis. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2019				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 7,340	-	7,340	-	7,340
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>2,165,287</u>	142,774	2,022,513	-	2,165,287
	<u>2,172,627</u>				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	250,004	250,004	-	-	250,004
Unquoted equity instruments	<u>75,052</u>	-	-	75,052	75,052
	<u>325,056</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	3,484,869	-	-	-	-
Notes and accounts receivable (including related parties)	6,575,482	-	-	-	-
Other current financial assets	2,795,342	-	-	-	-
Refundable deposits (recorded as other non-current assets)	221,418	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	193,505	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	<u>6,974</u>	-	-	-	-
	<u>13,277,590</u>				
	<u>\$ 15,775,273</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ 2,499	-	2,499	-	2,499
Non-derivative financial liabilities mandatorily measured at fair value through profit or loss	<u>9,109</u>	-	9,109	-	9,109
	<u>11,608</u>				

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2019					
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost:					
Short-term borrowings	2,676,764	-	-	-	-
Notes and accounts payable (including related parties)	4,076,032	-	-	-	-
Payable on construction and equipment	299,701	-	-	-	-
Dividends payable	664,555	-	-	-	-
Lease liabilities	325,062	-	-	-	-
Other current payables (recorded as other current liabilities)	937,586	-	-	-	-
Bonds payable (including current portion)	1,111,946	-	-	-	-
Long-term loans (including current portion)	62,281	-	-	-	-
Guaranteed deposits received	167,494	-	-	-	-
	<u>10,321,421</u>				
	<u>\$ 10,333,029</u>				
December 31, 2018					
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 64,238	-	64,238	-	64,238
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>1,305,019</u>	110,777	1,194,242	-	1,305,019
	<u>1,369,257</u>				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	256,004	256,004	-	-	256,004
Unquoted equity instruments	<u>75,052</u>	-	-	75,052	75,052
	331,056				

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost:					
Cash and cash equivalents	4,530,385	-	-	-	-
Notes and accounts receivable (including related parties)	6,796,804	-	-	-	-
Other current financial assets	2,270,755	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	68,439	-	-	-	-
Refundable deposits (recorded as other non-current assets)	156,290	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	6,974	-	-	-	-
	<u>13,829,647</u>				
	<u>\$ 15,529,960</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ <u>427</u>	-	427	-	427
	<u>427</u>				
Financial liabilities measured at amortized cost:					
Short-term borrowings	3,111,970	-	-	-	-
Notes and accounts payable (including related parties)	4,502,383	-	-	-	-
Payables on construction and equipment	417,193	-	-	-	-
Other current payables (recorded as other current liabilities)	1,018,568	-	-	-	-
Bonds payable (including current portion)	1,103,900	-	-	-	-
Long-term loans (including current portion)	64,789	-	-	-	-
Guaranteed deposits received	131,369	-	-	-	-
	<u>10,350,172</u>				
	<u>\$ 10,350,599</u>				

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2018				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 54,066	-	54,066	-	54,066
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>1,537,683</u>	103,241	1,434,442	-	1,537,683
	<u>1,591,749</u>				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	381,506	381,506	-	-	381,506
Unquoted equity instruments	<u>83,649</u>	-	-	83,649	83,649
	<u>465,155</u>				
Financial assets measured at amortized cost:					
Cash and cash equivalents	4,417,482	-	-	-	-
Notes and accounts receivable (including related parties)	7,814,844	-	-	-	-
Other current financial assets	4,976,023	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	13,811	-	-	-	-
Refundable deposits (recorded as other non-current assets)	191,054	-	-	-	-
Long-term accounts receivable (recorded as other non-current assets)	31,839	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	<u>6,974</u>	-	-	-	-
	<u>17,452,027</u>				
	<u>\$ 19,508,931</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	<u>\$ 47,116</u>	-	47,116	-	47,116
	<u>47,116</u>				
Financial liabilities measured at amortized cost:					
Short-term borrowings	3,128,958	-	-	-	-
Notes and accounts payable (including related parties)	4,900,501	-	-	-	-
Payables on construction and equipment	431,897	-	-	-	-
Dividends payable	1,321,133	-	-	-	-
Other current payables (recorded as other current liabilities)	1,332,346	-	-	-	-
Bonds payable (including current portion)	4,123,755	-	-	-	-
Guarantee deposits received	<u>119,543</u>	-	-	-	-
	<u>15,358,133</u>				
	<u>\$ 15,405,249</u>				

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Fair value valuation technique of financial instruments not measured at fair value

The Group estimates instruments that are not measured at fair value by method and presumption as follows:

- i) The book value of financial assets and liabilities at amortized cost are similar to their fair value.

c) Fair value valuation technique of financial instruments measured at fair value

- i) The fair value of financial assets and liabilities traded in active markets, including listed stocks, fund beneficiary certificates, emerging stocks and listed convertible bonds, etc., is based on quoted market prices.

- ii) The fair value of unlisted shares without an active market is assessed by using the net asset value per share approach, P/E ratio approach, and P/B ratio approach.

- iii) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated by adapting a valuation technique using the estimates and hypothesis referred from those used by financial instruments, or the binomial options pricing model which is generally accepted by the market participants.

- iv) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

- d) There were no transfers from one level to another of the Group in the six months ended June 30, 2019 and 2018.

- e) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Group in the six months ended June 30, 2019 and 2018:

	Current financial assets at fair value through other comprehensive income – unquoted equity instruments	Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable	Total
Balance on January 1, 2019	\$ 75,052	-	75,052
Total gains and losses recognized:			
In profit (loss)	-	-	-
In other comprehensive income	-	-	-
Balance on June 30, 2019	<u>\$ 75,052</u>	<u>-</u>	<u>75,052</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	Current financial assets at fair value through other comprehensive income – unquoted equity instruments	Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable	Total
Balance on January 1, 2018	\$ 122,544	(46,988)	75,556
Repurchased	-	59,066	59,066
Total gains and losses recognized:			
In profit (loss)	-	(12,078)	(12,078)
In other comprehensive income	(38,895)	-	(38,895)
Balance on June 30, 2018	<u>\$ 83,649</u>	<u>-</u>	<u>83,649</u>

The above total gains and losses are included in "other gains and losses" and "Unrealized gain (loss) from financial assets at fair value through other comprehensive income". The amount of total gains or losses for the years in above that were attributable to gains or losses relating to those assets and liabilities held at June 30, 2019 and 2018 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Total gains and losses recognized:				
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	\$ -	(36,601)	-	(38,895)
In profit or loss (recorded as gains (losses) from financial assets (liabilities) at fair value through profit or loss)	-	(5,630)	-	(12,078)

- f) The quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use level 3 inputs to measure the fair values include current financial assets at fair value through other comprehensive income – equity securities and derivative financial instrument.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

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Most of fair value measurements of the Group which are categorized as equity investment instruments into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity instruments without quoted prices are independent of each other.

The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Current financial assets at fair value through other comprehensive income (equity instruments without quoted prices)	Guideline Public Company method - Price-Book Method	<ul style="list-style-type: none"> Price-to-Book ratio (P/B Ratio) (0.53, 0.53 and 0.63 on June 30, 2019, December 31 and June 30, 2018, respectively) Lack of marketability discount rate (20% on June 30, 2019, December 31 and June 30, 2018) 	<ul style="list-style-type: none"> The higher the P/B ratio, the higher the fair value. The higher the lack of marketability discount, the lower the fair value.

g) Sensitivity analysis for fair value of financial instruments using level 3 inputs

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impacts on other comprehensive income or loss were as follows:

	Input	Variation	Impacts of fair value changes on other comprehensive income	
			Advantageous change	Disadvantageous change
June 30, 2019				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ <u>3,000</u>	<u>3,000</u>
"	Lack of marketability discount	5%	\$ <u>3,000</u>	<u>3,000</u>
June 30, 2018				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ <u>3,680</u>	<u>3,680</u>
"	Lack of marketability discount	5%	\$ <u>3,680</u>	<u>3,680</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The favorable and unfavorable impacts reflect the movement of the fair value, in which the fair value is calculated by using the significant unobservable inputs in the valuation technique. The table above shows the effects of one unobservable input, without considering the inter-relationships with another unobservable input for financial instrument, if there are one or more unobservable inputs.

(ab) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(af) of the 2018 annual consolidated financial statements.

(ac) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in note 6(ag) of the 2018 annual consolidated financial statements. Also, management believes that there were no significant changes in the Group's capital management information as disclosed in the 2018 annual financial statements.

(ad) Investing and financial activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the six months ended June 30, 2019, were acquisition of right-of-use assets by lease; please refer to note 6(k). There were no non-cash investing and financing activities in the six months ended June 30, 2018. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Acquisition	Non-cash changes		June 30, 2019
				Amortization of interest and issuance costs	Foreign exchange movement	
Short-term borrowings	\$ 3,111,970	(435,206)	-	-	-	2,676,764
Long-term borrowings	64,789	(3,278)	-	-	770	62,281
Lease liabilities	347,210	(24,730)	2,066	-	516	325,062
Bonds payable	1,102,525	-	-	8,546	-	1,111,071
Guarantee deposits received	131,369	36,125	-	-	-	167,494
Total liabilities from financing activities	<u>\$ 4,757,863</u>	<u>(427,089)</u>	<u>2,066</u>	<u>8,546</u>	<u>1,286</u>	<u>4,342,672</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2018	Cash flow	Non-cash changes Amortization of interest and issuance costs	June 30, 2018
Short-term borrowings	\$ 2,181,411	947,547	-	3,128,958
Bonds payable	7,453,249	(3,480,500)	148,659	4,121,408
Guarantee deposits received	132,022	(12,479)	-	119,543
Total liabilities from financing activities	<u>\$ 9,766,682</u>	<u>(2,545,432)</u>	<u>148,659</u>	<u>7,369,909</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The following are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Epistar Corporation (Epistar)	The Company is the corporate director of this company (note)
Luxlite (Shenzhen) Corporation LED.	A subsidiary of Epistar (note)
Tekcore Co. Ltd (Tekcore)	Equity-accounted investee by the Company

(Note) After the reelection by the shareholders' meeting of Epistar in June, 2019, the Group is no longer the corporate director of Epistar and Epistar is not a related party of the Group.

(b) Significant related party transactions

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Associates	\$ 12,966	20,810	25,432	43,619
Other related parties	31,538	31,497	53,148	57,499
	<u>\$ 44,504</u>	<u>52,307</u>	<u>78,580</u>	<u>101,118</u>

There were no significant differences in the collection periods and sales prices between the related parties and other customers, and the payment term was 90 to 165 days.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(ii) Purchase

The amounts of significant purchases by the Group from related parties were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Associates	\$ 105,979	100,390	211,744	221,690
Other related parties-Epistar	299,512	495,076	642,995	1,022,777
	<u>\$ 405,491</u>	<u>595,466</u>	<u>854,739</u>	<u>1,244,467</u>

Purchase prices from Tekcore and Epistar have no significant differences between other related parties and third-party suppliers. The payment term was 90 to 150 days for other related parties and third-party suppliers.

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Related party categories	June 30, 2019	December 31, 2018	June 30, 2018
Associates	\$ 28,095	34,839	48,708
Other related parties	-	62,626	66,602
	<u>\$ 28,095</u>	<u>97,465</u>	<u>115,310</u>

(iv) Payables to related parties

The payables to related parties were as follows:

Related party categories	June 30, 2019	December 31, 2018	June 30, 2018
Associates	\$ 177,959	198,955	192,878
Other related parties-Epistar	-	836,073	1,063,695
	<u>\$ 177,959</u>	<u>1,035,028</u>	<u>1,256,573</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Short-term employee benefits	\$ 4,092	8,440	12,339	15,623
Others	1,178	1,206	2,375	2,423
	<u>\$ 5,270</u>	<u>9,646</u>	<u>14,714</u>	<u>18,046</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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There are no termination benefits and other long-term benefits. Please refer to note 6(v) for the explanation of share-based payment.

(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

<u>Assets</u>	<u>Objectives</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Time deposits and restricted cash in bank (recorded as other financial assets – non-current)	Guarantee for contract grant	\$ 6,974	6,974	6,974
Restricted cash in bank (recorded as other financial assets-current)	Contract of accounts receivable factoring	67,905	138,075	71,226
		<u>\$ 74,879</u>	<u>145,049</u>	<u>78,200</u>

(9) Commitments and contingencies

- (a) There were no significant differences between the commitments and the contingencies of the Group. For related information, please refer to note 9 of the 2018 annual consolidated financial statements.
- (b) Significant commitments unrecognized:
- (i) As of June 30, 2019, December 31, and June 30, 2018, the Group's signed significant commitments to purchase machinery and equipment not yet due amounted to \$694,409, \$930,196, and \$493,822, respectively.
- (ii) As of June 30, 2019, December 31, and June 30, 2018, the unused balance of the Group's outstanding standby letters of credit amounted to \$0, \$0, and \$38,213, respectively.

(10) Losses due to major disasters: none

(11) Subsequent Events: none

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other

- (a) The following are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function By item	Three months ended June 30, 2019			Three months ended June 30, 2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	401,179	428,291	829,470	450,006	386,964	836,970
Labor and health insurance	19,684	38,034	57,718	24,015	41,107	65,122
Pension	19,778	14,065	33,843	27,899	15,215	43,114
Others	27,946	16,191	44,137	33,850	19,473	53,323
Depreciation	350,033	165,347	515,380	351,222	153,737	504,959
Amortization	14,423	10,179	24,602	15,236	10,489	25,725

By function By item	Six months ended June 30, 2019			Six months ended June 30, 2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	777,189	824,156	1,601,345	898,961	817,420	1,716,381
Labor and health insurance	40,611	77,741	118,352	46,784	78,523	125,307
Pension	41,401	28,515	69,916	51,017	30,575	81,592
Others	54,993	32,667	87,660	66,208	39,970	106,178
Depreciation	700,620	332,105	1,032,725	706,489	305,153	1,011,642
Amortization	27,100	20,459	47,559	31,410	21,441	52,851

- (b) Seasonality of interim operation

The operation of the Group is not subject to seasonal fluctuations.

(13) Other disclosures

- (a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2019:

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Loans to other parties:

Unit: foreign currency in thousand dollars

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	WOFI Holding	Other current financial assets	Yes	671,190 (EUR19,000)	671,190 (EUR19,000)	353,258	1.0%	Short-term financing	-	Business turnover	-		-	1,672,260	6,689,043
1	Everlight Zhongshan	Zhongshan Everlight Lighting	"	Yes	67,757 (RMB14,970)	47,389 (RMB10,470)	47,389 (RMB10,470)	2.5%	Short-term financing	-	"	-		-	375,501	375,501
2	Everlight BVI	WOFI Holding	Other receivables	Yes	70,652 (EUR2,000)	70,652 (EUR2,000)	70,652 (EUR2,000)	0%	Short-term financing	-	"	-		-	2,953,811	2,953,811

Note 1: According to the Company's "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of the Company; and to borrowers having business relationship with the Company, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of each fund financing cannot exceed 10% of the Company's net worth.

Note 2: According to Everlight Zhongshan "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of Everlight Zhongshan; and to borrowers having business relationship with Everlight Zhongshan, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of cash fund financing cannot exceed 40% of Everlight Zhongshan's net worth.

Note 3: According to Everlight BVI's "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of Everlight BVI; and to borrowers having business relationship with Everlight BVI, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of each fund financing cannot exceed 40% of Everlight BVI's net worth.

Note 4: The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of June 30, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: foreign currency in thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	
The Company	Shin Kong Financial Holding Co., Ltd.	None	Current financial assets at fair value through profit or loss	347	\$ 3,276	0%	3,276	
"	SinoPac TWD Money Market Fund	"	"	3,377	47,065	0%	47,065	
"	Cathay Financial Holding Co., Ltd. Preferred Stock B	"	"	100	6,230	0%	6,230	
"	Gigasolar Materials Corporation convertible bonds	"	"	200	17,830	0%	17,830	
"	China Airlines Ltd. convertible bonds	"	"	220	22,044	0%	22,044	
"	Global PMX Co., Ltd. convertible bonds	"	"	15	1,506	0%	1,506	
"	ShunSin Technology Holdings Limited convertible bonds	"	"	100	10,200	0%	10,200	
"	Taiwan Chinsan Electronic Industrial Co., Ltd. convertible bonds	"	"	41	3,957	0%	3,957	
					<u>\$ 112,108</u>			
The Company	Hua-chuang Automobile Information Technical Center Co., Ltd., Stocks	The Company is the corporate director of this company	Non-current financial assets at fair value through other comprehensive income	11,320	75,052	3.45%	75,052	
"	Epistar Co., Ltd (Epistar) Stocks	None	"	10,000	250,004	0.92%	250,004	
					<u>\$ 325,056</u>			
Pai-ye	Taishin Ta-Chong Money Market Fund	None	Current financial assets at fair value through profit or loss	2,156	30,666	0%	30,666	
"	Taipei Tech innofund Stocks	Pai-ye is the corporate director of this company	Non-current financial assets at fair value through profit or loss	3,000	34,596	10%	34,596	
Everlight Fujian	Kaistar Lighting (Xiamen) Co., Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	362,096 (RMB80,000)	3.97%	362,096	
"	Country Lighting (B.V.I.) Ltd.	None	"	(Note 2)	20,395 (RMB4,506)	8.21%	20,395	
"	Financial products	None	"	-	297,949 (RMB65,828)	0%	297,949	
					<u>\$ 745,702</u>			
Eralite	Structured deposits	None	Current financial assets at fair value through profit or loss	-	91,338 (RMB20,180)	0%	91,338	
"	Financial products	None	"	-	159,318 (RMB35,199)	0%	159,318	
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	159,236 (RMB35,181)	0%	159,236	
"	Financial products	None	"	-	172,863 (RMB38,192)	0%	172,863	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	358,720 (RMB79,254)	0%	358,720	
	Financial products	None	Current financial assets at fair value through profit or loss	-	366,002 (RMB80,863)	0%	366,002	

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1 : The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.
Note 2 : Company Limited.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: foreign currency in thousand dollars

Name of Company	Name of Counter-party	Relationship	Transaction Details				Abnormal Transaction		Notes/ Account (Payable) or Receivable		Note
			Purchase/ (Sale)	Amount (Note 1)	Percentage of total purchases/ sales	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 3)	Percentage of total notes/accounts receivable (payable)	
The Company	Evilite	100% owned subsidiary	(Sales)	\$ (769,446)	(9)%	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	543,110	9 %	Note 2
"	Everlight Europe	75% owned subsidiary	(Sales)	(503,693)	(6)%	OA 120	"	"	237,998	4 %	"
"	Everlight Lighting China	100% owned sub-subsiary	(Sales)	(266,879)	(3)%	Depending on the credit conditions of the ultimate customers	"	"	566,571	9 %	"
"	ELA	99% owned subsidiary	(Sales)	(171,166)	(2)%	OA 140	"	"	227,188	4 %	"
"	Everlight China	100% owned sub-subsiary	Purchases	4,305,088	75%	Depending on the demand for funding, OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(3,477,449)	(69)%	"
"	Everlight Zhongshan	100% owned sub-subsiary	Purchases	189,387	3%	Depending on the demand for funding, OA 120	"	"	(163,952)	(3)%	"
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(210,690) (RMB(46,128))	(100)%	Depending on the demand for funding, OA 95	-	Depending on the funding demand of both sides	163,938 (RMB36,220)	100 %	Note 2
Everlight China	The Company	Ultimate holding company	(Sales)	(4,432,777) (RMB(970,504))	(98)%	Depending on the demand for funding, OA 120	-	"	3,478,133 (RMB768,444)	99 %	"
"	Tekcore	Equity-accounted investee by the Company	Purchases	173,049 (RMB37,887)	6%	OA 120	"	"	(142,717) (RMB(31,531))	7 %	-
Everlight Lighting China	The Company	Ultimate holding company	Purchases	293,804 (RMB64,325)	41%	Depending on the terms of the ultimate customer	-	Depending on the funding demand of both sides	(567,987) (RMB(125,489))	(63)%	Note 2
ELA	The Company	Parent company	Purchases	176,465 (USD5,695)	100%	OA 140	-	-	(227,431) (USD(7,319))	- %	"
Everlight Europe	The Company	Parent company	Purchases	503,395 (EUR14,386)	100%	OA 120	-	-	(240,113) (EUR(6,797))	(100)%	"
Evilite	The Company	Parent company	Purchases	777,912 (HKD196,895)	100%	OA 90	-	Depending on the funding demand of both sides	(543,091) (HKD(136,544))	(100)%	"
Evervision TW	Vbest Kunshan	Equity-accounted investee by Evervision TW	Purchases	253,760	80%	OA 150	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(254,838)	(85)%	"
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(254,240) (USD(8,205))	(98)%	OA 150	"	General export receivables in 90~120 days	254,946 (USD8,205))	99 %	"

Note 1: The amounts were translated into New Taiwan dollars at the six months ended June 30, 2019 average exchange rates.

Note 2: The transaction amounts of the subsidiaries are inconsistent with the Company since the financial statements of the subsidiaries did not consider the adjustments made by the Company for processing trade and in-transit inventory. Furthermore, all transactions between companies mentioned in note 2 had been eliminated in the interim consolidated financial statements.

Note 3: The accounts were translated into New Taiwan dollars at the exchange rate at the ended date of the reporting period.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: foreign currency in thousand dollars

Name of company	Counter-party	Nature of relationship	Ending balance (Note 2)	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Everlight Europe	75% owned subsidiary	237,998	4.26	-		92,701 (USD1,249、EUR1,562)	-
"	ELA	99% owned subsidiary	227,188	1.62	-		50,945 (USD1,656)	-
"	Evlite	100% owned subsidiary	543,110	3.04	-		132,466 (USD84、HKD33,341)	-
"	Everlight Lighting China	100% owned sub-subsidiary	566,571	0.90	-		39,158 (RMB8,443)	-
"	WOFI Holding	100% owned subsidiary	356,549 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	3,478,133	2.37	-		532,331 (RMB117,611)	-
Everlight Zhongshan	The Company	Ultimate holding company	163,938	2.22	-		19,675 (RMB4,347)	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	254,946 (USD8,205)	1.92	-		40,114 (USD1,291)	-

Note 1 : Information as of August 8, 2019.

Note 2 : The amounts were translated into New Taiwan dollars at the exchange rates at the reporting date.

Note 3 : Lending funds (including interest)

Note 4 : The aforementioned transactions had been eliminated in the consolidated financial statements

(ix) Information derivative financial instruments transaction: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Counter-party	Relationship (Note 2)	Intercompany transactions				Percentage of consolidated net revenue or total assets
				Financial statements accounts	Amount	Terms		
0	The Company	Everlight Europe	1	Sales revenue	503,693	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.		5 %
				Accounts receivable	237,998	"		1 %
0	The Company	ELA	1	Sales revenue	171,166	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.		2 %
				Accounts receivable	227,188	"		1 %
0	The Company	Evlite	1	Sales revenue	769,446	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.		7 %
				Accounts receivable	543,110	"		2 %
0	The Company	Everlight Lighting China	1	Sales revenue	266,879	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.		3 %
				Accounts receivable	566,571	"		2 %
0	The Company	WOFI Holding	1	Other receivable due from related parties (Note 3)	356,549	Rate 1.0%		1 %
1	Everlight China	The Company	2	Sales revenue	4,432,777	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 120 days.		43 %
			2	Accounts receivable	3,478,133	"		12 %

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No. (Note 1)	Name of company	Counter- party	Relationship (Note 2)	Intercompany transactions			Percentage of consolidated net revenue or total assets
				Financial statements accounts	Amount	Terms	
2	Everlight Zhongshan	The Company	2	Sales revenue	210,690	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 95 days.	2 %
3	Vbest Kunshan	Evervision TW	2	Accounts receivable	163,938	"	1 %
			3	Sales revenue	254,240	There is no significant difference on the price offered to general customers; and the credit period is OA 150 days.	2 %
			3	Accounts receivable	254,946	"	1 %

Note 1: The numbers filled in as follows:

1.0 represents the parent company.

2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

1. Represents the transactions from the parent company to the subsidiaries.

2. Represents the transactions from the subsidiaries to the parent company.

3. Represents the transactions between the subsidiaries.

Note 3: lending funds (including interest)

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2019 (excluding information on investees in Mainland China):

Unit: foreign currency in thousand dollars

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Ending balance			Net income (Losses) of the Investee (Note 2)	Share of profits/losses of investee	Note
				June 30, 2019	December 31, 2018	Shares (In thousands)	Percentage of ownership	Carrying value			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	4,947,563	4,947,563	1,603	98%	\$ 7,238,691	20,356	19,949	Subsidiaries (Note 3)
"	Pai-ye	New Taipei City	Investment	580,253	580,253	23,940	100%	467,610	2,034	2,034	Subsidiaries (Note 3)
"	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(67,875)	(38,907)	(38,483)	Subsidiaries (Note 3)
"	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	191,816	22,116	5,367	Subsidiaries (Note 3)
"	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	126,085	32,045	24,034	Subsidiaries (Note 3)
"	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	36,290	4,985	4,985	Subsidiaries (Note 3)
"	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	445,663	(211)	(211)	Subsidiaries (Note 3)
"	Zenaro TW	New Taipei City	Sale of LED lighting products	380,100	380,100	20,062	100%	47,232	29	29	Subsidiaries (Note 3)
"	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	216,855	13,102	13,137	Subsidiaries (Note 3)
"	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	49,073	(42,172)	(4,074)	(Note 1)
"	Evilte	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	105,416	7,549	7,549	Subsidiaries (Note 3)
"	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	15,100	(235) (INR(529))	(188)	Subsidiaries (Note 3)
"	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	16,568	(1,177)	(1,177)	Subsidiaries (Note 3)
"	WOPI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	(30,296)	(61,641)	(61,641)	Subsidiaries (Note 3)
"	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	18,300	(4,916)	(4,916)	Subsidiaries (Note 3)
Pai-ye	Everlight BVI	Registered in British Virgin Islands	Investment	124,508	124,508	38	2%	145,838	20,356	407	Subsidiaries (Note 3)
"	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	103,893	22,116	2,979	Subsidiaries (Note 3)
"	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	698	-	-	Sub-subsidiaries (Note 3)
"	ELI	India	Sale of LEDs	493	493	88	20%	3,688	(235) (INR(529))	(47)	Subsidiaries (Note 3)

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Investor company	Investee company	Location	Main businesses and products	Original investment amount		Ending balance			Net income (Losses) of the Investee (Note 2)	Share of profits/losses of investee	Note
				June 30, 2019	December 31, 2018	Shares (in thousands)	Percentage of ownership	Carrying value			
Forever	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	30,978	30,978	5,120	27.76%	182,122	22,116	6,139	Subsidiaries (Note 3)
"	EleOcom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	40,000	30,000	4,000	29.63%	26,045	(22,853)	(6,993)	-
Evervision	Well	Hsinchu County	Electronic material trading	24,000	-	200	20%	22,000	(677)	(2,000)	-

Note 1: The market price is \$44,690 thousand dollars.

Note 2: The amounts were translated into New Taiwan dollars at the six months ended June 30, 2019 average exchange rates.

Note 3: The transactions between companies mentioned in note 3 had been eliminated in the consolidated financial statements.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Unit: foreign currency in thousand dollars

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income (losses) of the investee	Percentage of ownership owned directly or indirectly by the company	Investment Income (losses) (Note 4)	Carrying amount as of June 30, 2019 (Note 6)	Accumulated remittance of earnings as of June 30, 2019
					Outflow	Inflow						
The Company and												
Pai-ye:												
Everlight China	Manufacture of LEDs	3,821,459 (US\$113,500 + RMB65,129) (Note 7)	(Note 1)	3,501,444 (US\$110,360)	-	-	3,501,444 (US\$110,360)	58,071	100%	58,071	5,586,791	(Note 8)
Everlight Lighting China	Sale of LEDs	248,576 (US\$8,000) (Note 11)	(Note 1)	168,714 (US\$5,200)	-	-	168,714 (US\$5,200)	(19,308)	100%	(19,308) (Note 12)	168,299 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	207,656 (US\$128 + RMB45,000) (Note 20)	(Note 1)	4,142 (US\$128)	-	-	4,142 (US\$128)	167	100%	167 (Note 21)	203,266 (Note 21)	-
Everlight Zhongshan	Manufacture of LED related components	932,160 (US\$30,000)	(Note 1)	930,868 (US\$30,000)	-	-	930,868 (US\$30,000)	(5,791)	100%	(5,791)	938,754	-
Everlight Fujian	Manufacture and sale of LED backlights and related	776,800 (US\$25,000)	(Note 1)	670,771 (US\$16,250 + RMB36,868)	-	-	670,771 (US\$16,250 + RMB36,868)	4,088	90%	3,679	608,440	-
Eralite	Manufacture and sale of LED backlights and related components	621,440 (US\$20,000)	(Note 1)	377,642 (US\$12,000)	-	-	377,642 (US\$12,000)	2,256	100%	2,256	305,184	-
Shanghai Yaming Lighting Co., Ltd.(Yaming)	Assemble LED lighting products	90,524 (RMB20,000)	(Note 1)	49,462 (US\$1,464)	-	-	49,462 (US\$1,464)	-	50%	-	34,684	-
ELMS	Research and sale of LED lighting products	429,989 (RMB95,000) (Note 23)	Direct investment	115,962 (US\$1,294 + RMB15,562)	-	-	115,962 (US\$1,294 + RMB15,562)	26	100%	26 (Note 22)	8,868 (Note 22)	-
Yi-Yao	Research of electronic components	51,916 (RMB11,470)	(Note 1)	33,054 (RMB6,462)	-	-	33,054 (RMB6,462)	-	100%	-	-	-
Evervision TW:												
Vbest Kunshan	Post-assemble STN display and assemble module	559,296 (US\$18,000)	(Note 2)	605,784 (US\$18,000)	-	-	605,784 (US\$18,000)	(7,963)	65.50%	(5,216)	454,545	-

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income (losses) of the investee	Percentage of ownership owned directly or indirectly by the company	Investment Income (losses) (Note 4)	Carrying amount as of June 30, 2019 (Note 6)	Accumulated remittance of earnings as of June 30, 2019
					Outflow	Inflow						
Everlight Lighting China; Zhongshan	Research and sale of LED lighting products	90,524 (RMB20,000)	(Note 3)	-	-	-	-	(1,554)	100%	(1,554)	(51,390)	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of June 30, 2019 (Note 6)	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (Note 6)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company and Pai-ye (Note 5)	5,890,682 (US\$181,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 16 and 17)	6,233,465 (US\$191,841 thousand 、 RMB60,223 thousand)	10,033,565
ELIT	147,492 (US\$2,723 thousand 、 RMB13,893 thousand) (Notes 18 and 19)	147,492 (US\$2,723 thousand 、 RMB13,893 thousand)	130,092 (Note 13)
Evervision TW (Note 15)	656,738 (Note 15 and 24) (US\$21,136 thousand)	656,738 (US\$21,136 thousand)	471,574 (Note 14)

Note 1: Indirect investment in Mainland China through companies registered in a third region.

Note 2: Indirect investment in Mainland China through an existing company registered in a third region.

Note 3: Indirect investment in Mainland China through an existing company in Mainland China.

Note 4: Except for Everlight China and Everlight Zhongshan, which recognized their gains and losses on investment in accordance with interim financial statements of investees, the gains and losses on investment of the remaining companies were recognized according to the investees' self-reported financial statements and the amounts were translated into New Taiwan dollars at the six months ended June 30 average exchange rates in 2019.

Note 5: Including the investment amount of US\$ 3,851 thousand approved by Pai-ye.

Note 6: The amounts were translated into New Taiwan dollars at the exchange rates at the end of the reporting period.

Note 7: The difference from the Company's outflow of investment was due to the retained earnings transferred to the capital of Everlight China amounting to US\$ 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.

Note 8: Including the remittance amounting to US\$ 10,140 thousand from Guangzhou Everlight to Everlight BVI to be invested in Everlight China by Everlight BVI in 2007.

Note 9: In January 2011, the Company sold its subsidiary (Yi-Yao) in Mainland China, through Eylvite, to its domestic subsidiary, ELIT, at US\$ 245 thousand, and the Company had applied to eliminate its sales price. In addition, the aforesaid investment amount included its accumulated remittance for investment amounting to US\$ 48 thousand.

Note 10: The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to US\$ 3,750 thousand was included in the Company's accumulated outflow of investment from Taiwan.

Note 11: The difference from the Company's outflow of investment was due to the amount of US\$ 2,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.

Note 12: Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.

Note 13: After the investment of ELIT in Mainland China, its net equity decreased due to its operating losses. Therefore, the amount in the approval letter from the Investment Commission of Ministry of Economic Affairs is higher than the limitation required for the investment in accordance with the legal authorities.

Note 14: After the investment of Evervision TW in Mainland China, its net equity decreased due to its capital reduction in 2012. Therefore, the amount in the approval letter from the Investment Commission of Ministry of Economic Affairs is higher than required for the limitation on investment in accordance with the legal authorities.

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- Note 15: Including the investment amount of the factory in Mainland China written off in 2012 amounting to US\$ 2,750 thousand.
- Note 16: Including the investments amounting to US\$ 216 thousand in Inferpoint Touch Solutions (ShenZhen) Limited and Inferpoint Systems (Shenzhen) Limited through Inferpoint Systems Limited, an investee at cost, in Mainland China. The Company sold its equities in December 2013, but had not applied to eliminate the investment amounting to US\$ 9,475 thousand.
- Note 17: Everlight Yi-Guang Technology (Shanghai) Ltd. had completed its liquidation in April 2014. The aforesaid investment amount included the accumulated outward remittance from the Company for investment amounting to US\$ 293 thousand.
- Note 18: ELIT sold 100% equity of ELMS to the Company in January 2014. The aforesaid investment amounting to US\$ 2,000 thousand and RMB 13,893 thousand were included in ELIT's accumulated outflow of investment from Taiwan.
- Note 19: Including ELIT's accumulated outflow of investment from Taiwan amounting to US\$ 723 thousand. In January 2015, adjustments were made to coordinate with the organizational structure of the Group, and the Company acquired control over Yi-Yao through Everlight SSL(HK) invested Yi-Yao amounting RMB\$6,462 thousand.
- Note 20: The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in Everlight Electronic (Guangzhou) from Everlight China's owned fund.
- Note 21: Including the gains or losses on investment and ending balance of carrying value of investment in Everlight Electronic (Guangzhou) by Everlight China.
- Note 22: Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Electronic (Guangzhou) by ELMS.
- Note 23: The difference from the Company's outflow of investment was due to the amount of RMB45,000 thousand invested in ELMS from Everlight Electronic (Guangzhou).
- Note 24: The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to US\$386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Group and the investee companies in Mainland China for the six months ended June 30, 2019.

(14) Segment information:

(a) General Information

The segmentation of the Group is based on different products and services. The Group's reportable segments are the LED segment, LCD segment and illumination segment. The LED segment engages in the manufacture and sale of LEDs. The LCD segment engages in the manufacture and sale of LCDs and LCD modules. The illumination segment engages in the manufacture and sale of lighting products.

Other operating segments mainly engage in the sale of raw materials for electronic products, masks, and electrophoretic displays. The above operating segments did not meet the quantitative thresholds in the six months ended June 30, 2019 and 2018.

The Group does not allocate tax expense or non-operating gains and losses to reportable segments. The amounts in the operating segment information are the same as those in the reports used by the chief operating decision maker.

(b) Information about reported segment profit or loss, segment assets, and the basis of segment measurement for reportable segments

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies as stated in note 4. The Group evaluates performance on the basis of net operating income or loss. There were no intersegment revenues.

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For the three months ended June 30, 2019						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 4,662,211	194,517	343,423	17,856	-	5,218,007
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 4,662,211</u>	<u>194,517</u>	<u>343,423</u>	<u>17,856</u>	<u>-</u>	<u>5,218,007</u>
Reportable segment profit (loss)	<u>\$ 246,780</u>	<u>8,691</u>	<u>(97,738)</u>	<u>3,870</u>	<u>-</u>	<u>161,603</u>
For the three months ended June 30, 2018						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 5,274,530	205,314	425,238	24,655	-	5,929,737
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 5,274,530</u>	<u>205,314</u>	<u>425,238</u>	<u>24,655</u>	<u>-</u>	<u>5,929,737</u>
Reportable segment profit (loss)	<u>\$ 324,833</u>	<u>16,297</u>	<u>(127,146)</u>	<u>8,392</u>	<u>-</u>	<u>222,376</u>
For the six months ended June 30, 2019						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 9,098,773	371,421	843,387	33,616	-	10,347,197
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 9,098,773</u>	<u>371,421</u>	<u>843,387</u>	<u>33,616</u>	<u>-</u>	<u>10,347,197</u>
Reportable segment profit (loss)	<u>\$ 385,577</u>	<u>12,730</u>	<u>(127,164)</u>	<u>5,458</u>	<u>-</u>	<u>276,601</u>
For the six months ended June 30, 2018						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$10,625,311	369,119	1,168,213	47,282	-	12,209,925
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$10,625,311</u>	<u>369,119</u>	<u>1,168,213</u>	<u>47,282</u>	<u>-</u>	<u>12,209,925</u>
Reportable segment profit (loss)	<u>\$ 558,417</u>	<u>13,991</u>	<u>(170,047)</u>	<u>14,603</u>	<u>-</u>	<u>416,964</u>