

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 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. (the "Company") and its subsidiaries (the "Group") as of September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the changes in equity and cash flows for the nine months then ended, 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 the total assets amounting to \$4,848,036 thousand and \$6,707,796 thousand, constituting 17% and 21% of the consolidated total assets; and the total liabilities amounting to \$865,485 thousand and \$1,646,885 thousand, constituting 8% and 11% of the consolidated total liabilities as of September 30, 2019 and 2018, respectively; as well as the absolute value of the total comprehensive income (loss) amounting to \$18,990 thousand, \$(150,021) thousand, \$(154,386) thousand and \$(349,525) thousand, constituting 44%, 837%, 41% and 98% of the consolidated total comprehensive income (loss) for the three months and nine months then ended respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of the Group in its investee companies of \$136,012 thousand and \$116,711 thousand as of September 30, 2019 and 2018, respectively, and its equity in net earnings on these investee companies of \$(11,274) thousand, \$(3,024) thousand, \$(24,341) thousand and \$(3,283) thousand for the three months and nine months then ended 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 the Group as of September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months then ended, as well as its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Emphasis of Matter**

As stated in Note 3(a), the Group initially adopted the IFRS 16, “Leases” at January 1, 2019, and applied 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)  
November 7, 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 September 30, 2019 and 2018

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

**Consolidated Balance Sheets**

**September 30, 2019, December 31, 2018, and September 30, 2018**

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
1100 Cash and cash equivalents (note 6(a))	\$ 3,636,168	13	4,530,385	16	3,565,942	11
1110 Current financial assets at fair value through profit or loss (note 6(b))	1,996,716	7	1,327,790	5	1,691,037	5
1140 Current contract assets (note 6(x))	-	-	78,550	-	3,590	-
1170 Notes and accounts receivable, net (note 6(d))	6,438,675	23	6,699,339	23	7,621,200	23
1180 Accounts receivable due from related parties, net (notes 6(d) and 7)	32,195	-	97,465	-	112,490	-
1310 Inventories (note 6(f))	1,656,993	6	1,850,867	6	2,131,356	7
1470 Other current assets	546,025	2	505,270	2	511,213	2
1476 Other current financial assets (notes 6(d), 6(e), 6(f) and 8)	2,599,247	9	2,270,755	8	4,821,762	15
	16,906,019	60	17,360,421	60	20,458,590	63
<b>Non-current assets:</b>						
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	38,006	-	41,467	-	32,660	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	254,730	1	331,056	1	419,006	1
1550 Investments accounted for using equity method, net (note 6(g))	136,012	-	110,868	-	116,711	-
1600 Property, plant and equipment (note 6(j))	9,226,022	33	10,239,693	35	10,468,294	33
1755 Right-of-use assets (note 6(k))	409,439	2	-	-	-	-
1780 Intangible assets	88,911	-	124,585	-	134,093	-
1840 Deferred tax assets	428,802	2	427,294	2	331,148	1
1900 Other non-current assets (notes 6(d), 6(x) and 8)	674,636	2	448,759	2	441,510	2
	11,256,558	40	11,723,722	40	11,943,422	37
<b>Equity:</b>						
<b>Equity attributable to owners of parent (note 6(u)):</b>						
Ordinary share	4,431,913	16	4,429,996	15	4,428,711	14
Capital surplus (note 6(f) and 6(p))	9,088,719	32	9,159,142	31	9,156,785	28
Retained earnings:						
Legal reserve	2,589,754	9	2,510,447	9	2,510,447	8
Special reserve	1,224,277	4	830,794	3	830,794	3
Unappropriated retained earnings	742,946	3	1,281,854	4	1,136,295	3
	4,556,977	16	4,623,095	16	4,477,536	14
	(1,467,129)	(5)	(1,224,277)	(4)	(1,182,546)	(4)
Other equity interests	16,610,480	59	16,987,956	58	16,880,486	52
Non-controlling interests	382,592	1	364,670	1	348,960	1
Total equity	16,993,072	60	17,352,626	59	17,229,446	53
<b>Total liabilities and equity</b>	<b>\$ 28,162,577</b>	<b>100</b>	<b>29,084,143</b>	<b>100</b>	<b>32,402,012</b>	<b>100</b>
<b>Liabilities and Equity</b>						
<b>Current liabilities:</b>						
Short-term borrowings (note 6(m))	\$ 2,895,628	11	3,111,970	11	2,873,026	9
Current contract liabilities (note 6(x))	3,361	-	26,191	-	8,703	-
Notes and accounts payable	3,965,790	14	3,467,355	12	3,871,450	12
Accounts payable to related parties (note 7)	189,596	1	1,035,028	4	1,228,596	4
Payable on machinery and equipment	372,225	1	417,193	1	470,996	2
Current tax liabilities	94,546	-	173,007	1	120,831	-
Current lease liabilities (note 6(q))	49,137	-	-	-	-	-
Other current liabilities (notes 6(b), 6(n) and 6(p))	1,528,121	6	1,718,218	6	1,860,848	6
Bonds payable, current portion (note 6(p))	1,115,365	4	-	-	3,038,472	9
Long-term borrowings, current portion (note 6(o))	16,058	-	12,958	-	-	-
	10,229,827	37	9,961,920	35	13,472,922	42
<b>Non-current liabilities:</b>						
Bonds payable (note 6(p))	-	-	1,102,525	4	1,098,259	3
Long-term borrowings (note 6(o))	41,752	-	51,831	-	-	-
Deferred tax liabilities	262,005	1	261,798	1	234,192	1
Non-current lease liabilities (note 6(q))	266,371	1	-	-	-	-
Non-current provisions for employee benefit	139,822	-	137,484	-	144,565	-
Other non-current liabilities	229,728	1	215,959	1	222,628	1
	939,678	3	1,769,597	6	1,699,644	5
<b>Total liabilities</b>	<b>11,169,505</b>	<b>40</b>	<b>11,731,517</b>	<b>41</b>	<b>15,172,566</b>	<b>47</b>

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 nine months ended September 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 September 30				For the nine months ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (notes 6(x) and 7)	\$ 5,172,580	100	6,281,673	100	15,519,777	100	18,491,598	100
5110 Cost of sales (notes 6(f), 6(s), 7 and 12)	<u>3,830,601</u>	<u>74</u>	<u>4,789,449</u>	<u>76</u>	<u>11,877,137</u>	<u>77</u>	<u>14,162,219</u>	<u>77</u>
5900 Gross profit	<u>1,341,979</u>	<u>26</u>	<u>1,492,224</u>	<u>24</u>	<u>3,642,640</u>	<u>23</u>	<u>4,329,379</u>	<u>23</u>
Operating expenses (notes 6(s) and 12):								
6100 Selling expenses	381,974	8	365,396	6	1,085,010	7	1,216,134	7
6200 Administrative expenses	490,725	9	557,611	9	1,459,395	9	1,677,925	9
6300 Research and development expenses	189,077	4	211,952	4	543,692	4	664,993	3
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	<u>2,081</u>	<u>-</u>	<u>18,179</u>	<u>-</u>	<u>(180)</u>	<u>-</u>	<u>14,277</u>	<u>-</u>
	<u>1,063,857</u>	<u>21</u>	<u>1,153,138</u>	<u>19</u>	<u>3,087,917</u>	<u>20</u>	<u>3,573,329</u>	<u>19</u>
6900 Net operating income	<u>278,122</u>	<u>5</u>	<u>339,086</u>	<u>5</u>	<u>554,723</u>	<u>3</u>	<u>756,050</u>	<u>4</u>
Non-operating income and expenses:								
7100 Interest income (note 6(z))	12,862	-	15,512	-	34,563	-	58,726	-
7190 Other income	13,744	-	47,596	1	91,240	1	124,483	1
7210 Gains (loss) on disposals of property, plant and equipment	6,603	-	194	-	64,265	-	(10,207)	-
7225 Gains on disposals of investments (note 6(i))	37,024	1	-	-	37,024	-	3,808	-
7235 Gains on financial assets (liabilities) at fair value through profit or loss, net (notes 6(p))	(8,650)	-	(9,091)	-	5,031	-	22,466	-
7050 Finance costs (notes 6(p), 6(q) and 6(z))	(19,244)	-	(25,501)	-	(52,786)	-	(95,724)	(1)
7590 Other expenses and losses (note 6(p))	(11,105)	-	(3,803)	-	(33,813)	-	(70,474)	-
7630 Foreign exchange gains (losses), net (note 6(aa))	43,136	1	68,992	1	95,297	1	135,933	1
7770 Share of profit (loss) of associates accounted for using equity method (note 6(g))	<u>(11,274)</u>	<u>-</u>	<u>(3,024)</u>	<u>-</u>	<u>(24,341)</u>	<u>-</u>	<u>(3,283)</u>	<u>-</u>
	<u>63,096</u>	<u>2</u>	<u>90,875</u>	<u>2</u>	<u>216,480</u>	<u>2</u>	<u>165,728</u>	<u>1</u>
7900 Profit (loss) from continuing operations before tax	341,218	7	429,961	7	771,203	5	921,778	5
7950 Less: Income tax expenses (note 6(t))	<u>39,764</u>	<u>1</u>	<u>97,059</u>	<u>2</u>	<u>146,562</u>	<u>1</u>	<u>213,769</u>	<u>1</u>
Profit	<u>301,454</u>	<u>6</u>	<u>332,902</u>	<u>5</u>	<u>624,641</u>	<u>4</u>	<u>708,009</u>	<u>4</u>
8300 Other comprehensive income:								
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	(70,326)	(2)	(27,923)	-	(76,326)	(1)	(106,819)	(1)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(t))	-	-	-	-	-	-	(3,569)	-
	<u>(70,326)</u>	<u>(2)</u>	<u>(27,923)</u>	<u>-</u>	<u>(76,326)</u>	<u>(1)</u>	<u>(103,250)</u>	<u>(1)</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	(274,200)	(5)	(286,029)	(5)	(174,506)	(1)	(252,789)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(t))	<u>520</u>	<u>-</u>	<u>1,027</u>	<u>-</u>	<u>302</u>	<u>-</u>	<u>(3,297)</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>(274,720)</u>	<u>(5)</u>	<u>(287,056)</u>	<u>(5)</u>	<u>(174,808)</u>	<u>(1)</u>	<u>(249,492)</u>	<u>(1)</u>
8300 Other comprehensive income	<u>(345,046)</u>	<u>(7)</u>	<u>(314,979)</u>	<u>(5)</u>	<u>(251,134)</u>	<u>(2)</u>	<u>(352,742)</u>	<u>(2)</u>
Total comprehensive income	\$ <u>(43,592)</u>	<u>(1)</u>	\$ <u>17,923</u>	<u>-</u>	\$ <u>373,507</u>	<u>2</u>	\$ <u>355,267</u>	<u>2</u>
Profit, attributable to:								
Owners of parent	\$ 292,068	6	305,153	5	598,437	4	651,387	4
Non-controlling interests	<u>9,386</u>	<u>-</u>	<u>27,749</u>	<u>-</u>	<u>26,204</u>	<u>-</u>	<u>56,622</u>	<u>-</u>
	\$ <u>301,454</u>	<u>6</u>	\$ <u>332,902</u>	<u>5</u>	\$ <u>624,641</u>	<u>4</u>	\$ <u>708,009</u>	<u>4</u>
Total comprehensive income attributable to:								
Owners of parent	\$ (41,160)	(1)	1,037	-	355,585	2	307,087	2
Non-controlling interests	<u>(2,432)</u>	<u>-</u>	<u>16,886</u>	<u>-</u>	<u>17,922</u>	<u>-</u>	<u>48,180</u>	<u>-</u>
	\$ <u>(43,592)</u>	<u>(1)</u>	\$ <u>17,923</u>	<u>-</u>	\$ <u>373,507</u>	<u>2</u>	\$ <u>355,267</u>	<u>2</u>
Earnings per share (note 6(w))								
9750 Basic earnings per share	\$ <u>0.66</u>		\$ <u>0.69</u>		\$ <u>1.35</u>		\$ <u>1.48</u>	
9850 Diluted earnings per share	\$ <u>0.64</u>		\$ <u>0.61</u>		\$ <u>1.32</u>		\$ <u>1.34</u>	

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 nine months ended September 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Other equity interest	
	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
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings							
<b>Balance at January 1, 2018</b>	\$ 4,404,486	9,139,711	2,390,096	-	1,419,253	1,326,186	(437,489)	393,305	-	(830,794)	17,848,938	Total equity
Effects of retrospective application	-	-	-	-	-	-	-	-	-	4,295	-	18,172,648
Adjusted balance at January 1, 2018	4,404,486	9,139,711	2,390,096	-	1,419,253	1,326,186	(437,489)	393,305	(389,010)	4,295	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	-	-	120,351	(588,459)	(853,025)	(853,025)	-	-	-	-	-	(1,321,133)
Other comprehensive income for the period	-	-	-	-	651,387	651,387	-	-	-	-	56,622	708,009
Total comprehensive income for the period	-	-	-	-	3,569	(241,050)	(241,050)	-	(106,819)	(347,869)	(8,442)	(352,742)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	654,956	(241,050)	(241,050)	-	(106,819)	(347,869)	48,180	355,267
Share-based payments transactions	-	(3,656)	-	-	-	-	-	-	-	-	-	(3,656)
Changes in non-controlling interests	24,225	20,730	-	-	-	-	-	-	-	-	44,955	44,955
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	(22,930)	(22,930)
<b>Balance at September 30, 2018</b>	\$ 4,428,711	9,156,785	2,510,447	830,794	1,136,295	1,136,295	(678,539)	-	(8,178)	(1,182,546)	16,880,486	17,229,446
<b>Balance at January 1, 2019</b>	\$ 4,429,996	9,159,142	2,510,447	830,794	1,281,854	1,281,854	(632,321)	-	(591,956)	(1,224,277)	16,987,956	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	-	-	-	-	(1,137,345)	(1,137,345)	-	-	-	-	-	(664,555)
Profit for the period	-	-	79,307	393,483	393,483	598,437	-	-	-	-	26,204	624,641
Other comprehensive income for the period	-	-	-	-	-	(166,526)	(166,526)	-	(76,326)	(242,852)	(8,282)	(251,134)
Total comprehensive income for the period	-	-	-	-	-	598,437	(166,526)	-	(76,326)	(242,852)	17,922	373,507
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	598,437	(166,526)	(166,526)	-	(76,326)	(242,852)	355,585	373,507
Share-based payments transactions	-	(72,690)	-	-	-	-	-	-	-	-	(72,690)	(72,690)
Changes in non-controlling interests	1,917	2,267	-	-	-	-	-	-	-	-	4,184	4,184
<b>Balance at September 30, 2019</b>	\$ 4,431,913	9,088,719	2,589,754	1,224,277	742,946	742,946	(798,847)	-	(668,282)	(1,467,129)	382,592	16,993,072

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 nine months ended September 30, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 771,203	921,778
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	1,598,727	1,579,673
Expected credit loss (gain)	(180)	14,277
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	63,883	(49,078)
Interest expense	52,786	95,724
Interest income	(34,563)	(58,726)
Share-based payments	748	(2,291)
Share of loss of associates and joint ventures accounted for using equity method	24,341	3,283
Loss (gain) on disposal of investments	(37,024)	(3,808)
Loss (gain) on disposal of property, plan and equipment	(64,265)	10,207
Loss on bonds redemption	-	42,668
Others	4,906	8,570
<b>Total adjustments to reconcile profit (loss)</b>	<b>1,609,359</b>	<b>1,640,499</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value	(723,710)	(456,666)
Decrease (increase) in contract assets	78,550	(3,590)
Decrease in notes and accounts receivable (including related parties)	268,891	797,902
Decrease in inventories	193,874	358,296
Decrease (increase) in other current assets	352	(23,890)
Decrease in notes and accounts payable (including related parties)	(346,997)	(484,585)
Decrease in provisions	(16,252)	(16,393)
Decrease in other current liabilities	(205,093)	(468,730)
Increase (decrease) in non-current provisions for employee benefits	2,338	(17,457)
Increase (decrease) in current contract liability	(22,830)	634
Others	31,235	(37,275)
<b>Total changes in operating assets and liabilities</b>	<b>(739,642)</b>	<b>(351,754)</b>
Cash inflow generated from operations	1,640,920	2,210,523
Interest received	40,440	74,014
Interest paid	(40,734)	(33,279)
Income taxes paid	(210,115)	(218,993)
<b>Net cash flows from operating activities</b>	<b>1,430,511</b>	<b>2,032,265</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	18,227
Acquisition of investments accounted for using equity method	(49,485)	(30,000)
Acquisition of property, plant and equipment	(618,919)	(1,014,692)
Proceeds from disposal of property, plant and equipment	107,978	245,175
Decrease (increase) in refundable deposits	8,451	(25,564)
Acquisition of intangible assets	(36,648)	(29,478)
Decrease (increase) in other financial assets	(518,018)	1,902,033
Increase in restricted deposit	(166,468)	(90,558)
Decrease (increase) in prepayments for business facilities	(42,980)	18,339
Others	-	1,190
<b>Net cash flows from (used in) investing activities</b>	<b>(1,316,089)</b>	<b>994,672</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(216,342)	691,615
Repayments of bonds	-	(3,480,500)
Repayments of long-term debt	(6,423)	-
Increase in guarantee deposits received	30,042	8,778
Payment of lease liabilities	(37,665)	-
Cash dividends paid	(664,555)	(1,321,133)
Exercise of employee share options	3,436	47,245
Change in non-controlling interests	-	(22,930)
<b>Net cash flows from (used in) financing activities</b>	<b>(891,507)</b>	<b>(4,076,925)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(117,132)</b>	<b>(153,076)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(894,217)</b>	<b>(1,203,064)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,530,385</b>	<b>4,769,006</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 3,636,168</b>	<b>3,565,942</b>

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**

**September 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 November 7, 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.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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.

(Continued)

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

- 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.

(Continued)

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

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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

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

**(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
			September 30, 2019	December 31, 2018	September 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 5
The Company	Everlight Americas, Inc. (ELA)	Sale of LEDs	99 %	99 %	99 %	
The Company	Everlight Optoelectronics Korea Co., Ltd. (ELK)	Sale of LEDs	100 %	100 %	100 %	Note 5
The Company	Forever Investment Co., Ltd. (Forever)	Investment	100 %	100 %	100 %	Note 5
The Company	Everlight Intelligence Technology Co., Ltd. (ELIT, former name: Everlight Lighting Co., Ltd.)	Sale of LED lighting products	100 %	100 %	100 %	Note 5
The Company	Zenaro Lighting Co., Ltd. (Zenaro TW)	Sale of LED lighting products and investment	100 %	100 %	100 %	Note 5
The Company	WOFI Leuchten GmbH (WOFI Holding)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
The Company and Pai-ye	Everlight Electronic India Private Limited (ELI)	Sale of LEDs	100 %	100 %	100 %	Note 5

(Continued)

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

Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
The Company	Evlite Electronics Co., Ltd. (Evlite)	Sale of LEDs	100 %	100 %	100 %	Note 5
The Company	Everlight Electronics Singapore Pte. Ltd. (ELS)	Sale of LEDs	100 %	100 %	100 %	Note 5
The Company	Everlight Japan Corporation (ELJ)	Sale of LEDs	100 %	100 %	100 %	Note 5
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 5
Pai-ye	Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia)	Business development and customer services	100 %	100 %	100 %	Note 5
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 5
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 5
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 5
Everlight BVI	Eralite Optoelectronics (Jiangsu) Co., Ltd. (Eralite)	Manufacture and sale of LED backlights and related components	- %	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 5
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	100 %	Note 5
The Company and ELIT	Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	Research of electronic components	100 %	100 %	100 %	Note 5
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 %	
WOFI Holding	Euro Technics Trade GmbH (ETT)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	

(Continued)

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

Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
WOFI Holding	WOFI Technics Trade Limited (WTT)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
WOFI Holding	Action GmbH (Action)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
WOFI Holding	WOFI Verkaufsgesellschaft mbH (WOFI VG)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
WOFI Holding	Lamp For Less GmbH (LFL)	Sale of lighting products, pendants and accessories	100 %	100 %	- %	Note 2
Evervision TW	Evervision Electronics (B.V.I.) Limited (Evervision BVI)	Investment	100 %	100 %	100 %	Note 5
Evervision TW	VBest GmbH (VBest)	Sale of LCDs	75 %	75 %	75 %	Note 5
Evervision	VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	Manufacture of LCDs	100 %	100 %	100 %	Note 5
Evervision	Evervision Electronics (H.K.) Limited (Evervision HK)	Sale of LCDs	100 %	100 %	100 %	Note 5
Evervision	Topbest Holding (Samoa) Limited (Topbest)	Sale of LCDs	- %	100 %	100 %	Note 3 and Note 5

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: The subsidiary completed the liquidation procedure in August 2019.

Note 5: 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 use 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:

(Continued)

**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

(Continued)



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

- 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.

(Continued)

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

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

**(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**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Cash, checking accounts, and demand deposits	\$ 2,533,905	2,958,280	2,832,433
Time deposits	961,095	1,402,753	564,415
Bonds purchased under resale agreements	<u>141,168</u>	<u>169,352</u>	<u>169,094</u>
	<b><u>\$ 3,636,168</u></b>	<b><u>4,530,385</u></b>	<b><u>3,565,942</u></b>

- (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**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging	\$ 7,157	64,238	58,581
Listed convertible bonds	46,387	70,886	72,331
Credit-Linked Note (CLN)	-	21,584	21,587
Structured deposits	1,490,540	753,449	1,122,147
Beneficiary certificate-funds	77,833	30,585	30,548
Stocks listed on domestic markets	6,454	9,306	9,927
Unlisted common shares	<u>406,351</u>	<u>419,209</u>	<u>408,576</u>
	<b><u>\$ 2,034,722</u></b>	<b><u>1,369,257</u></b>	<b><u>1,723,697</u></b>
Current	\$ 1,996,716	1,327,790	1,691,037
Non-current	<u>38,006</u>	<u>41,467</u>	<u>32,660</u>
	<b><u>\$ 2,034,722</u></b>	<b><u>1,369,257</u></b>	<b><u>1,723,697</u></b>

(Continued)

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current financial liabilities held-for-trading:			
Derivative instruments not used for hedging	\$ 15,461	427	3,814
	<u>\$ 15,461</u>	<u>427</u>	<u>3,814</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>September 30, 2019</u>				
	<u>Contract amount (in thousands)</u>		<u>Currency</u>	<u>Maturity date</u>
<b>Financial assets:</b>				
Forward exchange sold	USD	12,500	USD to TWD	2019.10.15~2019.11.14
Forward exchange sold	USD	6,000	USD to RMB	2019.10.22~2019.12.19
Forward exchange sold	EUR	3,750	EUR to USD	2019.10.15~2019.12.31
<b>Financial liabilities:</b>				
Forward exchange sold	USD	1,000	USD to TWD	2019.11.12
Forward exchange sold	USD	9,500	USD to RMB	2019.10.08~2019.12.17
<u>December 31, 2018</u>				
	<u>Contract amount (in thousands)</u>		<u>Currency</u>	<u>Maturity date</u>
<b>Financial assets:</b>				
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
<b>Financial liabilities:</b>				
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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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

September 30, 2018				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	24,000	USD to TWD	2018.10.09~2018.12.11
Forward exchange sold	USD	2,000	USD to RMB	2018.10.30~2018.11.27
Forward exchange sold	EUR	5,622	EUR to USD	2018.10.04~2018.12.13
Financial liabilities:				
Forward exchange sold	USD	13,000	USD to TWD	2018.10.04~2018.10.30
Forward exchange sold	USD	12,000	USD to RMB	2018.10.09~2018.12.13
Cross currency swap				

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

September 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

3) Other derivative financial instrument contracts

September 30, 2019		
Contract amount (in thousands)	Rate	Maturity period
Financial assets:		
RMB 122,500	3.4%~4%	2019.10.30~2019.12.27

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

September 30, 2018		
Contract amount (in thousands)	Rate	Maturity period
Financial assets:		
TWD 21,500	2.50%	2019.05.03
RMB 105,600	3.92%~4.30%	2018.10.23~2018.12.18

- (ii) Please refer to note 6(p) for asset and debt components of convertible bonds payable.
- (iii) As of September 30, 2019, December 31, and September 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**  
**Notes to the Consolidated Financial Statements**

(c) Non-current financial assets at fair value through other comprehensive income

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Equity investments at fair value through other comprehensive income			
Stocks listed on domestic markets	\$ 242,504	256,004	347,006
Stocks unlisted on domestic markets	<u>12,226</u>	<u>75,052</u>	<u>72,000</u>
	<u><b>\$ 254,730</b></u>	<u><b>331,056</b></u>	<u><b>419,006</b></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 nine months ended September 30, 2019. For the nine months ended September 30, 2018, the Group disposed parts of its financial assets at fair value through other comprehensive income, with the fair value of \$18,227, and recognized a gain of \$8,178, which was accounted for as other comprehensive income. The gain had been transferred to retained earnings.

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

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

(d) Notes and accounts receivable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Notes receivable from operating activities	\$ 20,690	11,416	36,260
Accounts receivable-measured as amortized cost	<u>6,695,101</u>	<u>6,981,114</u>	<u>7,860,530</u>
	6,715,791	6,992,530	7,896,790
Less: Allowance for uncollectible accounts	<u>(119,259)</u>	<u>(127,287)</u>	<u>(131,540)</u>
	<u><b>\$ 6,596,532</b></u>	<u><b>6,865,243</b></u>	<u><b>7,765,250</b></u>
Notes and accounts receivable, net	\$ 6,438,675	6,699,339	7,621,200
Accounts receivable due from related parties, net	32,195	97,465	112,490
Long-term receivables (recorded as other non-current assets)	<u>125,662</u>	<u>68,439</u>	<u>31,560</u>
	<u><b>\$ 6,596,532</b></u>	<u><b>6,865,243</b></u>	<u><b>7,765,250</b></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:

<b>September 30, 2019</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 5,097,448	0.125%	6,374
Overdue 0-90 days	85,534	0.904%	773
Overdue 91-180 days	20,460	4.682%	958
Overdue 181-270 days	75,179	0.326%	245
Overdue 271-365 days	48,976	11.154%	5,463
Overdue over one year	86,605	100%	86,605
	<b>\$ 5,414,202</b>		<b>100,418</b>
<b>December 31, 2018</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
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
	<b>\$ 5,613,102</b>		<b>99,348</b>
<b>September 30, 2018</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 6,093,255	0.128%	7,816
Overdue 0-90 days	83,868	0.764%	641
Overdue 91-180 days	40,669	5.749%	2,338
Overdue 181-270 days	48,159	8.719%	4,199
Overdue 271-365 days	60,349	17.145%	10,347
Overdue over one year	80,433	100%	80,433
	<b>\$ 6,406,733</b>		<b>105,774</b>

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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:

<b>September 30, 2019</b>			
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Rating A	\$ 1,286,670	0.308%	3,963
Rating B	14,919	99.725%	14,878
	<b><u>\$ 1,301,589</u></b>		<b><u>18,841</u></b>
	<b><u>Gross carrying amount</u></b>		
Not overdue	\$ 1,217,974		
Overdue 0-90 days	49,111		
Overdue 91-180 days	14,641		
Overdue 181-270 days	4,944		
Overdue 271-365 days	1,706		
Overdue over one year	13,213		
	<b><u>\$ 1,301,589</u></b>		
<b>December 31, 2018</b>			
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Rating A	\$ 1,348,504	0.185%	2,489
Rating B	30,924	82.299%	25,450
	<b><u>\$ 1,379,428</u></b>		<b><u>27,939</u></b>
	<b><u>Gross carrying amount</u></b>		
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		
	<b><u>\$ 1,379,428</u></b>		

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

<b>Credit rating</b>	<b>September 30, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Rating A	\$ 1,472,219	0.628%	9,245
Rating B	17,838	92.62%	16,521
	<u>\$ 1,490,057</u>		<u>25,766</u>
	<b>Gross carrying amount</b>		
Not overdue	\$ 1,379,591		
Overdue 0-90 days		80,455	
Overdue 91-180 days		10,907	
Overdue 181-270 days		1,266	
Overdue 271-365 days		732	
Overdue over one year		17,106	
	<u>\$ 1,490,057</u>		

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

	<b>2019</b>	<b>2018</b>
Balance on January 1	\$ 127,287	132,051
Impairment loss recognized (reversed impairment loss)	(180)	14,277
Amounts written off	(7,332)	(14,604)
Foreign exchange (gains) losses	(516)	(184)
Balance on September 30	<u>\$ 119,259</u>	<u>131,540</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 September 30, 2019, December 31, and September 30, 2018, the pledged deposits amounted to \$89,435, \$138,075, and \$124,170, 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 September 30, 2019, December 31, and September 30, 2018, the details of the factored accounts receivable were as follows:

September 30, 2019					
Amount of sold A/R	Limitation amount	Amount advanced unpaid	Advance amount paid	Amount derecognized	Interest rate
\$ 208,973	339,631	-	208,973	208,973	2.2%
December 31, 2018					
Amount of sold A/R	Limitation amount	Amount advanced unpaid	Advance amount paid	Amount derecognized	Interest rate
\$ 392,051	598,845	-	392,051	392,051	2.2%
September 30, 2018					
Amount of sold A/R	Limitation amount	Amount advanced unpaid	Advance amount paid	Amount derecognized	Interest rate
\$ 326,115	602,829	-	326,115	326,115	2.2%

(iv) As of September 30, 2019, December 31, and September 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)

	September 30, 2019	December 31, 2018	September 30, 2018
Other accounts receivable	\$ 71,275	153,247	144,964
Less: Loss allowance	(4,978)	(4,978)	(4,978)
	<u>\$ 66,297</u>	<u>148,269</u>	<u>139,986</u>

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:

	September 30, 2019	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 66,297	-
Overdue	-	4,978
Gross carrying amount	66,297	4,978
Impairment losses	-	(4,978)
Carrying amount	<u>\$ 66,297</u>	<u>-</u>

(Continued)

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

	<b>December 31, 2018</b>	
	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL- credit-impaired</b>
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>

  

	<b>September 30, 2018</b>	
	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL- credit-impaired</b>
Not overdue	\$ 139,986	-
Overdue	-	4,978
Gross carrying amount	139,986	4,978
Impairment losses	-	(4,978)
Carrying amount	<u><u>\$ 139,986</u></u>	<u><u>-</u></u>

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

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

(f) Inventories

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Raw materials	\$ 268,375	213,365	354,715
Work in progress	302,448	312,082	360,985
Finished goods	<u>1,086,170</u>	<u>1,325,420</u>	<u>1,415,656</u>
	<u><u>\$ 1,656,993</u></u>	<u><u>1,850,867</u></u>	<u><u>2,131,356</u></u>

The Group reversed its allowance for inventory valuation and obsolescence loss amounting to \$62,730, \$35,315 and \$16,572 in the nine months ended September 30, 2019 and the three months ended September 30, 2019 and 2018, respectively, 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 \$10,316 which was recorded as cost of sales in the nine months ended September 30, 2018.

As of September 30, 2019, December 31 and September 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:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Associates	<u>\$ 136,012</u>	<u>110,868</u>	<u>116,711</u>

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
The carrying amount of equity of the individually insignificant associates	<u>\$ 136,012</u>	<u>110,868</u>	<u>116,711</u>

	<u>For the three months ended September 30, 2019</u>	<u>2018</u>	<u>For the nine months ended September 30, 2019</u>	<u>2018</u>
Attributable to the Group:				
Profit (loss) from continuing operations	<u>\$ (11,274)</u>	<u>(3,024)</u>	<u>(24,341)</u>	<u>(3,283)</u>

- (iii) Except as described below, there were no significant changes in the investments accounted for using equity method of the Group for the nine months ended September 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% 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 was accounted for using the equity method.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (v) The additional cash of \$10,000 invested by the Group in EleOcom Inc. (EleOcom) in June 2019 was not proportion to its investment in the previous years, resulting in its shareholding ratio in EleOcom to decrease from 31.58% to 29.63%.
- (vi) The Group had acquired 3.51% ownership of Tekcore Co., Ltd. (Tekcore) from third parties, with the cash considerations of \$15,485, in the three months ended September 30, 2019, which resulted in its shareholding ratio to increase from 9.66% to 13.17%. Since the Group is able to exercise significant influence over Tekcore's operations and financial policies, the long-term investment in Tekcore was accounted for using the equity method.

(vii) Pledges

As of September 30, 2019, December 31, and September 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 nine months ended September 30, 2019. For related information, please refer to note 6(k) of the 2018 annual consolidated financial statements.

(i) Loss control of subsidiaries

- (i) Except as described below, there were no significant changes in the loss of control over the subsidiaries of the Group in the nine months ended September 30, 2019. For related information, please refer to note 6(m) of the 2018 annual consolidated financial statements.
- (ii) Eralite had completed its liquidation process in August 2019, and the Group received the liquidating dividend of \$284,710. The Group reversed the capital surplus of \$72,690, which was recognized due to the change in its shareholding percentage. Eralite was no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Eralite and recognized a gain on disposal of \$37,024, which was recorded as net gains (losses) on disposal of investment.

The carrying amount of assets and liabilities of Eralite on the date of liquidation is as follows:

Other current assets	\$ 299,705
Other current liabilities	<u>518</u>
Carrying amount of net assets	<u>\$ 299,187</u>
Other equity	<u><u>\$ (51,501)</u></u>

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

(j) Property, plant and equipment

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

	<b>Land</b>	<b>Buildings and construction</b>	<b>Machinery and equipment</b>	<b>Modeling equipment</b>	<b>Office and other equipment</b>	<b>Prepaid Property, plant and equipment</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
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	-	56,277	378,283	71,024	22,654	45,713	573,951
Add: reclassification	-	29,195	21,129	1,274	(25)	(23,500)	28,073
Less: sales	-	-	(327,266)	(55,859)	(1,781)	(4,709)	(389,615)
Less: retirement	-	(67)	(39,631)	(129,916)	(4,464)	-	(174,078)
Effect of movements in exchange rates	(1,634)	(85,690)	(144,402)	(14,899)	(15,770)	-	(262,395)
Balance on September 30, 2019	<u>\$ 643,541</u>	<u>8,208,885</u>	<u>13,595,741</u>	<u>1,578,502</u>	<u>1,164,340</u>	<u>143,072</u>	<u>25,334,081</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	-	52,334	484,650	139,445	77,670	101,300	855,399
Add: reclassification	-	46,254	69,245	117	(39,761)	(48,412)	27,443
Less: sales	(5,311)	(46,037)	(694,021)	(14,909)	(58,041)	(7,573)	(825,892)
Less: retirement	-	(67)	(115,225)	(22,757)	(19,292)	-	(157,341)
Effect of movement in exchange rates	(446)	(90,193)	(147,248)	(17,206)	(17,883)	-	(272,976)
Balance on September 30, 2018	<u>\$ 645,478</u>	<u>7,979,131</u>	<u>13,661,005</u>	<u>1,648,892</u>	<u>1,124,520</u>	<u>339,505</u>	<u>25,398,531</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2019	\$ -	3,401,783	10,083,877	1,194,248	638,544	-	15,318,452
Add: depreciation for the year	-	331,497	942,291	142,163	73,092	-	1,489,043
Add: reclassification	-	-	-	-	(3)	-	(3)
Less: sales	-	-	(292,459)	(52,703)	(1,010)	-	(346,172)
Less: retirement	-	(67)	(39,562)	(129,811)	(4,368)	-	(173,808)
Effect of movements in exchange rates	-	(55,016)	(108,724)	(9,508)	(6,205)	-	(179,453)
Balance on September 30, 2019	<u>\$ -</u>	<u>3,678,197</u>	<u>10,585,423</u>	<u>1,144,389</u>	<u>700,050</u>	<u>-</u>	<u>16,108,059</u>

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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	<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	-	332,446	955,515	142,501	71,180	-	1,501,642
Less: sales	-	(7,589)	(541,625)	(9,596)	(21,603)	-	(580,413)
Less: retirement	-	(67)	(108,566)	(22,749)	(16,056)	-	(147,438)
Effect of movements in exchange rates	-	(51,965)	(121,522)	(9,021)	(5,249)	-	(187,757)
Balance on September 30, 2018	<u>\$ -</u>	<u>3,284,987</u>	<u>9,874,949</u>	<u>1,151,330</u>	<u>618,971</u>	<u>-</u>	<u>14,930,237</u>
<b>Carrying amounts:</b>							
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 September 30, 2019	<u>\$ 643,541</u>	<u>4,530,688</u>	<u>3,010,318</u>	<u>434,113</u>	<u>464,290</u>	<u>143,072</u>	<u>9,226,022</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 September 30, 2018	<u>\$ 645,478</u>	<u>4,694,144</u>	<u>3,786,056</u>	<u>497,562</u>	<u>505,549</u>	<u>339,505</u>	<u>10,468,294</u>

As of September 30, 2019, December 31 and September 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>
<b>Cost:</b>				
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	-	-	6,778	6,778
Effect of changes in foreign exchange rates	(2,437)	(501)	(784)	(3,722)
Balance on September 30, 2019	<u>\$ 355,469</u>	<u>64,557</u>	<u>30,885</u>	<u>450,911</u>
<b>Accumulated depreciation and impairment losses:</b>				
Balance on January 1, 2019	\$ -	-	-	-
Effect of retrospective application	-	-	-	-
Adjusted balance on January 1, 2019	-	-	-	-
Depreciation for the year	8,572	23,115	10,349	42,036
Effect of changes in foreign exchange rates	(82)	(260)	(222)	(564)
Balance on September 30, 2019	<u>\$ 8,490</u>	<u>22,855</u>	<u>10,127</u>	<u>41,472</u>
<b>Carrying amount:</b>				
Balance on September 30, 2019	<u>\$ 346,979</u>	<u>41,702</u>	<u>20,758</u>	<u>409,439</u>

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

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(l) Other current financial assets

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Time deposits with maturities over three months	\$ 2,443,515	1,984,411	4,557,606
Restricted cash in bank	89,435	138,075	124,170
Other receivables	66,297	148,269	139,986
	<b><u>\$ 2,599,247</u></b>	<b><u>2,270,755</u></b>	<b><u>4,821,762</u></b>

- (i) As of September 30, 2019, December 31 and September 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:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Unsecured bank loans	<b><u>\$ 2,895,628</u></b>	<b><u>3,111,970</u></b>	<b><u>2,873,026</u></b>
Unused short-term credit lines	<b><u>\$ 22,104,830</u></b>	<b><u>12,429,732</u></b>	<b><u>13,054,367</u></b>
Annual interest rates	<b><u>0.42%~2.99%</u></b>	<b><u>0.44%~3.6%</u></b>	<b><u>0.43%~2.8%</u></b>

- (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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Refund liabilities	\$ 6,475	9,817	24,883
Derivative instruments not used for hedging	15,461	427	3,814
Wages and salaries payable	240,812	238,618	260,497
Other payables	873,526	1,018,568	1,159,845
Others	391,847	450,788	411,809
	<b><u>\$ 1,528,121</u></b>	<b><u>1,718,218</u></b>	<b><u>1,860,848</u></b>

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**  
**Notes to the Consolidated Financial Statements**

(o) Long-term loans

The details were as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Unsecured bank loans	\$ 57,810	64,789
Less: current portion	<u>(16,058)</u>	<u>(12,958)</u>
Total	<b><u>\$ 41,752</u></b>	<b><u>51,831</u></b>
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 nine months ended September 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:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Total convertible bonds issued	\$ 5,000,000	5,000,000	9,000,000
Unamortized discounted bonds payable	(10,110)	(22,200)	(35,822)
Cumulated converted amount	-	-	(184,600)
Cumulated repurchased and redeemed amount	<u>(3,873,900)</u>	<u>(3,873,900)</u>	<u>(4,641,000)</u>
	1,115,990	1,103,900	4,138,578
Unamortized amount of the cost of issuing convertible bonds	(625)	(1,375)	(1,847)
Bonds payable, current portion	<u>(1,115,365)</u>	<u>-</u>	<u>(3,038,472)</u>
Non-current	<b><u>\$ -</u></b>	<b><u>1,102,525</u></b>	<b><u>1,098,259</u></b>
Equity components – conversion options (recognized as capital surplus – redemption rights)	<b><u>\$ 87,820</u></b>	<b><u>87,820</u></b>	<b><u>343,930</u></b>

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
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>-</u>	<u>-</u>	<u>(12,078)</u>
Interest expense	\$ <u>(4,044)</u>	<u>(14,823)</u>	<u>(12,090)</u>	<u>(60,748)</u>

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

For the nine months ended September 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

The carrying amount of lease liabilities was as follows:

	<b>September 30, 2019</b>
Current	\$ <u>49,137</u>
Non-current	\$ <u>266,371</u>

For the maturity analysis, please refer to note 6(aa).

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended September 30, 2019</b>	<b>For the nine months ended September 30, 2019</b>
Interest on lease liabilities	\$ <u>1,472</u>	<u>4,598</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>866</u>	<u>2,656</u>
Expenses relating to short-term leases	\$ <u>8,467</u>	<u>28,619</u>
Expenses relating to leases of low-value assets, excluding short- term leases of low-value assets	\$ <u>30</u>	<u>179</u>

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

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

	<b>For the nine months ended September 30, 2019</b>
Total cash outflow for leases	<b>\$ <u>73,717</u></b>

(i) Real estate leases

As of September 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 nine months ended September 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 September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Cost of sales and operating expenses	\$ <u>741</u>	<u>1,041</u>	<u>2,332</u>	<u>3,142</u>

(ii) Defined contribution plans

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Cost of sales and operating expenses	\$ <u>32,114</u>	<u>42,385</u>	<u>100,439</u>	<u>121,876</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 September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Current tax expense	\$ <u>39,764</u>	<u>97,059</u>	<u>146,562</u>	<u>213,769</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Exchange differences on translating foreign operations	\$ 520	1,027	302	(3,297)
Actuarial gains (losses) on defined benefit plans	-	-	-	(3,569)
	\$ <u>520</u>	<u>1,027</u>	<u>302</u>	<u>(6,866)</u>

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**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 nine months ended September 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 September 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 443,191 and 442,871 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

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

(in thousands of shares)	<b>For the nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Balance on January 1	443,000	440,449
Employee stock options exercised	191	2,422
Balance on September 30	<u><b>443,191</b></u>	<u><b>442,871</b></u>

(i) Ordinary shares

The employee stock options exercised in nine months ended September 30, 2019 amounted to \$1,917, which resulted in a capital surplus of \$8,945 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$7,426). The registration procedures of the employee stock options amounting to \$902 had not been completed.

The employee stock options exercised in nine months ended September 30, 2018 amounted to \$24,225, which resulted in capital surplus of \$113,725 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$90,704). The registration procedures of the employee stock options had been completed.

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(ii) Capital surplus

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Additional paid-in capital	\$ 7,807,716	7,798,771	7,792,694
Difference between consideration and carrying amount of subsidiaries disposed	74,397	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	127,909	134,587	138,839
Others	<u>576</u>	<u>576</u>	<u>44</u>
	<b><u>\$ 9,088,719</u></b>	<b><u>9,159,142</u></b>	<b><u>9,156,785</u></b>

(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:

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**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
<b>Balance of January 1, 2019</b>	\$ (632,321)	-	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):				
The Group	(166,526)	-	-	(166,526)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
The Group	-	-	(76,326)	(76,326)
<b>Balance on September 30, 2019</b>	\$ <u>(798,847)</u>	<u>-</u>	<u>(668,282)</u>	<u>(1,467,129)</u>
<b>Balance of January 1, 2018</b>	\$ (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	(241,050)	-	-	(241,050)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:				
The Group	-	-	(106,819)	(106,819)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	(8,178)	(8,178)
<b>Balance on September 30, 2018</b>	\$ <u>(678,539)</u>	<u>-</u>	<u>(504,007)</u>	<u>(1,182,546)</u>

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(v) Share-based payment

Except as described below, there were no significant changes in the share-based payment of the Group in the nine months ended September 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:

Nine months ended September 30, 2019								
<b>Date of issuance</b>	<b>2019.1.1 Outstanding units</b>	<b>Current units granted</b>	<b>Current units exercised</b>	<b>Current units abandoned</b>	<b>Current units expired</b>	<b>2019.9.30 Outstanding units</b>	<b>2019.9.30 Exercisable units</b>	<b>Remaining duration</b>
August 6, 2015	17,500	-	6,500	10,000	-	1,000	1,000	0.8 years
April 2, 2015	712,850	-	185,250	97,600	-	430,000	430,000	0.6 years
	<u>730,350</u>	<u>-</u>	<u>191,750</u>	<u>107,600</u>	<u>-</u>	<u>431,000</u>	<u>431,000</u>	
Weighted-average exercise price (dollars)	\$ <u>18.33</u>	<u>-</u>	<u>17.92</u>	<u>17.52</u>	<u>-</u>	<u>17.40</u>	<u>17.40</u>	
Nine months ended September 30, 2018								
<b>Date of issuance</b>	<b>2018.1.1 Outstanding units</b>	<b>Current units granted</b>	<b>Current units exercised</b>	<b>Current units abandoned</b>	<b>Current units expired</b>	<b>2018.9.30 Outstanding units</b>	<b>2018.9.30 Exercisable units</b>	<b>Remaining duration</b>
August 6, 2015	60,000	-	42,500	-	-	17,500	11,500	1.8 years
April 2, 2015	3,194,000	-	2,161,650	-	-	1,032,350	712,950	1.6 years
July 18, 2013	489,600	-	218,350	51,900	219,350	-	-	- years
	<u>3,743,600</u>	<u>-</u>	<u>2,422,500</u>	<u>51,900</u>	<u>219,350</u>	<u>1,049,850</u>	<u>724,450</u>	
Weighted-average exercise price (dollars)	\$ <u>19.67</u>	<u>-</u>	<u>19.50</u>	<u>18.60</u>	<u>18.60</u>	<u>18.32</u>	<u>18.32</u>	

The compensation cost of the stock options amounted to \$765, and \$748 for the three months ended September 30, 2018 and nine months ended September 30, 2019, 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 \$17 and \$2,291 for the three months ended September 30, 2019 and nine months ended September 30, 2018.

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(w) Earnings per share

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ <u>292,068</u>	<u>305,153</u>	<u>598,437</u>	<u>651,387</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>443,143</u>	<u>442,727</u>	<u>443,086</u>	<u>441,397</u>
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ 292,068	305,153	598,437	651,387
Dilutive effect of potential ordinary shares:				
Convertible bonds	<u>4,044</u>	<u>14,823</u>	<u>12,090</u>	<u>72,826</u>
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	\$ <u>296,112</u>	<u>319,976</u>	<u>610,527</u>	<u>724,213</u>
Weighted-average number of outstanding ordinary shares (thousands)	443,143	442,727	443,086	441,397
Dilutive effect of potential ordinary shares:				
Employee stock bonus	2,382	1,353	2,532	1,503
Convertible bonds	19,120	75,765	18,681	96,466
Employee stock options	<u>148</u>	<u>405</u>	<u>229</u>	<u>1,280</u>
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)	<u>464,793</u>	<u>520,250</u>	<u>464,528</u>	<u>540,646</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**  
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(x) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended September 30, 2019					
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 4,042,495	45,825	159,576	15,757	4,263,653
Europe	361,886	64,487	186,730	-	613,103
Others	168,011	43,085	84,728	-	295,824
Total	<u>\$ 4,572,392</u>	<u>153,397</u>	<u>431,034</u>	<u>15,757</u>	<u>5,172,580</u>
Major products					
Construction revenue	\$ -	-	26,035	-	26,035
Sales revenue	<u>4,572,392</u>	<u>153,397</u>	<u>404,999</u>	<u>15,757</u>	<u>5,146,545</u>
	<u>\$ 4,572,392</u>	<u>153,397</u>	<u>431,034</u>	<u>15,757</u>	<u>5,172,580</u>
For the three months ended September 30, 2018					
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 4,862,632	82,549	166,102	24,143	5,135,426
Europe	423,359	65,488	376,463	-	865,310
Others	212,651	67,918	368	-	280,937
Total	<u>\$ 5,498,642</u>	<u>215,955</u>	<u>542,933</u>	<u>24,143</u>	<u>6,281,673</u>
Major products					
Construction revenue	\$ -	-	34,304	-	34,304
Sales revenue	<u>5,498,642</u>	<u>215,955</u>	<u>508,629</u>	<u>24,143</u>	<u>6,247,369</u>
	<u>\$ 5,498,642</u>	<u>215,955</u>	<u>542,933</u>	<u>24,143</u>	<u>6,281,673</u>
For the nine months ended September 30, 2019					
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 12,088,922	212,367	479,771	49,373	12,830,433
Europe	1,083,507	166,798	709,922	-	1,960,227
Others	498,736	145,653	84,728	-	729,117
Total	<u>\$ 13,671,165</u>	<u>524,818</u>	<u>1,274,421</u>	<u>49,373</u>	<u>15,519,777</u>
Major products					
Construction revenue	\$ -	-	71,869	-	71,869
Sales revenue	<u>13,671,165</u>	<u>524,818</u>	<u>1,202,552</u>	<u>49,373</u>	<u>15,447,908</u>
	<u>\$ 13,671,165</u>	<u>524,818</u>	<u>1,274,421</u>	<u>49,373</u>	<u>15,519,777</u>

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For the nine months ended September 30, 2018					
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 14,112,412	269,593	493,221	71,425	14,946,651
Europe	1,412,476	151,244	1,199,637	-	2,763,357
Others	<u>599,065</u>	<u>164,237</u>	<u>18,288</u>	<u>-</u>	<u>781,590</u>
Total	<u><u>\$ 16,123,953</u></u>	<u><u>585,074</u></u>	<u><u>1,711,146</u></u>	<u><u>71,425</u></u>	<u><u>18,491,598</u></u>
Major products					
Construction revenue	\$ -	-	82,179	-	82,179
Sales revenue	<u>16,123,953</u>	<u>585,074</u>	<u>1,628,967</u>	<u>71,425</u>	<u>18,409,419</u>
	<u><u>\$ 16,123,953</u></u>	<u><u>585,074</u></u>	<u><u>1,711,146</u></u>	<u><u>71,425</u></u>	<u><u>18,491,598</u></u>

(ii) Contract balance

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	\$ 20,690	11,416	36,260
Accounts receivables	6,695,101	6,981,114	7,860,530
Less: allowance for impairment	<u>(119,259)</u>	<u>(127,287)</u>	<u>(131,540)</u>
	<u><u>\$ 6,596,532</u></u>	<u><u>6,865,243</u></u>	<u><u>7,765,250</u></u>
Contract assets-illumination	<u>\$ -</u>	<u>78,550</u>	<u>3,590</u>
Contract liabilities	<u><u>\$ 3,361</u></u>	<u><u>26,191</u></u>	<u><u>8,703</u></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 \$39,925, \$23,298, \$67,804, and \$48,911, and the remuneration to directors and supervisors amounted to \$3,630, \$2,718, \$7,473, and \$5,706 in the three months ended September 30, 2019 and 2018 and the nine months ended September 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**  
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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 September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018, the interest income and finance costs were as follows:

(i) Interest income

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Cash in banks	\$ 12,472	14,003	32,764	52,249
Other	390	1,509	1,799	6,477
	<u><b>\$ 12,862</b></u>	<u><b>15,512</b></u>	<u><b>34,563</b></u>	<u><b>58,726</b></u>

(ii) Finance costs – interest expenses

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Loans	\$ 13,728	10,678	36,098	34,976
Lease liabilities	1,472	-	4,598	-
Convertible Bonds	4,044	14,823	12,090	60,748
	<u><b>\$ 19,244</b></u>	<u><b>25,501</b></u>	<u><b>52,786</b></u>	<u><b>95,724</b></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>
<b>September 30, 2019</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,895,628	(2,895,628)	(2,895,628)	-	-
Notes and accounts payable (including related parties)	4,155,386	(4,155,386)	(4,155,386)	-	-
Payables on construction and equipment	372,225	(372,225)	(372,225)	-	-
Other payables	873,526	(873,526)	(873,526)	-	-
Lease liabilities (including current and non-current)	315,508	(414,795)	(54,326)	(41,535)	(318,934)
Unsecured convertible bonds	1,115,990	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	57,810	(57,810)	(16,058)	(16,058)	(25,694)
Guaranteed deposits received	161,411	(161,411)	-	-	(161,411)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	3,938				
Outflow	-	(325,941)	(325,941)	-	-
Inflow	-	322,249	322,249	-	-
Cross currency swap:	11,523				
Outflow	-	(942,000)	(942,000)	-	-
Inflow	-	931,260	931,260	-	-
	<u>\$ 9,962,945</u>	<u>(10,071,313)</u>	<u>(9,507,681)</u>	<u>(57,593)</u>	<u>(506,039)</u>

(Continued)

**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>
<b>December 31, 2018</b>					
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>
<b>September 30, 2018</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,873,026	(2,873,026)	(2,873,026)	-	-
Notes and accounts payable (including related parties)	5,100,046	(5,100,046)	(5,100,046)	-	-
Payables on construction and equipment	470,996	(470,996)	(470,996)	-	-
Other payables	1,159,845	(1,159,845)	(1,159,845)	-	-
Unsecured convertible bonds	4,138,578	(4,174,400)	(3,048,300)	(1,126,100)	-
Guaranteed deposits received	140,800	(140,800)	-	-	(140,800)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	3,814				
Outflow	-	(763,775)	(763,775)	-	-
Inflow	-	760,787	760,787	-	-
	<u>\$ 13,887,105</u>	<u>(13,922,101)</u>	<u>(12,655,201)</u>	<u>(1,126,100)</u>	<u>(140,800)</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:

			September 30, 2019			December 31, 2018			September 30, 2018		
			Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets											
Monetary items											
USD	\$	134,278	USD/TWD =31.042		4,168,258	170,402	USD/TWD =30.733	5,236,965	179,881	USD/TWD =30.551	5,495,544
USD		678	USD/RMB =7.1217		21,046	50,631	USD/RMB =6.8754	1,556,043	50,924	USD/RMB =6.8679	1,555,779
RMB		473,875	RMB/TWD =4.3588		2,065,026	342,128	RMB/TWD =4.4700	1,529,312	360,291	RMB/TWD =4.4484	1,602,718
HKD		340,895	HKD/TWD =3.9591		1,349,637	371,986	HKD/TWD =3.9251	1,460,082	378,537	HKD/TWD =3.9027	1,477,316
Financial liabilities											
Monetary items											
USD		75,967	USD/TWD =31.042		2,358,168	132,441	USD/TWD =30.733	4,070,309	145,295	USD/TWD =30.551	4,438,908
USD		39,977	USD/RMB =7.1217		1,240,966	49,426	USD/RMB =6.875	1,519,009	55,500	USD/RMB =6.8679	1,695,581
RMB		943,310	RMB/TWD =4.3588		4,111,700	684,620	RMB/TWD =4.4700	3,060,251	712,675	RMB/TWD =4.4484	3,170,263

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 September 30, 2019 and 2018 would have increased (decreased) the net profit before tax by \$24,424 for the nine months ended September 30, 2019, and decreased (increased) the net profit before tax by \$55,018 for the nine months ended September 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 September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018, the foreign exchange gains, including both realized and unrealized, amounted to \$43,136, \$68,992, \$95,297 and \$135,933, respectively.

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**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:

	<b>Carrying amount</b>		
	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Variable rate instruments:			
Financial assets	\$ 4,659,798	3,918,619	4,084,970
Financial liabilities	(2,276,457)	(2,858,795)	(2,401,523)
	<b>\$ 2,383,341</b>	<b>1,059,824</b>	<b>1,683,447</b>

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 nine months ended September 30, 2019 and 2018, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

	<b>For the nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
Increase by 0.25%	\$ 4,469	3,156
Decrease by 0.25%	(4,469)	(3,156)

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**  
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September 30, 2019					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss:</b>					
Derivative financial assets	\$ 7,157	-	7,157	-	7,157
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>2,027,565</u>	130,674	1,896,891	-	2,027,565
	<u>2,034,722</u>				
<b>Financial assets at fair value through other comprehensive income:</b>					
Stocks listed on domestic markets	242,504	242,504	-	-	242,504
Unquoted equity instruments	<u>12,226</u>	-	-	12,226	12,226
	<u>254,730</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	3,636,168	-	-	-	-
Notes and accounts receivable (including related parties)	6,470,870	-	-	-	-
Other current financial assets	2,599,247	-	-	-	-
Refundable deposits (recorded as other non-current assets)	147,845	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	204,656	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	<u>222,082</u>	-	-	-	-
	<u>13,280,868</u>				
	<u><b>\$ 15,570,320</b></u>				

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September 30, 2019					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities	\$ 15,461	-	15,461	-	15,461
<b>Financial liabilities measured at amortized cost:</b>					
Short-term borrowings	2,895,628	-	-	-	-
Notes and accounts payable (including related parties)	4,155,386	-	-	-	-
Payable on construction and equipment	372,225	-	-	-	-
Lease liabilities	315,508	-	-	-	-
Other current payables (recorded as other current liabilities)	873,526	-	-	-	-
Bonds payable (including current portion)	1,115,990	-	-	-	-
Long-term loans (including current portion)	57,810	-	-	-	-
Guaranteed deposits received	161,411	-	-	-	-
	<u>9,947,484</u>				
	<u><b>\$ 9,962,945</b></u>				
December 31, 2018					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss:</b>					
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>				
<b>Financial assets at fair value through other comprehensive income:</b>					
Stocks listed on domestic markets	256,004	256,004	-	-	256,004
Unquoted equity instruments	<u>75,052</u>	-	-	75,052	75,052
	<u>331,056</u>				

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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	December 31, 2018				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
<b>Financial assets measured at amortized cost:</b>					
Cash and cash equivalents	4,530,385	-	-	-	-
Notes and accounts receivable (including related parties)	6,796,804	-	-	-	-
Other current financial assets	2,270,755	-	-	-	-
Long-term accounts receivable (recorded as other non-current assets)	68,439	-	-	-	-
Refundable deposits (recorded as other non-current assets)	156,296	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	6,974	-	-	-	-
	<u>13,829,653</u>				
	<u><b>\$ 15,529,966</b></u>				
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities	\$ <u>427</u>	-	427	-	427
	<u>427</u>				
<b>Financial liabilities measured at amortized cost:</b>					
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><b>\$ 10,350,599</b></u>				

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September 30, 2018					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss:</b>					
Derivative financial assets	\$ 58,581	-	58,581	-	58,581
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>1,665,116</u>	112,806	1,552,310	-	1,665,116
	<u>1,723,697</u>				
<b>Financial assets at fair value through other comprehensive income:</b>					
Stocks listed on domestic markets	347,006	347,006	-	-	347,006
Unquoted equity instruments	<u>72,000</u>	-	-	72,000	72,000
	<u>419,006</u>				
<b>Financial assets measured at amortized cost:</b>					
Cash and cash equivalents	3,565,942	-	-	-	-
Notes and accounts receivable (including related parties)	7,733,690	-	-	-	-
Other current financial assets	4,821,762	-	-	-	-
Refundable deposits (recorded as other non-current assets)	190,788	-	-	-	-
Long-term accounts receivable (recorded as other non-current assets)	31,560	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	<u>6,974</u>	-	-	-	-
	<u>16,350,716</u>				
	<u><b>\$ 18,493,419</b></u>				
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities	\$ <u>3,814</u>	-	3,814	-	3,814
	<u>3,814</u>				
<b>Financial liabilities measured at amortized cost:</b>					
Short-term borrowings	2,873,026	-	-	-	-
Notes and accounts payable (including related parties)	5,100,046	-	-	-	-
Payables on construction and equipment	470,996	-	-	-	-
Other current payables (recorded as other current liabilities)	1,159,845	-	-	-	-
Bonds payable (including current portion)	4,138,578	-	-	-	-
Guarantee deposits received	<u>140,800</u>	-	-	-	-
	<u>13,883,291</u>				
	<u><b>\$ 13,887,105</b></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 nine months ended September 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 nine months ended September 30, 2019 and 2018:

	<b>Current financial assets at fair value through other comprehensive income – unquoted equity instruments</b>	<b>Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable</b>	<b>Total</b>
Balance on January 1, 2019	\$ 75,052	-	75,052
Total gains and losses recognized:			
In profit (loss)	-	-	-
In other comprehensive income	(62,826)	-	(62,826)
Balance on September 30, 2019	<u>\$ 12,226</u>	<u>-</u>	<u>12,226</u>

(Continued)

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

	<b>Current financial assets at fair value through other comprehensive income – unquoted equity instruments</b>	<b>Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable</b>	<b>Total</b>
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	(50,544)	-	(50,544)
Balance on September 30, 2018	<u>\$ 72,000</u>	<u>-</u>	<u>72,000</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 September 30, 2019 and 2018 were as follows:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Total gains and losses recognized:				
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	\$ (62,826)	(11,649)	(62,826)	(50,544)
In profit or loss (recorded as gains (losses) from financial assets (liabilities) at fair value through profit or loss)	-	-	-	(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

## Notes to the Consolidated Financial Statements

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"> <li>Price-to-Book ratio (P/B Ratio) (0.605, 0.53 and 0.63 on September 30, 2019, December 31 and September 30, 2018, respectively)</li> <li>Lack of marketability discount rate (20% on September 30, 2019, December 31 and September 30, 2018)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the P/B ratio, the higher the fair value.</li> <li>The higher the lack of marketability discount, the lower the fair value.</li> </ul>

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:

			Impacts of fair value changes on other comprehensive income	
	Input	Variation	Advantageous change	Disadvantageous change
September 30, 2019				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ 610	610
"	Lack of marketability discount	5%	\$ 610	610
September 30, 2018				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ 3,600	3,600
"	Lack of marketability discount	5%	\$ 3,600	3,600

(Continued)



**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 nine months ended September 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 nine months ended September 30, 2018. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Acquisition	Non-cash changes Amortization of interest and issuance costs	Foreign exchange movement	September 30, 2019
Short-term borrowings	\$ 3,111,970	(216,342)	-	-	-	2,895,628
Long-term borrowings	64,789	(6,423)	-	-	(556)	57,810
Lease liabilities	347,210	(37,665)	6,778	-	(815)	315,508
Bonds payable	1,102,525	-	-	12,840	-	1,115,365
Guarantee deposits received	131,369	30,042	-	-	-	161,411
Total liabilities from financing activities	<u>\$ 4,757,863</u>	<u>(230,388)</u>	<u>6,778</u>	<u>12,840</u>	<u>(1,371)</u>	<u>4,545,722</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	September 30, 2018
Short-term borrowings	\$ 2,181,411	691,615	-	2,873,026
Bonds payable	7,453,249	(3,480,500)	163,982	4,136,731
Guarantee deposits received	132,022	8,778	-	140,800
Total liabilities from financing activities	<u>\$ 9,766,682</u>	<u>(2,780,107)</u>	<u>163,982</u>	<u>7,150,557</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 September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Associates	\$ 16,694	17,499	42,126	61,118
Other related parties (Note)	-	30,971	53,148	88,470
	<u>\$ 16,694</u>	<u>48,470</u>	<u>95,274</u>	<u>149,588</u>

Note: The table above reflects the amounts of other related parties—Epistar as of June, 2019.

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.

(Continued)

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

(ii) Purchase

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Associates	\$ 109,174	117,309	320,918	338,999
Other related parties-Epistar (Note)	-	435,015	642,995	1,457,792
	<b>\$ 109,174</b>	<b>552,324</b>	<b>963,913</b>	<b>1,796,791</b>

Note: The table above reflects the amounts of other related parties — Epistar as of June, 2019.

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:

<b>Related party categories</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Associates	\$ 32,195	34,839	41,675
Other related parties	-	62,626	70,815
	<b>\$ 32,195</b>	<b>97,465</b>	<b>112,490</b>

(iv) Payables to related parties

The payables to related parties were as follows:

<b>Related party categories</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Associates	\$ 189,596	198,955	185,127
Other related parties-Epistar	-	836,073	1,043,469
	<b>\$ 189,596</b>	<b>1,035,028</b>	<b>1,228,596</b>

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 5,171	8,601	17,510	24,224
Others	1,208	1,196	3,583	3,619
	<u>\$ 6,379</u>	<u>9,797</u>	<u>21,093</u>	<u>27,843</u>

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:

<b>Assets</b>	<b>Objectives</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Time deposits and restricted cash in bank (recorded as other financial assets – non-current)	Guarantee for contract grant and guarantee for construction contracts	\$ 222,082	6,974	6,974
Restricted cash in bank (recorded as other financial assets-current)	Contract of accounts receivable factoring	89,435	138,075	124,170
		<u>\$ 311,517</u>	<u>145,049</u>	<u>131,144</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 September 30, 2019, December 31, and September 30, 2018, the Group's signed significant commitments to purchase machinery and equipment not yet due amounted to \$1,198,234, \$930,196, and \$529,939, respectively.
- (ii) As of September 30, 2019, December 31, and September 30, 2018, the unused balance of the Group's outstanding standby letters of credit amounted to \$0, \$0, and \$38,277, respectively.

**(10) Losses due to major disasters: none**

**(11) Subsequent Events: none**

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**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 September 30, 2019			Three months ended September 30, 2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	412,755	411,999	824,754	456,379	437,433	893,812
Labor and health insurance	20,018	34,602	54,620	23,592	36,571	60,163
Pension	18,527	14,328	32,855	27,628	15,798	43,426
Others	28,298	15,908	44,206	34,092	20,289	54,381
Depreciation	334,694	163,660	498,354	338,543	151,457	490,000
Amortization	11,576	8,513	20,089	15,116	10,064	25,180

By function By item	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,189,944	1,236,155	2,426,099	1,355,340	1,254,853	2,610,193
Labor and health insurance	60,629	112,343	172,972	70,376	115,094	185,470
Pension	59,928	42,843	102,771	78,645	46,373	125,018
Others	83,291	48,575	131,866	100,300	60,259	160,559
Depreciation	1,035,314	495,765	1,531,079	1,045,032	456,610	1,501,642
Amortization	38,676	28,972	67,648	46,526	31,505	78,031

- (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 nine months ended September 30, 2019:

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**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	645,299 (EUR19,000)	305,668 (EUR9,000)	305,668	1.0%	Short-term financing	-	Business turnover	-	-	-	1,661,048	6,644,192
1	Everlight Zhongshan	Zhongshan Everlight Lighting	"	Yes	65,251 (RMB14,970)	45,637 (RMB10,470)	45,637 (RMB10,470)	2.5%	Short-term financing	-	"	-	-	-	360,815	360,815
2	Everlight BVI	WOFI Holding	Other receivables	Yes	135,852 (EUR4,000)	67,926 (EUR2,000)	67,926 (EUR2,000)	-%	Short-term financing	-	"	-	-	-	2,857,088	2,857,088

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 September 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	11	\$ 104	-%	104	
"	SinoPac TWD Money Market Fund	"	"	3,377	47,126	-%	47,126	
"	Cathay Financial Holding Co., Ltd. Preferred Stock B	"	"	100	6,350	-%	6,350	
"	Gigasolar Materials Corporation convertible bonds	"	"	200	18,920	-%	18,920	
"	China Airlines Ltd. convertible bonds	"	"	220	21,813	-%	21,813	
"	Global PMX Co., Ltd. convertible bonds	"	"	15	1,591	-%	1,591	
"	Taiwan Chinsan Electronic Industrial Co., Ltd. convertible bonds	"	"	41	4,063	-%	4,063	
					<u>\$ 99,967</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	12,226	3.45%	12,226	
"	Epistar Co., Ltd (Epistar) Stocks	None	"	10,000	242,504	0.92%	242,504	
					<u>\$ 254,730</u>			
Pai-ye	Taishin Ta-Chong Money Market Fund	None	Current financial assets at fair value through profit or loss	2,156	30,707	-%	30,707	
"	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	38,006	10%	38,006	
Everlight Fujian	Kaistar Lighting (Xiamen) Co., Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	348,704 (RMB80,000)	3.97%	348,704	
"	Country Lighting (B.V.I.) Ltd.	None	"	(Note 2)	19,641 (RMB4,506)	8.21%	19,641	
"	Financial products	None	"	-	289,104 (RMB66,326)	-%	289,104	
					<u>\$ 726,162</u>			
Everlight Electronic (Guangzhou)	Financial products	None	Current financial assets at fair value through profit or loss	-	12,205 (RMB2,800)	-%	12,205	
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	88,370 (RMB20,274)	-%	88,370	
"	Financial products	None	"	-	386,107 (RMB88,581)	-%	386,107	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	448,525 (RMB102,901)	-%	448,525	
"	Financial products	None	"	-	266,229 (RMB61,078)	-%	266,229	

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.

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

- (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	Evltie	100% owned subsidiary	(Sales)	\$ (1,110,854)	(9)%	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	454,082	7 %	Note 2
"	Everlight Europe	75% owned subsidiary	(Sales)	(761,677)	(6)%	OA 120	"	"	219,344	4 %	"
"	Everlight Lighting China	100% owned sub-subsidiary	(Sales)	(387,637)	(3)%	Depending on the credit conditions of the ultimate customers	"	"	611,098	10 %	"
"	ELA	99% owned subsidiary	(Sales)	(250,316)	(2)%	OA 140	"	"	227,310	4 %	"
"	Everlight China	100% owned sub-subsidiary	Purchases	6,620,740	76%	Depending on the demand for funding, OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(3,666,321)	(71)%	"
"	Everlight Zhongshan	100% owned sub-subsidiary	Purchases	274,262	3%	Depending on the demand for funding, OA 120	"	"	(161,041)	(3)%	"
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(306,924) (RMB(67,812))	(100)%	Depending on the demand for funding, OA 95	-	Depending on the funding demand of both sides	161,041 (RMB36,946)	100 %	"
Everlight China	The Company	Ultimate holding company	(Sales)	(6,838,684) (RMB(1,510,944))	(99)%	Depending on the demand for funding, OA 120	-	"	3,666,827 (RMB841,247)	99 %	"
"	Tekcore	Equity-accounted investee by the Company	Purchases	258,676 (RMB57,152)	6%	OA 120	"	"	(150,603) (RMB(34,551))	7 %	-
Everlight Lighting China	The Company	Ultimate holding company	Purchases	419,266 (RMB92,633)	62%	Depending on the terms of the ultimate customer	-	Depending on the funding demand of both sides	(614,577) (RMB(140,997))	(71)%	Note 2
ELA	The Company	Parent company	Purchases	270,243 (USD8,701)	100%	OA 140	-	-	(227,368) (USD(7,325))	(99)%	"
Everlight Europe	The Company	Parent company	Purchases	767,626 (EUR22,000)	100%	OA 120	-	-	(216,550) (EUR(6,376))	(100)%	"
Evltie	The Company	Parent company	Purchases	1,122,088 (HKD283,191)	100%	OA 90	-	Depending on the funding demand of both sides	(453,996) (HKD(114,671))	(100)%	"
Evervision TW	Vbest GmbH	Equity-accounted investee by Evervision TW	(Sales)	(120,937)	(18)%	OA 90	Terms not comparable to other general trading price	-	21,679	9 %	"
"	Vbest Kunshan	Equity-accounted investee by Evervision TW	Purchases	353,884	78%	OA 150	"	General purchases payments in 90~120 days	(236,623)	(83)%	"
Vbest GmbH	Evervision TW	65.5% owned subsidiary	Purchases	121,222 (USD3,903)	100%	OA 90	Terms not comparable to other general trading price	-	(18,253) (USD(588))	(100)%	"
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(354,598) (USD(11,417))	(98)%	OA 150	"	General export receivables in 90~120 days	236,633 (USD7,623))	99 %	"

Note 1: The amounts were translated into New Taiwan dollars at the nine months ended September 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	219,344	4.47	-		54,216 (USD520、EUR1,077)	-
"	ELA	99% owned subsidiary	227,310	1.58	-		43,697 (USD1,418)	-
"	Evlite	100% owned subsidiary	454,082	3.21	-		135,794 (USD81、HKD33,789)	-
"	Everlight Lighting China	100% owned sub-subsidiary	611,098	0.84	-		11,132 (RMB2,445)	-
"	WOFI Holding	100% owned subsidiary	309,634 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	3,666,827	2.38	-		764,250 (RMB175,335)	-
Everlight Zhongshan	The Company	Ultimate holding company	161,041	2.18	-		38,488 (RMB8,830)	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	236,633 (USD7,623)	1.85	-		48,208 (USD1,553)	-

Note 1 : Information as of November 7, 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	761,677	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.		5 %
0	The Company	ELA	1	Accounts receivable	219,344	"		1 %
			1	Sales revenue	250,316	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.		2 %
0	The Company	Evlite	1	Accounts receivable	227,310	"		1 %
			1	Sales revenue	1,110,854	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.		7 %
0	The Company	Everlight Lighting China	1	Accounts receivable	454,082	"		2 %
			1	Sales revenue	387,637	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.		2 %
			1	Accounts receivable	611,098	"		2 %
0	The Company	WOFI Holding	1	Other receivable due from related parties (Note 3)	309,634	Rate 1.0%		1 %
1	Everlight China	The Company	2	Sales revenue	6,838,684	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 120 days.		44 %
			2	Accounts receivable	3,666,827	"		13 %

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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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	306,924	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 95 days.	2 %
3	Evervision TW	Vbest GmbH	2	Accounts receivable	161,041	"	1 %
			3	Sales revenue	120,937	There is no significant difference on the price offered to general customers; and the credit period is OA 90 days.	1 %
4	Vbest Kunshan	Evervision TW	3	Sales revenue	354,598	There is no significant difference on the price offered to general customers; and the credit period is OA 150 days.	2 %
			3	Accounts receivable	236,633	"	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 nine months ended September 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 3)	Share of profits/losses of Investee	Note
				September 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%	\$ 6,995,240	102,522	100,472	Subsidiaries (Note 4)
"	Pai-ye	New Taipei City	Investment	580,253	580,253	23,940	100%	472,080	6,504	6,504	Subsidiaries (Note 4)
"	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(79,147)	(50,467)	(49,917)	Subsidiaries (Note 4)
"	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	179,683	28,551	6,929	Subsidiaries (Note 4)
"	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	138,009	54,950	41,212	Subsidiaries (Note 4)
"	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	34,697	6,686	6,686	Subsidiaries (Note 4)
"	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	443,446	(2,428)	(2,428)	Subsidiaries (Note 4)
"	Zenaro TW	New Taipei City	Sale of LED lighting products	380,100	380,100	20,062	100%	47,232	29	29	Subsidiaries (Note 4)
"	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	216,141	12,376	12,423	Subsidiaries (Note 4)
"	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	46,174	(72,184)	(6,973)	Subsidiaries (Note 1)
"	Ev-lite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	107,268	9,908	9,908	Subsidiaries (Note 4)
"	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	13,954	(1,138) (INR(2,569))	(910)	Subsidiaries (Note 4)
"	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	15,504	(1,901)	(1,901)	Subsidiaries (Note 4)
"	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	(82,223)	(116,857)	(116,857)	Subsidiaries (Note 4)
"	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	17,885	(5,343)	(5,343)	Subsidiaries (Note 4)
Pai-ye	Everlight BVI	Registered in British Virgin Islands	Investment	124,508	124,508	38	2%	147,481	102,522	2,050	Subsidiaries (Note 4)
"	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	104,760	28,551	3,846	Subsidiaries (Note 4)
"	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	15,485	-	3,374	3.51%	14,432	(72,184)	(1,053)	Note 2

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**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 3)	Share of profits/losses of investee	Note
				September 30, 2019	December 31, 2018	Shares (In thousands)	Percentage of ownership	Carrying value			
Pai-ye	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	698	-	-	Sub-subsidiaries (Note 4)
"	ELI	India	Sale of LEDs	493	493	88	20%	3,507	(1,138) (INR(2,569))	(228)	Subsidiaries (Note 4)
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%	183,909	28,551	7,926	Subsidiaries (Note 4)
"	EleOcom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	40,000	30,000	4,000	29.63%	21,722	(37,440)	(11,315)	-
Evervision	Well	Hsinchu County	Electronic material trading	24,000	-	200	20%	19,000	(1,097)	(5,000)	-

Note 1: The market price is \$46,457 thousand dollars.

Note 2: The market price is \$16,870 thousand dollars.

Note 3: The amounts were translated into New Taiwan dollars at the nine months ended September 30, 2019 average exchange rates.

Note 4: The transactions between companies mentioned in note 4 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 September 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 September 30, 2019 (Note 6)	Accumulated remittance of earnings as of September 30, 2019
					Outflow	Inflow						
The Company and Pai-ye:												
Everlight China	Manufacture of LEDs	3,807,151 (US\$113,500、 RMB65,129) (Note 7)	(Note 1)	3,501,444 (US\$110,360)	-	-	3,501,444 (US\$110,360)	101,113	100%	101,113	5,422,124	(Note 8)
Everlight Lighting China	Sale of LEDs	248,336 (US\$8,000) (Note 11)	(Note 1)	168,714 (US\$5,200)	-	-	168,714 (US\$5,200)	(13,325)	100%	(13,325) (Note 12)	167,667 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	200,119 (US\$128、 RMB45,000) (Note 20)	(Note 1)	4,142 (US\$128)	-	-	4,142 (US\$128)	167	100%	167 (Note 21)	195,751 (Note 21)	-
Everlight Zhongshan	Manufacture of LED related components	931,260 (US\$30,000)	(Note 1)	930,868 (US\$30,000)	-	-	930,868 (US\$30,000)	(7,810)	100%	(7,810)	902,039	-
Everlight Fujian	Manufacture and sale of LED backlights and related	776,050 (US\$25,000)	(Note 1)	670,771 (US\$16,250、 RMB36,868)	-	-	670,771 (US\$16,250、 RMB36,868)	10,894	90%	9,805	591,868	-
Eralite	Manufacture and sale of LED backlights and related components	620,840 (US\$20,000)	(Note 1)	377,642 (US\$12,000)	-	-	377,642 (US\$12,000)	-	(Note 25)	-	(Note 25)	-
Shanghai Yaming Lighting Co., Ltd. (Yaming)	Assemble LED lighting products	87,176 (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	414,086 (RMB95,000) (Note 23)	Direct investment	115,962 (US\$1,294、 RMB15,562)	-	-	115,962 (US\$1,294、 RMB15,562)	1,380	100%	1,380 (Note 22)	9,844 (Note 22)	-
Yi-Yao	Research of electronic components	49,995 (RMB11,470)	(Note 1)	33,054 (RMB6,462)	-	-	33,054 (RMB6,462)	-	100%	-	-	-

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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 September 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 September 30, 2019 (Note 6)	Accumulated remittance of earnings as of September 30, 2019
					Outflow	Inflow						
Evervision T.W.												
Vbest Kunshan	Post-assembly STN display and assembly module	558,756 (US\$18,000)	(Note 2)	605,784 (US\$18,000)	-	-	605,784 (US\$18,000)	(8,324)	65.50%	(5,452)	441,114	-
Everlight Lighting China: Zhongshan	Research and sale of LED lighting products	87,176 (RMB20,000)	(Note 3)	-	-	-	-	(2,378)	100%	(2,378)	(50,296)	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of September 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)	5,875,394 (US\$181,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 16 、 17 and 25)	6,217,628 (US\$191,841 thousand 、 RMB60,223 thousand)	9,966,288
ELIT	145,084 (US\$2,723 thousand 、 RMB13,893 thousand) (Notes 18 and 19)	145,084 (US\$2,723 thousand 、 RMB13,893 thousand)	129,656 (Note 13)
Evervision TW (Note 15)	656,104 (Note 15 and 24) (US\$21,136 thousand)	656,104 (US\$21,136 thousand)	463,222 (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 nine months ended September 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 Evlite, 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.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 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.
- 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.
- Note 25: The liquidation of Eralite was completed in August 2019; and the aforesaid investment amounting to US\$15,074 thousand was included in the Company's and Pai-yee'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 nine months ended September 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 nine months ended September 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.

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

**Notes to the Consolidated Financial Statements**

- (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.

For the three months ended September 30, 2019						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 4,572,392	153,397	431,034	15,757	-	5,172,580
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 4,572,392</u>	<u>153,397</u>	<u>431,034</u>	<u>15,757</u>	<u>-</u>	<u>5,172,580</u>
Reportable segment profit (loss)	<u>\$ 354,905</u>	<u>(1,959)</u>	<u>(74,892)</u>	<u>68</u>	<u>-</u>	<u>278,122</u>
For the three months ended September 30, 2018						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 5,498,642	215,955	542,933	24,143	-	6,281,673
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 5,498,642</u>	<u>215,955</u>	<u>542,933</u>	<u>24,143</u>	<u>-</u>	<u>6,281,673</u>
Reportable segment profit (loss)	<u>\$ 409,611</u>	<u>23,019</u>	<u>(100,156)</u>	<u>6,612</u>	<u>-</u>	<u>339,086</u>
For the nine months ended September 30, 2019						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$13,671,165	524,818	1,274,421	49,373	-	15,519,777
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$13,671,165</u>	<u>524,818</u>	<u>1,274,421</u>	<u>49,373</u>	<u>-</u>	<u>15,519,777</u>
Reportable segment profit (loss)	<u>\$ 740,482</u>	<u>10,771</u>	<u>(202,056)</u>	<u>5,526</u>	<u>-</u>	<u>554,723</u>

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For the nine months ended September 30, 2018						
	<u>LED segment</u>	<u>LCD segment</u>	<u>Illumination segment</u>	<u>Others</u>	<u>Adjustments &amp; eliminations</u>	<u>Total</u>
Revenues						
Revenues from external customers	\$16,123,953	585,074	1,711,146	71,425	-	18,491,598
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$16,123,953</u>	<u>585,074</u>	<u>1,711,146</u>	<u>71,425</u>	<u>-</u>	<u>18,491,598</u>
Reportable segment profit (loss)	<u>\$ 968,028</u>	<u>37,010</u>	<u>(270,203)</u>	<u>21,215</u>	<u>-</u>	<u>756,050</u>