

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Everlight Electronics Co., Ltd. and its subsidiaries ("the Group") as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, 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 \$4,548,760 thousand and \$6,350,303 thousand, constituting 16% and 23% of the consolidated total assets; and the total liabilities amounting to \$823,848 thousand and \$1,472,448 thousand, constituting 7% and 15% of the consolidated total liabilities as of March 31, 2020 and 2019, respectively; as well as the absolute value of the total comprehensive income (loss) amounting to \$(33,910) thousand and \$(103,829) thousand, constituting 34% and 35% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2020 and 2019, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of the Group in its investee companies of \$63,342 thousand and \$104,793 thousand as of March 31, 2020 and 2019, respectively, and its equity in net earnings on these investee companies of \$(19,411) thousand and \$(6,075) thousand for the three months 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 March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 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.

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)
May 13, 2020

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 March 31, 2020 and 2019

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020, December 31, 2019, and March 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
Cash and cash equivalents (note 6(a))	\$ 3,639,299	13	4,982,698	18	3,816,886	14
Current financial assets at fair value through profit or loss (note 6(b))	2,333,451	8	596,882	2	1,862,642	7
Current contract assets (note 6(w))	45,542	-	106,363	-	2,069	-
Notes and accounts receivable, net (note 6(d))	5,206,654	18	6,027,709	21	5,959,553	22
Accounts receivable due from related parties, net (notes 6(d) and 7)	30,904	-	34,684	-	83,053	-
Inventories(note 6(f))	1,799,624	6	1,785,349	6	1,646,658	6
Other current assets	459,108	2	423,006	2	578,912	2
Other current financial assets (notes 6(a),6(d), 6(e), 6(f) and 8)	4,241,106	15	3,429,945	12	1,718,798	6
	<u>17,755,688</u>	<u>62</u>	<u>17,386,636</u>	<u>61</u>	<u>15,668,571</u>	<u>57</u>
Non-current assets:						
Non-current financial assets at fair value through profit or loss (note 6(b))	38,196	-	41,201	-	38,548	-
Non-current financial assets at fair value through other comprehensive income (note 6(c))	260,257	1	325,758	1	323,056	1
Investments accounted for using equity method, net (note 6(g))	63,342	-	79,013	-	104,793	-
Non-current contract assets (note 6(w))	329,598	1	-	-	-	-
Property, plant and equipment (note 6(i))	8,512,024	30	8,909,437	32	9,970,976	36
Right-of-use assets (note 6(k))	391,501	2	404,510	2	438,531	2
Intangible assets	106,203	-	82,650	-	101,624	-
Deferred tax assets	463,468	2	457,663	2	428,571	2
Other non-current assets (notes 6(a), 6(d), 6(w) and 8)	670,527	2	662,204	2	401,737	2
	<u>10,835,116</u>	<u>38</u>	<u>10,962,436</u>	<u>39</u>	<u>11,807,836</u>	<u>43</u>
Total assets	<u>\$ 28,590,804</u>	<u>100</u>	<u>28,349,072</u>	<u>100</u>	<u>27,476,407</u>	<u>100</u>
Liabilities and Equity						
Current liabilities:						
Short-term borrowings (note 6(m))	\$ 3,562,862	12	2,582,152	9	1,777,103	7
Current contract liabilities (note 6(w))	19,710	-	23,752	-	9,671	-
Notes and accounts payable	3,806,600	13	4,199,131	15	3,047,618	11
Accounts payable to related parties (note 7)	164,352	1	168,285	-	941,381	3
Payable on machinery and equipment	244,706	1	298,852	1	292,503	1
Current tax liabilities	224,338	1	201,077	1	156,263	1
Current lease liabilities (note 6(q))	45,205	-	49,958	-	49,628	-
Other current liabilities (notes 6(b) and 6(n))	1,435,942	5	1,621,844	6	1,486,569	5
Bonds payable, current portion (note 6(p))	1,123,953	4	1,119,659	4	-	-
Long-term borrowings, current portion (note 6(o))	13,549	-	15,778	-	13,040	-
	<u>10,641,217</u>	<u>37</u>	<u>10,280,488</u>	<u>36</u>	<u>7,773,776</u>	<u>28</u>
Non-Current liabilities:						
Bonds payable (note 6(p))	-	-	-	-	1,106,791	4
Long-term borrowings (note 6(o))	29,809	-	37,866	-	52,158	-
Deferred tax liabilities	183,320	1	183,169	1	260,139	1
Non-current lease liabilities (note 6(q))	256,823	1	262,852	1	287,077	1
Non-current provisions for employee benefit	120,691	-	124,282	-	139,811	1
Other non-current liabilities	262,238	1	265,987	1	205,553	1
	<u>852,881</u>	<u>3</u>	<u>874,156</u>	<u>3</u>	<u>2,051,529</u>	<u>8</u>
Total liabilities	<u>11,494,098</u>	<u>40</u>	<u>11,154,644</u>	<u>39</u>	<u>9,825,305</u>	<u>36</u>
Equity:						
Equity attributable to owners of parent (note 6(t)):						
Ordinary shares	4,433,428	16	4,432,457	16	4,430,513	16
Capital surplus (note 6(p))	9,089,839	32	9,089,121	32	9,160,328	34
Retained earnings:						
Legal reserve	2,589,754	9	2,589,754	9	2,510,447	9
Special reserve	1,224,277	4	1,224,277	4	830,794	3
Unappropriated retained earnings	1,029,296	4	968,323	4	1,369,404	5
	<u>4,843,327</u>	<u>17</u>	<u>4,782,354</u>	<u>17</u>	<u>4,710,645</u>	<u>17</u>
	<u>(1,612,884)</u>	<u>(6)</u>	<u>(1,461,039)</u>	<u>(5)</u>	<u>(1,024,758)</u>	<u>(4)</u>
Other equity interests	16,753,710	59	16,842,893	60	17,276,728	63
	<u>342,996</u>	<u>1</u>	<u>351,535</u>	<u>1</u>	<u>374,374</u>	<u>1</u>
Non-controlling interests	17,096,706	60	17,194,428	61	17,651,102	64
Total equity	<u>28,590,804</u>	<u>100</u>	<u>28,349,072</u>	<u>100</u>	<u>27,476,407</u>	<u>100</u>
Total liabilities and equity	<u>\$ 28,590,804</u>	<u>100</u>	<u>28,349,072</u>	<u>100</u>	<u>27,476,407</u>	<u>100</u>

(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 three months ended March 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share, which is expressed in New Taiwan Dollars)**

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(w) and 7)	\$ 4,532,181	100	5,129,190	100
5110	Cost of sales (notes 6(f), 6(r), 7 and 12)	3,524,587	78	4,016,199	78
5900	Gross profit	1,007,594	22	1,112,991	22
Operating expenses (notes 6(r) and 12):					
6100	Selling expenses	357,705	8	348,995	7
6200	Administrative expenses	450,568	10	481,018	9
6300	Research and development expenses	169,046	4	166,008	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	6,397	-	1,972	-
		983,716	22	997,993	19
6900	Net operating income	23,878	-	114,998	3
Non-operating income and expenses:					
7100	Interest income (note 6(y))	15,156	-	10,082	-
7190	Other income	39,546	1	32,832	1
7210	Gains (losses) on disposals of property, plant and equipment	13,549	-	2,377	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss, net	(4,541)	-	20,380	-
7050	Finance costs (notes 6(p), 6(q) and 6(y))	(16,632)	-	(15,361)	-
7590	Other expenses and losses	(1,914)	-	(3,016)	-
7630	Foreign exchange gains (losses), net (note 6(z))	41,202	1	(25,385)	(1)
7770	Share of profit (loss) of associates accounted for using equity method (note 6(g))	(19,411)	-	(6,075)	-
		66,955	2	15,834	-
7900	Profit before tax	90,833	2	130,832	3
7950	Less: Income tax expenses (note 6(s))	35,747	1	40,062	1
	Profit	55,086	1	90,770	2
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	(65,501)	(1)	(8,000)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(65,501)	(1)	(8,000)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(88,809)	(2)	212,392	4
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(s))	187	-	(1,611)	-
		(88,996)	(2)	214,003	4
8300	Other comprehensive income	(154,497)	(3)	206,003	4
	Total comprehensive income	\$ (99,411)	(2)	296,773	6
Profit, attributable to:					
	Owners of parent	\$ 60,973	1	87,550	2
	Non-controlling interests	(5,887)	-	3,220	-
		\$ 55,086	1	90,770	2
Total comprehensive income attributable to:					
	Owners of parent	\$ (90,872)	(2)	287,069	6
	Non-controlling interests	(8,539)	-	9,704	-
		\$ (99,411)	(2)	296,773	6
Earnings per share (note 6(v))					
9750	Basic earnings per share	\$ 0.14		0.20	
9850	Diluted earnings per share	\$ 0.14		0.20	

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 three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							Other equity interest				
	Ordinary shares	Capital surplus	Retained earnings			Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Other comprehensive income	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Special reserve								
\$	4,429,996	9,159,142	2,510,447	830,794	1,281,854	-	(591,956)	(1,224,277)	16,987,956	364,670	17,352,626	
	-	-	-	-	87,550	-	-	-	87,550	3,220	90,770	
	-	-	-	-	-	207,519	(8,000)	199,519	199,519	6,484	206,003	
	-	-	-	-	87,550	207,519	(8,000)	199,519	287,069	9,704	296,773	
	517	1,186	-	-	-	-	-	-	1,703	-	1,703	
\$	4,430,513	9,160,328	2,510,447	830,794	1,369,404	(424,802)	(599,956)	(1,024,758)	17,276,728	374,374	17,651,102	
\$	4,432,457	9,089,121	2,589,754	1,224,277	968,323	(863,785)	(597,254)	(1,461,039)	16,842,893	351,535	17,194,428	
	-	-	-	-	60,973	-	(65,501)	(151,845)	60,973	(5,887)	55,086	
	-	-	-	-	-	(86,344)	(65,501)	(151,845)	(151,845)	(2,652)	(154,497)	
	-	-	-	-	60,973	(86,344)	(65,501)	(151,845)	(90,872)	(8,539)	(99,411)	
	971	718	-	-	-	-	-	-	1,689	-	1,689	
\$	4,433,428	9,089,839	2,589,754	1,224,277	1,029,296	(950,129)	(662,755)	(1,612,884)	16,753,710	342,996	17,096,706	

(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 three months ended March 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 90,833	130,832
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	480,959	540,302
Expected credit loss	6,397	1,972
Net loss on financial assets or liabilities at fair value through profit or loss	12,266	46,608
Interest expense	16,632	15,361
Interest income	(15,156)	(10,082)
Share-based payments compensation cost	-	758
Share of loss of associates and joint ventures accounted for using equity method	19,411	6,075
Gain on disposal of property, plant and equipment	(13,549)	(2,377)
Others	250	4,417
Total adjustments to reconcile profit (loss)	507,210	603,034
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value	(1,743,782)	(567,335)
Decrease (increase) in contract assets	(268,777)	76,481
Decrease in notes and accounts receivable (including related parties)	826,217	706,224
Decrease (increase) in inventories	(14,275)	204,209
Increase in other current assets	(36,110)	(101,942)
Decrease in notes and accounts payable (including related parties)	(396,464)	(513,384)
Decrease in provisions	(15,115)	(15,221)
Decrease in other current liabilities	(192,883)	(229,301)
Increase (decrease) in non-current provisions for employee benefits	(3,591)	2,327
Decrease in current contract liability	(4,042)	(16,520)
Others	(5,495)	(18,059)
Total changes in operating assets and liabilities	(1,854,317)	(472,521)
Cash inflow generated from (used in) operations	(1,256,274)	261,345
Interest received	8,224	14,811
Interest paid	(12,032)	(14,488)
Income taxes paid	(12,478)	(41,807)
Net cash flows from (used in) operating activities	(1,272,560)	219,861
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(3,740)	-
Acquisition of property, plant and equipment	(163,218)	(249,830)
Proceeds from disposal of property, plant and equipment	37,899	13,266
Decrease (increase) in refundable deposits	2,790	(9,146)
Acquisition of intangible assets	(41,114)	(3,890)
Decrease (increase) in other financial assets	(819,577)	519,268
Decrease in restricted deposits	15,890	41,261
Increase in prepayments for business facilities	(16,461)	(316)
Net cash flows from (used in) investing activities	(987,531)	310,613
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	980,710	(1,334,867)
Repayments of long-term borrowings	(2,710)	-
Increase in guarantee deposits received	11,365	4,815
Payment of lease liabilities	(14,410)	(12,284)
Exercise of employee stock options	1,689	945
Net cash flows from (used in) financing activities	976,644	(1,341,391)
Effect of exchange rate changes on cash and cash equivalents	(59,952)	97,418
Net decrease in cash and cash equivalents	(1,343,399)	(713,499)
Cash and cash equivalents at beginning of period	4,982,698	4,530,385
Cash and cash equivalents at end of period	\$ 3,639,299	3,816,886

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

March 31, 2020 and 2019

(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(b) 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 May 13, 2020.

(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, 2020.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (b) 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:

(Continued)

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 23, 2020	Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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.

(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, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(Continued)

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

(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, 2019. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2019.

List of subsidiaries in the consolidated financial statements:

Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
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)	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 %	Note 3
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
The Company	Evlight Electronics Co., Ltd. (Evlight)	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 %	

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

Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
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 %	Note 2
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 %	Note 4
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 %	
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 %	100 %	
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

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

Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
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 %	Note 1 and 5

Note 1: The subsidiary completed the liquidation procedure in May 2019.

Note 2: The subsidiary completed the liquidation procedure in August 2019.

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

Note 4: The subsidiary completed the liquidation procedure in January 2020.

Note 5: Non-significant subsidiary, its financial statements have not been reviewed.

(c) **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.

(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.

(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, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

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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, 2019. Please refer to Note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash, checking accounts, and demand deposits	\$ 1,977,932	4,040,872	2,423,498
Time deposits	1,471,767	765,619	1,231,995
Bonds purchased under resale agreements	<u>189,600</u>	<u>176,207</u>	<u>161,393</u>
	<u>\$ 3,639,299</u>	<u>4,982,698</u>	<u>3,816,886</u>

- (i) The time deposits with maturities within three months or less from the acquisition date that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Therefore, the time deposits are classified as cash and cash equivalents. The time deposits with maturities over three months from the acquisition date are recorded as other current financial assets amounting to \$4,050,539, \$3,207,851 and \$1,502,807 as of March 31, 2020, December 31 and March 31, 2019, respectively. The non-current portion of the time deposits with maturities over three months from the acquisition date as recorded as other non-current financial assets amounting \$76,789, \$77,331 and \$0 as of March 31, 2020, December 31 and March 31, 2019, respectively.
- (ii) Please refer to note 6(z) 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

	March 31, 2020	December 31, 2019	March 31, 2019
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging	\$ 2,089	15,393	15,183
Listed convertible bonds	20,742	47,093	71,740
Structured deposits	1,847,014	86,499	1,300,529
Beneficiary certificate-funds	74,027	75,937	77,632
Stocks listed on domestic markets	28,510	6,514	9,405
Unlisted common shares	<u>399,265</u>	<u>406,647</u>	<u>426,701</u>
	<u>\$ 2,371,647</u>	<u>638,083</u>	<u>1,901,190</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Current	\$ 2,333,451	596,882	1,862,642
Non-current	38,196	41,201	38,548
	<u>\$ 2,371,647</u>	<u>638,083</u>	<u>1,901,190</u>
	March 31, 2020	December 31, 2019	March 31, 2019
Current financial liabilities held-for-trading (recorded as other current liabilities):			
Derivative instruments not used for hedging	\$ 45,865	39,440	1,222
	<u>\$ 45,865</u>	<u>39,440</u>	<u>1,222</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

March 31, 2020				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	5,000	USD to TWD	2020.05.07~2020.06.09
Forward exchange sold	EUR	2,750	EUR to USD	2020.04.09~2020.06.23
Forward exchange sold	USD	1,000	USD to RMB	2020.05.14
Financial liabilities:				
Forward exchange sold	USD	16,000	USD to TWD	2020.04.09~2020.05.28
Forward exchange sold	USD	12,000	USD to RMB	2020.04.09~2020.05.12
Forward exchange sold	EUR	1,250	EUR to USD	2020.05.21~2020.07.07
December 31, 2019				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	26,000	USD to TWD	2020.01.07~2020.03.17
Forward exchange sold	USD	23,000	USD to RMB	2020.01.07~2020.03.26
Forward exchange sold	EUR	250	EUR to USD	2020.02.25
Financial liabilities:				
Forward exchange sold	EUR	3,500	EUR to USD	2020.01.07~2020.04.23

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

March 31, 2019					
		Contract amount (in thousands)		Currency	Maturity date
Financial assets:					
	Forward exchange sold	USD	4,000	USD to TWD	2019.04.16~2019.05.24
	Forward exchange sold	USD	3,000	USD to RMB	2019.04.09~2019.04.25
	Forward exchange sold	EUR	1,750	EUR to USD	2019.04.09~2019.05.21
Financial liabilities:					
	Forward exchange sold	USD	11,000	USD to TWD	2019.04.09~2019.05.21
	Forward exchange sold	USD	6,000	USD to RMB	2019.04.18~2019.05.21
2) Cross currency swap					
March 31, 2020					
Contract amount (in thousands)		Contract period	Interest rate payable	Interest rate receivable	Maturity period
Financial assets:					
USD	10,000	2020.03.19~2020.04.20	0.35%	2.28%	2020.04.20
Financial liabilities:					
USD	30,000	2019.06.18~2020.06.10	0.52%	0.45%+1LIBOR	2020.06.10
USD	10,000	2020.03.17~2021.03.17	0.55%	0.45%+3LIBOR	2021.03.17
December 31, 2019					
Contract amount (in thousands)		Contract period	Interest rate payable	Interest rate receivable	Maturity period
Financial liabilities:					
USD	30,000	2019.06.18~2020.06.10	0.52%	0.45%+1LIBOR	2020.06.10
March 31, 2019					
Contract amount (in thousands)		Contract period	Interest rate payable	Interest rate receivable	Maturity period
Financial assets:					
USD	5,000	2018.05.23~2019.05.23	0.18%	0.56%+1LIBOR	2019.05.23
USD	7,000	2018.05.25~2019.05.27	0.15%	0.55%+1LIBOR	2019.05.27
USD	3,000	2018.05.25~2019.05.27	0.15%	0.55%+1LIBOR	2019.05.27

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

3) Other derivative financial instrument contracts

March 31, 2020			
Contract amount (in thousands)		Rate	Maturity period
Financial assets:			
RMB	60,000	3.6%~3.7%	2020.04.02~2020.05.11
December 31, 2019			
Contract amount (in thousands)		Rate	Maturity period
Financial assets:			
RMB	20,000	3.6%	2020.04.02
March 31, 2019			
Contract amount (in thousands)		Rate	Maturity period
Financial assets:			
RMB	118,460	3.84%~4%	2019.04.04~2019.05.28

(ii) Please refer to note 6(p) for asset and debt components of convertible bonds payable.

(iii) As of March 31, 2020, December 31, and March 31, 2019, the Group did not provide any aforementioned financial assets as collateral for its loans.

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

	March 31, 2020	December 31, 2019	March 31, 2019
Equity investments at fair value through other comprehensive income			
Stocks listed on domestic markets	\$ 258,004	323,505	248,004
Stocks unlisted on domestic markets	<u>2,253</u>	<u>2,253</u>	<u>75,052</u>
	<u>\$ 260,257</u>	<u>325,758</u>	<u>323,056</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 for the three months ended March 31, 2020 and 2019.

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

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

(iii) As of March 31, 2020, December 31, and March 31, 2019, the Group did not provide any aforementioned financial assets as collateral for its loans.

(d) Notes and accounts receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable from operating activities	\$ 16,490	27,542	17,048
Accounts receivable-measured as amortized cost	<u>5,492,672</u>	<u>6,310,794</u>	<u>6,269,204</u>
	5,509,162	6,338,336	6,286,252
Less: Allowance for uncollectible accounts	<u>(150,989)</u>	<u>(147,549)</u>	<u>(129,205)</u>
	<u>\$ 5,358,173</u>	<u>6,190,787</u>	<u>6,157,047</u>
Notes and accounts receivable, net	\$ 5,206,654	6,027,709	5,959,553
Accounts receivable due from related parties, net	30,904	34,684	83,053
Long-term receivables (recorded as other non-current assets)	<u>120,615</u>	<u>128,394</u>	<u>114,441</u>
	<u>\$ 5,358,173</u>	<u>6,190,787</u>	<u>6,157,047</u>

(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:

	March 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 3,982,427	0.159%	6,349
Overdue 0-90 days	20,196	3.674%	742
Overdue 91-180 days	63,734	4.655%	2,967
Overdue 181-270 days	44,218	8.813%	3,897
Overdue 271-365 days	3,506	50.000%	1,753
Overdue over one year	<u>198,579</u>	63.352%	<u>125,804</u>
	<u>\$ 4,312,660</u>		<u>141,512</u>

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

December 31, 2019			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not overdue	\$ 4,764,251	0.125%	5,969
Overdue 0-90 days	76,220	0.946%	721
Overdue 91-180 days	60,813	4.718%	2,869
Overdue 181-270 days	11,623	9.817%	1,141
Overdue 271-365 days	75,080	1.536%	1,153
Overdue over one year	123,510	100%	123,510
	\$ 5,111,497		135,363

March 31, 2019			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not overdue	\$ 4,517,342	0.160%	7,219
Overdue 0-90 days	149,958	0.474%	711
Overdue 91-180 days	90,786	5.054%	4,588
Overdue 181-270 days	16,370	10.000%	1,637
Overdue 271-365 days	25,572	49.996%	12,785
Overdue over one year	95,455	77.743%	74,210
	\$ 4,895,483		101,150

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

March 31, 2020			
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Rating A	\$ 1,188,327	0.152%	1,806
Rating B	8,175	93.835%	7,671
	\$ 1,196,502		9,477

	Gross carrying amount
Not overdue	\$ 1,127,897
Overdue 0-90 days	51,016
Overdue 91-180 days	8,514
Overdue 181-270 days	900
Overdue 271-365 days	2,026
Overdue over one year	6,149
	\$ 1,196,502

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

December 31, 2019			
Credit rating	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Rating A	\$ 1,216,988	0.192%	2,335
Rating B	9,851	100%	9,851
	\$ 1,226,839		12,186

	Gross carrying amount
Not overdue	\$ 1,157,801
Overdue 0-90 days	49,547
Overdue 91-180 days	1,896
Overdue 181-270 days	7,744
Overdue 271-365 days	684
Overdue over one year	9,167
	\$ 1,226,839

March 31, 2019			
Credit rating	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Rating A	\$ 1,363,876	0.168%	2,287
Rating B	26,893	95.817%	25,768
	\$ 1,390,769		28,055

	Gross carrying amount
Not overdue	\$ 1,305,334
Overdue 0-90 days	56,537
Overdue 91-180 days	2,005
Overdue 181-270 days	-
Overdue 271-365 days	1,125
Overdue over one year	25,768
	\$ 1,390,769

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

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

	<u>2020</u>	<u>2019</u>
Balance on January 1	\$ 147,549	127,287
Impairment loss recognized	6,397	1,972
Amounts written off	(2,856)	-
Foreign exchange (gains) losses	(101)	(54)
Balance on March 31	<u>\$ 150,989</u>	<u>129,205</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 March 31, 2020, December 31, and March 31, 2019, the pledged deposits amounted to \$105,524, \$121,414 and \$96,814, respectively, were recorded under other current financial assets.

As of March 31, 2020, December 31 and March 31, 2019, the details of the factored accounts receivable were as follows:

<u>March 31, 2020</u>					
<u>Amount of sold A/R</u>	<u>Limitation amount</u>	<u>Amount advanced unpaid</u>	<u>Advance amount paid</u>	<u>Amount derecognized</u>	<u>Interest rate</u>
<u>\$ 174,378</u>	<u>333,490</u>	<u>-</u>	<u>174,378</u>	<u>174,378</u>	<u>2.2%</u>
<u>December 31, 2019</u>					
<u>Amount of sold A/R</u>	<u>Limitation amount</u>	<u>Amount advanced unpaid</u>	<u>Advance amount paid</u>	<u>Amount derecognized</u>	<u>Interest rate</u>
<u>\$ 217,728</u>	<u>337,639</u>	<u>-</u>	<u>217,728</u>	<u>217,728</u>	<u>2.2%</u>
<u>March 31, 2019</u>					
<u>Amount of sold A/R</u>	<u>Limitation amount</u>	<u>Amount advanced unpaid</u>	<u>Advance amount paid</u>	<u>Amount derecognized</u>	<u>Interest rate</u>
<u>\$ 246,179</u>	<u>587,799</u>	<u>-</u>	<u>246,179</u>	<u>246,179</u>	<u>2.2%</u>

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

- (iv) As of March 31, 2020, December 31, and March 31, 2019, 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)

	March 31, 2020	December 31, 2019	March 31, 2019
Other accounts receivable	\$ 90,021	105,658	124,155
Less: Loss allowance	<u>(4,978)</u>	<u>(4,978)</u>	<u>(4,978)</u>
	<u>\$ 85,043</u>	<u>100,680</u>	<u>119,177</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:

	March 31, 2020	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 90,021	-
Overdue	<u>-</u>	<u>4,978</u>
Gross carrying amount	90,021	4,978
Impairment losses	<u>-</u>	<u>(4,978)</u>
Carrying amount	<u>\$ 90,021</u>	<u>-</u>

	December 31, 2019	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 100,680	-
Overdue	<u>-</u>	<u>4,978</u>
Gross carrying amount	100,680	4,978
Impairment losses	<u>-</u>	<u>(4,978)</u>
Carrying amount	<u>\$ 100,680</u>	<u>-</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	March 31, 2019	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 119,177	-
Overdue	-	4,978
Gross carrying amount	119,177	4,978
Impairment losses	-	(4,978)
Carrying amount	<u>\$ 119,177</u>	<u>-</u>

For the three months ended March 31, 2020 and 2019, the allowance for financial assets of other receivables had no change.

As of March 31, 2020, December 31 and March 31, 2019, the Group did not provide any other receivables as collateral for its loans.

(f) Inventories

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 392,430	233,262	289,636
Work in progress	346,216	301,293	308,305
Finished goods	<u>1,060,978</u>	<u>1,250,794</u>	<u>1,048,717</u>
	<u>\$ 1,799,624</u>	<u>1,785,349</u>	<u>1,646,658</u>

The write-down of the inventories to net realizable value amounted to \$34,253 which was recorded as cost of sales in the three months ended March 31, 2020.

The Group reversed its allowance for inventory valuation and obsolescence loss amounting to \$36,937 in the three months ended March 31, 2019, and recorded them as reduction of cost of sales, because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

As of March 31, 2020, December 31 and March 31, 2019, 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:

	March 31, 2020	December 31, 2019	March 31, 2019
Associates	<u>\$ 63,342</u>	<u>79,013</u>	<u>104,793</u>

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
The carrying amount of equity of the individually insignificant associates	\$ <u>63,342</u>	<u>79,013</u>	<u>104,793</u>
		<u>For the three months ended March 31,</u>	
		<u>2020</u>	<u>2019</u>
Attributable to the Group:			
Profit (loss) from continuing operations		\$ <u>(19,411)</u>	<u>(6,075)</u>

- (iii) Except as described below, there were no significant changes in the investments accounted for using equity method of the Group for the three months ended March 31, 2020 and 2019. For related information, please refer to note 6(g) of the 2019 annual consolidated financial statements.
- (iv) The Group had acquired 0.97% ownership of Tekcore Co., Ltd.(Tekcore) from third parties, with the cash considerations of \$3,740, for the three months ended March 31, 2020, resulting in its shareholding ratio to increase from 13.93% to 14.90%. 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.
- (v) Pledges
- As of March 31, 2020, December 31, and March 31, 2019, 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 three months ended March 31, 2020. For related information, please refer to note 6(h) of the 2019 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 three months ended March 31, 2020. For related information, please refer to note 6(i) of the 2019 annual consolidated financial statements.
- (ii) Yi-Yao had completed its liquidation process in January 2020, and the Group received the liquidating dividend of \$19. Yi-Yao is no longer included in the consolidation since the liquidation date.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The Group derecognized the assets, liabilities and the related equity. The carrying amount of assets and liabilities of Yi-Yao on the date of liquidation was as follows:

Other current assets	\$	19
Other current liabilities		-
Carrying amount of net assets	\$	<u>19</u>

(j) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Cost or deemed cost:							
Balance on January 1, 2020	\$ 643,283	8,206,006	13,405,431	1,573,733	1,152,344	149,304	25,130,101
Add: additions	-	2,500	64,083	12,208	23,251	7,030	109,072
Add: reclassification	-	570	9,012	-	2,449	(9,508)	2,523
Less: sales	-	-	(107,451)	(16,723)	(1,846)	-	(126,020)
Less: retirement	-	(136)	(47,588)	-	(3,654)	-	(51,378)
Effect of movements in exchange rates	(536)	(37,439)	(65,537)	(6,799)	(7,166)	-	(117,477)
Balance on March 31, 2020	<u>\$ 642,747</u>	<u>8,171,501</u>	<u>13,257,950</u>	<u>1,562,419</u>	<u>1,165,378</u>	<u>146,826</u>	<u>24,946,821</u>
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	-	4,871	83,024	26,964	8,114	2,167	125,140
Add: reclassification	-	20,572	10,080	234	(25)	(10,965)	19,896
Less: sales	-	-	(28,503)	(31,232)	(823)	(430)	(60,988)
Less: retirement	-	-	(52,663)	(41,468)	(1,440)	-	(95,571)
Effect of movement in exchange rates	(841)	72,103	160,481	15,771	16,237	-	263,751
Balance on March 31, 2019	<u>\$ 644,334</u>	<u>8,306,716</u>	<u>13,880,047</u>	<u>1,677,147</u>	<u>1,185,789</u>	<u>116,340</u>	<u>25,810,373</u>
Depreciation and impairments loss:							
Balance on January 1, 2020	\$ -	3,759,924	10,591,974	1,158,879	709,887	-	16,220,664
Add: depreciation for the year	-	102,309	280,670	42,868	22,246	-	448,093
Less: sales	-	-	(94,535)	(5,508)	(1,654)	-	(101,697)
Less: retirement	-	(136)	(47,588)	-	(3,627)	-	(51,351)
Effect of movements in exchange rates	-	(24,204)	(49,741)	(4,459)	(2,508)	-	(80,912)
Balance on March 31, 2020	<u>\$ -</u>	<u>3,837,893</u>	<u>10,680,780</u>	<u>1,191,780</u>	<u>724,344</u>	<u>-</u>	<u>16,434,797</u>
Balance on January 1, 2019	\$ -	3,401,783	10,083,877	1,194,248	638,544	-	15,318,452
Add: depreciation for the year	-	111,068	319,424	48,263	24,772	-	503,527
Add: reclassification	-	-	-	-	(4)	-	(4)
Less: sales	-	-	(19,897)	(29,545)	(801)	-	(50,243)
Less: retirement	-	-	(52,604)	(41,428)	(1,395)	-	(95,427)
Effect of movements in exchange rates	-	41,782	106,895	8,371	6,044	-	163,092
Balance on March 31, 2019	<u>\$ -</u>	<u>3,554,633</u>	<u>10,437,695</u>	<u>1,179,909</u>	<u>667,160</u>	<u>-</u>	<u>15,839,397</u>
Carrying amounts:							
Balance on January 1, 2020	<u>\$ 643,283</u>	<u>4,446,082</u>	<u>2,813,457</u>	<u>414,854</u>	<u>442,457</u>	<u>149,304</u>	<u>8,909,437</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Balance on March 31, 2020	\$ 642,747	4,333,608	2,577,170	370,639	441,034	146,826	8,512,024
Balance on January 1, 2019	\$ 645,175	4,807,387	3,623,751	512,630	525,182	125,568	10,239,693
Balance on March 31, 2019	\$ 644,334	4,752,083	3,442,352	497,238	518,629	116,340	9,970,976

As of March 31, 2020, December 31 and March 31, 2019, 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:

	Land	Buildings and construction	Office and other equipment	Total
Cost:				
Balance on January 1, 2020	\$ 354,542	72,207	34,357	461,106
Acquisitions	-	1,769	2,667	4,436
Lease amendment	(652)	-	-	(652)
Effect of changes in foreign exchange rates	(1,109)	(3)	(318)	(1,430)
Balance on March 31, 2020	\$ 352,781	73,973	36,706	463,460
Balance on January 1, 2019	\$ 357,906	65,058	24,891	447,855
Acquisition	-	-	2,111	2,111
Effect of changes in foreign exchange rates	2,717	(159)	(219)	2,339
Balance on March 31, 2019	\$ 360,623	64,899	26,783	452,305
Accumulated depreciation and impairment losses:				
Balance on January 1, 2020	\$ 11,295	31,268	14,033	56,596
Depreciation for the year	2,801	8,747	4,019	15,567
Effect of changes in foreign exchange rates	(42)	(36)	(126)	(204)
Balance on March 31, 2020	\$ 14,054	39,979	17,926	71,959
Balance on January 1, 2019	\$ -	-	-	-
Depreciation for the year	2,865	7,690	3,263	13,818
Effect of changes in foreign exchange rates	2	(27)	(19)	(44)
Balance on March 31, 2019	\$ 2,867	7,663	3,244	13,774
Carrying amount:				
Balance on January 1, 2020	\$ 343,247	40,939	20,324	404,510
Balance on March 31, 2020	\$ 338,727	33,994	18,780	391,501
Balance on January 1, 2019	\$ 357,906	65,058	24,891	447,855
Balance on March 31, 2019	\$ 357,756	57,236	23,539	438,531

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

	March 31, 2020	December 31, 2019	March 31, 2019
Time deposits with maturities over three months	\$ 4,050,539	3,207,851	1,502,807
Restricted deposits	105,524	121,414	96,814
Other receivables	85,043	100,680	119,177
	<u>\$ 4,241,106</u>	<u>3,429,945</u>	<u>1,718,798</u>

As of March 31, 2020, December 31 and March 31, 2019, 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:

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured bank loans	<u>\$ 3,562,862</u>	<u>2,582,152</u>	<u>1,777,103</u>
Unused short-term credit lines	<u>\$ 12,641,591</u>	<u>15,356,175</u>	<u>13,882,421</u>
Annual interest rates	<u>0.45%~3.28%</u>	<u>0.43%~3.28%</u>	<u>0.42%~3.23%</u>

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

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

(n) Other current liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Refund liabilities – current	\$ 7,193	7,308	9,617
Derivative instruments not used for hedging	45,865	39,440	1,222
Wages and salaries payable	236,367	228,081	255,201
Other payables	870,658	896,328	945,998
Others	275,859	450,687	274,531
	<u>\$ 1,435,942</u>	<u>1,621,844</u>	<u>1,486,569</u>

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

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

The details were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured bank loans	\$ 43,358	53,644	65,198
Less: current portion	<u>(13,549)</u>	<u>(15,778)</u>	<u>(13,040)</u>
Total	<u>\$ 29,809</u>	<u>37,866</u>	<u>52,158</u>
Unused long-term credit lines	<u>\$ -</u>	<u>-</u>	<u>-</u>
Range of interest rates	<u>6.96%~7.81%</u>	<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(z) 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 three months ended March 31, 2020. Information on interest expense for the period is discussed in Note 6(y). Please refer to Note 6(o) of the 2019 annual consolidated financial statements for other related information.

(p) Convertible bonds payable

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

	March 31, 2020	December 31, 2019	March 31, 2019
Total convertible bonds issued	\$ 5,000,000	5,000,000	5,000,000
Unamortized discounted bonds payable	(2,022)	(6,066)	(18,184)
Cumulated repurchased and redeemed amount	<u>(3,873,900)</u>	<u>(3,873,900)</u>	<u>(3,873,900)</u>
	1,124,078	1,120,034	1,107,916
Unamortized amount of the cost of issuing convertible bonds	(125)	(375)	(1,125)
Bonds payable, current portion	<u>(1,123,953)</u>	<u>(1,119,659)</u>	<u>-</u>
Non-current	<u>\$ -</u>	<u>-</u>	<u>1,106,791</u>
Equity components – conversion options (recognized as capital surplus – redemption rights)	<u>\$ 87,820</u>	<u>87,820</u>	<u>87,820</u>

	For the three months ended March 31,	
	2020	2019
Interest expense	<u>\$ (4,044)</u>	<u>(4,016)</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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There were no significant changes in the convertible bonds payable of the Group in the three months ended March 31, 2020 and 2019. For related information, please refer to note 6(p) of the 2019 annual consolidated financial statements.

(q) Lease liabilities

The carrying amount of lease liabilities were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Current	\$ <u>45,205</u>	<u>49,958</u>	<u>49,628</u>
Non-current	\$ <u>256,823</u>	<u>262,852</u>	<u>287,077</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2020	2019
Interest on lease liabilities	\$ <u>1,398</u>	<u>1,595</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>1,336</u>	<u>997</u>
Expenses relating to short-term leases	\$ <u>6,571</u>	<u>11,642</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>94</u>	<u>78</u>

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

	For the three months ended March 31,	
	2020	2019
Total cash outflow for leases	\$ <u>23,809</u>	<u>26,596</u>

(i) Real estate leases

As of March 31, 2020 and 2019, the Group leases land and buildings for its office space and factory. The leases of land typically run for a period for 4 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.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(ii) Other leases

The Group leases vehicles and other equipment, with lease terms of 2 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) 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, 2019 and 2018.

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

	For the three months ended March 31,	
	2020	2019
Cost of sales and operating expenses	<u>\$ 673</u>	<u>832</u>

(ii) Defined contribution plans

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

	For the three months ended March 31,	
	2020	2019
Cost of sales and operating expenses	<u>\$ 23,254</u>	<u>35,241</u>

(s) 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 March 31,	
	2020	2019
Current tax expense	<u>\$ 35,747</u>	<u>40,062</u>

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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- (ii) The amount of income tax (profit) recognized in other comprehensive income was as follows:

	For the three months ended March 31,	
	2020	2019
Exchange differences on translating foreign operations	\$ <u>187</u>	<u>(1,611)</u>

- (iii) The tax authorities have examined the Company's income tax returns through 2018. The income tax returns of the subsidiaries in the ROC have been assessed by the tax authorities through 2018.
- (t) Capital and other equities

Except as described below, there were no significant changes in the capital and other equity in the three months ended March 31, 2020 and 2019. For related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2019.

As of March 31, 2020 and 2019, 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 443,343 and 443,051 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding in the three months ended March 31, 2020 and 2019 were as follows:

(in thousands of shares)	For the three months ended March 31	
	2020	2019
Balance on January 1	443,246	443,000
Employee stock options exercised	97	51
Balance on March 31	<u>443,343</u>	<u>443,051</u>

- (i) Ordinary shares

The employee stock options exercised in three months ended March 31, 2020 amounted to \$971, which resulted in a capital surplus of \$4,528 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$3,810). The registration procedures of the employee stock options amounting to \$1,266 had not been completed.

The employee stock options exercised in three months ended March 31, 2019 amounted to \$517, which resulted in capital surplus of \$2,442 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$2,014). 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:

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-in capital	\$ 7,814,805	7,810,277	7,801,213
Difference between consideration and carrying amount of subsidiaries disposed	74,397	74,397	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	87,820
Treasury stock resulting from the redemption of convertible bonds	983,812	983,812	983,812
Share-based payment – employee stock options	121,940	125,750	133,331
Others	<u>576</u>	<u>576</u>	<u>576</u>
	<u>\$ 9,089,839</u>	<u>9,089,121</u>	<u>9,160,328</u>

(iii) Retained earnings

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

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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3) Earnings distribution

The Company proposal the 2019 earning distribution in the board of directors' meeting on March 24, 2020; where as 2018 earning distribution had been approved in the shareholders' meeting on June 14, 2019. Information related to dividends distributed were as follows:

	2019		2018	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ <u>1.40</u>	<u>620,563</u>	<u>1.50</u>	<u>664,555</u>

(iv) Other equity (net of tax)

	Foreign exchange differences arising from foreign operation	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2020	\$ (863,785)	(597,254)	(1,461,039)
Foreign exchange differences (net of taxes):			
The Group	(86,344)	-	(86,344)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(65,501)	(65,501)
Balance on March 31, 2020	<u>\$ (950,129)</u>	<u>(662,755)</u>	<u>(1,612,884)</u>
Balance of January 1, 2019	\$ (632,321)	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):			
The Group	207,519	-	207,519
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(8,000)	(8,000)
Balance on March 31, 2019	<u>\$ (424,802)</u>	<u>(599,956)</u>	<u>(1,024,758)</u>

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(u) Share-based payment

Except as described below, there were no significant changes in the share-based payment of the Group in the three months ended March 31, 2020 and 2019. For related information, please refer to note 6(v) of the 2019 annual consolidated financial statements.

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

Three months ended March 31, 2020								
Date of issuance	2020.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2020.3.31 Outstanding units	2020.3.31 Exercisable units	Remaining duration
August 6, 2015	1,000	-	-	-	-	1,000	1,000	0.3 years
April 2, 2015	419,450	-	97,100	20,700	-	301,650	301,650	-
	<u>420,450</u>	<u>-</u>	<u>97,100</u>	<u>20,700</u>	<u>-</u>	<u>302,650</u>	<u>302,650</u>	
Weighted-average exercise price (dollars)	\$ <u>17.40</u>	<u>-</u>	<u>17.40</u>	<u>17.40</u>	<u>-</u>	<u>17.40</u>	<u>17.40</u>	
Three months ended March 31, 2019								
Date of issuance	2019.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2019.3.31 Outstanding units	2019.3.31 Exercisable units	Remaining duration
August 6, 2015	17,500	-	-	-	-	17,500	11,500	1.3 years
April 2, 2015	712,850	-	51,650	-	-	661,200	360,900	1.0 years
	<u>730,350</u>	<u>-</u>	<u>51,650</u>	<u>-</u>	<u>-</u>	<u>678,700</u>	<u>372,400</u>	
Weighted-average exercise price (dollars)	\$ <u>18.33</u>	<u>-</u>	<u>18.30</u>	<u>-</u>	<u>-</u>	<u>18.34</u>	<u>18.34</u>	

The compensation cost of the stock options amounted to \$0 and \$758 in the three months ended March 31, 2020 and 2019, respectively.

(v) Earnings per share

For the three months ended March 31, 2020 and 2019, the Group's basic and diluted earnings per share were calculated as follows:

		For the three months ended March 31,	
		2020	2019
Basic earnings per share:			
Profit attributable to ordinary shareholders of the Company		\$ <u>60,973</u>	<u>87,550</u>
Weighted-average number of outstanding ordinary shares (thousands)		<u>443,283</u>	<u>443,040</u>
Diluted earnings per share:			
Profit attributable to ordinary shareholders of the Company		\$ 60,973	87,550

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	<u>2020</u>	<u>2019</u>
Dilutive effect of potential ordinary shares:		
Convertible bonds	-	-
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u>\$ 60,973</u>	<u>87,550</u>
Weighted-average number of outstanding ordinary shares (thousands)	443,283	443,040
Dilutive effect of potential ordinary shares:		
Employee stock bonus	1,716	828
Convertible bonds	-	-
Employee stock options	<u>174</u>	<u>279</u>
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)	<u><u>445,173</u></u>	<u><u>444,147</u></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. The Company's convertible bonds did not have dilutive effect on EPS for the three months ended March 31, 2020 and 2019, so they are not included in the diluted earnings per share.

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>For the three months ended March 31, 2020</u>				
	<u>LED</u>	<u>LCD</u>	<u>Illumination</u>	<u>Others</u>	<u>Total</u>
Primary geographical markets:					
Asia	\$ 3,238,472	43,795	484,335	36,591	3,803,193
Europe	295,641	20,353	253,796	-	569,790
Others	<u>114,217</u>	<u>25,990</u>	<u>18,991</u>	<u>-</u>	<u>159,198</u>
Total	<u><u>\$ 3,648,330</u></u>	<u><u>90,138</u></u>	<u><u>757,122</u></u>	<u><u>36,591</u></u>	<u><u>4,532,181</u></u>
Major products					
Construction revenue	\$ -	-	308,532	-	308,532
Sales revenue	<u>3,648,330</u>	<u>90,138</u>	<u>448,590</u>	<u>36,591</u>	<u>4,223,649</u>
	<u><u>\$ 3,648,330</u></u>	<u><u>90,138</u></u>	<u><u>757,122</u></u>	<u><u>36,591</u></u>	<u><u>4,532,181</u></u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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For the three months ended March 31, 2019					
	<u>LED</u>	<u>LCD</u>	<u>Illumination</u>	<u>Others</u>	<u>Total</u>
Primary geographical markets:					
Asia	\$ 3,878,087	82,776	168,459	15,760	4,145,082
Europe	394,907	48,439	331,505	-	774,851
Others	163,568	45,689	-	-	209,257
Total	<u>\$ 4,436,562</u>	<u>176,904</u>	<u>499,964</u>	<u>15,760</u>	<u>5,129,190</u>
Major products					
Construction revenue	\$ -	-	10,239	-	10,239
Sales revenue	<u>4,436,562</u>	<u>176,904</u>	<u>489,725</u>	<u>15,760</u>	<u>5,118,951</u>
	<u>\$ 4,436,562</u>	<u>176,904</u>	<u>499,964</u>	<u>15,760</u>	<u>5,129,190</u>

(ii) Contract balance

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	\$ 16,490	27,542	17,048
Accounts receivables	5,492,672	6,310,794	6,269,204
Less: allowance for impairment	<u>(150,989)</u>	<u>(147,549)</u>	<u>(129,205)</u>
	<u>\$ 5,358,173</u>	<u>6,190,787</u>	<u>6,157,047</u>
Contract assets-illumination	<u>\$ 375,140</u>	<u>106,363</u>	<u>2,069</u>
Contract liabilities	<u>\$ 19,710</u>	<u>23,752</u>	<u>9,671</u>

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

The amount of revenue recognized for the three months ended March 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$6,926 and \$9,243, respectively.

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.

(x) Remuneration of employees, directors, and supervisors

In accordance with the revised articles of the Company 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 not exceeding 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 Board of meeting.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The remuneration to employees amounted to \$6,819, and \$12,048, and the remuneration to directors and supervisors amounted to \$1,136, and \$1,205 in the three months ended March 31, 2020 and 2019, 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 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 \$97,931 and \$59,098, and the remuneration to directors and supervisors amounted to \$10,486 and \$6,895, in 2019 and 2018, 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 2019 and 2018.

(y) Non-operating income and expenses

For the three months ended March 31, 2020 and 2019, the interest income and finance costs were as follows:

(i) Interest income

For the three months ended March 31,	
	2020 2019
Cash in banks	\$ 14,232 9,396
Other	924 686
	<u>\$ 15,156 10,082</u>

(ii) Finance costs – interest expenses

For the three months ended March 31,	
	2020 2019
Loans	\$ 11,190 9,750
Lease liabilities	1,398 1,595
Convertible Bonds	4,044 4,016
	<u>\$ 16,632 15,361</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(z) 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(aa) of the 2019 annual consolidated financial statement.

(i) Credit risk

1) Exposure to credit risk

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

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>
March 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 3,562,862	(3,562,862)	(3,562,862)	-	-
Notes and accounts payable (including related parties)	3,970,952	(3,970,952)	(3,970,952)	-	-
Payables on construction and equipment	244,706	(244,706)	(244,706)	-	-
Other payables	870,658	(870,658)	(870,658)	-	-
Lease liabilities (including current and non-current)	302,028	(398,875)	(50,101)	(35,500)	(313,274)
Unsecured convertible bonds	1,124,078	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	43,358	(43,358)	(13,549)	(13,549)	(16,260)
Guaranteed deposits received	209,617	(209,617)	-	-	(209,617)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	8,816				
Outflow	-	(888,798)	(888,798)	-	-
Inflow	-	880,045	880,045	-	-

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
Cross currency swap:	37,049				
Outflow	-	(1,242,000)	(1,242,000)	-	-
Inflow	-	1,210,160	1,210,160	-	-
	<u>\$ 10,374,124</u>	<u>(10,467,721)</u>	<u>(9,879,521)</u>	<u>(49,049)</u>	<u>(539,151)</u>
December 31, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,582,152	(2,582,152)	(2,582,152)	-	-
Notes and accounts payable (including related parties)	4,367,416	(4,367,416)	(4,367,416)	-	-
Payables on construction and equipment	298,852	(298,852)	(298,852)	-	-
Other payables	896,328	(896,328)	(896,328)	-	-
Lease liabilities (including current and non-current)	312,810	(410,960)	(55,075)	(39,776)	(316,109)
Unsecured convertible bonds	1,120,034	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	53,644	(53,644)	(15,778)	(15,778)	(22,088)
Guaranteed deposits received	198,252	(198,252)	-	-	(198,252)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	1,128				
Outflow	-	(118,174)	(118,174)	-	-
Inflow	-	117,355	117,355	-	-
Cross currency swap:	38,312				
Outflow	-	(942,000)	(942,000)	-	-
Inflow	-	903,180	903,180	-	-
	<u>\$ 9,868,928</u>	<u>(9,973,343)</u>	<u>(9,381,340)</u>	<u>(55,554)</u>	<u>(536,449)</u>
March 31, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,777,103	(1,777,103)	(1,777,103)	-	-
Notes and accounts payable (including related parties)	3,988,999	(3,988,999)	(3,988,999)	-	-
Payables on construction and equipment	292,503	(292,503)	(292,503)	-	-
Other payables	945,998	(945,998)	(945,998)	-	-
Lease liabilities (including current and non-current)	336,705	(438,962)	(55,343)	(41,812)	(341,807)
Unsecured convertible bonds	1,107,916	(1,126,100)	-	(1,126,100)	-
Long-term loans (including current portion)	65,198	(65,198)	(13,040)	(13,040)	(39,118)
Guaranteed deposits received	136,184	(136,184)	-	-	(136,184)

(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>
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	(1,222)				
Outflow	-	(524,025)	(524,025)	-	-
Inflow	-	522,786	522,786	-	-
	<u>\$ 8,649,384</u>	<u>(8,772,286)</u>	<u>(7,074,225)</u>	<u>(1,180,952)</u>	<u>(517,109)</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

<u>March 31, 2020</u>				<u>December 31, 2019</u>			<u>March 31, 2019</u>		
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets									
Monetary items									
USD	\$ 123,145	USD/TWD =30.254	3,725,629	140,990	USD/TWD =30.106	4,244,645	130,917	USD/TWD =30.825	4,035,517
RMB	428,946	RMB/TWD =4.2727	1,832,758	360,871	RMB/TWD =4.3245	1,560,587	446,200	RMB/TWD =4.5932	2,049,486
HKD	282,559	HKD/TWD =3.9031	1,102,856	388,964	HKD/TWD =3.9251	1,503,229	307,761	HKD/TWD =3.9269	1,208,547
Financial liabilities									
Monetary items									
USD	103,155	USD/TWD =30.254	3,120,851	81,687	USD/TWD =30.106	2,459,269	87,511	USD/TWD =30.825	2,697,527
USD	36,015	USD/RMB =7.0807	1,089,598	39,782	USD/RMB =6.962	1,197,677	40,433	USD/RMB =6.7110	1,246,347
RMB	871,387	RMB/TWD =4.2727	3,723,175	979,661	RMB/TWD =4.3245	4,236,544	613,791	RMB/TWD =4.5932	2,819,265

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 March 31, 2020 and 2019 would have decreased (increased) the net profit before tax by \$60,667 for the three months ended March 31, 2020, and increased (decreased) the net profit before tax by \$121,137 for the three months ended March 31, 2019. The analysis is performed on the same basis for both periods.

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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 March 31, 2020 and 2019, the foreign exchange gains or losses, including both realized and unrealized, amounted to gains \$41,202 and losses \$25,385, respectively.

4) Interest rate analysis

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

	Carrying amount		
	March 31, 2020	December 31, 2019	March 31, 2019
Variable rate instruments:			
Financial assets	\$ 4,837,531	4,708,126	3,828,017
Financial liabilities	<u>(1,961,213)</u>	<u>(1,127,971)</u>	<u>(1,312,237)</u>
	<u>\$ 2,876,318</u>	<u>3,580,155</u>	<u>2,515,780</u>

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

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax in the three months ended March 31, 2020 and 2019, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

	For the three months ended March 31,	
	2020	2019
Increase by 0.25%	\$ 1,798	1,572
Decrease by 0.25%	(1,798)	(1,572)

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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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.

	March 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 2,089	-	2,089	-	2,089
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>2,369,558</u>	123,279	2,246,279	-	2,369,558
	<u>2,371,647</u>				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	258,004	258,004	-	-	258,004
Unquoted equity instruments	<u>2,253</u>	-	-	2,253	2,253
	<u>260,257</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	3,639,299	-	-	-	-
Notes and accounts receivable (including related parties)	5,237,558	-	-	-	-
Other current financial assets	4,241,106	-	-	-	-
Refundable deposits (recorded as other non-current assets)	134,934	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	197,404	-	-	-	-
Restricted deposits (recorded as other non-current assets)	<u>222,083</u>	-	-	-	-

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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March 31, 2020					
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
	13,672,384				
	<u>\$ 16,304,288</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ 45,865	-	45,865	-	45,865
Financial liabilities measured at amortized cost:					
Short-term borrowings	3,562,862	-	-	-	-
Notes and accounts payable (including related parties)	3,970,952	-	-	-	-
Payable on construction and equipment	244,706	-	-	-	-
Lease liabilities	302,028	-	-	-	-
Other current payables (recorded as other current liabilities)	870,658	-	-	-	-
Bonds payable (including current portion)	1,124,078	-	-	-	-
Long-term loans (including current portion)	43,358	-	-	-	-
Guaranteed deposits received	209,617	-	-	-	-
	<u>10,328,259</u>				
	<u>\$ 10,374,124</u>				
December 31, 2019					
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 15,393	-	15,393	-	15,393
Non-derivative financial assets mandatorily measured at fair value through profit or loss	622,690	129,544	493,146	-	622,690
	<u>638,083</u>				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	323,505	323,505	-	-	323,505
Unquoted equity instruments	2,253	-	-	2,253	2,253
	<u>325,758</u>				

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	December 31, 2019				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost:					
Cash and cash equivalents	4,982,698	-	-	-	-
Notes and accounts receivable (including related parties)	6,062,393	-	-	-	-
Other current financial assets	3,429,945	-	-	-	-
Refundable deposits (recorded as other non-current assets)	137,724	-	-	-	-
Long-term accounts receivable (recorded as other non-current assets)	205,725	-	-	-	-
Restricted deposits (recorded as other non-current assets)	<u>222,083</u>	-	-	-	-
	<u>15,040,568</u>				
	<u>\$ 16,004,409</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ <u>39,440</u>	-	39,440	-	39,440
	<u>39,440</u>				
Financial liabilities measured at amortized cost:					
Short-term borrowings	2,582,152	-	-	-	-
Notes and accounts payable (including related parties)	4,367,416	-	-	-	-
Payables on construction and equipment	298,852	-	-	-	-
Lease liabilities	312,810	-	-	-	-
Other current payables (recorded as other current liabilities)	896,328	-	-	-	-
Bonds payable (including current portion)	1,120,034	-	-	-	-
Long-term loans (including current portion)	53,644	-	-	-	-
Guaranteed deposits received	<u>198,252</u>	-	-	-	-
	<u>9,829,488</u>				
	<u>\$ 9,868,928</u>				

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	March 31, 2019				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 15,183	-	15,183	-	15,183
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>1,886,007</u>	158,777	1,727,230	-	1,886,007
	<u>1,901,190</u>				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	248,004	248,004	-	-	248,004
Unquoted equity instruments	<u>75,052</u>	-	-	75,052	75,052
	<u>323,056</u>				
Financial assets measured at amortized cost:					
Cash and cash equivalents	3,816,866	-	-	-	-
Notes and accounts receivable (including related parties)	6,042,606	-	-	-	-
Other current financial assets	1,718,798	-	-	-	-
Refundable deposits (recorded as other non-current assets)	165,442	-	-	-	-
Long-term accounts receivable (recorded as other non-current assets)	114,441	-	-	-	-
Restricted deposits (recorded as other non-current assets)	<u>6,974</u>	-	-	-	-
	<u>11,865,127</u>				
	<u>\$ 14,089,373</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	<u>\$ 1,222</u>	-	1,222	-	1,222
	<u>1,222</u>				
Financial liabilities measured at amortized cost:					
Short-term borrowings	1,777,103	-	-	-	-
Notes and accounts payable (including related parties)	3,988,999	-	-	-	-
Payables on construction and equipment	292,503	-	-	-	-
Lease liabilities	336,705	-	-	-	-
Other current payables (recorded as other current liabilities)	945,998	-	-	-	-
Long-term loans (including current portion)	65,198	-	-	-	-
Bonds payable (including current portion)	1,107,916	-	-	-	-
Guarantee deposits received	<u>136,184</u>	-	-	-	-
	<u>8,650,606</u>				
	<u>\$ 8,651,828</u>				

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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 three months ended March 31, 2020 and 2019.
- 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 three months ended March 31, 2020 and 2019:

	Current financial assets at fair value through other comprehensive income – unquoted equity instruments
Balance on January 1, 2020	\$ 2,253
Total gains and losses recognized:	
In profit (loss)	-
In other comprehensive income	-
Balance on March 31, 2020	<u>\$ 2,253</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	Current financial assets at fair value through other comprehensive income – unquoted equity instruments
Balance on January 1, 2019	\$ 75,052
Total gains and losses recognized:	
In profit (loss)	-
In other comprehensive income	-
Balance on March 31, 2019	<u>\$ 75,052</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 March 31, 2020 and 2019 were as follows:

	For the three months ended March 31,	
	2020	2019
Total gains and losses recognized:		
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	\$ -	-

- 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.

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.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Current financial assets at fair value through other comprehensive income (equity instruments without quoted prices)	Guideline Public Company method - Price-Book Method	<ul style="list-style-type: none"> Price-to-Book ratio (P/B Ratio) (0.405, 0.405 and 0.53 on March 31, 2020, December 31 and March 31, 2019, respectively) Lack of marketability discount rate (20% on March 31, 2020, December 31 and March 31, 2019) 	<ul style="list-style-type: none"> The higher the P/B ratio, the higher the fair value. The higher the lack of marketability discount, the lower the fair value.

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

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

			Impacts of fair value changes on other comprehensive income	
	Input	Variation	Advantageous change	Disadvantageous change
March 31, 2020				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ 110	110
"	Lack of marketability discount	5%	\$ 110	110
March 31, 2019				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ 3,000	3,000
"	Lack of marketability discount	5%	\$ 3,000	3,000

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.

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

(aa) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(ab) of the 2019 annual consolidated financial statements.

(ab) 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(ac) of the 2019 annual consolidated financial statements. Also, management believes that there were no significant changes in the Group's capital management information as disclosed in the 2019 annual financial statements.

(ac) 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 three months ended March 31, 2020 and 2019, were acquisition of right-of-use assets by lease; please refer to note 6(k). Reconciliations of liabilities arising from financing activities were as follows:

	Non-cash changes					
	January 1, 2020	Cash flows	Amendment	Amortization of interest and issuance costs	Foreign exchange movement	March 31, 2020
Short-term borrowings	\$ 2,582,152	980,710	-	-	-	3,562,862
Long-term borrowings	53,644	(2,710)	-	-	(7,576)	43,358
Lease liabilities	312,810	(14,410)	3,784	-	(156)	302,028
Bonds payable	1,119,659	-	-	4,294	-	1,123,953
Guarantee deposits received	198,252	11,365	-	-	-	209,617
Total liabilities from financing activities	<u>\$ 4,266,517</u>	<u>974,955</u>	<u>3,784</u>	<u>4,294</u>	<u>(7,732)</u>	<u>5,241,818</u>
	Non-cash changes					
	January 1, 2019	Cash flow	Acquisition	Amortization of interest and issuance costs	Foreign exchange movement	March 31, 2019
Short-term borrowings	\$ 3,111,970	(1,334,867)	-	-	-	1,777,103
Long-term borrowings	64,789	-	-	-	409	65,198
Lease liabilities	347,210	(12,284)	2,111	-	(332)	336,705
Bonds payable	1,102,525	-	-	4,266	-	1,106,791
Guarantee deposits received	131,369	4,815	-	-	-	136,184
Total liabilities from financing activities	<u>\$ 4,757,863</u>	<u>(1,342,336)</u>	<u>2,111</u>	<u>4,266</u>	<u>77</u>	<u>3,421,981</u>

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

(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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
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
Well Service Company Ltd. (Well)	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 March 31,	
	<u>2020</u>	<u>2019</u>
Associates	\$ 12,883	12,466
Other related parties	-	21,610
	<u>\$ 12,883</u>	<u>34,076</u>

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

(ii) Purchase

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

	For the three months ended March 31,	
	<u>2020</u>	<u>2019</u>
Associates	\$ 97,509	105,765
Other related parties-Epistar	-	343,483
	<u>\$ 97,509</u>	<u>449,248</u>

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

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:

<u>Related party categories</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Associates	\$ 30,904	34,684	30,486
Other related parties	-	-	52,567
	<u>\$ 30,904</u>	<u>34,684</u>	<u>83,053</u>

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Related party categories</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Associates	\$ 164,352	168,285	174,772
Other related parties-Epistar	-	-	766,609
	<u>\$ 164,352</u>	<u>168,285</u>	<u>941,381</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 10,694	8,247
Others	1,266	1,197
	<u>\$ 11,960</u>	<u>9,444</u>

There are no termination benefits and other long-term benefits. Please refer to note 6(v) for the explanation of share-based payment.

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

(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

<u>Assets</u>	<u>Objectives</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Time deposits and restricted deposits (recorded as other financial assets – non-current)	Guarantee for contract grant and guarantee for construction contracts	\$ 222,083	222,083	6,974
Restricted deposits (recorded as other financial assets-current)	Contract of accounts receivable factoring	105,524	121,414	96,814
		<u>\$ 327,607</u>	<u>343,497</u>	<u>103,788</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 2019 annual consolidated financial statements.
- (b) Significant commitments unrecognized:
- (i) As of March 31, 2020, December 31, and March 31, 2019, the Group's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$801,828, \$931,964 and \$647,255, respectively.

(10) Losses Due to Major Disasters: none

(11) Subsequent Events: none

(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 March 31, 2020			Three months ended March 31, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	351,435	406,495	757,930	376,010	395,865	771,875
Labor and health insurance	17,684	38,165	55,849	20,927	39,707	60,634
Pension	11,393	12,534	23,927	21,623	14,450	36,073
Others	26,864	16,830	43,694	27,047	16,476	43,523
Depreciation	303,426	160,234	463,660	350,587	166,758	517,345
Amortization	11,059	6,240	17,299	12,677	10,280	22,957

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

(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 three months ended March 31, 2020:

(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	300,141 (EUR9,000)	300,141 (EUR9,000)	300,141	1.0%	Short-term financing	-	Business turnover	-		-	1,675,371	6,701,484
1	Everlight Zhongshan	Zhongshan Everlight Lighting	Other receivables	Yes	63,962 (RMB14,970)	44,735 (RMB10,470)	44,735 (RMB10,470)	2.5%	Short-term financing	-	"	-		-	356,345	356,345
2	Everlight BVI	WOFI Holding	"	Yes	66,698 (EUR2,000)	66,698 (EUR2,000)	66,698 (EUR2,000)	-%	Short-term financing	-	"	-		-	2,746,322	2,746,322
3	Everlight BVI	Everlight China	"	Yes	302,540 (USD10,000)	302,540 (USD10,000)	-	-%	Short-term financing	-	"	-		-	2,746,322	2,746,322

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 March 31, 2020 (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	Shares/Units (thousands)	Ending balance			Fair value	Note
					Carrying value (Note 1)	Percentage of ownership (%)			
The Company	On-Bright Electronics Co., Ltd.	None	Current financial assets at fair value through profit or loss	100	\$ 22,400	-%		22,400	
"	SinoPac TWD Money Market Fund	"	"	3,377	47,241	-%		47,241	
"	Cathay Financial Holding Co., Ltd. Preferred Stock B	"	"	100	6,110	-%		6,110	
"	Gigasolar Materials Corporation convertible bonds	"	"	200	19,200	-%		19,200	
"	Global PMX Co., Ltd. convertible bonds	"	"	15	1,542	-%		1,542	
					<u>\$ 96,493</u>				
The Company	Hua-chuang Automobile Information Technical Center Co., Ltd., Stocks	Note	Non-current financial assets at fair value through other comprehensive income	11,320	2,253	3.45%		2,253	
"	Epistar Co., Ltd (Epistar) Stocks	"	"	10,000	258,004	0.92%		258,004	
					<u>\$ 260,257</u>				
Pai-ye	Taishin Ta-Chong Money Market Fund	None	Current financial assets at fair value through profit or loss	1,876	26,786	-%		26,786	
"	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	38,196	10%		38,196	
Everlight Fujian	Kaistar Lighting (Xiamen) Co., Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	341,816 (RMB80,000)	3.97%		341,816	

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Name of holder	Category and name of security	Relationship with security issuer	Account name	Shares/Units (thousands)	Ending balance			Note
					Carrying value (Note 1)	Percentage of ownership (%)	Fair value	
Everlight Fujian	Country Lighting (H.V.I.) Ltd.	None	Current financial assets at fair value through profit or loss	(Note 2)	19,253 (RMB4,506)	8.21%	19,253	
"	Financial products	"	"	-	287,636 (RMB67,319)	-%	287,636	
					<u>\$ 713,687</u>			
Everlight Electronic (Guangzhou)	Financial products	None	Current financial assets at fair value through profit or loss	-	24,782 (RMB5,800)	-%	24,872	
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	86,230 (RMB20,181)	-%	86,230	
"	Financial products	"	"	-	301,063 (RMB70,462)	-%	301,063	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	172,233 (RMB40,310)	-%	172,233	
"	Financial products	"	"	-	975,070 (RMB228,209)	-%	975,070	

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

Note 2 : Company Limited.

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

Unit: foreign currency in thousand dollars

Name of Company	Name of Counter-party	Relationship	Transaction Details				Abnormal Transaction		Notes/ Account (Payable) or Receivable		Note
			Purchase/ (Sale)	Amount (Note 1)	Percentage of total purchases/ sales	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 3)	Percentage of total notes/accounts receivable (payable)	
The Company	Evilite	100% owned subsidiary	(Sales)	\$ (294,709)	(8)%	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	405,179	8 %	Note 2
"	Everlight Europe	75% owned subsidiary	(Sales)	(220,362)	(6)%	OA 120	"	"	196,764	4 %	"
"	Everlight Lighting China	100% owned sub-subsiary	(Sales)	(129,863)	(3)%	Depending on the credit conditions of the ultimate customers	"	"	514,382	10 %	"
"	Everlight China	100% owned sub-subsiary	Purchases	1,689,260	67%	Depending on the demand for funding, OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(3,138,840)	(66)%	"
Everlight China	The Company	Ultimate holding company	(Sales)	(1,758,055) (RMB(406,976))	(99)%	Depending on the demand for funding, OA 120	-	Depending on the funding demand of both sides	3,139,150 (RMB734,699)	99 %	"
Everlight Lighting China	The Company	Ultimate holding company	Purchases	204,279 (RMB47,289)	51%	Depending on the terms of the ultimate customer	-	"	(523,631) (RMB(122,553))	(62)%	"
Everlight Europe	The Company	Ultimate holding company	Purchases	218,834 (EUR6,594)	100%	OA 120	-	-	(195,559) (EUR(5,864))	(100)%	"
Evilite	The Company	Ultimate holding company	Purchases	298,284 (HKD76,919)	100%	OA 90	-	Depending on the funding demand of both sides	(405,351) (HKD(103,854))	(100)%	"

Note 1: The amounts were translated into New Taiwan dollars at the three months ended March 31, 2020 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
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- (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	196,764	4.44	-		53,964 (USD449、EUR1,211)	-
"	ELA	99% owned subsidiary	153,874	1.54	-		17,101 (USD565)	-
"	Evlite	100% owned subsidiary	405,179	2.78	-		104,609 (USD211、HKD25,168)	-
"	"	"	127,368 (Note 3)	-	-		127,368 (HKD5,456、USD3,766)	-
"	Everlight Lighting China	100% owned subsidiary	514,382	0.97	-		44,965 (RMB10,523)	-
"	WOFI Holding	100% owned subsidiary	305,540 (Note 4)	-	-		-	-
Everlight China	The Company	Ultimate holding company	3,139,150	2.06	-		773,842 (RMB181,113)	-
Everlight Zhongshan	The Company	Ultimate holding company	144,026	2.31	-		26,076 (RMB6,103)	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	194,806 (USD6,439)	1.01	-		36,183 (USD1,196)	-

Note 1 : Information as of May 13, 2020.

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

Note 3 : Receivables collected by subsidiary.

Note 4 : Lending funds (including interest).

Note 5 : 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	220,362	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	5 %
			1	Accounts receivable	196,764	"	1 %
0	The Company	ELA	1	Accounts receivable	153,874	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	1 %
0	The Company	Evlite	1	Sales revenue	294,709	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	7 %
			1	Accounts receivable	405,179	"	1 %
			1	Other receivable due from related parties (Note 3)	127,368	Depend on the demand for funding.	- %
0	The Company	Everlight Lighting China	1	Sales revenue	129,863	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	3 %

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

No. (Note 1)	Name of company	Counter- party	Relationship (Note 2)	Intercompany transactions			Percentage of consolidated net revenue or total assets
				Financial statements accounts	Amount	Terms	
	The Company	Everlight Lighting Chin	1	Accounts receivable	514,382	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	2 %
0	The Company	WOFI Holding	1	Other receivable due from related parties (Note 4)	305,540	Rate 1.0%	1 %
1	Everlight China	The Company	2	Sales revenue	1,758,055	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 120 days.	39 %
			2	Accounts receivable	3,139,150	"	11 %
2	Everlight Zhongshan	The Company	2	Accounts receivable	144,026	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 95 days.	1 %
3	Vbest Kunshan	Evervision TW	3	Accounts receivable	194,806	There is no significant difference on the price offered to general customers; and the credit period is OA 150 days.	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: Receivables collected by subsidiary.

Note 4: Lending funds (including interest).

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2020 (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 4)	Share of profits/losses of investee	Note
				March 31, 2020	December 31, 2019	Shares (In thousands)	Percentage of ownership	Carrying value			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	4,759,166	4,759,166	1,483	98%	\$ 6,726,806	(37,753)	(36,998)	Subsidiaries (Note 4)
"	Pai-ye	New Taipei City	Investment	580,253	580,253	23,940	100%	456,570	(8,205)	(8,205)	Subsidiaries (Note 4)
"	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(95,101)	(7,013)	(6,936)	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%	175,637	(20,010)	(4,857)	Subsidiaries (Note 4)
"	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	56,064	6,094	4,571	Subsidiaries (Note 4)
"	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	33,794	337	337	Subsidiaries (Note 4)
"	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	405,453	(20,053)	(20,053)	Subsidiaries (Note 4)
"	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	265,991	35,299	35,357	Subsidiaries (Note 4)
"	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	38,387	(33,151)	(3,202)	(Note 1)
"	Ev-lite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	106,868	(297)	(297)	Subsidiaries (Note 4)
"	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	11,133	(812)	(649)	Subsidiaries (Note 4)
"	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	12,225	(INR(1,951))	(585)	Subsidiaries (Note 4)
"	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	(139,033)	(23,396)	(23,396)	Subsidiaries (Note 4)

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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 4)	Share of profits/losses of investee	Note
				March 31, 2020	December 31, 2019	Shares (In thousands)	Percentage of ownership	Carrying value			
The Company	ELI	Japan	Sale of LEDs	14,911	14,911	5	100%	10,018	(3,004)	(3,004)	
Pai-ye	Everlight BVI	Registered in British Virgin Islands	Investment	124,508	124,508	38	2%	138,999	(37,753)	(755)	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%	99,127	(20,010)	(2,695)	Subsidiaries (Note 4)
"	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	22,607	18,867	5,043	5.24%	20,386	(33,151)	(1,737)	Note 2
"	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	758	-	-	Sub-subsidiaries (Note 4)
"	ELI	India	Sale of LEDs	493	493	88	20%	2,962	(812) (INR(1,951))	(163)	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%	172,300	(20,010)	(5,555)	Subsidiaries (Note 4)
"	EleOcom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	45,000	45,000	4,500	32.14%	-	-	(14,792)	-
Evervision	Weil	Hsinchu County	Electronic material trading	14,000	14,000	200	20%	4,569	1,602	320	-

Note 1: The market price is \$28,803 thousand dollars.

Note 2: The market price is \$15,633 thousand dollars.

Note 3: The amounts were translated into New Taiwan dollars at the three months ended March 31, 2020 average exchange rates.

Note 4: The transactions between companies mentioned in note 3 had been eliminated in the consolidated financial statements.

(c) Information on investment in Mainland China:

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

Unit: foreign currency in thousand dollars

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2020	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 March 31, 2020 (Note 6)	Accumulated remittance of earnings as of March 31, 2020
					Outflow	Inflow						
The Company and Pai-ye:												
Everlight China	Manufacture of LEDs	3,712,106 (US\$113,500 + RMB65,129) (Note 7)	(Note 1)	3,338,831 (US\$110,360)	-	-	3,338,831 (US\$110,360)	(32,034)	100%	(32,034)	5,379,110	(Note 8)
Everlight Lighting China	Sale of LEDs	242,032 (US\$8,000) (Note 11)	(Note 1)	157,321 (US\$5,200)	-	-	157,321 (US\$5,200)	(6,392)	100%	(6,392) (Note 12)	158,231 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	196,145 (US\$128 + RMB45,000) (Note 19)	(Note 1)	3,873 (US\$128)	-	-	3,873 (US\$128)	(21)	100%	(21) (Note 20)	19,392 (Note 20)	-
Everlight Zhongshan	Manufacture of LED related components	907,620 (US\$30,000)	(Note 1)	907,620 (US\$30,000)	-	-	907,620 (US\$30,000)	(1,224)	100%	(1,224)	890,863	-
Everlight Fujian	Manufacture and sale of LED backlights and related	756,350 (US\$25,000)	(Note 1)	649,154 (US\$16,250 + RMB36,868)	-	-	649,154 (US\$16,250 + RMB36,868)	2,112	90%	1,901	583,852	-
Shanghai Yaming Lighting Co., Ltd. (Yaming)	Assemble LED lighting products	85,454 (RMB20,000)	(Note 1)	44,292 (US\$1,464)	-	-	44,292 (US\$1,464)	-	50%	-	-	-
ELMS	Research and sale of LED lighting products	405,907 (RMB95,000) (Note 22)	Direct investment	105,641 (US\$1,294 + RMB15,562)	-	-	105,641 (US\$1,294 + RMB15,562)	(1,806)	100%	(1,806) (Note 21)	7,686 (Note 21)	-
Yi-Yao	Research of electronic components	49,008 (RMB11,470)	(Note 1)	27,610 (RMB6,462)	-	-	27,610 (RMB6,462)	-	-	- (Note 9)	(Note 9)	-

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Notes to the Consolidated Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2020	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 March 31, 2020 (Note 6)	Accumulated remittance of earnings as of March 31, 2020
					Outflow	Inflow						
Evervision TW:												
Vbest Kunshan	Post-assemble STN display and assemble module	544,572 (US\$18,000)	(Note 2)	544,572 (US\$18,000)	-	-	544,572 (US\$18,000)	(21,031)	65.50%	(13,775)	412,894	-
Everlight Lighting China: Zhongshan	Research and sale of LED lighting products	85,454 (RMB20,000)	(Note 3)	-	-	-	-	(132)	100%	(132)	(49,767)	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of March 31, 2020 (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)	5,364,645 (US\$169,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 16 and 17)	5,425,576 (US\$170,829 thousand 、 RMB60,223 thousand)	10,052,226
ELIT	141,743 (US\$2,723 thousand 、 RMB13,893 thousand) (Notes 9 and 18)	141,743 (US\$2,723 thousand 、 RMB13,893 thousand)	159,525 (Note 13)
Evervision TW	639,449 (Note 15 and 23) (US\$21,136 thousand)	639,449 (US\$21,136 thousand)	443,721 (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 three months ended March 31 average exchange rates in 2020.

Note 5: Including the investment amount of US\$ 3,790 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: The liquidation of Yi-Yao was completed in January 2020; the aforesaid investment amounting to US\$48 thousand was included in the Company's accumulated outflow of investment from Taiwan and amounting to US\$723 thousand was included in the ELIT's accumulated outflow of investment from Taiwan.

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
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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 Eversion 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: 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 20: Including the gains or losses on investment and ending balance of carrying value of investment in Everlight Electronic (Guangzhou) by Everlight China.

Note 21: Including the gains or losses on investment and ending balance of the carrying value of investment in ELMS by Everlight Electronic (Guangzhou).

Note 22: 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 23: The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to US\$386 thousand was included in the Eversion company's accumulated outflow of investment from Taiwan.

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Group and the investee companies in Mainland China for the three months ended March 31, 2020.

(d) Major shareholders: There is no shareholders holding more than 5% shares.

(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 three months ended March 31, 2020 and 2019.

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 March 31, 2020						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 3,648,330	90,138	757,122	36,591	-	4,532,181
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 3,648,330</u>	<u>90,138</u>	<u>757,122</u>	<u>36,591</u>	<u>-</u>	<u>4,532,181</u>
Reportable segment profit (loss)	<u>\$ 52,037</u>	<u>(33,105)</u>	<u>12,673</u>	<u>(7,727)</u>	<u>-</u>	<u>23,878</u>
For the three months ended March 31, 2019						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 4,436,562	176,904	499,964	15,760	-	5,129,190
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 4,436,562</u>	<u>176,904</u>	<u>499,964</u>	<u>15,760</u>	<u>-</u>	<u>5,129,190</u>
Reportable segment profit (loss)	<u>\$ 138,797</u>	<u>4,039</u>	<u>(29,426)</u>	<u>1,588</u>	<u>-</u>	<u>114,998</u>