

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 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 June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the changes in equity and cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$4,635,166 thousand and \$6,464,392 thousand, constituting 16% and 23% of the consolidated total assets; and the total liabilities amounting to \$880,734 thousand and \$1,533,365 thousand, constituting 8% and 13% of the consolidated total liabilities as of June 30, 2020 and 2019, respectively; as well as the absolute value of the total comprehensive income (loss) amounting to \$(26,584) thousand, \$(206,256) thousand, \$(114,395) thousand and \$(310,085) thousand, constituting 7%, 171%, 40% and 74% of the consolidated total comprehensive income (loss) for the three months and six months then ended, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of the Group in its investee companies of \$67,020 thousand and \$131,801 thousand as of June 30, 2020 and 2019, respectively, and its equity in net earnings on these investee companies of \$(10,818) thousand, \$(6,992) thousand, \$(30,229) thousand and \$(13,067) thousand for the three months and six months then ended, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months then ended, as well as its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
August 12, 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 June 30, 2020 and 2019

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020, December 31, 2019, and June 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2020		December 31, 2019		June 30, 2019	
		Amount	%	Amount	%	Amount	%
Assets							
Current assets:							
1100	Cash and cash equivalents (note 6(a))	\$ 4,742,946	17	4,982,698	18	3,484,869	12
1110	Current financial assets at fair value through profit or loss (note 6(b))	1,546,099	5	596,882	2	2,138,031	7
1140	Current contract assets (note 6(w))	45,542	-	106,363	-	1,256	-
1170	Notes and accounts receivable, net (note 6(d))	6,220,988	22	6,027,709	21	6,547,387	23
1180	Accounts receivable due from related parties, net (notes 6(d) and 7)	33,183	-	34,684	-	28,095	-
1310	Inventories(note 6(f))	1,514,419	5	1,785,349	6	1,512,704	5
1470	Other current assets	433,326	2	423,006	2	533,429	2
1476	Other current financial assets (notes 6(a), 6(d), 6(e), 6(f) and 8)	3,365,907	12	3,429,945	12	2,795,342	10
		17,902,410	63	17,386,636	61	17,041,113	59
Non-current assets:							
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	34,007	-	41,201	-	34,596	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	-	-	325,758	1	325,056	1
1550	Investments accounted for using equity method, net (note 6(g))	67,020	-	79,013	-	131,801	-
1560	Non-current contract assets (note 6(w))	560,881	2	-	-	-	-
1600	Property, plant and equipment (note 6(j))	8,328,464	30	8,909,437	32	9,647,701	34
1755	Right-of-use assets (note 6(k))	381,800	1	404,510	2	423,952	2
1780	Intangible assets	95,954	-	82,650	-	104,923	-
1840	Deferred tax assets	457,111	2	457,663	2	430,369	2
1900	Other non-current assets (notes 6(a), 6(d), 6(w) and 8)	614,694	2	662,204	2	506,049	2
		10,539,931	37	10,962,436	39	11,604,447	41
		\$ 28,442,341	100	28,349,072	100	28,645,560	100
Liabilities and Equity							
Current liabilities:							
	Short-term borrowings (note 6(m))	\$ 4,009,940	14	2,582,152	9	2,676,764	9
	Current contract liabilities (note 6(w))	32,599	-	23,752	-	3,992	-
	Notes and accounts payable	3,799,653	14	4,199,131	15	3,898,073	14
	Accounts payable to related parties (note 7)	184,799	1	168,285	-	177,959	1
	Payable on machinery and equipment	283,420	1	298,852	1	299,701	1
	Dividends payable (note 6(t))	620,563	2	-	-	664,555	2
	Current tax liabilities	205,564	1	201,077	1	162,428	1
	Current lease liabilities (note 6(q))	40,900	-	49,958	-	49,243	-
	Other current liabilities (notes 6(b) and 6(n))	1,664,485	6	1,621,844	6	1,518,034	5
	Bonds payable, current portion (note 6(p))	-	-	1,119,659	4	1,111,071	4
	Long-term borrowings, current portion (note 6(o))	17,608	-	15,778	-	16,390	-
		10,859,531	39	10,280,488	36	10,578,210	37
Non-Current liabilities:							
	Long-term borrowings (note 6(o))	29,347	-	37,866	-	45,891	-
	Deferred tax liabilities	102,921	-	183,169	1	261,588	1
	Non-current lease liabilities (note 6(q))	254,086	1	262,852	1	275,819	1
	Non-current provisions for employee benefit	120,671	-	124,282	-	139,835	-
	Other non-current liabilities	210,161	1	265,987	1	236,584	1
		717,186	2	874,156	3	959,717	3
		11,576,717	41	11,154,644	39	11,537,927	40
Equity:							
Equity attributable to owners of parent (note 6(t)):							
	Ordinary shares	4,433,931	16	4,432,457	16	4,430,922	16
	Capital surplus (note 6(p))	9,084,110	32	9,089,121	32	9,160,679	32
Retained earnings:							
	Legal reserve	2,671,978	9	2,589,754	9	2,589,754	9
	Special reserve	1,461,039	5	1,224,277	4	1,224,277	4
	Unappropriated retained earnings	(57,459)	-	968,323	4	450,878	2
		4,075,558	14	4,782,354	17	4,264,909	15
		(1,079,081)	(4)	(1,461,039)	(5)	(1,133,901)	(4)
	Other equity interests	16,514,518	58	16,842,893	60	16,722,609	59
		351,106	1	351,535	1	385,024	1
	Non-controlling interests	16,865,624	59	17,194,428	61	17,107,633	60
	Total equity	\$ 28,442,341	100	28,349,072	100	28,645,560	100
Total liabilities and equity							

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the six months ended June 30, 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				For the six months ended			
	June 30				June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (notes 6(w) and 7)	\$ 5,641,429	100	5,218,007	100	10,173,610	100	10,347,197	100
5110 Cost of sales (notes 6(f), 6(r), 7 and 12)	4,124,298	73	4,030,337	77	7,648,885	75	8,046,536	78
5900 Gross profit	1,517,131	27	1,187,670	23	2,524,725	25	2,300,661	22
Operating expenses (notes 6(r) and 12):								
6100 Selling expenses	328,194	6	354,041	7	685,899	7	703,036	7
6200 Administrative expenses	512,889	9	487,652	9	963,457	10	968,670	9
6300 Research and development expenses	182,746	3	188,607	4	351,792	3	354,615	3
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	15,631	-	(4,233)	-	22,028	-	(2,261)	-
	1,039,460	18	1,026,067	20	2,023,176	20	2,024,060	19
6900 Net operating income	477,671	9	161,603	3	501,549	5	276,601	3
Non-operating income and expenses:								
7100 Interest income (note 6(y))	15,050	-	11,619	-	30,206	-	21,701	-
7190 Other income	24,415	-	44,664	-	63,961	1	77,496	1
7210 Gains (losses) on disposals of property, plant and equipment	59,475	1	55,285	1	73,024	1	57,662	-
7235 Gains on financial assets (liabilities) at fair value through profit or loss, net	(8,633)	-	(6,699)	-	(13,174)	-	13,681	-
7050 Finance costs (notes 6(p), 6(q) and 6(y))	(14,752)	-	(18,181)	-	(31,384)	-	(33,542)	-
7590 Other expenses and losses	(1,943)	-	(19,692)	-	(3,857)	-	(22,708)	-
7630 Foreign exchange gains (losses), net (note 6(z))	21,659	-	77,546	1	62,861	-	52,161	-
7770 Share of profit (loss) of associates accounted for using equity method (note 6(g))	(10,818)	-	(6,992)	-	(30,229)	-	(13,067)	-
	84,453	1	137,550	2	151,408	2	153,384	1
7900 Profit before tax	562,124	10	299,153	5	652,957	7	429,985	4
7950 Less: Income tax expenses (note 6(s))	156,903	3	66,736	1	192,650	2	106,798	1
Profit	405,221	7	232,417	4	460,307	5	323,187	3
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	117,448	2	2,000	-	51,947	-	(6,000)	-
8349 Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	117,448	2	2,000	-	51,947	-	(6,000)	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	(134,041)	(2)	(112,698)	(2)	(222,850)	(2)	99,694	1
8399 Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(s))	347	-	1,393	-	534	-	(218)	-
	(134,388)	(2)	(114,091)	(2)	(223,384)	(2)	99,912	1
8300 Other comprehensive income	(16,940)	-	(112,091)	(2)	(171,437)	(2)	93,912	1
Total comprehensive income	\$ 388,281	7	120,326	2	288,870	3	417,099	4
Profit, attributable to:								
Owners of parent	\$ 391,675	7	218,819	4	452,648	5	306,369	3
Non-controlling interests	13,546	-	13,598	-	7,659	-	16,818	-
	\$ 405,221	7	232,417	4	460,307	5	323,187	3
Total comprehensive income attributable to:								
Owners of parent	\$ 380,171	7	109,676	2	289,299	3	396,745	4
Non-controlling interests	8,110	-	10,650	-	(429)	-	20,354	-
	\$ 388,281	7	120,326	2	288,870	3	417,099	4
Earnings per share (note 6(v))								
9750 Basic earnings per share	\$ 0.88		0.49		1.02		0.69	
9850 Diluted earnings per share	\$ 0.87		0.48		1.01		0.68	

See accompanying notes to consolidated financial statements.

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

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the six months ended June 30, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 652,957	429,985
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	956,724	1,080,284
Expected credit loss (gain)	22,028	(2,261)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(11,917)	65,849
Interest expense	31,384	33,542
Interest income	(30,206)	(21,701)
Share-based payments compensation cost	-	765
Share of loss of associates and joint ventures accounted for using equity method	30,229	13,067
Gain on disposal of property, plant and equipment	(73,024)	(57,662)
Others	375	4,681
Total adjustments to reconcile profit (loss)	925,593	1,116,564
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value	(963,721)	(853,288)
Decrease (increase) in contract assets	(500,060)	77,294
Decrease (increase) in notes and accounts receivable (including related parties)	(219,816)	166,287
Decrease in inventories	270,930	338,163
Decrease (increase) in other current assets	(14,434)	14,061
Decrease in notes and accounts payable (including related parties)	(382,964)	(426,351)
Decrease in provisions	(15,112)	(15,500)
Increase (decrease) in other current liabilities	63,469	(209,759)
Increase (decrease) in non-current provisions for employee benefits	(3,611)	2,351
Increase (decrease) in current contract liability	8,847	(22,199)
Others	(1,793)	27,764
Total changes in operating assets and liabilities	(1,758,265)	(901,177)
Cash inflow (outflow) generated from (used in) operations	(179,715)	645,372
Interest received	31,659	28,519
Interest paid	(23,204)	(27,102)
Income taxes paid	(184,049)	(102,264)
Net cash flows from (used in) operating activities	(355,309)	544,525
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	377,705	-
Acquisition of investments accounted for using equity method	(18,236)	(34,000)
Acquisition of property, plant and equipment	(455,621)	(496,364)
Proceeds from disposal of property, plant and equipment	118,381	97,223
Decrease (increase) in refundable deposits	5,651	(65,122)
Acquisition of intangible assets	(48,828)	(31,768)
Increase in other financial assets	(5,984)	(726,678)
Decrease in restricted deposits	72,014	70,170
Decrease (increase) in prepayments for business facilities	41,453	(15,391)
Net cash flows from (used in) investing activities	86,535	(1,201,930)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	1,427,788	(435,206)
Repayments of bonds	(1,126,100)	-
Repayments of long-term borrowings	(2,935)	(3,278)
Increase (decrease) in guarantee deposits received	(41,291)	36,125
Payment of lease liabilities	(28,797)	(24,730)
Exercise of employee stock options	2,566	1,698
Other financing activities	323	-
Net cash flows from (used in) financing activities	231,554	(425,391)
Effect of exchange rate changes on cash and cash equivalents	(202,532)	37,280
Net decrease in cash and cash equivalents	(239,752)	(1,045,516)
Cash and cash equivalents at beginning of period	4,982,698	4,530,385
Cash and cash equivalents at end of period	\$ 4,742,946	3,484,869

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 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 August 12, 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
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

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

- (i) Amendments to IFRS 16 "Covid-19-Related Rent Concessions"

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets conditions is a lease modification and the change in lease liability is recognized in profit or loss. The amendments have been endorsed by the FSC in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note (4)(c).

(Continued)

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

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss in the three months and the six months ended June 30, 2020 were both \$401.

- (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:

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, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

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.

(Continued)

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 14, 2020	Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	<p>The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows:</p> <ul style="list-style-type: none"> • the incremental costs – e.g. direct labor and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

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.

(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
			June 30, 2020	December 31, 2019	June 30, 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 4

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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
			June 30, 2020	December 31, 2019	June 30, 2019	
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 4
The Company	Forever Investment Co., Ltd. (Forever)	Investment	100 %	100 %	100 %	Note 4
The Company	Everlight Intelligence Technology Co., Ltd. (ELIT)	Sale of LED lighting products	100 %	100 %	100 %	Note 4
The Company	Zenaro Lighting Co., Ltd. (Zenaro TW)	Sale of LED lighting products and investment	- %	- %	100 %	Note 2
The Company	WOFI Leuchten GmbH (WOFI Holding)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
The Company and Pai-yee	Everlight Electronic India Private Limited (ELI)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company	Evlite Electronics Co., Ltd. (Evlite)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company	Everlight Electronics Singapore Pte. Ltd. (ELS)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company	Everlight Japan Corporation (ELJ)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company , Pai-yee and Forever	Evervision Electronics Co., Ltd. (Evervision TW)	Manufacture and sales of liquid crystal displays and LED processing	65.50 %	65.50 %	65.50 %	Note 4
Pai-yee	Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia)	Business development and customer services	100 %	100 %	100 %	Note 4
Everlight BVI	Everlight Electronics (China) Co., Ltd. (Everlight China)	Manufacture of LEDs	100 %	100 %	100 %	
Everlight BVI and Everlight China	Everlight Lighting (China) Co., Ltd. (Everlight Lighting China)	Sale of LEDs	100 %	100 %	100 %	Note 4
Everlight BVI and Everlight China	Everlight Electronic (Guangzhou) Co., Ltd. (Everlight Electronic (Guangzhou))	Business development and customer services	100 %	100 %	100 %	Note 4
Everlight BVI	Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	Manufacture of LED-related components	100 %	100 %	100 %	
Everlight BVI	Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	Manufacture and sale of LED backlights and related components	90 %	90 %	90 %	Note 4
Everlight BVI	Eralite Optoelectronics (Jiangsu) Co., Ltd. (Eralite)	Manufacture and sale of LED backlights and related components	- %	- %	100 %	Note 1
The Company and Everlight Electronic (Guangzhou)	Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	Research and sale of LED lighting products	100 %	100 %	100 %	Note 4

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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
			June 30, 2020	December 31, 2019	June 30, 2019	
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	100 %	Note 4
The Company and ELIT	Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	Research of electronic components	- %	100 %	100 %	Note 3
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 4
Evervision TW	VBest GmbH (VBest)	Sale of LCDs	75 %	75 %	75 %	Note 4
Evervision	VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	Manufacture of LCDs	100 %	100 %	100 %	Note 4
Evervision	Evervision Electronics (H.K.) Limited (Evervision HK)	Sale of LCDs	100 %	100 %	100 %	Note 4

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

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

Note 3: The subsidiary completed the liquidation procedure in January 2020.

Note 4: Non-significant subsidiary, its financial statements for the six months ended June 30, 2020 have not been reviewed.

(c) Leases

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- (ii) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(Continued)

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

(iii) any reduction in lease payments that affects only those payments originally due on, or before 30 June 2021; and

(iv) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(d) 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.

(e) 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.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Cash, checking accounts, and demand deposits	\$ 2,032,993	4,040,872	2,451,178
Time deposits	2,531,084	765,619	867,667
Bonds purchased under resale agreements	178,869	176,207	166,024
	<u><u>\$ 4,742,946</u></u>	<u><u>4,982,698</u></u>	<u><u>3,484,869</u></u>

- (i) The time deposits with maturities within three months or less from the acquisition date that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Therefore, the time deposits are classified as cash and cash equivalents. The time deposits with maturities over three months from the acquisition date are recorded as other current financial assets amounting to \$3,220,355, \$3,207,851 and \$2,649,319 as of June 30, 2020, December 31 and June 30, 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 \$75,336, \$77,331 and \$67,770 as of June 30, 2020, December 31 and June 30, 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

	June 30, 2020	December 31, 2019	June 30, 2019
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging	\$ 6,915	15,393	7,340
Listed convertible bonds	22,669	47,093	55,537
Structured deposits	1,082,231	86,499	1,605,426
Beneficiary certificate-funds	73,101	75,937	77,731
Stocks listed on domestic markets	6,410	6,514	9,506
Unlisted common shares	388,780	406,647	417,087
	<u><u>\$ 1,580,106</u></u>	<u><u>638,083</u></u>	<u><u>2,172,627</u></u>
Current	\$ 1,546,099	596,882	2,138,031
Non-current	34,007	41,201	34,596
	<u><u>\$ 1,580,106</u></u>	<u><u>638,083</u></u>	<u><u>2,172,627</u></u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Current financial liabilities held-for-trading (recorded as other current liabilities):			
Derivative instruments not used for hedging	\$ 16,498	39,440	11,608
	\$ 16,498	39,440	11,608

- (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

June 30, 2020				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	14,000	USD to TWD	2020.07.07~2020.08.20
Forward exchange sold	USD	14,000	USD to RMB	2020.07.07~2020.08.27
Financial liabilities:				
Forward exchange sold	USD	5,000	USD to TWD	2020.08.06~2020.08.31
Forward exchange sold	USD	2,000	USD to RMB	2020.08.18~2020.08.20
Forward exchange sold	EUR	3,500	EUR to USD	2020.07.07~2020.09.24
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

June 30, 2019				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD 14,000		USD to TWD	2019.07.18~2019.09.10
Forward exchange sold	USD 13,000		USD to RMB	2019.07.09~2019.09.10
Financial liabilities:				
Forward exchange sold	USD 10,000		USD to TWD	2019.07.09~2019.07.25
Forward exchange sold	EUR 3,250		EUR to USD	2019.07.11~2019.09.19

2) Cross currency swap

June 30, 2020					
Contract amount (in thousands)		Contract period	Interest rate payable	Interest rate receivable	Maturity period
Financial liabilities:					
USD 10,000		2020.05.21~2020.08.21	0.23%	0.71%	2020.08.21
USD 30,000		2020.06.10~2021.03.10	0.37%	0.50%+3LIBOR	2021.03.10
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

June 30, 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

3) Other derivative financial instrument contracts

December 31, 2019			
Contract amount (in thousands)		Rate	Maturity period
Financial assets:			
RMB 20,000		3.6%	2020.04.02

(Continued)

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

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

(ii) As of June 30, 2020, December 31, and June 30, 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

	June 30, 2020	December 31, 2019	June 30, 2019
Equity investments at fair value through other comprehensive income			
Stocks listed on domestic markets	\$ -	323,505	250,004
Stocks unlisted on domestic markets	-	2,253	75,052
	<u>\$ -</u>	<u>325,758</u>	<u>325,056</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.

In the six months ended June 30, 2020, the Group disposed all of its financial assets at fair value through other comprehensive income, with the fair value of \$377,705, and recognized a loss of \$545,307, which was accounted for as other comprehensive income. The loss had been transferred to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments in the six months ended June 30, 2019.

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

(iii) As of June 30, 2020, December 31, and June 30, 2019, the Group did not provide any aforementioned financial assets as collateral for its loans.

(d) Notes and accounts receivable

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable from operating activities	\$ 17,725	27,542	28,337
Accounts receivable-measured as amortized cost	6,537,430	6,310,794	6,794,220
	6,555,155	6,338,336	6,822,557
Less: Allowance for uncollectible accounts	(166,580)	(147,549)	(121,340)
	<u>\$ 6,388,575</u>	<u>6,190,787</u>	<u>6,701,217</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Notes and accounts receivable, net	\$ 6,220,988	6,027,709	6,547,387
Accounts receivable due from related parties, net	33,183	34,684	28,095
Long-term receivables (recorded as other non-current assets)	134,404	128,394	125,735
	<u>\$ 6,388,575</u>	<u>6,190,787</u>	<u>6,701,217</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:

June 30, 2020			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 4,946,789	0.232%	11,453
Overdue 0-90 days	37,811	5.533%	2,092
Overdue 91-180 days	4,119	18.378%	757
Overdue 181-270 days	51,502	27.979%	14,410
Overdue 271-365 days	43,155	57.729%	24,913
Overdue over one year	102,976	100%	102,976
	<u>\$ 5,186,352</u>		<u>156,601</u>

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
	<u>\$ 5,111,497</u>		<u>135,363</u>

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

	June 30, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not overdue	\$ 5,061,459	0.134%	6,766
Overdue 0-90 days	102,899	0.933%	960
Overdue 91-180 days	94,561	1.152%	1,089
Overdue 181-270 days	49,847	10.011%	4,990
Overdue 271-365 days	94	50.000%	47
Overdue over one year	100,028	90.849%	90,874
	<u><u>\$ 5,408,888</u></u>		<u><u>104,726</u></u>

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

	June 30, 2020		
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Rating A	\$ 1,352,652	0.172%	2,324
Rating B	16,151	47.396%	7,655
	<u><u>\$ 1,368,803</u></u>		<u><u>9,979</u></u>

	Gross carrying amount
Not overdue	\$ 1,281,358
Overdue 0-90 days	60,723
Overdue 91-180 days	9,884
Overdue 181-270 days	687
Overdue 271-365 days	675
Overdue over one year	15,476
	<u><u>\$ 1,368,803</u></u>

	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
	<u><u>\$ 1,226,839</u></u>		<u><u>12,186</u></u>

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

	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		

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

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

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

	2020	2019
Balance on January 1	\$ 147,549	127,287
Impairment loss recognized	22,028	(2,261)
Amounts written off	(2,825)	(3,791)
Foreign exchange (gains) losses	(172)	105
Balance on June 30	\$ 166,580	121,340

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

- (iii) The Group entered into an accounts receivable factoring agreement with banks. Based on the terms of agreement, the Group is not responsible for any inability of repayment by accounts receivable during the debt transfer and repayment period. From the factoring of AR, the Group will receive prepayment and pledged deposit amounts in accordance with the factoring agreement. The Group will pay interest to the bank, calculated based on the agreed interest rate for the repayment period made by the customer. Furthermore, the pledged deposit amount cannot be withdrawn prior to the repayment made by the customer, the remaining amount and pledged deposit will be received from banks upon the actual payment from customer and will be recorded under bank accounts. In addition, the Group has to pay the transaction fee with a certain percentage. As of June 30, 2020, December 31, and June 30, 2019, the pledged deposits amounted to \$50,850, \$121,414 and \$67,905, respectively, were recorded under other current financial assets.

As of June 30, 2020, December 31 and June 30, 2019, the details of the factored accounts receivable were as follows:

June 30, 2020					
Amount of sold A/R	Limitation amount	Amount advanced unpaid	Advance amount paid	Amount derecognized	Interest rate
\$ 75,125	333,141	-	75,125	75,125	2.2%
December 31, 2019					
Amount of sold A/R	Limitation amount	Amount advanced unpaid	Advance amount paid	Amount derecognized	Interest rate
\$ 217,728	337,639	-	217,728	217,728	2.2%
June 30, 2019					
Amount of sold A/R	Limitation amount	Amount advanced unpaid	Advance amount paid	Amount derecognized	Interest rate
\$ 106,883	600,539	-	106,883	106,883	2.2%

- (iv) As of June 30, 2020, December 31, and June 30, 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)

	June 30, 2020	December 31, 2019	June 30, 2019
Other accounts receivable	\$ 94,702	105,658	83,096
Less: Loss allowance	-	(4,978)	(4,978)
	<u>\$ 94,702</u>	<u>100,680</u>	<u>78,118</u>

(Continued)

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

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

June 30, 2020		
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 94,702	-
Overdue	-	-
Gross carrying amount	94,702	-
Impairment losses	-	-
Carrying amount	<u><u>\$ 94,702</u></u>	<u><u>-</u></u>

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

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

For the six months ended June 30, 2020, the amount written off for uncollected receivable was \$4,978. For the six months ended June 30, 2019, the allowance for financial assets of other receivables had no change.

As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any other receivables as collateral for its loans.

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

(f) Inventories

	June 30, 2020	December 31, 2019	June 30, 2019
Raw materials	\$ 266,421	233,262	180,020
Work in progress	241,629	301,293	293,236
Finished goods	<u>1,006,369</u>	<u>1,250,794</u>	<u>1,039,448</u>
	<u>\$ 1,514,419</u>	<u>1,785,349</u>	<u>1,512,704</u>

The write-down of the inventories to net realizable value amounted to \$24,938, \$9,522 and \$59,191 which were recorded as cost of sales in the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020, respectively.

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

As of June 30, 2020, December 31 and June 30, 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Associates	\$ <u>67,020</u>	<u>79,013</u>	<u>131,801</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
The carrying amount of equity of the individually insignificant associates	\$ <u>67,020</u>	<u>79,013</u>	<u>131,801</u>
	For the three months ended June 30,	For the six months ended June 30,	
	2020	2020	2019
Attributable to the Group:			
Profit (loss) from continuing operations	\$ <u>(10,818)</u>	<u>(6,992)</u>	<u>(30,229)</u>
	<u>(13,067)</u>		

(Continued)

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

- (iii) Except as described below, there were no significant changes in the investments accounted for using equity method of the Group for the six months ended June 30, 2020. The related information for six months ended June 30, 2019, please refer to note 6(g) of the 2019 annual consolidated financial statements.
- (iv) The Group had acquired 1.14% ownership of Tekcore Co., Ltd.(Tekcore) from third parties, with the cash considerations of \$4,236, in the six months ended June 30, 2020, resulting in its shareholding ratio to increase from 13.93% to 15.07%.
- (v) The Group had acquired 20% ownership of Well Service Company Ltd. (Well) from third parties, with the cash considerations of \$14,000 in May 2020, resulting in its shareholding ratio to increase from 20% to 40%.

(vi) Pledges

As of June 30, 2020, December 31, and June 30, 2019, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

(h) Joint operation

Except as described below, there were no significant changes in joint operation of the Group for the six months ended June 30, 2020. The related information for the six months ended June 30, 2019, please refer to note 6(h) of the 2019 annual consolidated financial statements.

The Group cooperated with Altocom Asia LLP in the joint operation of the streetlight project in the Republic of Kazakhstan.

The joint operation ratio between the Group and the joint operators is 53.6% and 46.4%. The joint operators account for the input costs incurred in proportion, and share the income incurred by the project settlement and the expenses incurred jointly.

The Group recognizes its direct rights (and its share) to the joint operation's assets, liabilities, income and expenses, which are included in the 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 six months ended June 30, 2020. The related information about losing control of subsidiaries in 2019, 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	-	9,669	223,167	56,261	41,623	109,469	440,189
Add: reclassification	-	2,057	12,468	480	2,176	(12,068)	5,113
Less: sales	-	-	(511,619)	(21,819)	(1,826)	(3,334)	(538,598)
Less: retirement	-	(136)	(47,732)	(2,421)	(7,165)	-	(57,454)
Effect of movements in exchange rates	(581)	(89,334)	(165,247)	(16,767)	(18,215)	(1,503)	(291,647)
Balance on June 30, 2020	<u>\$ 642,702</u>	<u>8,128,262</u>	<u>12,916,468</u>	<u>1,589,467</u>	<u>1,168,937</u>	<u>241,868</u>	<u>24,687,704</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	-	49,544	225,135	54,839	15,419	33,935	378,872
Add: reclassification	-	20,554	13,736	1,154	(25)	(15,543)	19,876
Less: sales	-	-	(290,637)	(45,620)	(1,612)	(2,038)	(339,907)
Less: retirement	-	(67)	(34,918)	(105,224)	(2,559)	-	(142,768)
Effect of movement in exchange rates	129	38,152	75,537	7,038	7,731	-	128,587
Balance on June 30, 2019	<u>\$ 645,304</u>	<u>8,317,353</u>	<u>13,696,481</u>	<u>1,619,065</u>	<u>1,182,680</u>	<u>141,922</u>	<u>25,602,805</u>
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	-	203,686	557,223	84,762	44,992	-	890,663
Add: reclassification	-	-	-	-	(228)	-	(228)
Less: sales	-	-	(485,374)	(6,350)	(1,635)	-	(493,359)
Less: retirement	-	(136)	(47,732)	(2,406)	(7,062)	-	(57,336)
Effect of movements in exchange rates	-	(57,304)	(125,512)	(11,001)	(7,347)	-	(201,164)
Balance on June 30, 2020	<u>\$ -</u>	<u>3,906,170</u>	<u>10,490,579</u>	<u>1,223,884</u>	<u>738,607</u>	<u>-</u>	<u>16,359,240</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	-	222,601	637,143	95,771	49,485	-	1,005,000
Add: reclassification	-	-	-	-	(4)	-	(4)
Less: sales	-	-	(257,127)	(42,517)	(913)	-	(300,557)
Less: retirement	-	(67)	(34,851)	(105,146)	(2,493)	-	(142,557)
Effect of movements in exchange rates	-	20,923	47,293	3,452	3,102	-	74,770
Balance on June 30, 2019	<u>\$ -</u>	<u>3,645,240</u>	<u>10,476,335</u>	<u>1,145,808</u>	<u>687,721</u>	<u>-</u>	<u>15,955,104</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Modeling equipment</u>	<u>Office and other equipment</u>	<u>Prepaid Property, plant and equipment</u>	<u>Total</u>
Carrying amounts:							
Balance on January 1, 2020	\$ 643,283	4,446,082	2,813,457	414,854	442,457	149,304	8,909,437
Balance on June 30, 2020	\$ 642,702	4,222,092	2,425,889	365,583	430,330	241,868	8,328,464
Balance on January 1, 2019	\$ 645,175	4,807,387	3,623,751	512,630	525,182	125,568	10,239,693
Balance on June 30, 2019	\$ 645,304	4,672,113	3,220,146	473,257	494,959	141,922	9,647,701

As of June 30, 2020, December 31 and June 30, 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:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Office and other equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2020	\$ 354,542	72,207	34,357	461,106
Acquisitions	-	3,629	8,728	12,357
Lease amendment	(652)	-	-	(652)
Effect of changes in foreign exchange rates	(2,803)	(1,110)	(372)	(4,285)
Balance on June 30, 2020	\$ 351,087	74,726	42,713	468,526
Balance on January 1, 2019	\$ 357,906	65,058	24,891	447,855
Acquisition	-	-	2,066	2,066
Effect of changes in foreign exchange rates	1,230	515	110	1,855
Balance on June 30, 2019	\$ 359,136	65,573	27,067	451,776
Accumulated depreciation and impairment losses:				
Balance on January 1, 2020	\$ 11,295	31,268	14,033	56,596
Depreciation for the year	5,575	17,432	7,992	30,999
Effect of changes in foreign exchange rates	(108)	(604)	(157)	(869)
Balance on June 30, 2020	\$ 16,762	48,096	21,868	86,726
Balance on January 1, 2019	\$ -	-	-	-
Depreciation for the year	5,728	15,412	6,585	27,725
Effect of changes in foreign exchange rates	(14)	87	26	99
Balance on June 30, 2019	\$ 5,714	15,499	6,611	27,824
Carrying amount:				
Balance on January 1, 2020	\$ 343,247	40,939	20,324	404,510
Balance on June 30, 2020	\$ 334,325	26,630	20,845	381,800
Balance on January 1, 2019	\$ 357,906	65,058	24,891	447,855
Balance on June 30, 2019	\$ 353,422	50,074	20,456	423,952

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

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits with maturities over three months	\$ 3,220,355	3,207,851	2,649,319
Restricted deposits	50,850	121,414	67,905
Other receivables	94,702	100,680	78,118
	<u>\$ 3,365,907</u>	<u>3,429,945</u>	<u>2,795,342</u>

As of June 30, 2020, December 31 and June 30, 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured bank loans	<u>\$ 4,009,940</u>	<u>2,582,152</u>	<u>2,676,764</u>
Unused short-term credit lines	<u>\$ 11,987,062</u>	<u>15,356,175</u>	<u>15,238,549</u>
Annual interest rates	<u>0.45%~2.58%</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

	June 30, 2020	December 31, 2019	June 30, 2019
Refund liabilities – current	\$ 7,185	7,308	6,729
Derivative instruments not used for hedging	16,498	39,440	11,608
Wages and salaries payable	236,168	228,081	243,211
Other payables	1,021,969	896,328	937,586
Others	382,665	450,687	318,900
	<u>\$ 1,664,485</u>	<u>1,621,844</u>	<u>1,518,034</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
Notes to the Consolidated Financial Statements

(o) Long-term loans

The details were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured bank loans	\$ 46,955	53,644	62,281
Less: current portion	(17,608)	(15,778)	(16,390)
Total	<u>\$ 29,347</u>	<u>37,866</u>	<u>45,891</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 six months ended June 30, 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Total convertible bonds issued	\$ 5,000,000	5,000,000	5,000,000
Unamortized discounted bonds payable	-	(6,066)	(14,154)
Cumulated repurchased and redeemed amount	(5,000,000)	(3,873,900)	(3,873,900)
	-	1,120,034	1,111,946
Unamortized amount of the cost of issuing convertible bonds	-	(375)	(875)
Bonds payable, current portion	-	(1,119,659)	(1,111,071)
Non-current	<u>\$ -</u>	<u>-</u>	<u>-</u>
Equity components – conversion options (recognized as capital surplus – redemption rights)	<u>\$ -</u>	<u>87,820</u>	<u>87,820</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest expense	<u>\$ (2,022)</u>	<u>(4,030)</u>	<u>(6,066)</u>	<u>(8,046)</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Except as described below, there were no significant changes in the convertible bonds payable of the Group in the six months ended June 30, 2020 and 2019. For related information, please refer to note 6(p) of the 2019 annual consolidated financial statements.

The sixth convertible bonds expired on May 18, 2020. The Company redeemed the remaining sixth convertible bonds with a principal of \$1,126,100 at their face value. Thereafter, the Company offset the paid-in capital-redemption rights and recognized the paid-in capital-treasury stock amounting to \$87,820.

(q) Lease liabilities

The carrying amount of lease liabilities were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Current	\$ <u>40,900</u>	<u>49,958</u>	<u>49,243</u>
Non-current	\$ <u>254,086</u>	<u>262,852</u>	<u>275,819</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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest on lease liabilities	\$ <u>1,357</u>	<u>1,531</u>	<u>2,755</u>	<u>3,126</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>1,356</u>	<u>793</u>	<u>2,692</u>	<u>1,790</u>
Expenses relating to short-term leases	\$ <u>5,941</u>	<u>8,510</u>	<u>12,512</u>	<u>20,152</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>61</u>	<u>71</u>	<u>155</u>	<u>149</u>
Covid-19-related rent concessions (recognized in other income)	\$ <u>401</u>	<u>-</u>	<u>401</u>	<u>-</u>

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

	For the six months ended June 30,	
	2020	2019
Total cash outflow for leases	\$ <u>46,510</u>	<u>49,947</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(i) Real estate leases

As of June 30, 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.

(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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Cost of sales and operating expenses \$	<u>632</u>	<u>759</u>	<u>1,305</u>	<u>1,591</u>

(ii) Defined contribution plans

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Cost of sales and operating expenses \$	<u>28,376</u>	<u>33,084</u>	<u>51,630</u>	<u>68,325</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Current tax expense	<u>\$ 156,903</u>	<u>66,736</u>	<u>192,650</u>	<u>106,798</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Exchange differences on translating foreign operations	<u>\$ 347</u>	<u>1,393</u>	<u>534</u>	<u>(218)</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 six months ended June 30, 2020 and 2019. For related information, please refer to note 6(u) of the 2019 annual consolidated financial statements.

As of June 30, 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 443,393 and 443,092 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding in the six months ended June 30, 2020 and 2019 were as follows:

	For the six months ended June 30	
(in thousands of shares)	2020	2019
Balance on January 1	443,246	443,000
Employee stock options exercised	147	92
Balance on June 30	<u>443,393</u>	<u>443,092</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(i) Ordinary shares

The employee stock options exercised in six months ended June 30, 2020 amounted to \$1,474, which resulted in a capital surplus of \$6,868 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$5,776). The registration procedures of the employee stock options amounting to \$10 had not been completed.

The employee stock options exercised in six months ended June 30, 2019 amounted to \$926, which resulted in capital surplus of \$4,351 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$3,579). The registration procedures of the employee stock options had been completed.

(ii) Capital surplus

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

	June 30, 2020	December 31, 2019	June 30, 2019
Additional paid-in capital	\$ 7,817,145	7,810,277	7,803,122
Difference between consideration and carrying amount of subsidiaries disposed	67,971	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
Treasury stock resulting from the redemption of convertible bonds	1,071,632	983,812	983,812
Share-based payment – employee stock options	119,974	125,750	131,773
Others	899	576	576
	<u>\$ 9,084,110</u>	<u>9,089,121</u>	<u>9,160,679</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

Based on a resolution of the annual shareholder's meeting held on June 12, 2020 and June 14, 2019, the appropriations of dividends from the earnings distribution for 2019 and 2018 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	(215,296)	-	(215,296)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	51,947	51,947
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	545,307	545,307
Balance on June 30, 2020	<u>\$ (1,079,081)</u>	<u>-</u>	<u>(1,079,081)</u>
Balance of January 1, 2019	\$ (632,321)	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):			
The Group	96,376	-	96,376
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(6,000)	(6,000)
Balance on June 30, 2019	<u>\$ (535,945)</u>	<u>(597,956)</u>	<u>(1,133,901)</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 six months ended June 30, 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:

Six months ended June 30, 2020								
<u>Date of issuance</u>	<u>2020.1.1 Outstanding units</u>	<u>Current units granted</u>	<u>Current units exercised</u>	<u>Current units abandoned</u>	<u>Current units expired</u>	<u>2020.6.30 Outstanding units</u>	<u>2020.6.30 Exercisable units</u>	<u>Remaining duration</u>
August 6, 2015	1,000	-	1,000	-	-	-	-	- years
April 2, 2015	419,450	-	146,400	273,050	-	-	-	- years
	<u>420,450</u>	<u>-</u>	<u>147,400</u>	<u>273,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Weighted-average exercise price (dollars)	\$ <u>17.40</u>	<u>-</u>	<u>17.41</u>	<u>17.40</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Six months ended June 30, 2019								
<u>Date of issuance</u>	<u>2019.1.1 Outstanding units</u>	<u>Current units granted</u>	<u>Current units exercised</u>	<u>Current units abandoned</u>	<u>Current units expired</u>	<u>2019.6.30 Outstanding units</u>	<u>2019.6.30 Exercisable units</u>	<u>Remaining duration</u>
August 6, 2015	17,500	-	2,500	-	-	15,000	9,000	1.0 years
April 2, 2015	712,850	-	90,050	-	-	622,800	622,800	0.8 years
	<u>730,350</u>	<u>-</u>	<u>92,550</u>	<u>-</u>	<u>-</u>	<u>637,800</u>	<u>631,800</u>	
Weighted-average exercise price (dollars)	\$ <u>18.33</u>	<u>-</u>	<u>18.34</u>	<u>-</u>	<u>-</u>	<u>18.33</u>	<u>18.32</u>	

The compensation cost of the stock options amounted to \$0, \$7, \$0 and \$765 in the three months and six months ended June 30, 2020 and 2019, respectively.

(v) Earnings per share

For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, the Group's basic and diluted earnings per share were calculated as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ <u>391,675</u>	<u>218,819</u>	<u>452,648</u>	<u>306,369</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>443,392</u>	<u>443,070</u>	<u>443,339</u>	<u>443,055</u>

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ 391,675	218,819	452,648	306,369
Dilutive effect of potential ordinary shares:				
Convertible bonds	<u>2,022</u>	<u>4,030</u>	<u>6,066</u>	<u>8,046</u>
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u>\$ 393,697</u>	<u>222,849</u>	<u>458,714</u>	<u>314,415</u>
Weighted-average number of outstanding ordinary shares (thousands)	443,392	443,070	443,339	443,055
Dilutive effect of potential ordinary shares:				
Employee stock bonus	2,604	219	3,189	258
Convertible bonds	6,483	18,462	12,966	18,462
Employee stock options	<u>-</u>	<u>1,179</u>	<u>85</u>	<u>1,401</u>
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)	<u>452,479</u>	<u>462,930</u>	<u>459,579</u>	<u>463,176</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.

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30, 2020				
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 4,410,866	99,616	422,892	28,464	4,961,838
Europe	312,967	33,818	114,008	-	460,793
Others	<u>152,926</u>	<u>55,090</u>	<u>10,782</u>	<u>-</u>	<u>218,798</u>
Total	<u>\$ 4,876,759</u>	<u>188,524</u>	<u>547,682</u>	<u>28,464</u>	<u>5,641,429</u>
Major products					
Construction revenue	\$ -	-	310,032	-	310,032
Sales revenue	<u>4,876,759</u>	<u>188,524</u>	<u>237,650</u>	<u>28,464</u>	<u>5,331,397</u>
	<u>\$ 4,876,759</u>	<u>188,524</u>	<u>547,682</u>	<u>28,464</u>	<u>5,641,429</u>

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

For the three months ended June 30, 2019					
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 4,168,340	83,766	151,736	17,856	4,421,698
Europe	326,714	53,872	191,687	-	572,273
Others	167,157	56,879	-	-	224,036
Total	<u>\$ 4,662,211</u>	<u>194,517</u>	<u>343,423</u>	<u>17,856</u>	<u>5,218,007</u>
Major products					
Construction revenue	\$ -	-	35,595	-	35,595
Sales revenue	4,662,211	194,517	307,828	17,856	5,182,412
	<u>\$ 4,662,211</u>	<u>194,517</u>	<u>343,423</u>	<u>17,856</u>	<u>5,218,007</u>
For the six months ended June 30, 2020					
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 7,649,338	143,411	907,227	65,055	8,765,031
Europe	608,608	54,171	367,804	-	1,030,583
Others	267,143	81,080	29,773	-	377,996
Total	<u>\$ 8,525,089</u>	<u>278,662</u>	<u>1,304,804</u>	<u>65,055</u>	<u>10,173,610</u>
Major products					
Construction revenue	\$ -	-	618,564	-	618,564
Sales revenue	8,525,089	278,662	686,240	65,055	9,555,046
	<u>\$ 8,525,089</u>	<u>278,662</u>	<u>1,304,804</u>	<u>65,055</u>	<u>10,173,610</u>
For the six months ended June 30, 2019					
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 8,046,427	166,542	320,195	33,616	8,566,780
Europe	721,621	102,311	523,192	-	1,347,124
Others	330,725	102,568	-	-	433,293
Total	<u>\$ 9,098,773</u>	<u>371,421</u>	<u>843,387</u>	<u>33,616</u>	<u>10,347,197</u>
Major products					
Construction revenue	\$ -	-	45,834	-	45,834
Sales revenue	9,098,773	371,421	797,553	33,616	10,301,363
	<u>\$ 9,098,773</u>	<u>371,421</u>	<u>843,387</u>	<u>33,616</u>	<u>10,347,197</u>

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

(ii) Contract balance

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 17,725	27,542	28,337
Accounts receivables	6,537,430	6,310,794	6,794,220
Less: allowance for impairment	<u>(166,580)</u>	<u>(147,549)</u>	<u>(121,340)</u>
	<u>\$ 6,388,575</u>	<u>6,190,787</u>	<u>6,701,217</u>
Contract assets-illumination	<u>\$ 606,423</u>	<u>106,363</u>	<u>1,256</u>
Contract liabilities	<u>\$ 32,599</u>	<u>23,752</u>	<u>3,992</u>

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

The amount of revenue recognized for the six months ended June 30, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$10,587 and \$17,865, 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 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.

The remuneration to employees amounted to \$69,979, \$15,831, \$76,798 and \$27,879, and the remuneration to directors amounted to \$5,832, \$2,638, \$6,968 and \$3,843 in the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees, directors 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. The remuneration to directors amounted to \$10,486, in 2019, and the remuneration to directors and supervisors amounted to \$6,895 in 2018. 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.

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

(y) Non-operating income and expenses

For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, the interest income and finance costs were as follows:

(i) Interest income

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Cash in banks	\$ 14,434	10,896	28,666	20,292
Other	616	723	1,540	1,409
	<u>\$ 15,050</u>	<u>11,619</u>	<u>30,206</u>	<u>21,701</u>

(ii) Finance costs – interest expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Loans	\$ 11,373	12,620	22,563	22,370
Lease liabilities	1,357	1,531	2,755	3,126
Convertible Bonds	2,022	4,030	6,066	8,046
	<u>\$ 14,752</u>	<u>18,181</u>	<u>31,384</u>	<u>33,542</u>

(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).

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

(ii) Liquidity Risk

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

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
June 30, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 4,009,940	(4,009,940)	(4,009,940)	-	-
Notes and accounts payable (including related parties)	3,984,452	(3,984,452)	(3,984,452)	-	-
Payables on construction and equipment	283,420	(283,420)	(283,420)	-	-
Dividends payable	620,563	(620,563)	(620,563)	-	-
Other payables	1,021,969	(1,021,969)	(1,021,969)	-	-
Lease liabilities (including current and non-current)	294,986	(390,661)	(45,661)	(21,390)	(323,610)
Long-term loans (including current portion)	46,995	(46,995)	(17,608)	(17,608)	(11,779)
Guaranteed deposits received	156,961	(156,961)	-	-	(156,961)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	2,966				
Outflow	-	(324,219)	(324,219)	-	-
Inflow	-	321,378	321,378	-	-
Cross currency swap:	13,532				
Outflow	-	(1,496,000)	(1,496,000)	-	-
Inflow	-	1,483,000	1,483,000	-	-
	<u>\$ 10,435,784</u>	<u>(10,530,802)</u>	<u>(9,999,454)</u>	<u>(38,998)</u>	<u>(492,350)</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)

(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:	1,128				
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>
June 30, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,676,764	(2,676,764)	(2,676,764)	-	-
Notes and accounts payable (including related parties)	4,076,032	(4,076,032)	(4,076,032)	-	-
Payables on construction and equipment	299,701	(299,701)	(299,701)	-	-
Dividends payable	664,555	(664,555)	(664,555)	-	-
Other payables	937,586	(937,586)	(937,586)	-	-
Lease liabilities (including current and non-current)	325,062	(425,793)	(54,688)	(38,462)	(332,643)
Unsecured convertible bonds	1,111,946	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	62,281	(62,281)	(16,390)	(16,390)	(29,501)
Guaranteed deposits received	167,494	(167,494)	-	-	(167,494)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	2,499				
Outflow	-	(425,529)	(425,529)	-	-
Inflow	-	423,298	423,298	-	-
Swap contracts:	9,109				
Outflow	-	(942,000)	(942,000)	-	-
Inflow	-	932,160	932,160	-	-
	<u>\$ 10,333,029</u>	<u>(10,448,377)</u>	<u>(9,863,887)</u>	<u>(54,852)</u>	<u>(529,638)</u>

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

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	June 30, 2020			December 31, 2019			June 30, 2019		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$ 149,161	USD/TWD =29.660	4,424,115	140,990	USD/TWD =30.106	4,244,645	133,773	USD/TWD =31.072	4,156,595
RMB	571,840	RMB/TWD =4.1982	2,400,699	360,871	RMB/TWD =4.3245	1,560,587	292,142	RMB/TWD =4.5262	1,322,293
HKD	374,774	HKD/TWD =3.8269	1,434,223	388,964	HKD/TWD =3.8647	1,503,229	331,332	HKD/TWD =3.9774	1,317,840
Financial liabilities									
Monetary items									
USD	116,428	USD/TWD =29.660	3,453,254	81,687	USD/TWD =30.106	2,459,269	84,252	USD/TWD =31.072	2,617,878
USD	37,917	USD/RMB =7.0650	1,124,618	39,782	USD/RMB =6.9617	1,197,677	36,809	USD/RMB =6.8649	1,143,729
RMB	967,190	RMB/TWD =4.1982	4,060,457	979,661	RMB/TWD =4.3245	4,236,544	810,092	RMB/TWD =4.5262	3,666,638

2) Sensitivity analysis

The Group's exposure to foreign currency risk of monetary items arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of each major foreign currency against the Group's functional currency as of June 30, 2020 and 2019 would have decreased (increased) the net profit before tax by \$7,146 for the six months ended June 30, 2020, and increased (decreased) the net profit before tax by \$8,970 for the six months ended June 30, 2019. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, the foreign exchange gains, including both realized and unrealized, amounted to \$21,659, \$77,546, \$62,861 and \$52,161, respectively.

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

4) Interest rate analysis

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

	Carrying amount		
	June 30, 2020	December 31, 2019	June 30, 2019
Variable rate instruments:			
Financial assets	\$ 3,584,429	4,708,126	4,663,237
Financial liabilities	(1,648,103)	(1,127,971)	(2,182,099)
	\$ 1,936,326	3,580,155	2,481,138

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

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax in the six months ended June 30, 2020 and 2019, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

	For the six months ended June 30,	
	2020	2019
Increase by 0.25%	\$ 2,420	3,101
Decrease by 0.25%	(2,420)	(3,101)

5) Fair value

a) The kinds of financial instruments and fair value

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

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

	June 30, 2020				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 6,915	-	6,915	-	6,915
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>1,573,191</u>	102,180	1,471,011	-	1,573,191
	<u>1,580,106</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	4,742,946	-	-	-	-
Notes and accounts receivable (including related parties)	6,254,171	-	-	-	-
Other current financial assets	3,365,907	-	-	-	-
Refundable deposits (recorded as other non-current assets)	132,073	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	209,740	-	-	-	-
Restricted deposits (recorded as other non-current assets)	<u>220,633</u>	-	-	-	-
	<u>14,925,470</u>				
	<u>\$ 16,505,576</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ <u>16,498</u>	-	16,498	-	16,498
Financial liabilities measured at amortized cost:					
Short-term borrowings	4,009,940	-	-	-	-
Notes and accounts payable (including related parties)	3,984,452	-	-	-	-
Payable on construction and equipment	283,420	-	-	-	-
Dividends payable	620,563	-	-	-	-
Lease liabilities	294,986	-	-	-	-
Other current payables (recorded as other current liabilities)	1,021,969	-	-	-	-
Long-term loans (including current portion)	46,955	-	-	-	-
Guaranteed deposits received	<u>156,961</u>	-	-	-	-
	<u>10,419,246</u>				
	<u>\$ 10,435,744</u>				

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

	December 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	\$ 15,393	-	15,393	-	15,393
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>622,690</u>	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	<u>2,253</u>	-	-	2,253	2,253
	<u>325,758</u>				
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	-	-	-	-
Other non-current financial assets (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>				

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

December 31, 2019					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ 39,440	-	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><u>\$ 9,868,928</u></u>				
June 30, 2019					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 7,340	-	7,340	-	7,340
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>2,165,287</u>	142,774	2,022,513	-	2,165,287
	<u>2,172,627</u>				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	250,004	250,004	-	-	250,004
Unquoted equity instruments	<u>75,052</u>	-	-	75,052	75,052
	325,056				

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

		June 30, 2019			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Cash and cash equivalents	3,484,869	-	-	-	-
Notes and accounts receivable (including related parties)	6,575,482	-	-	-	-
Other current financial assets	2,795,342	-	-	-	-
Refundable deposits (recorded as other non-current assets)	221,418	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	193,505	-	-	-	-
Restricted deposits (recorded as other non-current assets)	6,974	-	-	-	-
	<u>13,277,590</u>				
	<u>\$ 15,775,273</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ 2,499	-	2,499	-	2,499
Non-derivative financial liabilities mandatorily measured at fair value through profit or loss	9,109	-	9,109	-	9,109
	<u>11,608</u>				
Financial liabilities measured at amortized cost:					
Short-term borrowings	2,676,764	-	-	-	-
Notes and accounts payable (including related parties)	4,076,032	-	-	-	-
Payables on construction and equipment	299,701	-	-	-	-
Lease liabilities	325,062	-	-	-	-
Dividends payable	664,555	-	-	-	-
Other current payables (recorded as other current liabilities)	937,586	-	-	-	-
Long-term loans (including current portion)	62,281	-	-	-	-
Bonds payable (including current portion)	1,111,946	-	-	-	-
Guarantee deposits received	167,494	-	-	-	-
	<u>10,321,421</u>				
	<u>\$ 10,333,029</u>				

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

- d) There were no transfers from one level to another of the Group in the six months ended June 30, 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 six months ended June 30, 2020 and 2019:

	Current financial assets at fair value through other comprehensive income – unquoted equity instruments
Balance on January 1, 2020	\$ 2,253
Disposed	(7,000)
Total gains and losses recognized:	
In profit (loss)	-
In other comprehensive income	4,747
Balance on June 30, 2020	<u>\$ -</u>

(Continued)

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 June 30, 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 June 30, 2019 was \$0.

- 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.

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 and 0.53 on December 31, and June 30, 2019, respectively) ·Lack of marketability discount rate (20% on December 31, and June 30, 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.

(Continued)

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

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

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

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

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.

(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 six months ended June 30, 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:

(Continued)

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

			Non-cash changes			
	January 1, 2020	Cash flows	Amendment	Amortization of interest and issuance costs	Foreign exchange movement	June 30, 2020
Short-term borrowings	\$ 2,582,152	1,427,788	-	-	-	4,009,940
Long-term borrowings	53,644	(2,935)	-	-	(3,754)	46,955
Lease liabilities	312,810	(28,797)	11,705	-	(732)	294,986
Bonds payable	1,119,659	(1,126,100)	-	6,441	-	-
Guarantee deposits received	198,252	(41,291)	-	-	-	156,961
Total liabilities from financing activities	<u>\$ 4,266,517</u>	<u>228,665</u>	<u>11,705</u>	<u>6,441</u>	<u>(4,486)</u>	<u>4,508,842</u>

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

(7) Related-party transactions

(a) Names and relationship with related parties

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

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

(Continued)

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

(b) Significant related party transactions

(i) Sales

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Associates	\$ 16,011	12,966	28,894	25,432
Other related parties	-	31,538	-	53,148
	\$ 16,011	44,504	28,894	78,580

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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Associates	\$ 119,817	105,979	217,326	211,744
Other related parties-Epistar	-	299,512	-	642,995
	\$ 119,817	405,491	217,326	854,739

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

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Related party categories	June 30, 2020	December 31, 2019	June 30, 2019
Associates	\$ 33,183	34,684	28,095

(iv) Payables to related parties

The payables to related parties were as follows:

Related party categories	June 30, 2020	December 31, 2019	June 30, 2019
Associates	\$ 184,799	168,285	177,959

(Continued)

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Short-term employee benefits	\$ 11,374	4,092	22,068	12,339
Others	1,269	1,178	2,535	2,375
	<u>\$ 12,643</u>	<u>5,270</u>	<u>24,603</u>	<u>14,714</u>

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

(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

Assets	Objectives	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits and restricted deposits (recorded as other financial assets – non-current)	Guarantee for contract grant and guarantee for construction contracts	\$ 220,633	222,083	6,974
Restricted deposits (recorded as other financial assets-current)	Contract of accounts receivable factoring	50,850	121,414	67,905
		<u>\$ 271,483</u>	<u>343,497</u>	<u>74,879</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 June 30, 2020, December 31, and June 30, 2019, the Group's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$170,970, \$931,964 and \$694,409, respectively.
- (ii) As of June 30, 2020, December 31, and June 30, 2019, the unused balance of the Group's outstanding standby letters of credit amounted to \$43,749, \$0, and \$0, respectively.

(10) Losses Due to Major Disasters: none

(11) Subsequent Events: none

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

(12) Other

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

By function By item	Three months ended June 30, 2020			Three months ended June 30, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	437,253	444,830	882,083	401,179	428,291	829,470
Labor and health insurance	17,241	33,298	50,539	19,684	38,034	57,718
Pension	16,613	12,395	29,008	19,778	14,065	33,843
Others	27,575	17,029	44,604	27,946	16,191	44,137
Depreciation	299,220	158,782	458,002	350,033	165,347	515,380
Amortization	11,332	6,431	17,763	14,423	10,179	24,602

By function By item	Six months ended June 30, 2020			Six months ended June 30, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	788,688	851,325	1,640,013	777,189	824,156	1,601,345
Labor and health insurance	34,925	71,463	106,388	40,611	77,741	118,352
Pension	28,006	24,929	52,935	41,401	28,515	69,916
Others	54,439	33,859	88,298	54,993	32,667	87,660
Depreciation	602,646	319,016	921,662	700,620	332,105	1,032,725
Amortization	22,391	12,671	35,062	27,100	20,459	47,559

- (b) Seasonality of interim operation

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

(13) Other disclosures

- (a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2020:

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Loans to other parties:

Unit: foreign currency in thousand dollars

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	WOPI Holding	Other current financial assets	Yes	599,654 (EUR18,000)	599,654 (EUR18,000)	266,513	1.0%	Short-term financing	-	Business turnover	-		-	1,651,451	6,605,807
						599,654	266,513									
1	Everlight Zhongshan	Zhongshan Everlight Lighting	Other receivables	Yes	62,847 (RMB14,970)	43,955 (RMB10,470)	43,955 (RMB10,470)	2.5%	Short-term financing	-	"	-		-	342,603	342,603
2	Everlight BVI	WOPI Holding	"	Yes	66,628 (EUR2,000)	66,628 (EUR2,000)	-	-%	Short-term financing	-	"	-		-	2,464,700	2,464,700
3	Everlight BVI	Everlight China	"	Yes	593,200 (USD20,000)	593,200 (USD20,000)	296,609 (USD10,000)	-%	Short-term financing	-	"	-		-	2,464,700	2,464,700
						703,783	340,555									

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.

Note 5: The aforementioned transactions had been eliminated in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of June 30, 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	Ending balance				Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	
The Company	SinoPac TWD Money Market Fund	None	Current financial assets at fair value through profit or loss	3,377	\$ 47,286	-%	47,286	
"	Cathay Financial Holding Co., Ltd. Preferred Stock B	"	"	100	6,410	-%	6,410	
"	Gigasolar Materials Corporation convertible bonds	"	"	210	20,979	-%	20,979	
"	Eva Airways Corporation convertible bonds	"	"	17	1,690	-%	1,690	
					\$ 76,365			
Pai-ye	Taishin Ta-Chong Money Market Fund	None	Current financial assets at fair value through profit or loss	1,806	\$ 25,815	-%	25,815	
"	Taipci Tech innofund Stocks	Pai-ye is the corporate director of this company	Non-current financial assets at fair value through profit or loss	3,000	34,007	10%	34,007	
Everlight Fujian	Kaistar Lighting (Xiamen) Co., Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	\$ 335,856 (RMB80,000)	3.97%	33,856	
"	Country Lighting (B.V.I.) Ltd.	"	"	(Note 2)	18,917 (RMB4,506)	8.21%	18,917	
"	Financial products	"	"	-	284,666 (RMB67,807)	-%	284,666	
					\$ 699,261			
Everlight Electronic (Guangzhou)	Financial products	None	Current financial assets at fair value through profit or loss	-	30,647 (RMB7,300)	-%	30,647	
Everlight Zhongshan	Financial products	None	Current financial assets at fair value through profit or loss	-	168,005 (RMB40,018)	-%	168,005	
Everlight China	Financial products	None	Current financial assets at fair value through profit or loss	-	598,913 (RMB142,659)	-%	598,913	

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

Note 2: Company Limited.

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

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

Unit: foreign currency in thousand dollars

Name of Company	Name of Counter-party	Relationship	Transaction Details				Abnormal Transaction		Notes/ Account (Payable) or Receivable		Note
			Purchase/ (Sale)	Amount (Note 1)	Percentage of total purchases/ sales	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 3)	Percentage of total notes/accounts receivable (payable)	
The Company	Evlite	100% owned subsidiary	(Sales)	\$ (630,283)	(7)%	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 442,196	8 %	Note 2
"	Everlight Europe	75% owned subsidiary	(Sales)	(436,685)	(5)%	OA 120	"	"	Accounts Receivable 221,039	4 %	"
"	Everlight Lighting China	100% owned sub-subsidiary	(Sales)	(293,728)	(3)%	Depending on the credit conditions of the ultimate customers	"	"	Accounts Receivable 536,838	9 %	"
"	ELA	99% owned subsidiary	(Sales)	(133,241)	(2)%	OA 140	"	"	Accounts Receivable 168,304	3 %	"
"	Everlight China	100% owned sub-subsidiary	Purchases	4,120,079	75%	Depending on the demand for funding, OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (3,418,077)	(70)%	"
"	Everlight Zhongshan	100% owned sub-subsidiary	Purchases	163,653	3%	Depending on the demand for funding, OA 120	"	"	Accounts Payable (148,903)	(3)%	"
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(180,054) (RMB(42,151))	(99)%	Depending on the demand for funding, OA 95	-	Depending on the funding demand of both sides	Accounts Receivable 148,903 (RMB35,468)	100 %	"
Everlight China	The Company	Ultimate holding company	(Sales)	(4,263,366) (RMB(998,049))	(99)%	Depending on the demand for funding, OA 120	-	Depending on the funding demand of both sides	Accounts Receivable 3,417,999 (RMB814,158)	99 %	"
"	Tekcore	Equity-accounted investee by the Company	Purchases	181,321 (RMB42,447)	7%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90 day	Accounts Payable (153,756) (RMB(36,624))	(7)%	-
Everlight Lighting China	The Company	Ultimate holding company	Purchases	374,145 (RMB87,587)	52%	Depending on the terms of the ultimate customer	-	Depending on the funding demand of both sides	Accounts Payable (543,596) (RMB(129,483))	(60)%	Note 2
ELA	The Company	Parent company	Purchases	185,243 (USD6,169)	100%	OA 140	-	-	Accounts Payable (169,092) (USD(5,701))	(99)%	"
Everlight Europe	The Company	"	Purchases	437,196 (EUR13,222)	100%	OA 120	-	-	Accounts Payable (220,666) (EUR(6,624))	(100)%	"
Evlite	The Company	"	Purchases	634,663 (HKD164,021)	100%	OA 90	-	Depending on the funding demand of both sides	Accounts Payable (442,497) (HKD(115,628))	(100)%	"
Evervision TW	Vbest Kunshan	Equity-accounted investee by Evervision TW	Purchases	178,697	81%	OA 150	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (270,944)	(84)%	"
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(178,847) (USD(5,956))	(97)%	OA 150	Terms not comparable to other general trading price	General export receivable in 90~120 days	Accounts Receivable 271,211 (USD9,144)	99 %	"

Note 1: The amounts were translated into New Taiwan dollars at the three months ended June 30, 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	221,039	4.15	-		66,289 (USD653、EUR1,409)	-
"	ELA	99% owned subsidiary	168,304	1.61	73,160	Improve accounts receivable collection	98,519 (USD3,322)	-
"	Evlite	100% owned subsidiary	442,196	2.84	-		221,589 (USD723、HKD52,296)	-
"	Everlight China	100% owned sub-subsidiary	106,795 (Note 4)	-	-		-	-
"	Everlight Lighting China	100% owned sub-subsidiary	536,838	1.07	382,641	Improve accounts receivable collection	1,705 (RMB406)	-
"	WOFI Holding	100% owned subsidiary	272,561 (Note 3)	-	-		-	-
Everlight BV1	Everlight China	100% owned subsidiary	296,600 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	3,417,999	2.40	-		986,439 (RMB234,967)	-
Everlight Zhongshan	The Company	Ultimate holding company	148,903	2.43	-		50,938 (RMB12,133)	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	271,211 (USD9,144)	1.59	-		29,868 (USD1,007)	-

Note 1 : Information as of August 12, 2020.

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

Note 3 : Lending funds (including interest).

Note 4 : Receivables on machinery and equipment.

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).

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

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Counter- party	Relationship (Note 2)	Intercompany transactions			
				Financial statements accounts	Amount	Terms	Percentage of consolidated net revenue or total assets
0	The Company	Everlight Europe	1	Sales revenue	436,685	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	4 %
			1	Accounts receivable	221,039	"	1 %
0	The Company	ELA	1	Sales revenue	133,241	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	1 %
			1	Accounts receivable	168,304	"	1 %
0	The Company	Evlite	1	Sales revenue	630,283	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	6 %
			1	Accounts receivable	442,196	"	2 %
0	The Company	Everlight Lighting China	1	Sales revenue	293,728	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	3 %
			1	Accounts receivable	536,838	"	2 %
0	The Company	Everlight China	1	Other receivable due from related parties (Note 3)	106,795	OA 120 days, upon acceptance	- %
0	The Company	WOFI Holding	1	Other receivable due from related parties (Note 4)	272,561	Rate 1.0%	1 %
1	Everlight China	The Company	2	Sales revenue	4,263,366	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 120 days.	42 %
			2	Accounts receivable	3,417,999	"	12 %
2	Everlight Zhongshan	The Company	2	Accounts receivable	148,903	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 95 days.	1 %
3	Everlight BVI	Everlight China	3	Other receivable due from related parties (Note 4)	296,600	Rate 0%	1 %
4	Vbest Kunshan	Evervision TW	3	Sales revenue	178,847	There is no significant difference on the price offered to general customers; and the credit period is OA 150 days.	2 %
			3	Accounts receivable	271,211	"	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 on machinery and equipment.

Note 4: Lending funds (including interest).

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 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 3)	Share of profits/losses of investee	Note
				June 30, 2020	December 31, 2019	Shares (In thousands)	Percentage of ownership	Carrying value			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	4,762,934	4,759,166	1,540	98%	\$ 6,034,392	64,017	62,737	Subsidiaries (Note 4)
"	Pai-ye	New Taipei City	Investment	580,253	580,253	23,940	100%	451,675	(4,898)	(4,898)	Subsidiaries (Note 4)
"	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(94,411)	(8,195)	(8,105)	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%	172,221	38	9	Subsidiaries (Note 4)
"	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	75,160	31,422	23,567	Subsidiaries (Note 4)
"	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	36,883	3,583	3,583	Subsidiaries (Note 4)
"	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	411,242	(14,264)	(14,264)	Subsidiaries (Note 4)
"	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	264,827	58,284	58,393	Subsidiaries (Note 4)
"	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	36,116	(56,653)	(5,473)	(Note 1)
"	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	109,282	4,254	4,254	Subsidiaries (Note 4)
"	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	10,387	(1,348) (INR(3,327))	(1,079)	Subsidiaries (Note 4)
"	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	12,260	(541)	(541)	Subsidiaries (Note 4)
"	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	(176,568)	(60,354)	(60,354)	Subsidiaries (Note 4)
"	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	11,404	(1,390)	(1,390)	Subsidiaries (Note 4)
Pai-ye	Everlight BVI	Registered in British Virgin Islands	Investment	120,740	124,508	37	2%	127,359	64,017	1,280	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%	101,827	38	5	Subsidiaries (Note 4)
"	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	23,103	18,867	5,203	5.41%	19,610	(56,653)	(3,009)	Note 2
"	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	758	-	-	Sub-sub-sidiaries (Note 4)
"	ELI	India	Sale of LEDs	493	493	88	20%	2,856	(1,348) (INR(3,327))	(269)	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%	177,866	38	11	Subsidiaries (Note 4)
"	EicOcom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	45,000	45,000	4,500	32.14%	-	-	(14,792)	-
Evervision	Well	Hsinchu County	Electronic material trading	28,000	14,000	400	40%	11,294	(3,637)	(6,955)	-

Note 1: The market price is \$26,759 thousand dollars.

Note 2: The market price is \$14,985 thousand dollars.

Note 3: The amounts were translated into New Taiwan dollars at the six months ended June 30, 2020 average exchange rates.

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to 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 June 30, 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 June 30, 2020 (Note 6)	Accumulated remittance of earnings as of June 30, 2020
					Outflow	Inflow						
The Company and Pai-tee:												
Everlight China	Manufacture of LEDs	3,639,835 (US\$113,500 + RMB65,129) (Note 7)	(Note 1)	3,273,278 (US\$110,360)	-	-	3,273,278 (US\$110,360)	61,143	100%	61,143	4,637,660	(Note 8)
Everlight Lighting China	Sale of LEDs	237,280 (US\$8,000) (Note 11)	(Note 1)	154,232 (US\$5,200)	-	-	154,232 (US\$5,200)	(1,645)	100%	(1,645) (Note 12)	160,067 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	192,715 (US\$128 + RMB45,000) (Note 19)	(Note 1)	3,796 (US\$128)	-	-	3,796 (US\$128)	150	100%	150 (Note 20)	188,223 (Note 20)	-
Everlight Zhongshan	Manufacture of LED related components	889,800 (US\$30,000)	(Note 1)	889,800 (US\$30,000)	-	-	889,800 (US\$30,000)	(4,059)	100%	(4,059)	856,508	-
Everlight Fujian	Manufacture and sale of LED backlights and related	741,500 (US\$25,000)	(Note 1)	636,754 (US\$16,250 + RMB36,868)	-	-	636,754 (US\$16,250 + RMB36,868)	4,066	90%	3,659	575,420	-
Shanghai Yaming Lighting Co., Ltd.(Yaming)	Assemble LED lighting products	83,964 (RMB20,000)	(Note 1)	43,422 (US\$1,464)	-	-	43,422 (US\$1,464)	-	50%	-	-	-
ELMS	Research and sale of LED lighting products	398,829 (RMB95,000) (Note 22)	Direct investment	103,712 (US\$1,294 + RMB15,562)	-	-	103,712 (US\$1,294 + RMB15,562)	(1,861)	100%	(1,861) (Note 21)	7,479 (Note 21)	-
Yi-Yao	Research of electronic components	48,153 (RMB11,470)	(Note 1)	27,129 (RMB6,462)	-	-	27,129 (RMB6,462)	-	- (Note 9)	-	(Note 9)	-
Evervision TW: Vbest Kunshan	Post-assemble STN display and assemble module	533,880 (US\$18,000)	(Note 2)	533,880 (US\$18,000)	-	-	533,880 (US\$18,000)	721	65.50%	472	419,474	-
Everlight Lighting China: Zhongshan	Research and sale of LED lighting products	83,964 (RMB20,000)	(Note 3)	-	-	-	-	(1,010)	100%	(1,010)	(49,764)	-

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

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of June 30, 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)	5,259,869 (US\$169,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 16 and 17)	5,319,616 (US\$170,829 thousand 、 RMB60,223 thousand)	9,908,710
ELIT	139,090 (US\$2,723 thousand 、 RMB13,893 thousand) (Notes 9 and 18)	139,090 (US\$2,723 thousand 、 RMB13,893 thousand)	158,797 (Note 13)
Evervision TW	626,894 (Note 15 and 23) (US\$21,136 thousand)	626,894 (US\$21,136 thousand)	448,236 (Note 14)

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

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

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

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

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

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

Note 15: Including the investment amount of the factory in Mainland China written off in 2012 amounting to US\$ 2,750 thousand.

Note 16: Including the investments amounting to US\$ 216 thousand in Inferpoint Touch Solutions (ShenZhen) Limited and Inferpoint Systems (Shenzhen) Limited through Inferpoint Systems Limited, an investee at cost, in Mainland China. The Company sold its equities in December 2013, but had not applied to eliminate the investment amounting to US\$ 9,475 thousand.

Note 17: Everlight Yi-Guang Technology (Shanghai) Ltd. had completed its liquidation in April 2014. The aforesaid investment amount included the accumulated outward remittance from the Company for investment amounting to US\$ 293 thousand.

Note 18: ELIT sold 100% equity of ELMS to the Company in January 2014. The aforesaid investment amounting to US\$ 2,000 thousand and RMB 13,893 thousand were included in ELIT's accumulated outflow of investment from Taiwan.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 Evervision company's accumulated outflow of investment from Taiwan.

(iii) **Significant transactions:**

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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For the three months ended June 30, 2020						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 4,876,759	188,524	547,682	28,464	-	5,641,429
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 4,876,759</u>	<u>188,524</u>	<u>547,682</u>	<u>28,464</u>	<u>-</u>	<u>5,641,429</u>
Reportable segment profit (loss)	<u>\$ 486,055</u>	<u>25,472</u>	<u>(29,899)</u>	<u>(3,957)</u>	<u>-</u>	<u>477,671</u>
For the three months ended June 30, 2019						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 4,662,211	194,517	343,423	17,856	-	5,218,007
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 4,662,211</u>	<u>194,517</u>	<u>343,423</u>	<u>17,856</u>	<u>-</u>	<u>5,218,007</u>
Reportable segment profit (loss)	<u>\$ 246,780</u>	<u>8,691</u>	<u>(97,738)</u>	<u>3,870</u>	<u>-</u>	<u>161,603</u>
For the six months ended June 30, 2020						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 8,525,089	278,662	1,304,804	65,055	-	10,173,610
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 8,525,089</u>	<u>278,662</u>	<u>1,304,804</u>	<u>65,055</u>	<u>-</u>	<u>10,173,610</u>
Reportable segment profit (loss)	<u>\$ 538,092</u>	<u>(7,633)</u>	<u>(17,226)</u>	<u>(11,684)</u>	<u>-</u>	<u>501,549</u>
For the six months ended June 30, 2019						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 9,098,773	371,421	843,387	33,616	-	10,347,197
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 9,098,773</u>	<u>371,421</u>	<u>843,387</u>	<u>33,616</u>	<u>-</u>	<u>10,347,197</u>
Reportable segment profit (loss)	<u>\$ 385,577</u>	<u>12,730</u>	<u>(127,164)</u>	<u>5,458</u>	<u>-</u>	<u>276,601</u>