Stock Code：2393

Everlight Electronics Co., Ltd.

2019 Annual Report

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__*Notice to readers*__

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Corporation Information

1. 一、Spokesperson & Deputy Spokesperson

Spokesperson
Name: Li Yu Huang
Title: Vice President
TEL: +886-2-2685-6688
Email: luhuang4@everlight.com
Deputy Spokesperson
Name: Justin Ding
Title: Director
TEL: +886-2-2685-6688
Email: poaming@everlight.com

2. Headquarters, Branches and Plant
Corpotate Headquarters
No.6-8, Chung-Hua Rd., Shu-Ling District, New Taipei City 23860, Taiwan, R.O.C.
TEL: +886-2-2685-6688
Branch
No. 35, Guoguang Ln., Yuanli Township, Miaoli County 358, Taiwan (R.O.C.)
TEL: +886-37-740-776

3. Common Share Transfer Agent and Registrar
Company: The Transfer Agency Department of Horizon Securities Co., Ltd.
ADD: B2F., No. 97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)
Website: www.capital.com.tw
TEL: +886-2-2702-3999

4. Auditors
Company: KPMG
Auditors: Ou,Yao-Chun, Lo,Jui-Lan
ADD: 68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
Website: www.kpmg.com.tw
TEL: +886-2-8101-6666

5. Overseas Securities Exchange: N/A

6. Corporate Website

Website: http://www.everlight.com

Contents

1. Letter to Shareholders

Preface

To our shareholders:

Thank you for coming our 2020 shareholders' meeting.

Due to the trade war between US and China and the weak demand in the emerging market, the LED demand of massive volume products such as lighting and back light unit has tremendously declined. On the other hand, the over supply of LED chip became worse in 2019 than in 2018. The production value of LED decreased because of 20% - 30% price reduction of Chinese chip providers' selling price with negative gross margin in order to sell off the inventory. In 2019, Everlight's consolidated revenue drop 13% to NT$ 20.97 billion, but the gross margin improved 1% to 24.4% due to adjusting our product mix, controlling the inventory, and developing new products such as automotive, infrared and mini LED for back light use…etc. The net income in 2019 improved 3.7% to NT$ 822 million, compared to 2018, and earnings per share is NT$ 1.86. The dividend, approved by the board meeting of directors, is NT$ 1.4 per share.

New technique and applications

Our research and develop expense is around NT$ 750 million which remained about 4% to the total revenue. Although the LED industry entered some turbulence last year, we kept our pace to extend our leading technique in LED packaging field and to develop new products to meet our clients' need.

With the evolution of the technology, intelligent automation and innovative development will be the expecting trend, Everlight has developed automation device products for auto use. This series of products can easily identify drivers' condition such as focusing problems, drowsiness or distraction by sensing and recognizing the driver's eyeballs and facial expressions. When the light of driving environment changes, our light sensing components can automatically adjust the light of dash board and the brightness of rearview and side-view mirror according to the distance. With our infrared touch screen technology, the car screen can be operated more convenient without any interference even the user wear gloves.

Our newest fish scale tail light can be used in broad range of temperature environment with Nano second reaction time, and it looks like OLED tail light but with better accountability, longer product life and cheaper price. We also use mini LED to produce the new generation tail light, it can clearly display figures and text to meet the best recognition for driving vision. For the interior light in cars, with Everlight's unique packaging technique, the interior light not only will be better uniformity but also can be smartly controlled as mood lighting. All these automotive product series are developing for our OEM clients to provide total solutions for all kind of applications.

For mini LED used on the back light unit, it can show the same high contrast as OLED, better brightness to 1000nits and fulfill the request of High Dynamic Range by local dimming technology. Our mini LED already applied to all the back light unit LCD screen such as television, gaming monitor, automotive screen and portable devices.

The UV LED, which has short wavelength and strong power, can cause chemical reaction and substance change under exposure. It has been wildly used in the curing, medical, photo catalyst and banknote detection market and the demand raised rapidly. Everlight has introduced our new UVC product line, using special sapphire substrate wafer and flip chip technology, and it can be widely used in medical treatment, water and air purification, such as a disinfection box, portable sterilization products and disinfection flashlight.

Summary of 2020 business plan

The original growth drivers, such as general lighting, general back light unit and LED signage board, have already slowed down and entered the mature product cycle, new applications raised. With the emerging of smart cars, wearable devices, Virtual Reality/Actual Reality, Artificial Intelligence, security control, smart city and plant factory, we can expect automotive lighting, mini LED for back lighting, UV/IR LED, plant lighting, intelligence lighting will be the next growth driver for LED industry. In 2020, Corona virus already dramatically slowed down the global economy and uncertainty will last for certain. Therefore, Everlight will keep our resilience and flexibility, improve our products mix, remain our leading technique, manufacture high quality products, and gain our clients’ trust. As a leading LED packaging company, Everlight will put more effort on improving “Quality” instead of gaining “Quantity” in the future to earn more profit for our shareholders.

At last, wish all the shareholders healthy and well living

Chairman of BOD, Robert Yeh

2. Corporate Introduction

2.1 Date of Incorporation: September 19, 1996.

2.1.1 Information of headquater, branch, plant:

	Address	Tel
Headquater	No.6-8, Chung-Hua Rd., Shu-Ling District, New Taipei City 23860, Taiwan, R.O.C.	(02)2685-6688
Yuanli Branch	No. 35, Guoguang Ln., Yuanli Township, Miaoli County 358, Taiwan (R.O.C.)	(037)740-776
Tucheng Plant	No.25, Ln. 76, Sec. 3, Zhongyang Rd., Tucheng Dist., New Taipei City 23673, Taiwan (R.O.C.)	(02)2267-2000
Tongluo Plant	No.26, Zhongxing Rd., Tongluo Township, Miaoli County 36647, Taiwan (R.O.C.)	(037)239-588

2.2 Company History

Everlight was founded by chairman Robert Yeh on May 28, 1983 in Tucheng, New Taipei City. Everlight is focus on producing LED which is a capital and technology intensive industry. Since foundation, Everlight continues training professional R&D and developing new products to supply domestic and overseas market. Everlight has always been based on the business philosophy of integrity, innovation, harmony and excellence, a stable and pragmatic operation to serve the industry and return to the society.

Year	Milestone
1983	Incorporated the Company with paid-in capital NTD$7,022 thousand and mainly manufactures LED.
1986	Paid-in capital increased to NTD$27,022 thousand and began automated production line.
1988	Paid-in capital increased to NTD$50,000 thousand
1989	Paid-in capital increased to NTD$90,000 thousand，同時設立苑裡廠(苗栗縣苑裡鎮)。
1990	Paid-in capital increased to NTD$190,000 thousand，。
1991	Moved to new plant (Section 3, Chun-Yang Rd., Tucheng)
June 1995	Approved to be a public company.
1995	Paid-in capital increased to NTD$350,000 thousand。
1996	Paid-in capital increased to NTD$500,000 thousand and registered capital achieved to the amount of NTD$700,000 thousand。
Dec 1996	Pass ISO 9001 international certification
Nov 1997	Officially traded on Taipei Exchange.
1998	Paid-in capital increased to NTD$911,150 thousand. Pass QS 9000 international

	certification.
Mar 1999	Pass ISO 14001 international certification
1999	Paid-in capital increased to NTD$1,330,000 thousand
Nov 1999	Officially traded on TWSE.
Feb 2000	Offer 1st overseas convertible corporate bonds amounting to USD$200 million.
2000	Paid-in capital increased to NTD$1,683,439 thousand
Feb 2001	Invest Everlight Electronics (China) Ltd.-Suzhou
Mar 2001	Issua 1st convertible bond NTD$600,000 thousand
2001	Paid-in capital increased to NTD$1,878,933 thousand
2002	Paid-in capital increased to NTD$2,180,166thousand。
2003	Paid-in capital increased to NTD$2,464,267thousand。
Feb 2004	Offer 2nd overseas convertible corporate bonds amounting to USD$300 million.
2004	Paid-in capital increased to2,736,647thousand。
Apr 2005	Offer 1st employee stock option 7,770,564 shares.
2005	Paid-in capital increased to NTD$2,878,913 thousand。
Oct 2006	Offer 2nd domestic convertible corporate bonds amounting to NTD$1,500,000 thousand.
2006	Paid-in capital increased to NTD$3,200,840 thousand。
Nov 2007	Offer 2nd employee stock option 8,000,000 shares.
Dec 2007	Offer 3rd domestic convertible corporate bonds amounting to NTD$3,000,000 thousand.
2007	Paid-in capital increased to3,451,742thousand.
2008	Paid-in capital increased to3,646,047thousand.
Dec 2009	Offer 4th domestic convertible corporate bonds amounting to NTD$2,500,000 thousand.
2009	Paid-in capital increased to NTD$3,992,125 thousand.
2010	Paid-in capital increased to NTD$4,191,693 thousand.
2011	Paid-in capital increased to NTD$4,192,013 thousand.
Dec 2011	Move to Shunlin opertation headquater (Zhonghua Rd., Shulin)
Jan 2012	Offer 3rd employee stock option 5,000,000 shares.
Jun 2012	Offer 4th employee stock option 10,000,000 shares.
Jul 2012	Syndication loan amounting to NTD$6,000,000 thousand for 5 years term.
Mar 2013	Numbers of Everlight LED patent are more than 1,000.
Jul 2013	Offer Year 2013 employee stock option with 10,000,000 shares.
Jul 2013	Purchased WOFI Leuchten GmbH 100% share to strengthen lighting distribution

	channel and sales development.
Dec 2013	Offer 5th domestic convertible corporate bonds amounting to NTD$4,000,00 thousand.
Dec 2014	Paid-in capital increased to NTD$4,283,435 thousand。
Mar 2015	Liquidated Guangzhou Hengkuang Electronics Ltd.
May 2015	Offer 6th domestic convertible corporate bonds amounting to NTD$5,000,000 thousand.
Aug 2015	Offer Year 2014 employee stock option with 5,000,000 shares.
Dec 2015	Paid-in capital increased to NTD$4,361,890 thousand。
Aug 2016	Tongluo Plant completed factory registration. Everlight dedicated to auto LED R&D to fulfill high quality and diversified need of product. Tongluo Plant is a intellengent plant with human factor concept and mainly for auto LED component.
Dec 2016	Paid-in capital increased to NTD$4,402,667 thousand。
Dec 2017	Paid-in capital increased to NTD$4,403,778 thousand。
Oct 2018	Conviction affirmed by the supreme court in USA dated on Oct 1st 2018 was to dismiss the appeal by Nichia Kagaku Kōgyō Kabushiki-gaisha. Everlight won the final victory.
Dec 2018	Paid-in capital increased to NTD$4,429,136 thousand。
May 2019	Paid-in capital increased to NTD$4,430,562 thousand。
Sep 2019	Paid-in capital increased to NTD$4,431,011 thousand
Dec 2019	Paid-in capital increased to NTD$4,432,162 thousand
Apr 2020	Paid-in capital increased to NTD$4,432,593 thousand

3. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart

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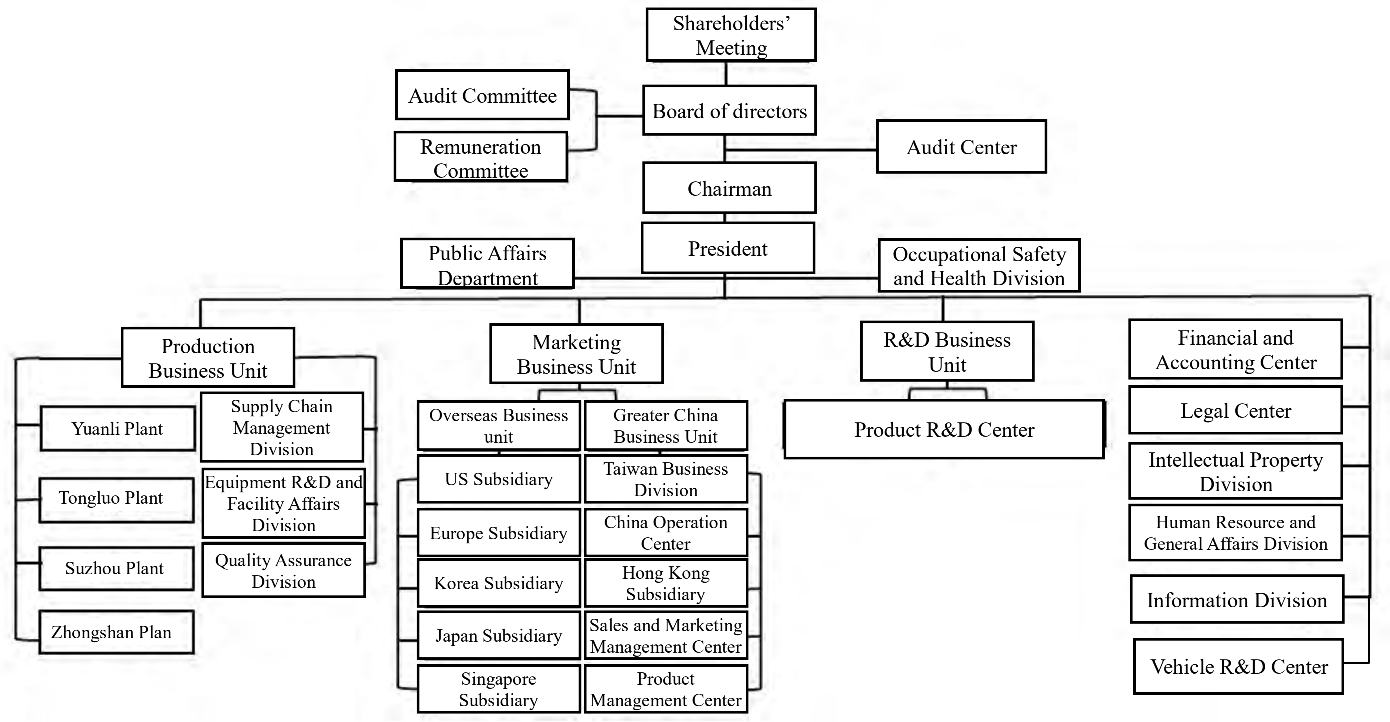


3.1.2 Major Corporate Functions

Department	Functions
President Office	Overview on the conduct of overall business, production-marketing coordination, and product business goal setting.
Audit Office	1. Through internal audit, make sure the achiveness of following goals: Effectiveness and efficiency of opertation, Reliability of financial report, Obendience of relate regulations 2. Assist Board of Directors and top management perform duties. 3. Investigate and evaluate the effectiveness of internal control system and measure the efficiency of operation result to ensure internal control system to be continuously and effectively executed.
Public Affairs Department	1. Set up relationship of the Company and news media and crisis management. 2. Cooperatw with Everlight Cultural Foundation for charitable events to build up coporate image and brand value. 3. Manage and participate industrial association to enhance the Company's floor and fulfill corporate citizenship.
Occupational Safety and Health Division	1. In charge of environmental protection and health and welfare, disaster prevention, environmental pollution reduction. 2. Build up zero pollution and safe working environment to achieve the goal sustainable development.
Finance & Accounting Center	1. Financial planning and execution, cash allocation and management plan, FX hedge and asset management, investor relationship management, overseas subsidiary financial management and risk management. 2. Bookkeeping, taxation planning and execution, and accounting process improvement. 3. Investment company evaluation and management. 4. Compliance of securities regulations and public announcement. 5. Project management of operating performance index.
Intellectual Property & Legal Affairs Center	1. Control overall coporate risk to ensure the legitimacy of coporate operation. 2. Maintain corporate legal validility and status. 3. In charge of intellectual property application and maintainance to strangthen the intellectual propertypatent. 4. Assist designing around of patent and build up correct patent cognition. 5. Set up patent management process and improve patent quality. 6. Set up patent database to monitor global patent, search for adequate patent subject of purchasing, and stangthen patent combination.
Information Division	1. Promote related project planning and execution. 2. Management and maintaince of related information application system and providing high efficienct and stable information system service. 3. Active assist systematic needs from different department and think about the most adequate solution for strantegy development and opertation process to increase informative ability.
Human Resource and General Affairs Division	1. Labor regulations compliance. 2. Promote inspiration and welfate system. 3. Improvement of organization, culture, and human resource development. 4. Review and suggest on management system and execution of construction and safty and health in plant.

Department	Functions
R&D Business Unit	1. Evaluate industrial key technology and information. New product research and development. R&D process management and improvement. R&D project management and improve product quality and yield. 2. New product spec setting and test verification. Assist product department to test sample and spec verification. 3. Integrate corporate resource to import new material and manufacturing process. 4. New product development, improvement, and modification of production spec, BOM building, second source evaluation. R&D professional service and patent application.
Overseas Business Unit	1. Build sales performance management system and continuously promote sales process improvement on operation efficiency and quality. 2. Develop new customer and maintain good relationship to achieve yearly sales goal. 3. Set up and execute product marketing strategy.
Greater China Business Unit	1. Build sales performance management system and continuously promote sales process improvement on operation efficiency and quality. 2. Manage distributor channel in Greater China. 3. Develop new customer and maintain good relationship to achieve yearly sales goal. 4. Set up and execute product marketing strategy.
Supply Chain Management Division	1. Allocate production capacity by open order and manage abnormal production condition to achieve goals of production and inventory turnover. 2. Continuously grasp production status and reduce WIP. 3. Manage raw material, product, and shipping to fulfill production needs.
Equipment R&D and Facility Affairs Division	1. Improve automation of machinery and develop mould. 2. Develop, import, and apply new machine and new model. 3. Execute factory construction project, factory affairs, and factory equipment maintainance to fulfill capacity expansion and production demand.
Quality Assurance Division	1. Manage corporate quality system, suppliers, prohibited and restricted substance, and internal audit system. 2. Manage and plan laboratory, approve reliance report, handle defective product, and promote quality assurance conscious and traing to ensure product reliability. 3. Standardize customer complaint process and analysis method, build feedback database of constomer complaint, standardize CAR(correction action report) by basic tools of quality to decrease abnormal reoccurrence, customer complaint and external quality cost.
Production Plant	1. Produce LED according to open order and achieve goals of production and inventory turnover.. 2. Continuously decrease manufacturing cost, grasp production status and reduce WIP. 3. Manage raw material, product, and inventory to fulfill production needs.

3.2 Information about Directors, supervisors, president, vice presidents, assistant vice presidents, and department and branch managers

3.2.1 Information about directors and supervisors

Apr. 14, 2020 Unit:Share

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Chairman	R.O.C.	Robert Yeh	Male	2018.06	3	72.06	18,968,553	4.31	17,168,553	3.87	651,333	0.15	0	0.00	National Taipei University of Technology Department of Electronic Engineeing	King Core Electronics Inc. Director Tekcore Co. Ltd Chairman&PRESIDENT Evervision Electronics Co., Ltd. Director& president Forever Investment Co., Ltd. Chairman & president Pai Yee Investment Co., Ltd. Chairman & president Evlite Electronics Co., Ltd. Director Everlight Lighting Intellengence Technology Co., Ltd. Chairman Evervision Electronics (BVI) Director Yi-Yao Techonology (Shanhai) Ltd. Executive Director Everlight (BVI) Co., Ltd Director& president HAITEC Director Everlight Lighting (China) Chairman Everlight Americas, Inc. Director Everlight Korea Director VBest GmbHDirector Evervision (HK) Ltd.Director Everlight (Fujian) Ltd.Chairman Everlight Lighting (China) Ltd. Director Everlight (Guazhou) Ltd. Director Everlight (Zhongshan) Ltd. Director Everlight Electronics India Private Limited Director WOFI Leuchten GmbH Director WOFI Wortmann & Fliz GmbH Director Euro Technics Trade GmbH Director WOFI Technics Trade Limited Director Action GmbH Director WOFI VG Director Lamp for less Director	Director	Wu-Yan Yeh Ting-Wei Yeh	Brother , Son	Note

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Director	R.O.C.	Bo-Wen Zhou	Male	2018.06	3	72.06	7,600,000	1.73	9,600,000	2.17	7,660,000	1.26	0	0.00	Department of Information Engineering of Chien Hsin University of Science and Technology Everlight Electronics Co., Ltd. Vice President	Forever Investment Co., Ltd. Supervisor Pai Yee Investment Co., Ltd. Supervisor	-	-	-	
Director	R.O.C.	Wu-Yan Yeh	Male	2018.06	3	86.04	2,102,658	0.48	2,023,658	0.46	42,559	0.01	0	0.00	Department of Mechanism of Chien Hsin University of Science and Technology Everlight Senior Vice President	Pai Yee Investment Co., Ltd.Director Forever Investment Co., Ltd.Director	Chairman	Robert Yeh	Brother	
Director	R.O.C.	Shinh Wum International Investment LTD	Male	2018.06	3	101.06	3,718,000	0.84	3,918,000	0.88	0	0	0	0	Ph. D of Material Science of University of Southern California Sales VP of ELA president of Everlight (Korea) Everlight vice director	Everlight Optoelectronics Korea Co.,Ltd. Director & president Tekcore Co. Ltd Supervisor	Chairman	Robert Yeh	Father	
		representative: Ting-Wei Yeh					500,000	0.11	500,000	0.11	0	0	0	0						
Director	R.O.C.	Bang-Yan Liu	Male	2018.06	3	92.06	212,884	0.05	162,884	0.04	0	0.00	0	0.00	Hsieh Chih Vocational High School Everlight production business unit president	None	-	-	-	

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Director	R.O.C.	King Core Electronics Inc.	Male	2018.06	3	89.05	1,924,354	0.44	1,924,354	0.43	0	0.00	0	0.00	MBA of Tulan University	King Core Electronics Inc.Chairman King Core Electronics Inc. (Suzhou) Ltd. Chairman (representative) Allied Biotech Corporation Chairman (representative) I-Pao Shoe Material Chairman Academic Development Foundation of NCCU Director Everlight Electronics Co., Ltd. Director (representative) Trade-Van.com Co., Ltd.Supervisor Litemaz Co., Ltd. Supervisor Scientech Corporation IndependentDirector Sheng Pao Investment Co., Ltd.Director Chin Pao Investment Co., Ltd.Director Cheng-Pao Investment Co., Ltd. Director KingCore (B.V.I.) Electronics Co., Ltd. director (representative) Yang Pao Investment Co., Ltd.Director ULTIMATE BEYOND LIMITED Director Guide Start Venture Capital Director (representative)	-	-	-	
		representative: Zheng-Li Yang					0	0.00	0	0.00	0	0.00	0	0.00						
IndependentDirector	R.O.C.	Johnsee Lee	Male	2018.06	3	104.06	0	0.00	0	0.00	0	0.00	0	0.00	Ph. D of Chemical Engineering of Illinois Institute of Technology Industrial Technology Research InstituteChairman	Far Eastern New Century Independent Director Zhen Ding Tech. IndependentDirector San Fu Chemical Co., Ltd. Independent Director Personal Genomics, Inc. Chairman Hopax Chemicals. Mfg. Co., Ltd. Director Quark Biosciences, Inc.Chairman	-	-	-	

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Independent Director	R.O.C.	Chen-En Ko	Male	2018.06	3	104.06	0	0.00	0	0.00	0	0.00	0	0.00	PhD of Department of Accounting at University of Minnesota Chung-Hua Institution for Economic ResearchChairman Dean of College of Management at National Taiwan University Supervisoe of CBC Taiwan Corporate Governance Association Chairman	Honorary professor of Department of Accounting at National Taiwan University Independent director of E.SUN Bank Independent director and member of remuneration committee of Novatek Microelectron ics Co. Member of remuneration committee of ATEN International Co., Ltd., Zhen Ding Tech. Co., Ltd., and E.SUN FHC	-	-	-	
Independent Director	R.O.C.	Rong-Chun Lin	Male	2018.06	3	2018.06	0	0.00	0	0.00	0	0.00	0	0.00	Ph. D of Business Administration of NCCU Dean of College of Management at Shih Chien University Consultanf of Taiwan Academy of Banking and Finance	China Metal Products Co., Ltd. Independent Director Deese Vivante Biomed Independent Director	-	-	-	

Note: Since foundation, Robert Yeh is chairman and president. No matter operation or business strategy and all internal affairs, Robert Yeh takes care of every single thing personally. As a result, Robert Yeh is highly mastered in overall industry, operation status, risk management and able to take the adequate action when the Company needs to make major opertation strategy. Moreover, only 2 directors who are also employees in board, more than half of board members are external directors (including independent director). As a result, the resolution of Board of Directos could stay objectivity. The Company will add one more independent director in 2021 to stranthen the independence of Board and fulfill the regulations.

Directors'/Supervisors' Professional Qualifications and Independence Analysis:

Criteria / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)												Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Robert Yeh			V				V	V	V	V	V	V		V	V	-
Bo-Wen Zhou			V	V			V	V	V	V	V	V	V	V	V	-
Wu-Yan Yeh			V	V		V		V	V	V	V	V		V	V	-
Bang-Yan Liu			V	V	V	V	V	V	V	V	V	V	V	V	V	-
Shinh Wum International Investment LTD representative：Ting-Wei Yeh			V			V		V	V	V	V	V		V	V	-
King Core Electronics Inc. representative：Zheng-Li Yang			V	V	V	V	V	V	V	V	V	V	V	V	V	1
Johnsee Lee	V		V	V	V	V	V	V	V	V	V	V	V	V	V	3
Chen-En Ko	V		V	V	V	V	V	V	V	V	V	V	V	V	V	3
Rong-Chun Lin	V		V	V	V	V	V	V	V	V	V	V	V	V	V	2

Note：Directors/supervisors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders;
6. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx";
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
9. Not been a person of any conditions defined in Article 30 of the Company Law;Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Major Shareholder of the institutional shareholder:

April 14, 2020

Name of institutional shareholder	Major Shareholder of the institutional shareholder (Note)	%
Shinh Wum International Investment LTD	Ting-Wei Yeh	100%
King Core Electronics Inc.	Sheng Pao Investment Co., Ltd.	11.60%
	Chin Pao Investment Co., Ltd.	9.50%
	Zheng-Li Yang	4.38%
	Yang Pao Investment Co., Ltd.	4.04%
	Kun-Chang Kuo	3.40%
	Yung-Shun Chuang	3.36%
	Sheng Pao Investment Co., Ltd. is entrusted with Zheng-Li Yang Trust Property Account	2.65%
	Chin Pao Investment Co., Ltd. is entrusted with Li-Hua Hsu Trust Property Account	2.19%
	Chun-Ming Hsu	2.06%
	Sheng Pao Investment Co., Ltd. is entrusted with Li-Hua Hsu Trust Property Account	1.85%

Note：If the major shareholder of the institutional shareholder is institutional shareholder, the following table should be filled.

3.2.3 Major shareholders of the major shareholders that are juridical persons:

April 14, 2020

Name of juridical persons	Major shareholder of the juridical persons	%
Chin Pao Investment Co., Ltd.	Yu-Chiang Tsai	0.04
	Zheng-Li Yang	18.90
	Li-Hua Hsu	21.36
	Kun-Chang Kuo	0.04
	Chen-Han Chen	0.04
	Tzu-Hsuan Yang	30.99
	Ssu-Chien Yang	23.73
Sheng Pao Investment Co., Ltd.	Li-Hua Hsu	0.88
	Zheng-Li Yang	0.09
	Tzu-Hsuan Yang	49.53
	Ssu-Chien Yang	49.50
Yang Pao Investment Co., Ltd.	Zheng-Li Yang	99.8
	Tzu-Hsuan Yang	0.2

3.2.4 Board diversity policy (directive) and status of implementation thereof

According to Item 3, Article 20 of “Corporate Governance Best Practice Principles”:
The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Diviersity of board members:

Name	Condition						
	Gender	Ages	Nationality	Professional backgroung	Professional skill	Industrial experience	Academic proficiency
Robert Yeh	Male	65-70	R.O.C.	V	V	V	
Chen-En Ko	Male	65-70	R.O.C.	V	V	V	V
Johnsee Lee	Male	65-70	R.O.C.	V	V	V	V
Rong-Chun Lin	Male	65-70	R.O.C.	V	V	V	V
Bo-Wen Zhou	Male	65-70	R.O.C.	V	V	V	
Bang-Yan Liu	Male	60-65	R.O.C.	V	V	V	
Wu-Yan Yeh	Male	60-65	R.O.C.	V	V	V	
Zheng-Li Yang	Male	60-65	R.O.C.	V	V	V	
Ting-Wei Yeh	Male	40-45	R.O.C.	V	V	V	V

Nine directors in the Board including six directors and 3 independent directors. Percentage of independent director on the board is 33%. The terms of office of three independent directors is less than 3 sessions. the terms of one independent directos is less then 3 years and the other two is in 4-6 years. All independent directors meet the independence.
Two directors who are also employees account for 22% and external directos 78%. Four directors with academic proficiency accounts for 44%; two of them with material appliance, and the other two with accounting, finance, and business administration background. The rest of directors who possess abundant knowledge, expertise, and pratical experience of industry, and risk management accounts for 56%. The combination of industry and acsdemy could exert great synergy and implement the goal of diversification.

3.2.5 Information Regarding Management Team

April 14, 2020 Unit: Share

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman& president	R.O.C.	Robert Yeh	Male	72.05.15	17,168,553	3.87	651,333	0.15	0	0.00	Department of Electronic Engineering of National Taipei University of Technology	King Core Electronics Inc. Director Tekcore Co. Ltd Chairman& president Evervision Electronics Co., Ltd. Director& president Forever Investment Co., Ltd. Chairman & president Pai Yee Investment Co., Ltd. Chairman & president Evlite Electronics Co., Ltd.Director Everlight Lighting Intellengence Technology Co., Ltd.Chairman Evervision Electronics (BVI) Director Yi-Yao Techonology (Shanhai) Ltd. Executive Director Everlight (BVI) Co., LtdDirector& president HAITEC Director EverlightLighting (China) Chairman Everlight Americas, Inc. Director Everlight Optoelectronics Korea Co., Ltd. (ELK) Director VBest GmbHDirector Evervision Electronics (HK) Ltd.Director Everlight Electronics (Fujian) Ltd.Chairman Everlight Lighting (China) Ltd.Director Everlight Electronics (Guazhou) Ltd. Director Everlight Electronics (Zhongshan) Ltd. Director Everlight Electronics India Private Limited Director WOFI Leuchten GmbH Director WOFI Wortmann & Fliz GmbH Director Euro Technics Trade GmbH Director WOFI Technics Trade Limited Director Action GmbH Director WOFI VG Director Lamp for less Director	Sale VP of Everlight American	Ting-Wei Yeh	Son	Note
Supreme Chief Legal	R.O.C.	Lung-Shun	Male	2019.12.18	0	0	16,000	0	0	0	Law Graduate School of Chiniese	None	-	-	-	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Officer		Yang									Culture University B. A., Department of Law, National Chengchi University Chairman of Taiwan Kaohsiung District Court and Taiwan Taipei District Court					
Vice President	Male	Li-Yu Huang	Male	102.05.13	11,529	0.00	503	0.00	0	0.00	MBA, Unversity of Illinois Assistant Manager , Everlight Accounting Division	Everlight Optoelectronics KoreaSupervisor Everlight Electronics (Gouzhou)Supervisor Everlight Electronics (Zonhshan) Supervisor Everlight Optoelectronics (M) SDN. BHD. Director Everlight Electronics Singapore Pte. Ltd. Director Everlight Electronice India Private LimitedDirector Everlight Lighting Management Consultation (Shanghai) Director& president Everlight Japan CorporationSupervisor Zhongshan Everlight Lighting Executive Director& president Everlight Lighting Intellengence Technology Co., Ltd.Director WOFI Leuchten GmbHGM WOFI Wortmann & Fliz GmbHGM Euro Technics Trade GmbH president WOFI Technics Trade Limited president (變更中) Action GmbH president WOFI Verkaufsgesellschaft mbH (WOFI VG) president Lamp for Less GmbH president	-	-	-	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Vice President	R.O.C.	Sam Lee	Male	2019.5.27	5,000	0.00	0	0.00	0	0.00	MA, Graduate Institute of China Studies, Tamkang University Everlight China sales division director Taiwan Ostor Corporation Sales Engineer	None	-	-	-	
Vice President	R.O.C.	Wu-Liu Tsai	Male	2019.01.07	0	0.00	0	0.00	0	0.00	MA, Physics, National Central University BA, Physics, National Central University MIT SCM Micro-Master	Everlight Electronics (China) Chairman Everlight Electronics (Zhongshan) Chairman Everlight Lighting (China)Director	-	-	-	
Vice President	R.O.C.	Chih-Hung Tseng	Male	2020.3.3	2,019	0.00	0	0.00	0	0.00	MA, Machanical and Electro-Machanical Engineering, National Sun-Yat-sen University Lite-On Technology Lextar Electronics Co., Ltd. Everlight Electronics Co., Ltd.	None	-	-	-	
Assistant Manager	R.O.C.	Chih-Min Lin	Male	2018.02.26	0	0.00	10,000	0.00	0	0.00	MA, Chemical Engineeing, Yuan Ze University Everlight QA Division Assistant Manager Everlight RD group Assistant Manager	Everlight Japan Corporation Director Everlight Electronics (China) Director Tekcore Co. Ltd Director	-	-	-	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Assistant Manager	R.O.C.	Chung-Wei Wang	Male	106.09.06	500	0.00	0	0.00	0	0.00	MA, Department of Architecture, National Taipei University of Technology	Everlight Optoelectronics Korea Co., Ltd. (ELK) Director	-	-	-	
Assistant Manager	R.O.C.	Chi-Hui Chen	Male	2018.06.15	36,000	0.01	4,000	0.00	0	0.00	Minghsin University of Science and Technology Everlight Sales director	Everlight Electronics (Guanzhou) Chairman Everlight Lighting (China) Director & president Everlight Lighting Management Consultation (Shanghai) Vice Chairman	-	-	-	
Assistant Manager	R.O.C.	Yuan-Tai Li	Male	2020.3.2	0	0.00	0	0.00	0	0.00	MA, University of Pennsylvania Law School BA, Department of Law, National Taiwan University CLO, WistronITS Legal director, HTC Legal director, O2Micro	None	-	-	-	

Note: Since foundation, Robert Yeh is chairman and president. No matter operation or business strategy and all internal affairs, Robert Yeh takes care of every single thing personally. As a result, Robert Yeh is highly mastered in overall industry, operation status, risk management and able to take the adequate action when the Company needs to make major opertation strategy. Moreover, only 2 directors who are also employees in board, more than half of board members are external directors (including independent director). As a result, the resolution of Board of Directos could stay objectivity. The Company will add one more independent director in 2021 to stranthen the independence of Board and fulfill the regulations.

3.3 Remuneration Paid to Directors, General Manager and Vice President in the most recent year

3.3.1 Remuneration Paid to Directors

Title	Name	Director Remuneration								Total Remuneration (A+B+C+D) as a% of Net Loss after tax (Note 10)		Compensation Earned by a Director Who is an Employee of Epistar or of Epistar's Consolidated Entities								Total Compensation (A+B+C+D+E+F+G) as a % of Net Loss after tax (Note10)		Compensation Paid to Directors from Non-consolidated Affiliates (Note 11)
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note3)		Allowances (D) (Note4)				Base Compensation, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Employees' Profits Sharing Bonus (G) (Note 6)						
		The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company		All Consolidated Entities (Note 7)		The Company	All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Director	Robert Yeh Bo-Wen Zhou Wu-Yan Yeh Bang-Yan Liu Shinh Wum International Investment Ltd. representative: Ting-Wei Yeh King Core Electronics Inc. representative: Zheng-Li Yang	0	0	0	0	6,990	6,990	360	360	0.89%	0.89%	13,681	13,681	553	553	391	0	391	0	2.67%	2.67%	None
Independent Director	Johnsee Lee Chen-En Ko Rong-Chun Lin	2,400	2,400	0	0	3,495	3,495	180	180	0.74%	0.74%	0	0	0	0	0	0	0	0	0.74%	0.74%	None

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:

2.In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors.

* Separately list information for directors (non-independent directors) and independent directors.

3.3.2 Remuneration Paid to Directors

Unit：thousand/仟股

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company(Note 8)	All Consolidated Entities (Note 9) H	The Company (Note 8)	All Consolidated Entities and Non-Consolidated Affiliates (Note 9)I
NT$0~NTS1,000,000				
NT$1,000,000 元～NT$2,000,000	Robert Yeh、Bo-Wen Zhou、Wu-Yan Yeh、Bang-Yan Liu、Shinh Wum International Investment LTDrepresentative：Ting-Wei Yeh、King Core Electronics Inc. representative:Zheng-Li Yang、Johnsee Lee、Rong-Chun Lin	Robert Yeh、Bo-Wen Zhou、Wu-Yan Yeh、Bang-Yan Liu、Shinh Wum International Investment LTDrepresentative：Ting-Wei Yeh、King Core Electronics Inc.representative:Zheng-Li Yang、Johnsee Lee、Rong-Chun Lin	Bo-Wen Zhou、Wu-Yan Yeh、King Core Electronics Inc.representative:Zheng-Li Yang、Johnsee Lee、Rong-Chun Lin	Bo-Wen Zhou、Wu-Yan Yeh、King Core Electronics Inc. representative:Zheng-Li Yang、Johnsee Lee、Rong-Chun Lin
NT$2,000,000～NT$3,500,000	Chen-En Ko	Chen-En Ko	Chen-En Ko	Chen-En Ko
NT$3,500,000～NT$5,000,000			Bang-Yan Liu	Bang-Yan Liu
NT$5,000,000～NT$10,000,000			Robert Yeh、Shinh Wum International Investment LTDrepresentative：Ting-Wei Yeh	Robert Yeh、Shinh Wum International Investment LTDrepresentative：Ting-Wei Yeh
NT$10,000,000～NT$15,000,000				
NT$15,000,000～NT$30,000,000				
NT$30,000,000～NT$50,000,000				
NT$50,000,000 元 ～ NT$100,000,000				
Over NT$100,000,000				
Total	9	9	9	9

3. 3. 3 Remuneration Paid to President and Vice Presidents

Unit: NT$ thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary
(A) (Note2)</th><th colspan="2">Severance Pay and Pensions (B)</th><th colspan="2">Bonuses and Allowances
(C)
(Note3)</th><th colspan="4">Employees' Profit Sharing Bonus
(D)
(Note4)</th><th colspan="2">Total Compensation as a % of 2018 Net Profit (A+B+C+D) (Note8)</th><th rowspan="3">Compensation Received from Non-consolidated From Affiliates (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All Consolidated Entities (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President</td><td>Robert Yeh</td><td rowspan="5">14,682</td><td rowspan="5">15,746</td><td rowspan="5">881</td><td rowspan="5">881</td><td rowspan="5">2,423</td><td rowspan="5">2,423</td><td rowspan="5">2,152</td><td rowspan="5">0</td><td rowspan="5">2,152</td><td rowspan="5">0</td><td rowspan="5">2.45%</td><td rowspan="5">2.58%</td><td rowspan="5">None</td></tr>
<tr><td>Senior Vice President</td><td>Alice Fu (Note)</td></tr>
<tr><td>Vice President</td><td>Li-Yu Huang</td></tr>
<tr><td>Vice President</td><td>Sam Lee</td></tr>
<tr><td>Supreme CLO</td><td>Lung-Shun Yang</td></tr>
</table>

Note: Retired on Feb. 29, 2020.

Range of Remuneration	Name of President and Vice President	
	The Company (Note 6)	All Consolidated Entities (Note 7) E
NT$0~NTS1,000,000	Lung-Shun Yang	Lung-Shun Yang
NT$1,000,000 元～NT$2,000,000		
NT$2,000,000～NT$3,500,000	Li-Yu Huang、Sam Lee	Sam Lee
NT$3,500,000～NT$5,000,000	Alice Fu	Alice Fu、Li-Yu Huang
NT$5,000,000～NT$10,000,000	Robert Yeh	Robert Yeh
NT$10,000,000～NT$15,000,000		
NT$15,000,000～NT$30,000,000		
NT$30,000,000～NT$50,000,000		
NT$50,000,000 元～NT$100,000,000		
100,000,000 元以上		
Total	6	6

3.3.4 Employees' Profit Sharing Bonus Paid to Management Team

Dec. 31, 2019 Unit: NT$ thousand; Shares k

Title	Name	Stock	Cash	Total Employees' Profit Sharing Bonus	Total Employees' Profit Sharing Bonus Paid to Management Team as a % of Net Loss
President	Robert Yeh	0	5,602	5602	0.68%
Senior Vice President	Alice Fu (Note1)				
Vice President & CFO	Li-Yu Huang				
Vice President	Sam Lee				
Vice President	Wu-Liu Tsai				
Supreme CLO	Lung-Shun Yang				
Assitant Manager	Hsiu-Min Tsai (Note2)				
Assistant Manager	Chung-Wei Wang				
Assistant Manager	Chi-Hui Chen				
Assistant Manager	Chih-Min Lin				
Assistant Manager	Ming-Cheng Lin				

Note1：Retired on Feb. 29, 2020.

Note2：Retired on Jan. 7, 2020.

3.3.5 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

Title	The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, President and vice presidents of the Company, to the net loss & Profit.			
	2018		2019	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Directors	1.09%	1.09%	1.63%	1.63%
Supervisors	0.095%	0.095%	-	-
President and Vice President	3.28%	3.61%	2.45%	2.58%

Remuneration paid by the Company and all consolidated entities is based on "Article of incorporation", the distribution of earnings approved by shareholders' meeting, and "Employee profit sharing method". The motion was proposed by Remuneration Committee and submitted to the Board of Directors for resolution.

The ratio of directors remuneration to the net profit in 2019 raised up. The earnings before tax in 2019 is more than 2018 due to adjustment of product mix and higher allocation ratio compared to 2018.

In 2019, due to personnel change such as retirement of senior VP and new VP, the ratio of remuneration of President and vice president to net profit remarkably lower than 2018.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors Meeting Status

A total of 6 (A) meetings of the Board of Directors were held in 2019. The directors' attendance status is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Robert Yeh	6	6	100	
Director	Bo-Wen Zhou	3	6	50	
Director	Bang-Yan Liu	6	6	100	
Director	Wu-Yan Yeh	6	6	100	
Director	Shinh Wum International Investment LTD representative： Ting-Wei Yeh	6	6	100	
Director	King Core Electronics Inc. representative： Zheng-Li Yang	4	6	67	
Independent director	Chen-En Ko	6	6	100	
Independent director	Johnsee Lee	6	6	100	
Independent director	Rong-Chun Lin	6	6	100	

Other special disclosure:

(1) Where the Board of Directors' operation meets any of the following circumstances, please clearly state the directors' meeting date, term, contents of motions and resolution thereof, opinions of all independent directors and the Company's handling of said opinions:

i. Securities and Exchange Act §14-3 resolutions:

Term/___st /nd/rd/th time Date	Contents of motion	Resolution
13-6 2019.3.25	Approved 2018 financial report and business report.	It was approved and as per the resolution was executed.
	Evaluate the independence, eligibility, and contents of service and remuneration 2019 about appointment of CPAs	
	Recommendation of the distribution of earnings for the year of 2018.	
	Approved the Statement of Declaration on Internal Control System 2018.	

	Approved the amendments to"Internal control system" and "Internal audit implementation regulation"	
	Approved the amendments to "Procedures for Acquisition or Disposal of Assets"	
	Approved the amendments to"Handling Procedures for Derivative Product Transaction Engagement"	
	Approved the amendments to "Articles of Incorporation"	
	Approved the amendments to "Procedures for Loaning of Funds and Making of Endorsements, Guarantees"	
	Discussion on Liquidation of Eralite Electronics (Jiangsu) Ltd.	
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
13-7 2019.4.8	Employee stock option execution and replacement of common stock	It was approved and as per the resolution was executed.
	Discussion on hiring chief audit officer	
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
13-8 2019.5.13	Approved 2019 financial report of Q1	It was approved and as per the resolution was executed.
	Employee stock option execution and replacement of common stock	
	Approved Everlight lend the EUR 9 million loan to WOFI	
	Approved the amendments to "Standard operation procedure of handling the request from director"	
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
13-9 2019.8.8	Approved 2019 financial report of Q2	It was approved and as per the resolution was executed.
	Employee stock option execution and replacement of common stock	
	Approval of changing internal audit officer	
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
13-10 2019.11.07	Approved 2019 financial report of Q3	It was approved and as per the resolution was executed.
	Approval of the professional service fee of the CPAs for the year of 2019.	
	Employee stock option execution and replacement of common stock	
	Approval of new internal audit officer appointment	
	Approval of changing CFO	
	Approval of changing manager of Yuanli branch	
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
13-11	Approval of auditing plan for 2020	It was approved and as per the

2019.12.26		resolution was executed.
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		

ii. There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2019.

(2) Recusals of Directors due to conflicts of interests in 2019:

Term/___st/nd/rd/th time Date	Persons recusing themselves	Contents of motion	Status	Resolution
13-9 2019.8.8	Robert Yeh Wu-Yan Yeh Ting-Wei Yeh	Allocation of 2018 employee remuneration to managers and/or directors who were also employees.	Robert Yeh, Wu-Yan Yeh andTing-Wei Yeh in relation to the individual's interest conflicts, each of the directors temporarily left and avoided each other, and did not participate in the discussion and voting.	Avoidance directors did not vote and the other directors had no objection to the approval

(3) Evaluation of Board performance:
The board of directors has approved "Evaluation of Board and functional committee effectiveness regulation" in December 2019. Internal and external evaluation will be executed from 2020 and disclose in 2020 annual report.

(4) Measures taken to strengthen the functionality of the Board:
The board of directors contains 9 directors who are all elected in shareholders' meeting by nomination system. Nomination system shall apply to Article 192-1 of Company Act and the tenure of director is 3 years and eligible for re-elction.
Everlight has set up audit committee to replace supervisor in 2018 by Securities and Exchange Act. Audit committee consisted 3 independent directors. All requirements of independent director such as profession, holding shares, restriction on other position, nomination, election, and others are abided by all related regulations of competent authority.
The Company follows the principle of transparency to declares important resolution of board of director real time and protect investors' right to know. The Company will keep being responsible for shareholders and society.

3. 4.2 Audit Committee Meeting Status

A total of 7 (A) Audit Committee meetings were held in 2019. The independent directors' attendance status is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director (Chair)	Chen-En Ko	7	0	100	
Independent Director	Johnsee Lee	7	0	100	
Independent Director	Rong-Chun Lin	7	0	100	

<u>Other special disclosure:</u>

(1) Where the Audit Committee's operation meets any of the following circumstances, please clearly state the directors' meeting date, term, contents of motions and resolution of the Audit Committee, and the Company's handling of the Audit Committee's opinions:

i. Resolutions related to Securities and Exchange Act §14-5:

<table>
<tr><th>Term/___st/ nd/rd/th time Date</th><th>Contents of motion</th><th>Resolution of Audit Committee</th></tr>
<tr><td rowspan="9">1-5
2019.3.25</td><td>Approved 2018 financial report and business report.</td><td rowspan="9">The motion was approved by all present directors unanimously, and approved by board meeting on March 25, 2019.</td></tr>
<tr><td>Evaluate the independence, eligibility, and contents of service and remuneration 2019 about appointment of CPAs</td></tr>
<tr><td>Recommendation of the distribution of earnings for the year of 2018.</td></tr>
<tr><td>Approved the Statement of Declaration on Internal Control System 2018.</td></tr>
<tr><td>Approved the amendments to"Internal control system" and "Internal audit implementation regulation"</td></tr>
<tr><td>Approved the amendments to "Procedures for Acquisition or Disposal of Assets"</td></tr>
<tr><td>Approved the amendments to"Handling Procedures for Derivative Product Transaction Engagement"</td></tr>
<tr><td>Approved the amendments to "Procedures for Loaning of Funds and Making of Endorsements, Guarantees"</td></tr>
<tr><td>Discussion on Liquidation of Eralite Electronics (Jiangsu) Ltd.</td></tr>
<tr><td colspan="3">Independent director's opinion:None</td></tr>
<tr><td colspan="3">The Company's (the board of directors') handling of Audit Committee's opinion: N/A</td></tr>
<tr><td>1-6
2019.4.8</td><td>Discussion on hiring chief audit officer</td><td>The motion was approved by all present directors unanimously,</td></tr>
</table>

<table>
<tr><td></td><td></td><td>and approved by board meeting on April 8, 2019.</td></tr>
<tr><td colspan="3">Independent director's opinion:None</td></tr>
<tr><td colspan="3">The Company's (the board of directors') handling of Audit Committee's opinion: N/A</td></tr>
<tr><td rowspan="3">1-7
2019.5.13</td><td>Approved 2019 financial report of Q1</td><td rowspan="3">The motion was approved by all present directors unanimously, and approved by board meeting on May 13, 2019.</td></tr>
<tr><td>Approved Everlight lend the EUR 9 million loan to WOFI</td></tr>
<tr><td>Approved the amendments to "Standard operation procedure of handling the request from director"</td></tr>
<tr><td colspan="3">Independent director's opinion:None</td></tr>
<tr><td colspan="3">The Company's (the board of directors') handling of Audit Committee's opinion: N/A</td></tr>
<tr><td>1-8
2019.7.19</td><td>Discussion on changing chief audit officer</td><td>The motion was approved by all present directors unanimously, and approved by board meeting on August 8, 2019.</td></tr>
<tr><td colspan="3">Independent director's opinion:None</td></tr>
<tr><td colspan="3">The Company's (the board of directors') handling of Audit Committee's opinion: N/A</td></tr>
<tr><td>1-9
2019.8.8</td><td>Approved 2019 financial report of Q2</td><td>The motion was approved by all present directors unanimously, and approved by board meeting on August 8, 2019.</td></tr>
<tr><td colspan="3">Independent director's opinion:None</td></tr>
<tr><td colspan="3">The Company's (the board of directors') handling of Audit Committee's opinion: N/A</td></tr>
<tr><td rowspan="4">1-10
2019.11.7</td><td>Approved 2019 financial report of Q3</td><td rowspan="4">The motion was approved by all present directors unanimously, and approved by board meeting on November 7, 2019.</td></tr>
<tr><td>Approval of the professional service fee of the CPAs for the year of 2019.</td></tr>
<tr><td>Approval of new internal audit officer appointment</td></tr>
<tr><td>Approval of changing CFO</td></tr>
<tr><td colspan="3">Independent director's opinion:None</td></tr>
<tr><td colspan="3">The Company's (the board of directors') handling of Audit Committee's opinion: N/A</td></tr>
<tr><td>1-11
2019.12.26</td><td>Approval of auditing plan for 2020</td><td>The motion was approved by all present directors unanimously, and approved by board meeting on December 26, 2019.</td></tr>
<tr><td colspan="3">Independent director's opinion:None</td></tr>
<tr><td colspan="3">The Company's (the board of directors') handling of Audit Committee's opinion: N/A</td></tr>
</table>

ii. There were no other resolutions that were not approved by the Audit Committee but were approved by two thirds or more of all directors in 2019.

(2) There were no recusals of independent directors due to conflicts of interests in 2019.

(3) Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2019:

Summary of the communication between independent directors and the external auditor

The Company's independent directors had fair communication with the external auditor. The communication in 2019 was outlined as following:

Date	Points of communication	Communication result
2019/3/25	Summary: 1. External auditor's responsibility of auditin annual financial report. 2. Audit and review scope 3. External auditor's Independence 4. Important notice 5. Important update on accounting standards or explaination and securities and tax regulations: 1. Measures of enhancing directors function comply coporate governance blueprint. 2. Amendment of Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies 3. Amendment of related regulations	The financial statements have been passed by the Audit Committee, submitted to the Board of Directors for approval.
2019/5/13	Summary: 1. External auditor's responsibility of auditin annual financial report. 2. Audit and review scope 3. Audit and review discovery 4. External auditor's Independence 5. Important update on accounting standards or explaination and securities and tax regulations: 1) Explaination of paragraph 5 article 240 of "Company Act" 2) Notice on amendment of act	The financial statements have been passed by the Audit Committee, submitted to the Board of Directors for approval.
2019/8/8	Summary: 1. External auditor's responsibility of auditin annual financial report. 2. Audit and review scope 3. Audit and review discovery 4. External auditor's Independence 5. Important update on accounting standards or explaination and securities and tax regulations: 1) Amendment of important act 2) Amendment of Statute for Industrial Innovation	The financial statements have been passed by the Audit Committee, submitted to the Board of Directors for approval.

2019/11/7	Summary: 1. External auditor's responsibility of auditin annual financial report. 2. Audit and review scope 3. Audit and review discovery 4. External auditor's Independence 5. Annual audio plan	The financial statements have been passed by the Audit Committee, submitted to the Board of Directors for approval.

Summary of the communication between independent directors and internal audit officer

The Company's independent directors had fair communication about status and result of the audit affairs through email and meeting by month or quarter. The internal auditing would follow the resolution from Audit Committee about the audit subject and scope. The communication in 2019 was outlined as following:

Date	Points of communication	Communication result
2019/3/25	1. Internal audit report of Q1 in 2019. 2. "Statement of Declaration on Internal Control System" 2018 3. Report on amendment of "Internal control system" and "Internal audit implementation regulation"	No objection to the report and submitted to Board of Directors.
2019/05/13	1. Internal audit report of Q1 in 2019. 2. Report on task from Audit Committee ans discussion on audit affairs.	No objection to the report and submitted to Board of Directors.
2019/8/8	1. Internal audit report during April to July in 2019. 2. Report on task from Audit Committee ans discussion on audit affairs.	No objection to the report and submitted to Board of Directors.
2019/11/7	1. Internal audit report during August to October in 2019. 2. Report on task from Audit Committee ans discussion on audit affairs.	No objection to the report and submitted to Board of Directors.

(4) The function and authority of Audit Committee:

Audit Committee is meant to supervise the proper expression of financial report, eligibility , independence and performance of CPA, effectiveness of interal control system, abidance of related regulation, and management of existing and potential risk.

(5) Continuing Education/Training of Directors in 2019

Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
Chairman	Robert Yeh	2019/12/13	2019/12/13	Taiwan Corporate Governance Association	Operation Practice of Enterprise Group Governance, Performance Management and Remuneration Mechanism	3.0	8.0
		2019/12/10	2019/12/10	Taiwan Corporate Governance Association	Corporate Strategy: Past, Present, Future	2.0	
		2019/05/03	2019/05/03	Taiwan Corporate Governance Association	Taxation paradise economic substantive legislation and overseas capital operation impact	3.0	
Director	Bo-Wen Zhou	2019/12/20	2019/12/20	Taiwan Corporate Governance Association	Resilience of senior management and board to digital era	3	6.0
		2019/12/10	2019/12/10	Taiwan Corporate Governance Association	Corporate Strategy: Past, Present, Future	3	
Director	Wu-Yan Yeh	2019/11/06	2019/11/06	Taiwan Stock Exchange Corporation	Effectively exert director function forum	3	6.0
		2019/04/26	2019/04/26	Securities & Futures Institute	2019 Prevention of Insider Trading Conference	3	
Director	Bang-Yan Liu	2019/11/08	2019/11/08	Taiwan Corporate Governance Association	How Taiwan Business cope with US-China Trade War	3	6.0
		2019/07/11	2019/07/11	Taiwan Institute of Directors	New state of corporate taxation governance	3	
Director	Zheng-Li Yang	2019/12/13	2019/12/13	Taiwan Corporate Governance Association	Operation Practice of Enterprise Group Governance, Performance Management and Remuneration Mechanism	3	6.0
		2019/05/03	2019/05/03	Taiwan Corporate Governance Association	Taxation paradise economic substantive legislation and overseas capital operation impact	3	

Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
Director	Ting-Wei Yeh	2019/11/06	2019/11/06	Securities & Futures Institute	Case Study of Fraud in Corporate Financial Statements	3.0	6.0
		2019/11/05	2019/11/05	Taiwan Corporate Governance Association	The Human Resources Strategy of Enterprise Mergers and Acquisitions from the Perspective of Directors and Supervisors	3.0	
Independent Director	Chen-En Ko	2019/11/26	2019/11/26	Taiwan Corporate Governance Association	Obedience and Supervision	1.0	16.0
		2019/10/29	2019/10/29	Taiwan Corporate Governance Association	Global Anti-Tax Avoidance-Corporate Impact and Response	3.0	
		2019/10/29	2019/10/29	Taiwan Corporate Governance Association	OBU Taxation Paradise face diffculties	3.0	
		2019/10/28	2019/10/28	Taiwan Academy of Banking and Finance	Corporate Governance Forum-Global Trend and Regulations about Anti Money Laudry and Combating Terrorism	3.0	
		2019/08/27	2019/08/27	Taiwan Corporate Governance Association	AI in Taiwan: Opportunities and challenges of industrial transformation	1.0	
		2019/06/21	2019/06/21	Taiwan Academy of Banking and Finance	Workshop on “Financial Consumer Protection Act”	3.0	
		2019/05/08	2019/05/08	Taiwan Corporate Governance Association	The importance to invest on ESG subject	1.0	
		2019/02/19	2019/02/19	Taiwan Corporate Governance Association	2019 Global Trend Analysis-Risk and Opportunity	1.0	
Independent Director	Johnsee Lee	2019/08/07	2019/08/07	Taiwan Corporate Governance Association	Tariff Impact and Reactions of Business under US-China Trade War	3.0	6.0
		2019/07/23	2019/07/23	Taiwan Academy of Banking and Finance	Workshop on Board Operational Practice and Corporate Governance	3.0	

Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
Independent Director	Rong-Chun Lin	2019/12/27	2019/12/27	Taiwan Corporate Governance Association	Corporate compliance and director obligation	3.0	14.0
		2019/11/06	2019/11/06	Taiwan Stock Exchange Corporation	Effectively exert director function forum	3.0	
		2019/10/18	2019/10/18	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulation	3.0	
		2019/10/04	2019/10/04	Taiwan Stock Exchange Corporation	ESG Investment Promotion Forum	2.0	
		2019/02/22	2019/02/22	Taiwan Corporate Governance Association	Towards Corporate Sustainability Governance and Increasing Company Long-Term Value Seminar	3.0	

3.4.3 Status of corporate governance, departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Explanation	
1. Does the Company follow "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" to establish and disclose its corporate governance principles?	V		The Company has established, via Board resolution on Nov. 12, 2015, corporate governance best-practice principles and updated on Mar. 24, 2020. Under these principles, the Company has established a comprehensive corporate internal governance framework, and fairly treats shareholders while protecting their rights.	As explanation
2. Shareholding Structure & Shareholders' Rights (1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates? (4) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(1) The related operations would be handled by the Spokesperson and personnel of Finance department pursuant to the relevant laws and important regulations. Except spokesperson, there is exclusive area for investor to contact with the Company. (2) The Company keeps close relationship to the directors, officers and shareholders' holding more than 10% of the Company. The Company takes advantage of annual shareholder meeting and dividend distribution to learn the change of main shareholders. (3) The responsibilities between the Company and its affiliates were defined clearly and definitely. The Company and its affiliates abide by the regulations of internal control system. (4) The Company established the operating procedure for prevention of insidertrading. The subjects referred to therein include but are not limited to insiders, including their related parties, persons who forfeit the	None

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Explanation	
			identity of insider for less than 6 months, and persons who access the information from said persons. The Company also requires employees and insiders to undergo education and training when insiders take office and at various times to prevent from insider trading.	
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) Nine directors in the Board elected on June 15, 2018 including six directors and 3 independent directors. Percentage of independent director on the board is 33%. The terms of office of three independent directors is less than 3 sessions. the terms of one independent directos is less then 3 years and the other two is in 4-6 years. All independent directors meet the independence. Two directors who are also employees account for 22% and external directos 78%. Four directors with academic proficiency accounts for 44%; two of them with material appliance, and the other two with accounting, finance, and business administration background. The rest of directors who possess abundant knowledge, expertise, and pratical experience of industry, and risk management accounts for 56%. The combination of industry and acsdemy could exert great synergy and implement the goal of diversification.	None
(2) Other than the Remuneration Committee and the Audit Committee that are required by law, does			(2) The Company has set up Audit and Remuneration Committee and the committees executed related	The Company would plan to set up functional committee

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Explanation	
the Company plan to set up other Board committees?			motions pursuant to laws. The Company will establish other functional committees pursuant to laws, or if necessary.	according to the Company's need and regulation.
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?			(3) The Board approved rules for "Board of Directors Self-Assessment of Performance" on December 26, 2019. From 2020, all Board Directors annually assess the functioning of the Board, Adudit Committee and Remuneration Committee. The evaluation result would be the reference for the future nomination.	None
(4) Does the Company regularly evaluate its external auditors' independence?			(4) The Board of Directors of the Company evaluates the independence and suitability of its CPA on March 24, 2020. The Company also evaluates the accounting firm with regard to its financial interests, funding and guarantees, commercial relations, family and personal relations, employment relations, rotation of CPAs, and non-audit services, and obtains a statement of independence issued by the accounting firm.	None
4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of board meetings and shareholders meetings, etc.	V		The corporate governance unit is Finance Division. Primary duties are to handle related matters according to law and make meeting minutes for board of director meetings and shareholder meetings, assist in the matters of director appointment and profession enhancement, provide directors with related information required in conducting business, and assist directors in compliance with laws.	None

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Explanation	
5. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has established a Corporate Social Responsibility section with contact information of responsible person on the Company website. The Company has also established a Stakeholder section to timely respond issues which stakeholders care about	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has engaged Capital Securities Corporation's agency department to handle matters relating to Shareholder Meetings.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		(1) The Company discloses financial information and corporate governance items on its company website: http://www.everlight.com (2) Besides Chinese version, the Company also provides English version of official website. The Company has designated appropriate persons as spokesperson to handle information collection and disclosure. The Company disclose related information through MOPs, media, investor conference. (3) The company announced and declared the quarterly and annual financial reports and the monthly operating situation within the prescribed time limit, but announced and declare the annual financial report within 3 months of the end of the fiscal year.	None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate	V		(1) The Company has got the certification of ISO9001, TS16949, ISO14001, OHSAS18001, TOSHMS,	None

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Explanation	
governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?			QC080000, and SA8000 social responsibility system. Additionally, the Company had disclosed 2018 CSR report which is certified by the third party in July, 2019. CSR reports are disclose in Everlight official website annually. (2) Training/Education of directors is disclosed in MOPS. Training hours of each director in board are more than 6 hours. (3) The Company has annually purchased liability insurance since 1998 and declare in MOPS.	
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock According to the result of Corporate Governance Evaluation in 2019 announced by Taiwan Stock Exchange, the Company was one of the companies ranking in the 20%~35% which is the same as 2018. The Company will strengthen the disclosure of English information such as English material information, annual report, and shareholders' meeting handbook, coporate governmence, and CSR.				

3.4.4 Remuneration Committee

3.4.4.1 Remuneration Committee Members' Professional Qualifications and Independent Analysis

According to the relevant requirements set by Taiwan's Securities and Futures Bureau, the professional qualifications and independence status of the Company's Remuneration Committee members are listed in the table below.

Title (Note1)	Criteria / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note2)										Number of Other Taiwanese Public Companies Concurrently Serving as a Remuneration Committee Member in Taiwan	
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independnet Director	Chen-En Ko	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	5	Due to also being the independent director of two companies.
Independnet Director	Johnsee Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independnet Director	Rong-Chun Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Due to also being the independent director of the compay.

Note: Remuneration Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons listed in (2) and (3).
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
6. Not a director, supervisor, or employee of another company if a majority of the company's director seats or voting shares are controlled by the same person (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
7. Not a director, supervisor, or employee of another company or institution where the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at the other company or institution are the same person or are spouses (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.(excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, where the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the

public company).
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Act.

3.4.4.2 Remuneration Committee Meeting Status

(1) The Company's Remuneration Committee consists of 3 members for the time being, who are all independent directors.

(2) The current members shall hold the position from June 15, 2018 until June 14, 2021. In 2019, the Remuneration Committee has held 2 (A) meetings. The members' attendance is stated as following:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Note
Chairman	Chen-En Ko	2	0	100%	
Member	Johnsee Lee	2	0	100%	
Member	Rong-Chun Lin	2	0	100%	

Annotation:
1. In cases the Board doesn't adopt or revise Remuneration Committee's proposals, the Company shall list date/number of the Board meeting, agenda, the Board's resolution and the Company's response to Remuneration Committee's proposal: None.
2. In cases Remuneration Committee members have dissenting opinions or qualified opinions against the resolution and recorded with notes in paper, the Company shall list date, number of the Remuneration Committee meeting, agenda, all members' opinion and the follow-up of the members' opinion: None.

3.4.5 Status of corporate social responsibility

Assessment Item	Implementation Status (Note1)			Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary (Note2)	
1. Has the Company carried out a risk assessment of environmental, social and corporate governance-related issues based on the principle of materiality, and establish related risk management policies or strategies? (Note: Principle of materiality refers to environmental, social and corporate governance issues that have a material impact on investors and other stakeholders.) (Note3)	V		Everlight has identified the risks that may affect sustainable development of the industry, and formulated relevant management strategies and response measures to reduce the potential risks of business interruption. The company is working hard for the clients, shareholders, employees and the community towards economic, environmental and social sustainability. The risk management of different operations is conducted by related units based on the nature of the operation, and the unit directly answers to the Chairman. The Audit Center reviews the existing or potential risks of operations and drafts a risk-oriented annual audit program based on the review.	None
2. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	V		The Legal Affairs Office assigns the responsibility of planning and promoting corporate social responsibility activities for the board of directors, issues relevant	None

	V		information internally and externally, produces annual reports, and reports to the Corporate Social Responsibility Committee. Assists executing teams in implementing various corporate social responsibility action plans; responds to stakeholder issues related to corporate social responsibility issues brought up by Everlight.	
3. Environmentally (1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? (2) Has the Company set an Environmental management system designed to industry characteristics? (3) Has the Company conducted an assessment potential risks and opportunities from climate change on the business now and in the future, and adopted measures in response to climate-related issues?	V		(1) The Company has certified by ISO14001 amd OHSAS18001 and dedicate xclusive personnel of air pollution and water pollution to deal and maintain environmental protection in plant. (2) As a member of optoelectronics industry, the Company attaches great importance to corporate social responsibility. During the R&D phase, the Company keeps pursuing new technology and energy-saving effect to reduce the side effect on environment. The Company has electronized and encouraged paperless for many years to decrease paper waste. The Company sorts the trash and implement recycling strictly. (3) Everlight pays close attention to the global climate change trends and international directions. The Company is committed to the adaptation and mitigation of greenhouse gases, and will continue to analyze and control internal energy consumption to achieve the goal of actively reducing greenhouse gas	None Please refer to the Corporate Social Responsibility Area of Everlight's official website for sustainable development plan, execution, and result.

(4) Has the Company calculated its greenhouse gas emissions, water consumption and total amount of waste in the past two years, and formulated policies on energy conservation and carbon reduction, greenhouse gas reduction, as well as the reduction of water consumption and other wastes?			emissions. In addition to considering products, equipment and management for strategies of adapting to climate change, the company has continuously developed green designs, green factories, energy management and efficient energy-conservation measures, energy-conversion products and solutions. Everlight also uses energy management systems as a promotion strategy to respond to the impact of climate change in advance. (4) Please refer to the CSR report.	
4. Society (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles? (2) Has the Company established and implemented	V		(1) The Company complies in accordance with regulations and spirit related to human rights, labor standards, environment and anti-corruption, etc. in relevant international initiatives and requirements, including UN Global Compact, Universal Declaration of Human Rights. The Company implements internal management review procedures based on OHSAS-18000, RBA(formerly EICC) code of conduct, SA8000, Occupational Safety and Health Act and Labor Standards Act. Everlight continuously qualified the SA8000 certification. (2) Everlight's remuneration policy is	None Please refer to the Corporate Social Responsibility Area of Everlight's official website for sustainable development plan, execution, and result.

reasonable employee benefits (including remuneration, leave and other benefits), and is business performance or results appropriately reflected in employee remuneration?			established according to the following principles: 1. Understand and comply with relevant local laws, establish harmonic labor management relationship within the regulatory requirements in order to achieve sustainable operation. 2. According to the manpower market demand, establish and adjust manpower based on the profitability of production line in light of achieving certain competitiveness in the manpower market. 3. Based on the market value of each professional function and the contribution generated from the duties handled by employees, integrate performance management system, in order to provide appropriate remuneration, thereby achieving the effect of stimulating and encouraging employees. 4. Periodically review salary level related system in order to adopt a salary level superior than the level in the market. In addition, the Everlight Welfare System includes the following aspects: Group comprehensive insurance, Gifts for three main national holidays, Annual and quarterly trips, Health checkup, Birthday gifts, Consolation for hospital stays, miscarriages and funerals, Club activities, Employee restaurant, Arts and cultural	

(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?			activities, Nursing room, competition, Grant for employees' advanced education, Bursary for employees or their children, Gym, Aerobics classroom, Department dinner, Convenience stores, Contracted sports and fitness centers etc. (3) The company received the OHSAS 18001 occupational safety, health management system certification (ISO45001) and ISO 14001 environmental management system certification. The company is committed to reduce workplace hazards and to provide an occupational environment with employee safety and health. In addition, the company also complies with the customer requirements and relevant laws and regulations in order to seek the sustainable development of the company. In the environmental safety and health policy of Everlight, the company insists on the priority of safety in order to provide a safe and carefree workplace. The Company values employee health and safty working environment. Everlight regularly arranges free employee health checkups and conducts special health checks for those who are engaged in high-risk jobs. In addition, smoking is prohibited in the Company, testing drinking water quality standard, and carring on disinfection regularly to provide safty and healthy working environment. The Company also periodically hold labor safty education	

			training and promote 5S self management to effectively manage and maintain safty working envionment. The company is committed to reduce workplace hazards and to provide an occupational environment with employee safety and health by providing necessary healthy and emergency treatment and regular safety and healthy training.	
(4) Has the Company established effective career development training plans?			(4) Employees are the material human resource capital. The company consistently pursues the improvement of profession. In all major operation locations, employees will not be treated unfairly due to different genders and types. The company provides comprehensively planned education training to different employees, which allows them to improve knowledge and skills.	
(5) Does the Company comply with the relevant regulations and international standards on customer health and safety, customer privacy, marketing and labeling for its products and services? Has it established a consumer protection policy and complaints procedure?			(5) The Company values each cutomer's privacy and protects customer privacy with strictly standard. The Company enacted "Principle of Personal Data Secutity and Maintaince" and periodically promote to protect the personal data and customer related data. The Company takes personal data every year and related risk assessment. Through meticulous regulations to assure sustainable operation and protect rights and interests of customers of group company. In 2019, there were no complaints against Everlight stating that the company infringes on customer privacy or loses customer information. For customer health and safty, the Company	

(6) Has the Company defined a supplier management policy that requires suppliers to comply with the relevant guidelines on environmental protection, occupational health and safety, and human rights issues? How is the policy being implemented?			introduced credibility product safety certification to show our product qulity advantage, manufacturing ability, and competive advantage in the market. Meanwhile, Everlight provides product which meet customer safty requirement to assure the final product safty of use and achieve the goal of both safty and efficiency of our product. Everlight products receive RoHS, REACH and Pb free certifications. In 2019, Everlight products did not violate any environmental regulations or were in violation of wrongful product (or service) information or label, and no products were prohibited for sale or pulled from shelves in accordance with the laws. The Company has establish related customer complain procedure. (6) Everlight has paid great attention in the fields of social responsibility, environmental protection, corporate ethics and operation management, etc. for a long time. Accordingly, the company establishes the Everlight Supplier Code of Conduct in accordance with regulations and spirit related to human rights, labor standards, environment and anti-corruption, etc. in relevant international initiatives and requirements, including UN Global Compact, Universal Declaration of Human Rights. All of the business activities of Everlight suppliers shall comply with this Code and the requirements specified in the laws and regulations of the countries where their	

			operation are located. This Code is applicable to suppliers and their subsidiaries, affiliates and contractors, etc. as well as parties providing products or services of Everlight. We request our suppliers to sign our "Suppliers' CSR Commitment", which requires them to adopt high standards of ethics. We also request our suppliers to fulfill their social responsibilities and comply with the RBA principles. Everlight actively requested all suppliers to sign the “Supplier Social Responsibility Undertaking” and “Responsible Business Alliance Code of Conduct Compliance Declaration.” Everlight clearly defines the criteria and standards on selecting supplier in “Regulations for Supplier Management” and cooperate with those who are willing to bear the social responsibility. Under the quality policy “establish green supply chain and satisfy customers’ demand with high quality products along with efficient services,” Everlight devoted to R&D and manufacture green procuct, systematically track and manage forbidden and hazard materials. Everlight also requires suppliers with the same standards to achieve the goal of green product.	
5. Did the Company refer to internationally accepted reporting standards or guidelines in preparing reports that disclose the Company’s non-financial information such as the CSR Report? Did the aforementioned report obtain an assurance or	V		The CSR report referred to the newest GRI Standards and certified by the third party. The CSR report also disclose in Everlight’s official website.	None

guarantee statement issued by a third-party certification body?				

6. If the Company has established its corporate social responsibility code of practice according to “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe the operational status and differences. The board of directors had approved ”Corporate Social Responsibility Best Practice Principles” on March 25, 2016 to realize the responsibility for being a citizen and the commitment to employee, shareholder, and consumer. Everlight makes ”CSR report” periodically and announces in the official website. The CSR report includes issues such as corporate governance, environmental protection, and social participation. Please refer to Everlight CSR report for detailed information.
7. Other important information to facilitate better understanding of the Company’s implementation of corporate social responsibility: (1) CSR policy: a. **Strengthen the Company’s Operating Structure:** Steady growth and sustainable development are the most basic requirements for enterprises in fulfilling responsibilities, and are also the basis for promoting social welfare and environmental protection. Therefore, in addition to pursuing legal norms, Everlight will continue to establish an effective internal control system, maintain information security, implement risk management, disclose information transparently, fulfill corporate self-regulation and have a robust operating structure. Everlight will also allow employees to steadily develop their careers, provide shareholders with stable revenues, and offer clients with satisfactory product quality. b. **Fulfill Social Civic Responsibility:** Cultivating talent has been Everlight’s corporate mission since its establishment, and has also been its primary way of giving back to society. Different methods are used for long-term investments in cultivating talent to help enhance professional knowledge. Through the company’s rich amount of practical experience, Everlight can establish long-term industry-academia collaborations with educational institutions. Meanwhile, Everlight can also maintain good relations with the community and do its best to provide care and promote social welfare. c. **Commit to Environmental Conservation Practices:** In addition to Everlight's long-term commitment towards various environmental protection products and services, the company is also committed towards technological upgrades to deal with global warming and other major environmental changes to provide customers with energy-saving and emission-reduction products and services. Everlight will also make use of its own capabilities to work with other subcontractors to maintain a sustainable ecological environment. (2) Please refero to the Everlight official website for the CSR related information: http://www.everlight.com/aboutusdetail.aspx?pcseq=2&cseq=41&seq=308

3.4.6 Status of corporate social responsibility, and any variance from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons for any such variance

Integrity is one of our fundamental business philosophies and is deeply rooted in the corporate culture. Directors, audit committee, professional managers and employees follow the provisions of the "Integrity, honesty and intellectual property rights agreement" and strictly abide by the agreement and they will not tolerate violations of business ethics and will use their professionalism and diligent management to create the best interests of shareholders. The Company established "The Code of Ethics for Employees" which regulated the donation or sponsorship made by the company is conducted in accordance with the internal regulations of the company to prevent any offering or receiving bribes or illegal political contributions from happening. In addition, the 15th Article of "Rules of Procedure for Board of Directors Meetings" states "When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director."

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) Has the Company established an ethical management policy approved by the Board, declared its ethical corporate management policies and procedures in its guidelines and external guidelines, as well as the commitment from its board and senior management to implement the policies?	V		The board of directors had approved "Ethical Corporate Management Best Practice Principles" on March 25, 2016. In order to ensure that the day-to-day operations are in line with corporate ethics, there are separate codes of conduct for directors, managers, general employees and procurement employees, including "The Practical Code of Corporate Governance," "The Code of Integrity Management,"	None

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
			and "The Code of Ethics for Employees."	
(2) Has the Company established a mechanism for evaluating the risk of unethical behavior? Do business activities with a higher risk of unethical behavior undergo regular analysis and assessments so that measures for the prevention of unethical behavior can be formulated, including at a minimum the behaviors defined under Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles "?			the Company established a mechanism for evaluating the risk of unethical behavior to analyze and evaluate higher unethical risk of operation field. Accordingly, to prevent from unethical behaviors, the Company established "Working Rule," "Employee Ethics Code," and "Integrity Advertising and Fair Trade Antitrust Control Procedures."	
(3) Does the Company establish relevant policies that are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation, complaint procedures in such policies and with the aforementioned measures reviewed and updated on a regular basis?			"Ethical Corporate Management Best Practice Principles" prevent activities that violate business integrity, including bribery, gifts and fraud. If any violations on ethical behavior, the employee will be punished. The Company has established "Employee Ethics Code", "Code of Ethics for Employees", and "Integrity Advertising and Fair Trade Antitrust Control Procedures" which set specific ethic practice including reporting instruction, manual, and education etc. to positively prevent any unethical behavior. As an integrity organization, Everlight believes that every colleague's behavior will affect	

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
			the whole organization. Thus, "Employee Ethics Code," internal reporting instruction, and "Integrity Advertising and Fair Trade Antitrust Control Procedures" has been published in the company's internal document management platform (DMP) for employees to carry out the procedure. In addition, Everlight has investigation teams and complaint hotlines for corruption and bribery incidents, and is always ready to take in reports from insiders and outsiders. The legal division established the Dedicated Fair Trade Mailbox: legal@everlight.com, reporting number:0800-086-568, and reporting mailbox: 086568@everlight-ck.comin the Corporate Social Responsibility Area of Everlight's official website" to take in reports from insiders and outsiders. If any colleague violates the regulations regarding to ethical rules, the Company will take disciplinary measures and review to prevent unethical behavior from happening.	
2. Ethic Management Practice (1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and	V		(1) We request our suppliers to sign our "Suppliers' CSR Commitment", which requires them to adopt high standards of ethics. Proper management and	None

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
ethics related clauses in the business contracts?			monitoring can prevent activities that violate business integrity, including bribery, gifts and fraud. All new suppliers are required to sign an "Honesty Letter of Commitment."	
(2) Has the Company established a dedicated (part-time) unit supervised by the Board of Directors for the promotion of ethical corporate management that regularly (at least once a year) reports to the Board of Directors on its ethical management policy, precautions against unethical behavior, and implementation of oversight?			(2) The board of directors set up various organization and channel such as Audit Committee, Remuneration Committee and internal audit to perform its duty on supervising integrity operation of the Company. The board of directors also approved “Ethical Corporate Management Best Practice Principles” on March 25, 2016. The legal department head as a convener would make sure the integrity principle to be fully implemented in each department and report to board of directors regularly. Under the supervisor of board of directors, Everlight assures the public financial and accounting information is completed, fair, accurate, real time and understandable. The Company had established “The Code of Integrity Management,” and “The Code of Ethics for Employees.” The company will do its utmost to maintain confidentiality and protect the identity of the individual from being threatened; if the colleagues fail to determine whether the act has been illegal, they can immediately express their opinions to the complaint hotline and send an email of an electronic “Employee Opinion Report,” or “Chairman's Mailbox” and the head of the Human Resources Department or the unit in question will directly reply to the questions raised by that colleague. In addition, the legal division established the “Dedicated Fair Trade Mailbox	

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
        (3) Does the Company establishe policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly? (4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management? Do internal auditors devise and carry out audit plans based on risk assessments of unethical behavior to investigate non-compliance, or have CPAs been retained to			(legal@everlight.com)" in the Corporate Social Responsibility Area of Everlight's official website. employees received 1 hour of training related to anti-corruption. Every newly-hired employee receives 1 hour of training related to the issue of integrity management. Moreover, all employees of each plant receive policy advocacy of interity and ethic. Proper management and monitoring can prevent activities that violate business integrity, including bribery, gifts and fraud. All new suppliers are required to sign an "Honesty Letter of Commitment." (3) The board of directors had approved "Ethical Corporate Management Best Practice Principles" on March 25, 2016. to prevent from interest conflict. Everlight requires employees and related parties not to give preferential treatment when conducting transactions, and may not make requests, offerings, payments, accept things such as gifts, entertainment, kickbacks, bribes etc. for the benefit of themselves or others when performing their duties. According to "Code of Ethics for Employees," every employee has to report and disclose to board of directors about any sales or investment event which may be interest conflict to the Company. (4) Everlight established a completed accounting and internal control system, throght automatic data process to execute exception handling. In addition to reporting the audit business to the independent directors on a monthly basis, the audit supervisor should attend the audit committee and the board of	

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
conduct such audits?			directors meetings to report unusual events and deficiencies. Units with issues were tracked quarterly, and were urged to make improvements until the issues were fully resolved.	
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?			(5) Everlight upholds the management principles of “Excellence, Innovation, Integrity, Quality, Execution.” Every newly-hired employee receives trainings related to the regulations of the integrity and ethical conduct during the new hire training sessions. Meanwhile, each employee must download the "Employee Ethics Code" and "Integrity Advertising and Fair Trade Antitrust Control Procedures" from the company's internal document management platform (DMP) to read and carry out the procedures. In addition, the company also constantly reminds employees, visiting suppliers or visitors about relevant integrity policies. The integrity policy also published on electronic board to remind employees, suppliers, and guests. The Company has established a "Code of Ethics for Employees" in accordance with the RBA code of conduct and requires all employees to abide by the integrity regulations and ethical behavior standards. Employees are prohibited from accepting any form of gift and when they join the company. In addition, we request our suppliers to sign our "Suppliers' CSR Commitment", which requires them to adopt high standards of ethics. Proper management and monitoring can prevent activities that violate business integrity, including bribery, gifts and fraud.	

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
3. Implementation of Complaint Procedures (1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) Everlight will execute the investigation procedure and the subsequent punishments impartially. Everlight will maintain confidentiality of the prosecutor's identity and the contents of the report. The company will also actively investigate and handle the case. Those who violate the regulations of integrity management will be punished based to the seriousness of the circumstances. The Company has established reporting channels and related system of reporting and punishment in April 2017. Reporting Number: 0800-086-568, Reporting e-mail: 086568@everlight-ck.com, and Dedicated Fair Trade Mailbox: legal@everlight.com in Everlight's official website to take report from insiders and outsiders. Those who violate the regulations of integrity management will be punished based to the seriousness of the circumstances. Everlight will maintain confidentiality of the prosecutor's identity and the contents of the report. Everlight will maintain confidentiality of the prosecutor and protect from misconducting. The Company established internal reporting instruction and "Integrity Advertising and Fair Trade Antitrust Control Procedures" which would allow employees and outsiders to report any violation of integrity and ethical regulations anonymously.	None
(2) Has the Company established standard operating procedures for the investigation of complaints, what follow-up actions to take once an investigation is complete, and the relevant confidentiality mechanisms?			(2) The Company established standards of procedure to take reporting items in April, 2017. Everlight will maintain confidentiality of the prosecutor's identity and the contents of the report which is defined in	

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?			internal reporting operation instructions. (3) The Company would protect reporters or investigators from maltreatment or any form of retaliation which clearly defined in reporting instruction. 。	
4. Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?	V		The Company disclosed information related to business culture, guideline of management, status of corporate governance and “The Practical Code of Corporate Governance,” “The Code of Integrity Management,” in in the Corporate Social Responsibility Area of Everlight’s official website. The Company discloses the information related to the Company in the investor service section and stakeholder section on the Company’s official website at: http://www.everlight.com	None Effectiveness of integrity and ethic management disclosed in the Corporate Social Responsibility Area of Everlight’s official website.
5. If the Company has established corporate governance policies based on “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies,” please describe any discrepancy between the policies and their implementation: None.				
6. Other important information to facilitate better understanding of the Company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy): The Company commits to abide by “Company Act,” “Securities and Exchange Act,” and related regulations of public-traded company or commercial activities as the foundation of integrity and ethic. Moreover, Everlight follows the development of related regulations to reviews and amandes “Corporate Governance Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” and “The Code of Ethics for Employees” at any time. Any contract with commercial activities such as purchasing contract etc. defines clearly the integrity related regulations about forbidding any commission, interest, reward, bribery, agent fee, and rebate.				

3.4.7 Internal Control Systems

Statement of Declaration on Internal Control System

Everlight Electronics Co., Ltd.

Statement of Declaration on Internal Control System

March 24, 2020

Everlight has conducted a self-check on internal control in 2019. The results are as follows:

1. Everlight acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. Said system has already been duly established at Epistar. The purposes of the Internal Control System are to provide a reasonable assurance for the Company's efficient and effective operations (including profit, performance, safeguard of assets, etc.), reliability of financial reports, and compliance with applicable laws and regulations.
2. Everlight also acknowledges that the Internal Control System possesses inherent constraints irrespective of the intended impeccability of the system design and therefore could only provide a reasonable assurance of the three goals referred to above. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
3. The Company evaluates the effectiveness of the design and implementation of its Internal Control System in accordance with the "Guidelines for the Establishment of Internal Control System by Public Companies" (referred to as the "Guidelines" hereinafter). The evaluation on the internal control system adopted by the said Guidelines has the internal control system divided into the following five factors based on the process of the management control: (1) Environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each component comprises certain factors. Please refer to the Guidelines for the preceding items.
4. Everlight has assessed and evaluated the effectiveness of the internal control system design and implementation in accordance with the internal control system criteria referred to above.
5. Based on the evaluation of said system, Everlight considered the Internal Control System as of December 31, 2019 (including supervision and management of subsidiaries), which, including the Design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and compliance with the related internal control system under the relevant laws, are all effective. It can ensure that said goals will be reasonably reached.
6. This Statement of Declaration on Internal Control System is the main content of the annual report and prospectus, and will be publicly disclosed. Upon any unlawful acts like pretense and concealment involved in the above-mentioned statement, Everlight will assume the legal responsibilities according to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement of Declaration on Internal Control System had been approved by Everlight's Board of Directors at the meeting of March 24, 2020 with nine directors presented at the meeting and none disagreeing with this Statement of Declaration on Internal Control System.

Everlight Electronics Co., Ltd.

Chairman Robert Yeh

President Robert Yeh

2. Where a CPA has been hired to carry out a special audit on the internal control system, furnish the CPA audit report: None

3.4.8 For the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, disclose any sanctions imposed in accordance with the law upon the

Company or its internal personnel. Sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements:None.

3.4.9 Major Decisions of Shareholders’ Meeting and Board Meetings：

3.4.9.1 2019 Shareholder’ Meeting

Date	Motion	Resolution	Execution
2019/6/14	Approved the 2018 Business Report and Financial Statements	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the adoption of the proposal for distribution of 2018 profits	All attending members unanimously agree to pass the proposal.	The Company decided to set up the ex-dividend date of cash dividend for August 7, 2019 and paid on August 30, 2019 according to the resolution of the 2018 Annual Shareholders’ Meeting
	Approved the amendments to "Articles of Incorporation."	All attending members unanimously agree to pass the proposal.	The resolution shall be fully implemented and the revised regulation shall be uploaded to the company's official website and M.O.P.S..
	Approved the amendments to "Acquisition or Disposal Procedures of Asset."	All attending members unanimously agree to pass the proposal.	The resolution shall be fully implemented and the revised regulation shall be uploaded to the company's official website and M.O.P.S..
	Approved the amendments to "Procedures for Loaning of Funds and Making of Endorsements, Guarantees"	All attending members unanimously agree to pass the proposal.	The resolution shall be fully implemented and the revised regulation shall be uploaded to the company's official website and M.O.P.S..
	Approved the amendments to "Handling Procedures for Derivative Product Transaction Engagement"	All attending members unanimously agree to pass the proposal.	The resolution shall be fully implemented and the revised regulation shall be uploaded to the company's official website and M.O.P.S..

3.4.9.2 Implementation of Board Meeting Resolutions in 2019(Article 14-3 of the Securities Exchange Law)

Term/___st/nd/rd/th time Date	Motion	Resolution	Execution
13-6 2019.3.25	Approved 2018 financial report and business report.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Evaluation of independence and suitability of the CPAs to be engaged by the Company.	All attending members unanimously agree to pass	Execute as resolution

		the proposal.	
	Recommendation of the distribution of earnings for the year of 2018.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the Statement of Declaration on Internal Control System 2018.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the amendments to"Internal control system" and "Internal audit implementation regulation"	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the amendments to "Procedures for Acquisition or Disposal of Assets"	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the amendments to"Handling Procedures for Derivative Product Transaction Engagement"	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the amendments to"Article of Incorporation"	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the amendments to "Procedures for Loaning of Funds and Making of Endorsements, Guarantees"	All attending members unanimously agree to pass the proposal.	Execute as resolution
13-7 2019.4.8	Employee stock option execution and replacement of common stock	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Discussion on hiring chief audit officer	All attending members unanimously agree to pass the proposal.	Execute as resolution
13-8 2019.5.13	Approved 2019 financial report of Q1	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Employee stock option execution and replacement of common stock	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved Everlight lend the EUR 9 million loan to WOFI	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the amendments to "Standard operation procedure of handling the request from director"	All attending members unanimously agree to pass the proposal.	Execute as resolution
13-9 2019.8.8	Approved 2019 financial report of Q2	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Employee stock option execution and replacement of common stock	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval of changing internal audit officer	All attending members unanimously agree to pass the proposal.	Execute as resolution
13-10 2019.11.07	Approved 2019 financial report of Q3	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval of the professional service fee of the CPAs for the year of 2019.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Employee stock option execution and replacement of common stock	All attending members unanimously agree to pass	Execute as resolution

		the proposal.	
	Approval of new internal audit officer appointment	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval of changing CFO	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval of changing manager of Yuanli branch	All attending members unanimously agree to pass the proposal.	Execute as resolution
13-11 2019.12.26	Approval of auditing plan for 2020	All attending members unanimously agree to pass the proposal.	Execute as resolution

3.4.10 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors：None

3.4.11 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Chef Officer of Corporate Governance and R&D

Title	Name	Effective Date	Date Dismissal	Reasons of Resignation or Dismissal
CFO	Alice Fu	2009.8.26	2019.11.7	Postion adjustment
Internal Audit Officer	Tzu-Ching Lin	2019.4.8	2019.8.8	Resignation with personal reason

3.5 Audit Fee

NT$, ‘000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Remark
			System Design	Company Registration	Human Resource	Others (Note2)	Subtotal		
KPMG	Ou,Yao-Chun& Lo,Jui-Lan	8,393	-	171	-	1,718	1,889	2019.01.01~ 2019.12.31	Internal Audit

Note: Non-audit fee includes Transfer Pricing report, application to Investment Commission of MOEA, and oversea agency service.

(1) Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee: None.

(2) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclose：

None。

(3) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclose：

Due to the delay of audit fee application, the amount of audit fee is 2,767 thousand dollars which is 25% less than the previous year.

3.6 Replacement of CPAs:None

3.7 Information on the Company’s Chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.

3.8 Any transfer / pledge / Changes in Shareholding of Directors, Supervisors, Managers, and Major Shareholders holding a stake of greater than 10 percent

3.8.1 Changes in Shareholding of Directors, Supervisors, Managers, and Major Shareholders

Unit: Share

Title	Name	2018		2019		2020 Until April 14	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman& President	Robert Yeh	(800,000)	-	(1,000,000)	-	-	-
Director	Bo-Wen Zhou	0	-	2,000,000	-	-	-
Director	Wu-Yan Yeh	(87,000)	-	-	-	-	-
Director	Shinh Wum International Investment LTD	472,000	-	-	-	-	-
	representative：Ting-Wei Yeh	-	-	-	-	-	
Director	King Core Electronics Inc.	-	-	-	-	-	
	representative：Zheng-Li Yang	-	-	-	-	-	
Director	Bang-Yan Liu	(9,000)	-	(50,000)	-	-	-
IndependentDirector	Johnsee Lee	-	-	-	-	-	-
IndependentDirector	Chen-En Ko	-	-	-	-	-	-
IndependentDirector	Rong-Chun Lin	-	-	-	-	-	-
Vice President	Li-Yu Huang	64,800	-	(63,000)	-	7,200	-
Vice President	Sam Lee	Not assume office	-	5,000	-	-	-
Vice President	Chih-Hung Tseng	Not assume office	-	Not assume office	-	2,019	-
Vice President	Wu-Liu Tsai	Not assume office	-	-	-	-	-
Supreme Chief Legal Officer	Lung-Shun Yang	Not assume office	-	-	-	-	-
Assistant Manager	Chi-Hui Chen	43,000	-	(18,000)	-	-	-
Assistant Manager	Chih-Min Lin	101,800	-	(10,000)	-	(91,800)	-
Assistant Manager	Chung-Wei Wang	22,500	-	-	-	(22,000)	-
Assistant Manager	Ming-Cheng Lin(Note1)	-	-	-	-	-	-
Assistant Manager	Yuan-Tai Li	Not assume office	-	Not assume office	-	-	-

Note1：Dismissed on 2020/4/2

3.8.2 Stock Traded with Related Party: None

3.8.3 Stock Pledged with Related Party: None

3.9 Relationship among the Top Ten Shareholders

2020/4/14

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The Relationship between Any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Cathay Bank in Custody for Eversun Investment Group Co., Ltd.	20,766,548	4.68%	-	-	-	-	-	-	
Robert Yeh	17,168,553	3.87%	651,333	0.15%	-	-	Chuan Yi Investment Co., Ltd. representative：Ting-Wei Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Father	
Chuan Yi Investment Co., Ltd. representative:Ting-Wei Yeh	10,782,772	2.43%	-	-	-	-	Robert Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Son Brother	
Bo-Wen Zhou	9,600,000	2.17%	7,660,000	1.28%	-	-	-	-	
Citibank in Custody for Norges Bank	7,678,618	1.73%	-	-	-	-	-	-	
Hsiu-Man Chien	7,660,000	1.73%	9,600,000	2.17%	-	-	-	-	
Organic Act of the Management Board of Public Service Pension Fund.	7,412,333	1.67%			-	-	-	-	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	7,137,687	1.61%	-	-	-	-	-	-	
Mercuries Life Insurance	5,900,000	1.33%	-	-	-	-	-	-	
Yu Ming Investment Co., Ltd. representative:Ding-Hao Yeh	5,690,469	1.28%	-	-	-	-	Robert Yeh Chuan Yi Investment Co., Ltd.representative：Ting-Wei Yeh	Son Brother	

3.10 The total number of shares and total equity stake held in any single enterprise by theCompany, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the Company

Dec 31, 2019；Unit：Share；%

Long-term Investment	Ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Shares	(%)	Shares	(%)	Shares	(%)
Everlight (BVI) Co., Ltd.	1,482,552	98.00	37,900	2.00	1,520,452	100.00
Pai Yee Investment Co., Ltd.	23,939,525	100.00	–	–	23,939,525	100.00
Everlight Americas, Inc.	11,375,000	98.91	–	–	11,375,000	98.91
Evervision Electronics Co., Ltd.	4,477,028	24.27	7,605,037	41.23	12,082,065	65.50
Everlight Electronics (Europe) GmbH	75,000	75.00	–	–	75,000	75.00
Everlight Optoelectronics Korea Co.,Ltd.	37,890	100.00	–	–	37,890	100.00
Forever Investment Co., Ltd.	42,487,490	100.00	–	–	42,487,490	100.00
Everlight Lighting Intellengence Technology Co., Ltd.	20,000,000	100.00	–	–	20,000,000	100.00
Tekcore Co. Ltd	9,291,332	9.66	4,103,037	4.27	13,394,369	13.93
Evlite Electronics Co., Ltd.	7,000,000	100.00	–	–	7,000,000	100.00
Everlight Electronics India Private Limited	352,800	80.00	88,200	20.00	441,000	100.00
Everlight Electronics Singapore Pte. Ltd.	200,000	100.00	–	–	200,000	100.00
Wofi Leuchten GmbH	5,775,000	100.00	–	–	5,775,000	100.00
Everlight Japan Corporation	5,000	100.00	–	–	5,000	100.00
Everlight Lighting Management Consultant (Shanghia) Ltd	Limited company	52.63	Limited company	47.37	Limited company	100.00

Note：Investments accounted for using equity method.

4. CAPITAL OVERVIEW

4.1. Capital and Shares

4.1.1 Source of Capital

May 1,2020 Unit:share/NT$

Month/ Year	Authorized Capital		Paid-in Capital		Remarks	
	Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash
1983.06	702,200	7,022,000	702,200	7,022,000	Capital injection by cahs	None
1986.12	2,702,200	27,022,000	2,702,000	27,022,000	Captial increase by cash	None
1988.12	5,000,000	50,000,000	5,000,000	50,000,000	Captial increase by cash	None
1989.12	9,000,000	90,000,000	9,000,000	90,000,000	Captial increase by retained earnings	None
1990.11	19,000,000	190,000,000	19,000,000	190,000,000	Captial increase by retained earnings Captial increase by cash	None
1995.12	35,000,000	350,000,000	35,000,000	350,000,000	Captial increase by cash Captial increase by retained earnings Captial increase by capital reserve	None
1996.10	70,000,000	700,000,000	50,000,000	500,000,000	Captial increase by cash Captial increase by retained earnings Captial increase by capital reserve	None
1997.07	70,000,000	700,000,000	60,500,000	605,000,000	Captial increase by retained earnings	None
1998.03	70,000,000	700,000,000	70,000,000	700,000,000	Captial increase by cash	None
1998.12	160,000,000	1,600,000,000	91,150,000	911,500,000	Captial increase by retained earnings Captial increase by capital reserve	None
1999.09	160,000,000	1,600,000,000	112,000,000	1,120,000,000	Captial increase by retained earnings Captial increase by capital reserve	None
1999.12	160,000,000	1,600,000,000	133,000,000	1,330,000,000	Captial increase by cash	None
2000.07	250,000,000	2,500,000,000	168,343,851	1,683,438,510	Captial increase by retained earnings Captial increase by capital reserve Captial increase by CB converted	None
2001.10	260,000,000	2,600,000,000	187,893,237	1,878,932,370	Captial increase by retained earnings	None
2002.02	260,000,000	2,600,000,000	187,936,828	1,879,368,280	Captial increase by CB converted	None
2002.09	260,000,000	2,600,000,000	218,016,687	2,180,166,870	Captial increase by retained earnings Captial increase by CB converted	None
2003.01	260,000,000	2,600,000,000	225,634,809	2,256,348,090	Captial increase by CB converted	None
2003.04	260,000,000	2,600,000,000	226,616,904	2,266,169,040	Captial increase by CB converted	None
2003.09	350,000,000	3,500,000,000	246,426,697	2,464,266,970	Captial increase by retained earnings	None
2004.07	350,000,000	3,500,000,000	273,664,667	2,736,646,670	Captial increase by retained earning	None
2005.09	350,000,000	3,500,000,000	287,891,254	2,878,912,540	Captial increase by retained earnings	None
2006.01	350,000,000	3,500,000,000	309,221,678	3,092,216,780	Captial increase by CB converted	None
2006.04	350,000,000	3,500,000,000	309,694,072	3,096,940,720	Captial increase by CB converted	None
2006.09	500,000,000	3,500,000,000	320,083,954	3,200,839,540	Captial increase by retained earnings	None
2007.04	500,000,000	5,000,000,000	320,127,830	3,201,278,300	Captial increase by CB converted	None
2007.07	500,000,000	5,000,000,000	320,251,297	3,202,512,970	Captial increase by CB converted	None
2007.09	500,000,000	5,000,000,000	338,710,132	3,387,101,320	Captial increase by retained earnings	None
2007.10	500,000,000	5,000,000,000	345,174,221	3,451,742,210	Captial increase by CB converted	None
2008.01	500,000,000	5,000,000,000	350,974,762	3,509,747,620	Captial increase by CB converted	None

2008.04	500,000,000	5,000,000,000	351,316,461	3,513,164,610	Captial increase by CB converted Captial increase by warrant converted	None
2008.07	500,000,000	5,000,000,000	351,373,461	3,513,734,610	Captial increase by warrant converted	None
2008.08	500,000,000	5,000,000,000	364,479,791	3,644,797,910	Captial increase by retained earnings	None
2008.12	500,000,000	5,000,000,000	364,604,791	3,646,047,910	Captial increase by warrant converted	None
2009.10	500,000,000	5,000,000,000	365,882,548	3,658,825,480	Captial increase by CB converted	None
2009.12	500,000,000	5,000,000,000	399,212,548	3,992,125,480	Captial increase by cash	None
2010.01	600,000,000	6,000,000,000	410,234,155	4,102,341,550	Captial increase by CB converted Captial increase by warrant converted	None
2010.04	600,000,000	6,000,000,000	418,692,977	4,186,929,770	Captial increase by CB converted Captial increase by warrant converted	None
2010.06	600,000,000	6,000,000,000	419,169,328	4,191,693,280	Captial increase by CB converted Captial increase by warrant converted	None
2011.01	600,000,000	6,000,000,000	419,201,326	4,192,013,260	Captial increase by CB converted	None
2013.09	600,000,000	6,000,000,000	423,397,326	4,233,973,260	Captial increase by Restriced employee share issuing 41,960,000	None
2014.04	600,000,000	6,000,000,000	424,475,754	4,244,757,540	Captial increase by CB converted Captial increase by warrant converted	None
2014.07	600,000,000	6,000,000,000	425,799,206	4,257,992,060	Captial increase by CB converted Captial increase by warrant converted	None
2014.09	600,000,000	6,000,000,000	428,262,106	4,282,621,060	Captial increase by warrant converted	None
2014.12	600,000,000	6,000,000,000	428,343,506	4,283,435,060	Captial increase by warrant converted Captial reduction by writing off RSA	None
2015.04	600,000,000	6,000,000,000	429,922,421	4,299,224,210	Captial increase by CB converted Captial increase by warrant converted	None
2015.06	600,000,000	6,000,000,000	431,096,996	4,310,969,960	Captial increase by CB converted Captial increase by warrant converted	None
2015.08	600,000,000	6,000,000,000	431,906,996	4,319,069,960	Captial increase by warrant converted	None
2015.12	600,000,000	6,000,000,000	436,189,046	4,361,890,460	Captial increase by warrant converted	None
2016.04	600,000,000	6,000,000,000	437,119,996	4,371,199,960	Captial increase by warrant converted	None
2016.05	600,000,000	6,000,000,000	437,352,246	4,373,522,460	Captial increase by warrant converted	None
2016.08	600,000,000	6,000,000,000	437,864,996	4,378,649,960	Captial increase by warrant converted	None
2016.12	600,000,000	6,000,000,000	440,266,696	4,402,666,960	Captial increase by warrant converted Captial reduction by writing off RSA	None
2017.04	600,000,000	6,000,000,000	440,561,996	4,405,619,960	Captial increase by warrant converted Captial reduction by writing off RSA	None
2017.05	600,000,000	6,000,000,000	441,085,946	4,410,859,460	Captial increase by warrant converted Captial reduction by writing off RSA	None
2017.09	600,000,000	6,000,000,000	439,941,836	4,399,418,360	Captial increase by warrant converted Captial reduction by writing off RSA	None
2017.12	600,000,000	6,000,000,000	440,377,786	4,403,777,860	Captial increase by warrant converted	None
2018.04	600,000,000	6,000,000,000	440,485,786	4,404,857,860	Captial increase by warrant converted	None
2018.05	600,000,000	6,000,000,000	440,542,586	4,405,425,860	Captial increase by warrant converted	None
2018.12	600,000,000	6,000,000,000	442,523,886	4,425,234,860	Captial increase by warrant converted	None
2018.12	600,000,000	6,000,000,000	442,913,586	4,429,135,860	Captial increase by warrant converted	None
2019.05	1,000,000,000	10,000,000,000	443,036,486	4,430,364,860	Captial increase by warrant converted	None
2019.09	1,000,000,000	10,000,000,000	443,101,136	4,431,011,360	Captial increase by warrant converted	None
2019.12	1,000,000,000	10,000,000,000	443,216,186	4,432,161,860	Captial increase by warrant converted	None
2020.04	1,000,000,000	10,000,000,000	443,259,286	4,432,592,860	Captial increase by warrant converted	None

April 14, 2020 Unit: thousand shares

Share Type	Authorized Capital			Remark
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Common shares	443,259	556,741	1,000,000	Listed on TWSE

4.1.2 Status of Shareholders

April 14, 2020 Unit:share

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	1	9	112	39,662	293	40,077
Shareholding	7,412,333	16,680,798	33,847,864	228,990,011	156,461,080	443,392,086
Percentage (%)	1.67%	3.76%	7.63%	51.65%	35.29%	100.00%

Note：As of April 14, 2020, the company has no shareholders from PRC.

4.1.3 Distribution Profile of Share Ownership

4.1.3.1 Common Share

April 14, 2020；Unit：Share

Shareholder Ownership	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	8,195	1,225,512	0.28
1,000 ~ 5,000	24,532	51,385,474	11.59
5,001 ~ 10,000	3,983	31,544,879	7.11
10,001 ~ 15,000	1,105	13,985,360	3.15
15,001 ~ 20,000	728	13,483,544	3.04
20,001 ~ 30,000	532	13,707,527	3.09
30,001 ~ 40,000	252	9,044,099	2.04
40,001 ~ 50,000	146	6,821,298	1.54
50,001 ~100,000	311	22,479,931	5.07
100,001 ~200,000	114	16,399,828	3.7
200,001 ~400,000	52	14,725,821	3.32
400,001 ~600,000	37	18,247,036	4.12
600,001 ~800,000	23	15,588,104	3.52
800,001~1,000,000	11	10,073,782	2.27
1,000,001 and above	56	204,679,891	46.16
Total	40,077	443,392,086	100.00%

4.1.3.2 Preferred Share: None.

4.1.4 Major Shareholders

April 14, 2020；Unit：Share

Shareholders	Total Shares Owned	Ownership (%)
Cathay Bank in Custody for Eversun Investment Group Co., Ltd.	20,766,548	4.68%
Robert Yeh	17,168,553	3.87%
Chuan Yi Investment Co., Ltd.	10,782,772	2.43%
Bo-Wen Zhou	9,600,000	2.17%
Citibank in Custody for Norges Bank	7,678,618	1.73%
Hsiu-Man Chien	7,660,000	1.73%
Organic Act of the Management Board of Public Service Pension Fund.	7,412,333	1.67%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	7,137,687	1.61%
Mercuries Life Insurance	5,900,000	1.33%
Yu Ming Investment Co., Ltd.	5,690,469	1.28%

4.1.5 Market Price, Net Worth, Earnings, and Dividends Per Common Share

Unit:NTD

Item		Year	2018	2019	Until March 31,2020
Market Price Per Share	Highest Market Price		48.0	35.95	39.7
	Lowest Market Price		25.75	26.25	20.65
	Average Market Price		37.45	29.96	32.38
Net Worth Per Share	Before Distribution		38.35	38	Note2
	After Distribution		38.35	Note1	
Earnings Per Share	Weighted Average Shares (thousand shares)		441,787	443,120	
	EPS	Before adjustment	1.8	1.86	
		After adjustment	1.8	1.86	
Dividends Per Share	Cash Dividends		1.49978114	1.4(Note1)	
	Stock Dividends	Share Dividend	-	-	
		Capital Surplus stock dividend	-	-	
	Accumulated Undistributed Dividend		-		
Return on Investment	Price/Earnings Ratio (Note 1)		20.81	16.11	
	Price/Dividend Ratio (Note 2)		24.97	21.4	
	Cash Dividend Yield (%)(Note 3)		0.04	0.046(Note1)	

Note 1: The appropriation of earnings for 2018 shall be determined by the 2019 Annual General Shareholders' Meeting

Note2: As of the publication date of this annual report, we have not obtained the audited financial statement information for the first quarter of 2019

4.1.6 Dividend Policy and Implementation Status

4.1.6.1 Dividend Policy

According to our Articles of Incorporation:

Revenue from the Company's annual general settlement shall be first used to pay tax and compensate previous losses. Subsequently, ten percent of the balance shall be recognized as legal reserve and special reserve shall be recognized or reversed in accordance with laws and competent authority's requirements. The final balance together with more than fifty percent of accumulated undistributed revenue appropriated from the previous year shall serve as dividend for distribution. The board of directors' meeting shall submit distribution proposal to shareholder's meeting for resolution accordingly.

The dividend distribution methods will adopt two methods of capital increase through earning capitalization and cash dividend. Percentage for cash dividend shall not be lower than ten percent. Nevertheless, cash dividend can be replaced by stock dividend in the event that cash dividend is lower than NTD0.2 (included) dollar per share.

4.1.6.2 Proposed Distribution of Dividend

Earings distribution plan of the Company's in 2019 was approved by the Directors' meeting on March 24, 2020. The proposed distribution of NTD$1.4 per share and a total cash dividend of NTD$620,563,000 are not approved yet by the shareholders' general meeting.

4.1.7 Impact to 2019 Business Performance and EPS Resulting from Stock Dividend Distribution: Not applicable.

4.1.8 Remuneration to Directors and Profit Sharing Bonus to Employees

4.1.8.1 Information Relating to Employee Bonus and Directors' and Supervisors' Remuneration in the Articles of Incorporation

According to our Articles of Incorporation:

If the Company has gained profits within a fiscal year, 6% ~ 12% of the profits shall be reserved as the employees' compensation, and compensation for director shall not exceed 1%; employees of subsidiaries of the company meeting certain specific requirements are entitled to receive shares or cash as compensation. The term of certain specific requirements in this Article is authorized to be set by Board of Directors.

However, in case of the accumulated losses, certain profits shall first be reserved to cover them.

4.1.8.2 The basis for estimating the amount of remuneration to employees, directors and supervisors, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

(1)Caculation method: The Company calculate the employees' compensation and directors' compensation based on our profit of current financial period multiplied by the percentage according our Article of Incorporation, we calculate our employees' compensation-NT$ 97,931,000 and directors' compensation-NT$ 10,486,000 respectively.

(2)The company has not issued stock compensation in this period

(3)Accounting treatment when the actual allocation amount in this period is different from the estimated number: The difference between the actual allocation and the amount recognized in the financial report is the change of accounting estimation and will allocate in the annual profit and loss.

4.1.8.3 2018 Remuneration to Directors and Employees' Profit Sharing Bonus

Our employees' compensation-NT$ 97,931,068 and directors' compensation-NT$ 10,485,565 approved by our meeting of directors are the same as our annual estimation.

4.1.8.4 2017 Remuneration to Directors and Employees' Profit Sharing Bonus: Our employees' compensation-NT$ 59,097,589 and directors' compensation-NT$ 6,894,719 approved by our meeting of directors and shareholders' meeting for the annual earngins in 2018 are the same as the actual distribution last year.

4.1.9 Buyback of Treasury Stock: None.

4.2 Issuance of Corporate Bonds:

(1) 6th unsecured conversion corporate bonds

<table>
<tr><th colspan="2">Corporate Bond Type</th><th>6^{th} Unsecured Convertible Corporate Bond</th></tr>
<tr><td colspan="2">Issue date</td><td>2015/05/18</td></tr>
<tr><td colspan="2">Denomination</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Issuing and transaction location</td><td>Taipei Exchange</td></tr>
<tr><td colspan="2">Issue price</td><td>Issue by 100.5% of denomination</td></tr>
<tr><td colspan="2">Total price</td><td>NT$5,000,000,000</td></tr>
<tr><td colspan="2">Coupon rate</td><td>0%</td></tr>
<tr><td colspan="2">Tenor</td><td>5 years；Maturity: May 18, 2020</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>None</td></tr>
<tr><td colspan="2">Consignee</td><td>Mega International Commercial Bank</td></tr>
<tr><td colspan="2">Underwriting institution</td><td>KGI Securities</td></tr>
<tr><td colspan="2">Certified lawyer</td><td>Handsome Attorneys-at-Law: Ya-Wen Chiu</td></tr>
<tr><td colspan="2">CPA</td><td>KPMG
Ou,Yao-Chun, Lo,Jui-Lan</td></tr>
<tr><td colspan="2">Repayment method</td><td>Except the creditors may exercise early redemption right by Article 18 of “Issuance and Conversion of 6^{th} Unsecured Convertible Bond” or the Company may exercise repurchasing right by Article 19, repayment in lump sum upon maturity</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NTD$1,126,100,000 (balance after creditor exercised early redemption right)</td></tr>
<tr><td colspan="2">Terms of redemption or advance repayment</td><td>Article 19 of “Issuance and Conversion of 6^{th} Unsecured Convertible Bond”</td></tr>
<tr><td colspan="2">Restrictive clause</td><td>Article 7 of “Issuance and Conversion of 6^{th} Unsecured Convertible Bond”</td></tr>
<tr><td colspan="2">Name of credit rating agency, rating date, rating of corporate bonds</td><td>None</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities</td><td>None</td></tr>
<tr><td>Issuance and conversion (exchange or subscription) method</td><td>Article 9 and Article 10 of “Issuance and Conversion of 6^{th} Unsecured Convertible Bond”</td></tr>
<tr><td colspan="2">Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders’ equity</td><td>The coupon rate is 0% for the 6^{th} Unsecured Convertible Corporate Bond and the convertible price is higher than the reference market price when issuance. As a result, no side effect on shareholders.</td></tr>
<tr><td colspan="2">Transfer agent</td><td>None</td></tr>
</table>

Corporate bond type		6th Unsecured Convertible Corporate Bond		
Item / Year		2018	2019	As of March 31,2020
Market price of the convertible bond	Highest	99.6	100	100.45
	Lowest	96.8	98.6	99.5
	Average	98.69	99.29	99.93
Convertible Price		66.1(61.0 after distribution)	61.0(57.9 after distribution)	57.9
Issue date and conversion price at issuance		Issue Date: 2015/05/18 Conversion price at issuance: NT$80.0/share		
Conversion methods		Issuing of new stocks		

4.3 Preferred Shares: None.

4.4 Issuance of Overseas Depositary Shares:None

4.5 Status of Employee Stock Option Plan:

4.5.1 Issuance of Employee Stock Options

March 31, 2020

Type of Stock Option	1st Tranche in 2014	2nd Tranche in 2014
Approval date	2014.08.06	2014.08.06
Issue date	2015.04.02	2015.08.06
Duration	5 years	5 years
Units issued	4,800,000	200,000
Shares of stock options to be issued as a percentage of outstanding shares	1.11%	0.05%
Conditional conversion periods and percentages	5 years	5 years
Conversion measures	New common share	New common share
Vesting Schedule	2nd Year: Up to 65% 3rd Year: Up to 90% 4th Year: Up to 100%	2nd Year: Up to 65% 3rd Year: Up to 90% 4th Year: Up to 100%
Converted shares	2,626,850	49,000
Exercised amount	50,594,145	1,013,300
Number of shares yet to be converted	301,650	1,000
Adjusted exercise price for those who have yet to exercise their rights	17.4	18.7
Unexercised shares as a percentage of total issued shares	0.07%	—
Impact on possible dilution of shareholdings	Dilution to original shareholders' holding is limited	

4.5.2 Names of managers and the top ten employees who have obtained employee stock option, and the situation of obtaining and subscribing:

2020/4/14 (Unit/NT$)

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued
Executive officers	Chairman/ President	Robert Yeh	244,000	0.06	213,300	19.8 18.3 17.4	4,027,860	0.05	—	—	—	—
	Vice President	Li-Yu Huang										
	Vice President	Sam Lee										
	Vice President	Wu-Liu Tsai										
	Vice President	Lungshun Yang										
	Vice President	Chihhung Tseng										
	Assistant Manager	Chih-Min Lin										
	Assistant Manager	Chi-Hui Chen										
	Assistant Manager	Chung-Wei Wang										
	Assistant Manager	Ming-Cheng Lin										
	Assistant Manager	Yuan-Tai Li										
Employees	Employee	Yijun Chen	526,000	0.12	475,000	19.8 18.3 17.4	9,125,580	0.11	—	—	—	—
	Employee	Ting-Wei Yeh										
	Employee	Zih-ciang Li										
	Employee	Jia-hao Liang										
	Employee	Jhihcheng Chen										
	Employee	Hsichuan Hsu										
	Employee	Zongyuan Chen										
	Employee	Tachuan Tsai										
	Employee	Hungwen Tsai										
	Employee	Hsiuhui Chang										
	Employee	Juimin Li										

4.6 Status of New Restricted Employee Shares: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation:

(一)Content

6th Unsecured Convertible Corporate Bond

(1).Total Capital：NTD$5,025,000 thousand

(2). Source of funds：6th Unsecured Convertible Corporate Bond issued 50,000 lots, par value-NT$ 100,000, 5 years duration period, par interest rate-0%, total issued amount-NT$ 5,025,000,000, issued pric-100.5% of par value.

(3). Projects and application progress

Unit：NTD$thousand

Project items	estimated finish time	Total funds required	Expected progress of fund utilization					
			2018	2018			2019	Total
			Before Q1	Q2	Q3	Q4	Q1	
Acquirement of building	2015 Q4	1,600,000	1,600,000	-	-	-	-	1,600,000
acquirement of equipment	2019 Q1	1,500,000	1,243,510	36,542	84,232	118,708	86,206	1,500,000
Working Capital enhancement	2015 Q2	1,925,000	1,925,000	-	-	-	-	1,925,000
Total		5,025,000	4,768,510	36,542	84,232	118,708	86,206	5,025,000

(4). Expected benefits

A.Acquirement of building

The Company's existing Tucheng Factory and Yuanli Factory are about 14,107.8 pings, and if we calculated based on the monthly rent of about 500 yuan per ping of the factory in the same area. The rental expenses can be saved annually in 2015 and later years are NT$ 42,323,000 and NT$ 84,647.

B.Acquirement of equipment

Unit：NT$, pieces inthousand

Year	Item	Production	Sales Quantity	Sales Amount	Gross Profit	Operating Profit
2015	LED	400,000	340,000	173,400	40,800	11,322
2016		7,135,000	6,064,750	8,511,654	2,078,811	631,830
2017		8,040,000	6,834,000	9,070,850	2,176,211	634,166
2018		8,040,000	6,834,000	9,070,850	2,176,211	634,166

C.Working Capital enhancement

The funds raised by the Company this time are expected to enhance the working capital of NT$ 1,925,000,000 in the second quarter of 2015. Everlight will not need to borrow from financial institutions to solve the shortage of working capital, and if based on the company’s average borrowing rate of 1%, we can save interest expenses of NT$ 11,229,000, and it can save interest expenses of NT$ 19,250,000 every year in the future. The benefit of saving interest expenses should be reasonable.

(5). **Implementation**

Capital NTD$5,025,000 thousand received from previously-issued corporate bonds on May 18, 2015 has been fully executed in the first quarter of 2019 according to the required procedures.

5. Operational Highlights

5.1 Business Activities

5.1.1 Our Operation

5.1.1.1 Our Main Buiness

The major product of th Company are optoelectronics components, can be divided to lighting components and sensing components. Lighting components include visible and infrared LED, and sensing components include photodides, optical IC and light sensing components, and also we provide LED light source, modules and light engines.

5.1.1.2 Our Major Products Proportion

Product Item	Major Application	Proportion
LED	Electronics, electrical and engineering appliances, electronic billboards, computer mice and household appliances, mobile phones, LCD backlight units, traffic signs, photoelectric switch, position sensing, infrared receivers	86.29%
Lighting	General lighting and professional lighting lamp	10.04%
LCD and Others	Electronic product displays, such as sphygmomanometers, phones, computers, satellite navigation, car displays, etc.	3.67%

5.1.1.3 Our Producs(Services)

(1) Lamp (Low power LED Lamp)

This product is widely used and has a long operating life and stable quality, and can be designed as visible and infrared products. It is fully used in billboards, signal lights, traffic signs and other applications. The design covers 3mm / 5mm cylindrical LED Lamp or various customized LED Lamp.

(2) Middle Power LED

Our various types and sizes of high-quality and reliable medium-power PLCC lighting components (such as 3020, 3528, 5050, 5630, XI2323 ...) have high efficiency, high color rendering, low power consumption and wide viewing angle range and other advantages.

(3) High Power LED

The high-power LEDs developed by us have high brightness, low thermal resistance and high-brightness components in a small size package. It has a thin ceramic package and uses electrically isolated technology to provide our users convenient way to design theheat dissipation and circuits. It is the best choice for solid state lighting source, such as general lighting, street lamps, spotlights, and various industrial and commercial lighting.

(4) LED backlighting

The LED backlight module has many advantages such as power saving, small size, mass production, control of brightness, high reliability, and over 100% of NTSC.

Due to low power consumption, fast response, instant lighting and long operating life, the product can be widely used in various displays such as portable device panels, TFT-LCD backlight modules, consumer electronics and industrial instruments.

(5) Digit/Dot Matrix Display

These products are mainly used in various control panels of industrial electronic engeering products and digital displays of various household appliances products. Due to their high brightness, rich and vivid color performance, and easy modularization, our products are very popular in Europe, America, Japan markets. LED display products in the market has increased in recent years with the diversification of digital display instruments for various household appliances.

(6) SMD type LED

In order to meet the needs of light, thin and short, the Surface Mount Technology is widely used in the current electronic industry, the applications mainly include various backlight of mobile devices, PC/NB, keyboard light source, smart speakers, indoor and outdoor Display screen, automobile, toy and other products.

The interior light in cars, such as dashboard backlight, the center console backlight and the ambient light source now have all used the SMD LEDs, and the penetration rate has already reached 100%. The exterior light in cars over 80% now also use high-power SMD LEDs on direction lights, daytime running lights, headlights, brake lights.

(7) Infrared LED

The application of infrared LED in Europe, America, Japan and other advanced countries has a long history, and with the rising of IoT in recent years, the application of infrared LED become wider. Now, the infrared is widely used in sensing, optical touch panel, security monitoring system, biometrics, virtual reality devices. The infrared LED products could be low, medium and high power up to the spectification of design.

(8) Photo Sensor & Module

Photo Sensor is a light-sensing component, wich can be visible or non-visible light. It is used as an ambient light sensor that simulates human eye sensitivity, a color sensor that senses specific wavelengths such as red, green, and blue light or other related modules.

(9) Photo Transistor & Photo diode

Photo Transistor and Photo diode combines silicon semiconductor and various LEDs for light-controlled switches, fire smoke sensors, optical touch panel, coin-operated devices or simple light-sensing signal controllers.

(10) Photo Coupler

Photo couplers use light to transmit electrical signals and have good electrical insulation and anti-interference capabilities. The photo coupler drives the LED by inputing electrical signal, receiving the photocurrent generated by the light-sensitive component, and outputing it after the signal is amplified, so the photo courpler can reach the conversion of "electricity-light-electricity" and has the feature of high electrical insulation.

(11) Multi Chip Packaging

The EL-Multi series follows the international ECE Binning standard and is used in dashboards, switches and other automotive interior lighting, and the series come with all bins and make for all applications. The series also comes with multi-color mixing products to make color conversion more convenient, more excellent and smoothier, and provides the automotive manufacturer the light efficiency and the design convenience.

(12) RGB+IC Packaging

EL SMARTLED (S-Smart, M-Multi Function, A-Automotive, R-RGB, T-Technology) series, with Everlight's unique packaging technology to achieve better light uniformity, and has an embedded smart IC to controll the color position and brightness between the LEDs to provide a colorful combination of colors to meet the automotive interior lighting needs. Everlight expects to provide a complete smart solution for the original vehicle manufacturer (OEM) to develop and design the ambient light

(13) Mini LED

With Everlight's Mini LED design, the backlight for the automotive panel, such as dash board and control panel, can improves the reliability of panels and can also be used for exterior display. The small-pitch display and Mini LED have advantages on high-end display applications. The backlight module adopts the design of large number of LED chips placed on the backlight board with a pitch of 1-12mm. It can accurately control the backlight by partition, improve the contrast effect, and strengthen the display quality.

(14) Optical Switch / Photo Interrupter

The optical switch module is a combination of a sensing components and an infrared LED, which is easy for designing and appling. At present, the optical switch module produced by the company has various designs, such as plug-in type and SMD type.

(15) IRM, Infrared Receiver Module

Infrared receiver modules are used in the field of various remote control devices. There are a variety of frequency bands that can be used in various household appliances and consumer electronic products. At present, the infrared receiving module produced by the Company has various product designs, such as plug-in type and SMD type.

(16) Ultraviolet LED

Everlight's ultraviolet LED cover the UVA / UVB / UVC wavelength range and come with low, medium, high-power of high-efficiency packaging platforms to provide customers with a variety of application options. In recent years, under the breakthrough of compound semiconductor technology, ultraviolet LED have been used in industrial curing, nail beauty, mosquito trapping lamps, and sterilization, etc. In the future, it will be an important source of technology for water purification and air purification.

(17) Energy-saving LED intelligent lighting system products

From lighting sources, professional lighting fixtures, to provide integrated solutions for intelligent lighting management system, Everlight provides ultra-high efficiency lamps, which customers can easily achieve energy saving goal, and energy Management to save the energy and to reduce carbon efficiently and to know how much they save. Our professional lighting management solution is one of the best choice for smart home and smart city.

(18) LED Customized Module

We meet the market demand to provide either a series of standard products or cutstomized products, including LED light sources, LCD backlights, LED arrays and other products.

(19) Automotive Standard Light Source

Everlight uses the heat dissipation mechanism platform method to design the automotive light source module, which can be used on different applications of white light, yellow light and red light sources in exterior car lights, such as fog lights, direction lights and tail lights. This design is very different from the products currently on the market: Firstly, in the same mechanism design, we can use fluorescent conversion technology, aluminum MCPCB and heat dissipation mechanical parts to solve products with large thermal decay (yellow or red light) . Secondly, to comply with ECE regulations fully, we also provide a platform using directly AECQ102 certified LEDs.

(20) 3D Tail Light

Everlight uses "LED 3D alignment structure" with "special light-guide material" to create a special and various "dimensional totem and line" effect. This technology is different from other technologies in the market, which is simple structured and space saving and complying with the ECE regulations R6/R7 (for taillights / brake lights / direction lights). The innovative 3D taillight intelligent lighting system has further entered the four-wheel market from the two-wheel market in 2018 to 2019.

(21) Curved Mini Tail Light

Mini LED display technology can use flip-chip packaging to achieve uniform light mixing; the small size structure of the wafer can adjust the dimming zone more finely to achieve higher HDR and high contrast effects. It also reduces the optical mixing distance (OD) to make the module to ultra-thin level. As a self-driving vehicle, the tail light system can be a medium tool for human-vehicle communication (ex. What is the next move of this car? Is it waiting for me?)

(22) Automotive UVC Sterilization Module

Automobile sterilization module combined with short-wave ultraviolet (UV-C) LEDs can provide the efficient virus sterilization solutions in vehicles and also surface sterilization solutions such as glove boxes. The technology proves that it can kill more than 90% of coronavirus.

5.1.1.4 Projected Development of New Products

(1) Control module of RGB LED

The control requirements of light source changes are getting higher and higher, so we try to design and develop RGB LED control modules for our end users to apply and adjust according to different needs. The module is designed to integrate optoelectronic thermoelectric and software control synchronously.

(2) Design and development of UV LED module of various applications

With the lead of compound semiconductor technology, UV light sources have earned full expectation in industrial, consumer and other markets. Therefore, UVA modules (water-cooled & air-cooled) and UVC sterilization modules have been developed to help global public health against the epidemic. The future growth potential of disinfection products is expected

(3) Mini / Micro LED and related applications

Compared with the general backlight, Mini LED has better light transmission uniformity, higher contrast and high contrast of light and dark. Mini LED can achieve local dimming and high dynamic range imaging. At the same time, with wearable display devices are becoming more and more diverse, Micro / Mini LED display modules could play an important role, and related technologies development will be our focus of 2020.

(4) Smart street light with IoT sensing and information exchange

The smart street light is a platform for smart city information exchange, which uses IoT sensors such as IP CAM, air box, noise detection, vibration detection and other sensing modules to collect big data around the environment through the communication networking and to process all the data by edge computing or cloud computing. The quantitative data on environmental can help to create a beautiful smart city with more effectively uses on social and natural resources.

(5) Special lighting for animal husbandry and agriculture

In order to effectively assist the refined development of agriculture and animal husbandry, through a variety of special wavelength LED combined with high-efficiency packaging design, the high market value agricultural and livestock products can be centralized and scaled production efficiency.

(6) NB-IoT Smart street light management system

At present, original street light management needs working staff to inspect, which cannot accurately control the status of street lamps, and the quality of services cannot be verified. Although smart street lights can be implemented and individually controlled, which will save power and maintenance costs, but if you use WiFi broadband network, or use 3G, 4G mobile network, you need to pay huge network communication costs . Therefore, the introduction of NB-IoT (Narrow Band Internet of Things), which is based on cellular and mainly used in small data volume and low rate IoT scenarios, which is a breakthrough technology to achieve the Internet of Everything. NB-IoT has better security, longer battery life, wide coverage, multiple connections, low speed, low cost, low power consumption, and excellent framework. In addition, street lights can also collect some environmental and climate monitoring data to provide more interactive services.

(7) Optical Proximity Sensor

The optical proximity sensor is a visible or non-visible band light sensor, which can also be designed to include an ambient light sensor that simulates the visual sensitivity of the human eye. Due to the increasing demand of wearable devices recently, we develop and design our packaging in small size.

(8) Photo Diode

The sensor belongs to one kind of silicon semiconductor. Through packaging and special coating technology, it can sense different spectrum which response range from one segment to multi-segment.

(9) High performance photo coupler

In order to the rising needs of industrial control and power systems, Everlight continues to develop various types of photo coupler products, which can be used to power drive components such as IGBT or MOSFET through the design of special control chips to help our customers design high-performance industrial control circuit. The isolation amplifier can measure small common-mode signals, or isolate to eliminate ground loops in systems with bandwidths up to 200 kHz, for example.

(10) Vertical Cavity Surface Emitting Laser Diode

As the diversified development of the optoelectronics industry, vertical cavity surface emitting laser (VCSEL) products play an important role in biometrics and automotive applications. The main applications of VCSEL products are wireless wearable devices, virtual reality, biometrics, autonomous driving, etc. In the technical field, Everlight will provide the market with excellent laser diodes products through our packaging technology.

(11) Optical Encoder

Demand for industrial control applications has increased. At present, we continue to develop optical encoders for optical systems, which can be used for various motor control system.

5.1.2 Industry Overview

5.1.2.1 Industry Current Status and Development

A light-emitting diode (LED) is a semiconductor light source that emits light when current flows through it. Electrons in the semiconductor recombine with electron holes, releasing energy in the form of photons and generating luminescence. The semiconductor material may be a compound formed of arsenic, phosphorus, gallium, etc., and LEDs made of different semiconductor materials will emit light of different wavelengths. The features of LEDs are: no idling time, fast response, small size, low power consumption, low pollution, capability for mass production and long life. It has high reliability and can be easily made into very small or array type components according to the application needs.

Since Monsanto and HP companies successively launched red LED, made by GaAsP / GaAs in 1968, LED has been in development for more than 40 years. With the continuous innovation of LED products, the applications has gradually expanded, and it has been widely used, and it can be divided into lighting, backlight / signage board, portable devices, traffic signs, automobiles and other applications.

Looking back on the history of the LED industry, there has always been at least one trend of high growth. With the rise of various LED applications, such as mobile phone keyboards and panel backlights as the rise of smartphones and tablets, TV backlights, and general lighting, the demand and supply of LEDs have both grown rapidly. But in recent years, the growth momentum of most applications has slowed down.

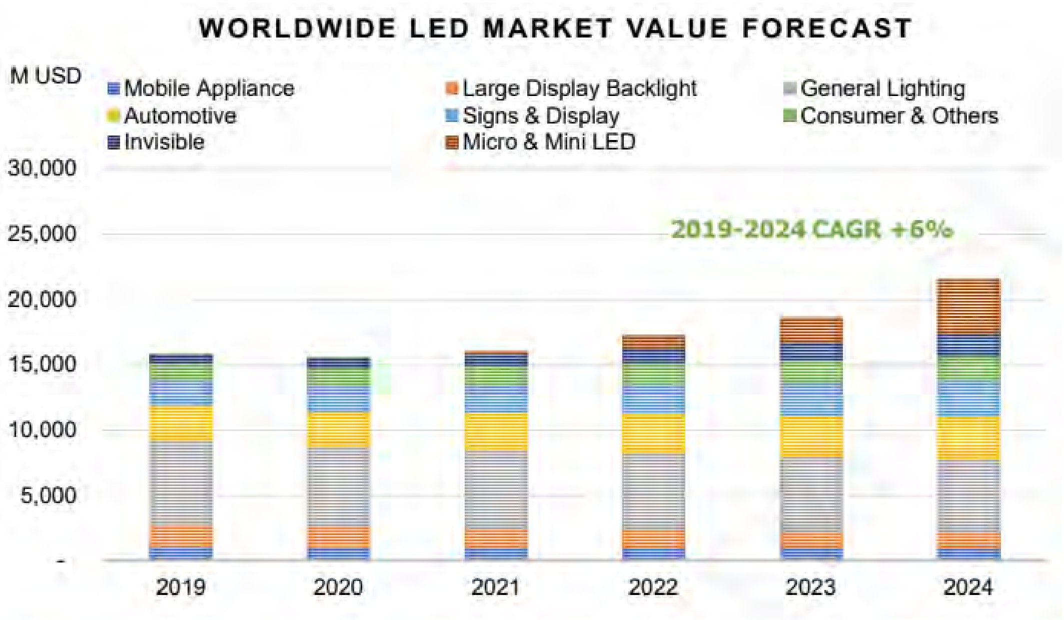
Looking forward to 2020, on the supply side, due to the oversupply of chips in 2019 is more severe than in 2018, China's major chip manufacturers have slowed down their expansion gradually, reducing production by 20-30%, and eliminating heavy inventory by promoting on negative gross margin. Therefore, it was originally expected that the upstream pressure in 2020 could be slightly reduced. However, the outbreak of the COVID-19 at the beginning of the year, the pressure of oversupply reduced due to the production shutdown and other related issues. Sanan and HC SemiTek and other Chinese suppliers have released their expansion plan lately for Mini LED, Micro LED, and GaN power components, we believe that it could cause the pressure of oversupply again at the end of 2020 or the first half of 2021.

On the demand side, affected by the impact of the COVID-19 epidemic, China ’s GDP fell 6.8% in the first quarter, the number of unemployment in the United States broke 20 million in mid-April, and the Europe unemployment rate is expected to raise from 6% to 11%. The effect of stagnation in all consumer demand has spread from China to the world. The lock-down of all countries have shot down commercial activities, greatly impacting the demand of automobiles, consumer electronics, catering, lodging, leisure and entertainment and etc., so basic all the main application markets of LEDs such as mobile phones, automotive lighting, signage boards, general lighting, etc. are facing order cuts or late shipments. LEDinside expects that the overall LED demand in 2020 will be lower than in 2019, and the dollar amount of the global LED market in 2020 has been adjusted to USD 16.5 billion. It is expected that the overall LED industry will back to the growth track in 2021, with a compound annual growth rate of 6% from 2019 to 2024.

In the demand for Mini / Micro LED, the market rumored that Apple new products from 2020 to 2021 are expected to use Mini LED as the panel backlight, including iPad, MacBook and iMac, etc., The market expected that Apple’s move will accelerate the introduction of Mini LED on tablet, notebook and monitor. Also, automotive displays and large-size TVs are targeted applications. The trend is expected to begin to take off at the end of 2020, and the market size is estimated to be about 19 million US dollars initially; by 2024, the global Mini LED market will reach 1 billion US dollars, and CARG will reach 121. %. As for Micro LED, it is still difficult to overcome the high cost issue in the short term, so the volume is expected to increase in 2022, and the market will reach 3.2 billion US dollars by 2024, and the CAGR will reach 427% by 2020-2024.

2019-2024 Worldwide LED Market Value Forecast

(Unit: Mil. USD)



M USD	2019	2020	2021	2022	2023	2024	CAGR
LED Revenue	16,837	16,549	17,030	18,275	19,670	22,607	6%

Source：LEDinside(2020/4)

M USD	2019	2020	2021	2022	2023	2024	CAGR
Mini LED Revenue	3	19	135	391	632	1,003	224%

M USD	2019	2020	2021	2022	2023	2024	CAGR
Micro LED Revenue	0.5	0.8	60	638	1,344	3,201	479%

Mini LED Market value　　Micro LED Market Value

Source：LEDinside(2020/4)

The LED development pattern in Taiwan is different from the vertical integration of upstream and downstream in the United States, Japan, Europe and other countries, we divided into upstream(Epitaxy), midstream(Chip), and downstream(Package) three different stages, and produce separately. But after GaN-based LEDs are mass produced in Taiwan, for the reasons of reducing internal communication costs, improving quality and increasing the revenue for each manufacturers, the industry transformed into upstream(Epitaxy and Chip) and downstream(packages and modules) two stages, and also the LED lighting applications for the end use. In recent years, Taiwan LED industry has mainly focused on

LED packages and modules.

Taiwan LED manufacturers export most of LED products to China, and both Taiwanese and Chinese manufacturers have similar industrial structure and products portfolio. Therefore, the dramatical growth of the Chinese LED industry lately will impact on Taiwanese LED industry immediately and strongly. In the case of price competition from China, the long-term development of the LED packaging and module business will become more and more unfavorable to both sides. Taiwan needs to cooperate with international LED manufacturers to expand the LED applications through flexible strategies. In addition, the Taiwan LED manufacturers must focus on several high-potential niche products and strengthen product differentiation in order to break through the existing price competition pattern, such as automotive lighting and infrared IR LED products.

5.1.2.2 The Relevance of the Industry Supply Chain

LED industry in Taiwan produce separately in a vertical supply chain, the product of upstream is epitaxial wafers, using various epitaxial technologies to grow multiple layers of multi-material thin films of different thicknesses on the substrate. After midstream manufactuers receiving the epitaxial wafer, they performs metal evaporation, exposure, photomask etching, electrode fabrication, cutting and cracking on the epitaxial wafer according to the device structure requirements, then passes the finished product to the downstream manufacturer for wire bonding, packaging and taping.

5.1.2.3 LED development trends and competition

(1) LED development trends

The development of LED has a history of more than 30 years, it has been widely used in home appliances due to its small size, fast response, good resistance, and long product life(more than 100,000 hours). With the development and the improvement of visibility, LED now have used on displays, traffic signals, automobile lighting and general lighting. The application of infrared components are very extensive and valuable, such as industrial quantity control, security systems, various consumer electronic products, and also the field of network transmission.

A. Hight Power Packaging

- Due to the increasing requirements for the brightness of one single LED, high-power packaging now become a trend. The accelerated improvement of the core-chip performance and excellent heat dissipation by the ceramic substrates, these technologies help the high power lighting components to reach higher luminous efficacy.

B. Mid and Low Power Lighting Component

- With high efficiency, low price and the features of light, thin and small, mid and low power lighting LED will be continuourly the majority in this fiercely competitive lighting market.

C. Mid and Short range Photoelectric Component for Datacom and Telecom

- Due to the widespread use of optical fibers, the LEDs and LDs or receiving components now is also blooming.

(2) Product Development and Alternative Technology

- Price reduction of high-brightness products stimulates market utilization and expands market demand.
- SMD LED's lightness, thinness, shortness, and portability make it widely used in various 3C electronic products.
- The luminous efficiency and performance of High Power LED continue to improve, and expand lighting related applications.

5.1.3 Research and Development

R&D expenses and developed technologies or products in the latest years

5.1.3.1 Research and Development Expenses in the Past Two Years (IFRS)：

單位：新台幣仟元

Year	2018	2019	2020/3/31
Amount	848,926	750,665	169,046

5.1.3.2 Overview of Product Development and Research Achievement

The company and its subsidiaries will continue to invest in research and development activities. Expected research and development expenses in 2020 are approximately NT $ 800-900 million. The research and development expenses in 2021 is expected to be 4% of total revenue, same as previous years.

(1) New Products Developed in 2018

- Smart street light management platform
- NB-IoT street light management controller
- Ultra-efficient energy-saving lighting products(upgrading continuously)
- Home sterilization light module(upgrading continuously)
- Professional optical zoom floodlight module
- Smart lamp with IoT sensor and information exchange platform
- Smar floodlight for sports arena
- High contrast signage board
- CSP flash light
- Ultra small size packaging SMD LED
- Programmable LED Project
- Flash module LED with dual color temperature LEDs
- Modular ITR (Analog)
- Modular SMT (Analog)
- APM(narrow radiating pattern)
- Encoder(Long-term Project)
- (RGBW) Sensor
- (RGBW+IR) Sensor
- Super high Power infrared lamp(1W~10W)
- IGBT gate driver Photo coupler
- Automotive grade SSR Photo coupler

- Extended high temperature photo coupler
- High Power IR LED (3W~)
- Narrow OD Mini LED thin backlight module
- 104% high NTSC side view LED
- 2604 small size side view LED
- 1212 High brightness SMD LED
- Second generation economy headlights
- Economy day time running/steerable light source
- CSP day time running light source
- Ultra small array type automotive interior reading lamp light source
- IR LED for new generation smart water meter

(2) New Products Developed in 2019

- IR LED for long wavelength applications (>1000nm)
- Photo Diode for long wavelength applications (>1000nm)
- IR LED in thin MID process package
- IR LED for smart meter
- IR LED Multi-chip packaging IR LED for electronic label application
- High power VCSEL package
- Automotive ambient light sensor
- Low-power Proximity Sensor
- Photoelectric encoder
- Modular optical switch ITR
- High-power IR LED
- Automotive photo coupler
- Automotive high-power VCSEL laser component
- Automotive high-power IR LED
- High-performance photo coupler for gate driver
- Linear photo coupler
- solating an amplifying photo coupler
- Ultra high withstand voltage (1200~1500V) optronics relay
- Broadband infrared receiver module
- Hight efficient energy-saving lighting products
- Home sterilization light module
- ES8.0 high-performance sideview LED
- 2204 small size sideview LED
- Backlight LED for Local dimming HDR display
- 4-in-1 fine-pitch LED for signage board
- High efficient energy-saving street light system

(3) New Products Project in 2018

- Slim CSP LED
- Slim sideview RGB LED
- High light efficient RGBW LED
- Slim sideview IC+RGB LED
- EUV UVC LED sterilization and purification module

- Special light guide modult
- High brightness / contrast / power-saving signage LED
- P0.6 4-in-1 fine-pitch LED
- Special light source LED for plant / livestock / fishery
- Automotive high power VCSEL
- Automotive high power IR LED
- High-sensitivity/high-speed photo coupler
- New smart photo coupler
- New Anti-noise infrared receiver module
- Optical encoder 90~300LPI
- Miniaturized proximity sensor module
- Multi chip packaging sensor module
- Mini VCSEL component
- Slim bezel sideview high performance LED
- High power direct lit LED(> 3W)
- Sideview type high reliability automotive LED
- Mini LED module for automotive display panel
- Low-energy consume sideview LED (upgrading continuously)
- Smart plaza lighting system
- Smart landscape lighting system
- Flicker-low and ultra energy-saving light source module
- MEPS energy-saving lamps
- Mobile UVC sterilization device
- Multi chip packaging
- RGB+IC packaging
- Mini LED
- Automotive standard light source
- 3D tail light
- Curve tail light by mini LED
- Automotive UVC sterilization module

(4) Research and development for the future

1. The purpose of developing CSP packaging products is to reduce the thermal resistance and related costs effectively of the product, and to achieve the highest cost-effective products
2. We develop RGB full-color signage model using extremely small-size LED that meets the digital cinema DCI color gamut requirements and assists customers to use fine-pitch and high-resolution images in movie theaters. Our products provide better visual effects in the same area and give the competitiveness to the customers. This year, we will also develop a four-in-one LED with a very small pitch, and use special circuit design methods to achieve customer convenience in production and reduce the challenges of small-sized components on SMT and the difficulty of maintenance.
3. We develop ultra-slim, miniaturized and multi-functional LED series products,

through PCB process improvement, circuit design optimization, multiple molding to change the light effect and integrated IC for modularization as the new way of development. The flip chip structure is designed for the extremely slim module and the dimmable LED products, integrated IC design, has the advantages of not only space-saving for the circuit design but also lower module cost, to meet the customer's needs of light mixing.

4. We focus on plant / agriculture and fishery lighting, using specially designed LED lamp modules and hydroponic technology to break through the environmental constraints of agriculture, and optimizing crop quality by adjusting the spectral band. This year, we has also begun extending to other applications such as animal husbandry and aquaculture. We will use our experience of plant lighting to apply to the poultry, fish and shrimp farming industry to open up new market opportunities by our LED full-spectrum wavelength adjustment technology.
5. We keep develop sensors with special light wavelengths, such as multi-band optical spectrum or ultra-long wavelength spectrum. In the proximity sensor module, we continue to develop miniaturized white-balance sensing technologies and components.
6. The Company continues to develop a variety of infrared LED / VCSEL package components that meet market needs, and extend to longer-wavelength emission spectrum. The main applications are all kinds of biometrics, ToF, LiDAR and other new applications.
7. In terms of photo coupler, we develop our products for green energy industry, industrial control, power management systems, automotive applications, and other related market, such as high-speed photo coupler, high-current output drive photo coupler, linear isolation and amplifiers, smart driver photo coupler…etc.
8. Wide band-gap power devices (SiC/GaN) is an important field of compound semiconductors in the future. The scope of product development will response to the needs of various power devices under the development of 5G technology in the future.
9. In order to e-sports, professional monitors, high-reliability automotive light source, high-end display panel, and local dimming effects, we set our development towards the three major technologies of Mini LED SMD, COB and COG, to show high-contrast effect of high-dynamic range(HDR), high-brightness and high-performance by LEDs turn on and off.
10. The demand for UV LEDs is increasing and applications, such as sterilization and purification, will gradually be replaced by UVC LEDs in the future. The UV product development will focus on water purification and ambient air purification to offer our technology solutions to the global public health issues.
11. Everlight continues to introduce more outstanding ALFS automotive headlight series products to meet the needs of the niche market. In order to make the interior design of the indicator lights more flexible and diverse, a variety of color options allow our users to design the indicator lights more effectively. At the same time, the

products already passed the strict automotive reliability test, AEC-Q101.

12. Automotive components

From 2017 to the present, we have been rapidly developed and entered the mass production stage on headlight components-ALFS (Automotive Lighting Front system) B/D series, and obtained many opportunities and orders. Compared to other competitors, Everlight has better cost control on automotive products.

We provides not only a variety of options to meet the needs of our customers, but the ALFS series also will come out a second-generation headlamp model, the G series, in 2020 with better economic benefit. In addition, combined with the functions of indicators and daytime running lights, the white/yellow dual-color temperature model got very warm response from our customers at the development stage. The product integrated different functions provides customers with a thinner and lighter design. Everlight will continue to launch more outstanding ALFS series products and continue to shine in the automotive market.

The 1608 series is a miniature LED developed by Everlight in automotive applications to meet the needs of miniaturization market. In order to make the design of the interior indicator lights more flexible and diverse, Everlight has designed this series of products twice smaller than the PLCC commonly used in vehicles and with a variety of color options to allow users to design more effectively to meet the needs. At the same time, it can still pass the strict automotive reliability test AEC-Q101, even in such a small size. We not only meet our clients' requirements of miniaturization, but also take the quality of automotive products into account on the 67-21, 67-41 and A09K 0.2W and 0.5W products, the most commonly used LEDs in the automotive industry. In terms of the improvement of light efficiency, this series allows clients to maintain the best cost-effectiveness and the best competitiveness. The dual-color LEDs combine day-time running lights and turn signal lights into one to save the cost, and provide more changes in the front-end lamps, so that the lights add the personality of the car and provide more style in appearance.

For automotive applications, the SMD LEDs of the company and its subsidiaries have earned the trust of large European and American manufacturers due to our excellent quality performance and stable production capacity, and the shipments and amounts have increased year by year. The company entered into the Chinese automotive supply chain in a short period of time and expected to grow continuously. At the same time, based on the capabilities of research and development, our SMD LEDs of automotive products have the quality and functions at the same level with large manufacturers. We will quickly enter the global automotive exterior lighting market with high-level products and competitive prices, which will make us the game changer of the world automotive supply chain.

13. Automotive module

In recent years, we have also integrated products from LED components to car light modules. In the case of car tail lights, tail lights have become an important part for parametric design and a standard in the design, such as the stripe tail lights, the tail light can enhance the three-dimensional sense of the tail and modern tech looks. We have developed different types of taillights in 3D, 2D and 1D for the trends. 3D taillights can generate special, diverse stereoscopic line and totem effects through LED 3D structure alignment "with special light guide materials". 2D taillights take Side-lit backlight technology as the basis to reduce the thickness greatly of traditional flat homogenous headlights. 1D curved mini LED taillights are using mini LED and more fine-grained zone Optical technology, to achieve higher HDR and high contrast effects. As a self-driving vehicle, the tail light system can be a medium tool for human-vehicle communication (ex. What is the next move of this car? Is it waiting for me?)

The automotive light source has gone from halogen lamps and xenon lamps to LED replacement light sources. We have completed the development of a full range of ECE standard light sources (L1, L5). All the products uses the heat dissipation mechanism platform method to design the automotive light source module, which can be used on different applications of white light, yellow light and red light sources in exterior car lights, such as fog lights, direction lights and tail lights. And, automobile sterilization module combined with short-wave ultraviolet (UV-C) LEDs can provide the efficient virus sterilization solutions in vehicles and also surface sterilization solutions such as glove boxes. The technology proves that it can kill more than 90% of coronavirus.

5.1.4 Long- and short-term business development plan

5.1.4.1 Short-term plan

(1) Application for SMD LED

The Company has taken the lead in the industry of mobile phone key backlight. Based on the high market share in this field, the Company continues to expand the use of flashlights for mobile phones and TV backlights, and provides not only SMD for monochromatic light LED, but also Bi-Color and RGB full-color SMD LED product lines. At the same time, we try to enter all markets aggressively, such as networking communication, consumer electronics, household appliances, servers, tablet computers, etc. and we have the lead position in production capacity, the most competitive price advantage, R&D resources, and a highly flexible global service system. The Company will continue to lead the global industry to increase market share, strengthen product portfolios, and continue to create growth in revenue.

In addition, the SMD LEDs of the Company has earned the trust of large European and American manufacturers in the automotive market by our excellent quality performance and stable production capacity, so the shipments and dollar amounts have increased year by year. At the same time, with the the Chinese automotive market blooming, the Company has enter into the Chinese automotive automotive supply chain quickly and will continue to grow with the high-quality and rich product lines we provide. Our SMD LEDs for automobiles have reached at the same level of product between the major suppliers due to our outstanding research and development capabilities, and we expect enter the global automotive exterior lighting market in a short period of time with the high-level products and competitive prices. We believe that we will turn the original situation around that the market occupied by the Europe and America suppliers and make the Taiwanese LED shine in the global automotive lighting market.

(2) LED display

The company is the top five leaders in the world in the LED displays market and with the continuous introduction of new products, the break-through of our capability, we expected that the market share of the Company in LED displays will continue to rise. At the same time, with the improvement of our products, we expand our business and major applications by the global business marketing network, such as working with the world-famous household appliance brands to develop the new products and to promote the improvement of product. The company is moving towards the world's leading LED displays manufacturer of household appliances. In order to the rapid growth of digital set-top boxes(STB), expected the annual demand for 200 million sets, the Company now cooperated with the top five STB brands in the world, based on our rapid product development and mass production capabilities, and will drive the substantial growth of the Company's LED display revenue. At the same time, we are developing IC Display, which market now exclusively owned by European and American manufacturers. With our strong internal R&D resources and global sales network, we will launch a full range of IC Display product lines, to enter into the IC Display market. Our goal is to be the top of LED display market.

(3) Professional lighting and general lighting products

Based on our expertise in lighting and LED technology, we has developed a variety of LED lighting products that meet steet lighting, architectural lighting, display lighting, low temperature lighting, indoor lighting, etc., which meet not only market demand but also environmental protection and energy saving trends. These high-end technologies will be used in general lighting products, consumers can easily purchase high-efficiency and competitive-priced lighting products, which will promote the idea of energy saving and carbon reduction for everyone and improve the penetration rate of LED in the lighting market.

(4) Mini LED for backlight

Based on the fact that the Company has developed a wide variety of backlight products, we estimate that the amount of LEDs using for traditional direct-lit backlight modules is relatively low at the beginning, and it is a big disadvantage on the cost if using more LEDs for the traditional direct-lit backlight modules. Therefore, we focus on the pricey and bright product, such as the automotive backlights and large-size TVs, to develop competitve components to meet the reliability. We also design non-white LED backlight modules to make a change on the cost and emitting angle, and hopefully the modest drop on the cost can make the mini LED direct-lit module meet the market expectation.

(5) Infrared LED and sensor

The Company took the leading position in the number of shipments in the world on the infrared products and has built a strong competitive barrier. We have great influence in the optotronics industry, our customers are from all over the world and our applications are various, such as consumer electronics, home appliances, industrial control systems, network communication, automotive products, etc. In the future, in order to the development trends of 5G communications, industrial automation, and new energy vehicles, we set our priority to develop high-power LED, analog/digital sensors, biometric sensing components, and new-generation photocouplers, which will make the Company move to the leading position in all aspects globally.

5.1.4.2 Long-term plan

We will provide the customers and markets with the products and services needed to meet customer needs, to correspond the global energy-saving trend, to replace traditional lighting and to lead Taiwan moving to the next generation of lighting by developing higher efficient and bright energy-saving LEDs. In addition, the Company will also cooperate with upstream and downstream manufacturers to establish a closer international supply chain and partnership, to reduce production costs, to improve profitability, to expand global market share, and to strengthen the competitiveness of enterprises. We will put Taiwan as the R&D, the marketing and the operation headquarters to implement the Company's sustainable business goals and social responsibilities.

Everlight will integrate the long-term Product Development Roadmap of major material suppliers and consolidate the cross-departmental teams of the Company(R&D/sales/marketing/business planning...and other departments) to formulate product development plans for the next 3 to 5 years, to build up related equipment and the necessary supporting environment (such as test systems, core technology staffs, key material, and global trend information integration of the lighting market). We see ourselves a total solution provider of lighting components.

Through the cross-sector cooperation of industry, government and education, the Company can strengthen the arrangement of the technology and the patent constructed in various ways to improve the competitiveness of products worldwide.

We not only provide our products and services required by the customer needs, but also correspond to the global energy saving trends, produce and develop high-quality, efficient and economical LEDs, and cooperate with upstream and downstream manufacturers to establish a closer international supply chain partnership, reduce production costs, increase profitability, and expand global market share.

5.2 Overview of the market and production

5.2.1 Market Analysis

5.2.1.1 Major products and the region distribution

Our main products are visible components and sensing components, and the sales of region are as follows:

(1)Sales of major products

NT$, ‘000

Products \ Year	2018		2019	
	Net Sales	(%)	Net Sales	(%)
LED	20,785,983	86.29	18,340,772	87.48
LCD	796,140	3.31	674,717	3.22
Lighting Module	2,419,709	10.04	1,883,423	8.98
Other	87,459	0.36	67,629	0.32
Total	24,089,291	100.00	20,966,541	100.00

(2)Sales of regions

NT$, ‘000

Region \ Year	2018		2019	
	Net Sales	(%)	Net Sales	(%)
Asia	19,454,105	80.76	17,511,370	83.52
Europe	3,613,639	15.00	2,551,005	12.17
America	831,039	3.45	611,805	2.92
Other	190,508	0.79	292,361	1.39
Total	24,089,291	100.00	22,966,541	100.00

(3) Major competitors and market share

Everlight is currently the largest LED professional packaging company in Taiwan, our LEDs using in traditional Lamp type, SMD type and other transmission and reception sensing components outscore other Taiwanese competitors. The relevant information is as follows.

Produt	Applications	Major competitors
LED Lamp	Sign,Signage board, Consumer electronics and Indicator arrays…	LITE-ON, Bright LED, LEDtech
SMD LED	Mobile phone, NB, PC,LED TV, and Indicator arrays…	Nichia, Rohm, Seoul Semi, Osram, LITE-ON, Harvatek
LED Display	Home applicance, Industrial equipment…	LITE-ON, Kingbright, Avago
OPIC	DVD pickup head, Mouse, Plastic optical fiber	Rohm、Vishay
IRM 、 PT/IR+ITR	Data transmission, Mouse, Infrared sensors	LITE-ON、Vishay
High Power LED	PAR light, Down light, Spot Light, Street light	CREE、OSRAM、Lumileds、NICHIA、Samsung、Edison

Mid-power LED	Bulb lamp, line lamp, lamp tube...	OSRAM、Samsung、SSC、Edison、Lumenmax
COB type LED	Flooding lamp, Architectural lighting, Wall washer	SHARP、Samsung
LED light sources and lamps	Traditional T5/T8, bulb bulb, candle lamp, street lamp and other lighting replacement lamps.	Philips, TESS, Delta, OSRAM, NeoNeo

According to LEDinside, the LED packaging output from Taiwan's are approximately US$1.8 billion in 2019, with a global market share of 11%. Regarding the revenue scale in Taiwan, the Company is currently the largest LED packaging manufacturer with complete product line and superior product quality. The operating income and gross profit margin performance are also better and more stable than other players, and in terms of the industry's competitive situation and market share, the Company is the leaders of the industry.

5.2.1.2 The demand and supply of the market and the growth in the future

Light-emitting diodes (LEDs) has a more than 30 years history, and due to the advantages of small size, fast response, good shock resistance, and component life of more than 100,000 hours, LEDs have been widely used in the home appliance industry. With technological breakthroughs and improvements, visibility and weather resistance have been continuously improved, and now it has also expanded into the imaging industry, traffic signals and the automotive industry (third brake lights, dashboards, direction lights...etc.). Now, LEDs took an important role in the lighting industry. The applications of infrared components are related to industrial quantity control, security systems and various consumer electronic products, and will also move to the field of network transmission in the future. With more applications extending, the output value is considerable.

According to LEDinside, the global LED packaging output value reached 16.8 billion US dollars in 2019, an annual decrease of 8%. In terms of regions, China ranked the top with 40% market share, followed by Japan with 17%, and Taiwan ranked fourth with 11% market share. As the LED market in 2019 is harsher than in 2018, China's LED industry has signs of slowdown regardless of the upstream and downstream companies. Under the pressure of reduced government subsidies and oversupply, Chinese packaging players have generally declines in revenue and profit, which forced the LED prices gradually return to the normal and began to help improve the imbalance between industry supply and demand.

Output value of LED packaging in major regions of the world (Unit：Mil. in USD)

	2017	Share%	2018	Share%	2019 (E)	Share%
Japan	3,119	17%	3,242	18%	2,918	17%
Korea	2,660	15%	2,530	14%	2,208	13%
Taiwan	2,048	11%	2,007	11%	1,798	11%
Europe	1,715	10%	1,707	9%	1,420	8%
USA	1,954	11%	1,935	11%	1,698	10%
China	6,249	35%	6,837	37%	6,711	40%
Others	115	1%	117	1%	84	0%
Total	17,860	100%	18,373	100%	16,837	100%

Source: LEDinside, 2020/04

According to LED inside, the global LED market for all applications in 2019 is about US$16.8 billion, down 8% from 2018. However, due to the impact of the COVID-19 epidemic, the total market size is expected to decline by 2% to 16.5 billion, and the output value might not be recovered to 2018 levels untill 2022. The growth momentum for the next five years will mainly come from the emerging applications of Mini and Micro LED, the new applications will become the second largest market after general lighting by 2024, with a market size of 4.2 billion US dollars and a CAGR of 317%. In addition, due to the impact of the COVID-19 epidemic, people's life style has changed dramatically, and the non-contact invisible light applications will be the second fastest growing market. The market size is expected to reach nearly US$1.7 billion, and the CAGR will reach 19% from 2019 to 2024..

Estimated output value of global LED packaging applications (Unit：Mil. in USD)

	2018	2019	2020	2021	2022	2023	2024	CAGR 2019-2024
Mobile Appliance	1,167	1,073	1,025	983	966	962	961	-2%
Large Display Backlight	1,771	1,650	1,518	1,410	1,329	1,204	1,111	-8%
General Lighting	7,427	6,469	6,226	6,121	6,001	5,808	5,685	-3%
Architectural Lighting	1,129	1,052	992	978	1,013	1,040	1,100	1%
Automotive	2,949	2,672	2,614	2,797	2,927	3,068	3,218	4%
Signs & Display	1,962	1,876	1,946	2,103	2,285	2,515	2,775	8%
Consumer & Others	1,271	1,328	1,399	1,483	1,580	1,726	1,877	7%
Invisible	697	713	810	959	1,144	1,373	1,675	19%
Micro & Mini LED	1	3	20	195	1,030	1,975	4,205	317%
Total Revenue	18,373	16,837	16,549	17,030	18,275	19,670	22,607	6%

5.2.1.3 Competitive Opportunity

- Use the strength of Taiwanese electronics industry effectively to enter the global market.
- With strong research and development ability, our LED patents have exceeded 1,000.
- Understand the market and grow with customers and strategic partners.

5.2.1.4 Advantages and disadvantages of development prospects and solutions

(1) Advantages

Vision of the industry

- The downstream industry technology is mature and stable, the midstream players already have the chip production technology, and the upstream epitaxial technology has developed steadily in Taiwan.
- The LED products have many characteristics, and can be widely used in the fields of automobiles, communications, consumer electronics, industry/instrumentation, lighting, signage/display, etc. New technologies and new applications are constantly developed, and the overall industry growth is still optimistic.

Industry position

- The company's performance and profits are steady, and it has taken the shape of the international cooperation.
- We have a leading position of our product lines, quality and capital expenditures in LED industry.
- Our scale of productions and revenues is already the leader of LED industry.

Business overview

- The strategy is to sell not only domestic clients but also the international clients, and focus on all possible applications and clients. Therefore, the risk should be low and the room of growth should be big.

- Once we have targe market, the only goal we want to reach is the market leader.
- The product lines are complete, and has the certificate of ISO-9001, QS-9000, ISO14001, TS-16949 and other international certifications. The product quality is good, the sales volume is steadily grown, and the relationship with international OEM manufacturers is a long time partner relationship.

Supply chain management

- We have reached the economies of scale on purchasing.
- The suppliers are plenty and full of options.
- We control the material by vertical integration.

Reaserch and develop capability

- Everlight invests ever year a certain percentage of revenue in research and development for a very long period of time.
- We have strong energy of research and development to launch new products ahead of our competitors every year.

(2) Disadvantages and solutions

Vision of the industry

- The industry the Company locates faces unfavorable factors as rising wages and labor shortage, the same as other industries in Taiwan.
- The packaging industry has less barriers to entry, so in great China area, we have many competitors and face severe competition.

Solutions:

- Cooperation internationally is the key to reduce manufacturing costs and expand production capacity.
- Raisng the portion of OEM orders in the marketing strategy.
- The Company continues to develop new products and increase product diversification.

Business overview

- Some of the mature products are very competitive on prices and the gross profits are extremely low due to the severe competition.

Solutions:

- We increase our competitiveness by expanding our production scale and increase the productivity to reduce the cost.
- By improving quality and developing new products, new market and new application, we can expand our business.

Reaserch and develop capability

- It is not easy for the Company to hire and train due to the scale of downstream industry nature.

Solution:

- We improve our research and development manpower by training the internal talented people and introducing high quality talented people to the Company from universities.

5.2.2 The applications of major products and the production procedures

5.2.2.1 The applications of major products

Major products	Application
Visible Components	Consumor Electronics, Indoor/Outdoor Signage Board, Back Light Unit, General Lighting, Commercial Lighting, Street Lighting, Auto Dashboard, Auto headlight…etc.
Sensing Components	Power Supply, Surveillance Camera, Distance Sensing Module

5.2.2.2 The production procedures

Gluing Process

○ Chip
○ Die bonding
○ Silver glue curing
○ Wire bonding
○ Dispenser
○ Roast/Releasing
○ Roast(longer time)
○ Tin-coated
○ Half-cut
○ Testing
○ Whole-cut
○ Packaging
▽ Warehousing

General Molding Process

○ Chip
○ Die bonding
○ Silver glue curing
○ Wire bonding
○ Molding
○ Roast(longer time)
○ Sand blast
○ Tin-coated
○ Half-cut
○ Testing
○ Whole-cut
○ Packaging
▽ Warehousing

Light Molding Process

○ SMT
○ Testing
○ Gluing
○ Assemble
○ Screwing
○ Riveting
○ Cover lens
○ BURN IN
○ spectrophoto /LASER
○ Overview
○ Packaging
▽ Warehousing

5.2.3 The supply of our main material

The raw materials required for our products, such as visible LED and sensors, are mainly chips. Over the years, the proportion of our chips purchases to the total annual purchases has reached an average of more than 55%. The main supplier of wafers in the past three years is EPISTAR, which offers quality material and provides good communication. In order to have multiple sources of wafer purchases, the Company has successively added a number of chip manufacturers such as TEKCORE, HIGH POWER, Genesis, and EPILEDS to reduce the risk of supply concentration. In addition, in terms of lead frame, the company's main supplier is I-CHIUN, PCB supplier is Subtron, and we keep good relationship with our suppliers.

5.2.4 Major Suppliers and Clients

5.2.4.1 Major Suppliers in the Last Two Calendar Years

NT$, '000

Item	2018				2019				2020 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Epistar	1,798,787	19.87	Other	Epistar	1,228,675	15.49	NA	Epistar	258,364	13.89	NA
2	Other	7,253,479	80.13		Other	6,705,639	84.51		Other	1,601,315	86.11	
	Net Total Supplies	9,052,266	100		Net Total Supplies	7,934,314	100		Net Total Supplies	1,859,679	100	

Note 1: Major suppliers refer to those commanding 10%-plus share of annual order volume.
2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

5.2.4.2 Major Clients in the Last Two Calendar Years:NA

5.2.5 Production in the Last Two Years

Unit: '000,Pieces；NT$,'000

Year / OutPut / Major Products	2018			2019		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
LED	40,231,394	25,588,343	18,193,781	41,089,917	24,497,775	16,480,690
LCD	31,160	27,243	796,140	24,389	22,288	674,717
Lighting Module	44	41	199,597	44	56	302,212
Other	24	19	75,531	19	13	58,999
Total	40,262,622	25,615,646	19,265,049	41,114,369	24,520,132	17,516,618

5.2.6 Shipments and Sales in the Last Two Years

Unit: '000,Pieces；NT$,'000

Year / Shipments/ Sales / Major Products	2018				2019			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LED	2,491,336	2,698,449	28,411,132	18,087,534	1,979,802	2,797,486	25,198,425	15,543,286
LCD	5,472	130,843	21,451	665,297	4,116	113,533	18,276	561,184
Lighting Module	2,150	563,135	2,264	1,856,574	2,516	701,142	2,375	1,182,281
Other	188,118	73,470	6,206	13,989	150,589	60,333	6,963	7,296
Total	2,687,076	3,465,897	28,441,053	20,623,394	2,137,023	3,672,494	25,226,039	17,294,047

5.3 Human Resources

Items \ Year		2018	2019	Data as of ending data in the current year
Number of Employees	Direct Employees	3104	3464	3667
	Indirect Employees	2203	2471	2441
	Total	5307	5935	6108
Average Age		33.4	31.9	32.58
Average Years of Service		5.44	4.4	4.57
Education	Ph.D.	11	11	12
	Masters	255	264	266
	Bachelor's Degree	1285	3521	3595
	Senior High School and Below	3756	2139	2235
Total		5307	5935	6108

5.4 Information of environment protection

5.4.1 Since our establishment, the Company has been committed to green design, clean production, industrial waste reduction, and pollution prevention and the following are our achievements:

5.4.1.1 Green design

The Company started to introduce the lead-free production in 2003, gradually completed the replacement of Tin and Lead materials, and started a full series of product surveys in September 2003, and completed a full series of analysis and testing in March 2004, further comply with the RoHS, 2002/95/EC EU Announcement, in 2003, and passed the SONY GREEN PARNER certification and LG Electronics lnc. Green Program Certificate qualified supplier certificate (2006.6.8). Other than our self-declaration, we required all raw material suppliers' products must comply with the relevant requirements from January 1, 2006. We also did internally self-test for all raw materials and products to strengthen manufacturing and production control, then we passed QC080000 in March 2008. The company committ ourselves to the spirit of continuous improvement, the sustainable development of the enterprise, and the responsibility of the global community.

5.4.1.2 Clean production and pollution prevention

(1) Air pollution control

The Company invests in the high-efficiency air pollution prevention facilities, obtains government operation permits, operates reguarly, pays air pollution dues quarterly, and runs regular tests under the related operation regulation constantly, and operates by the manual.

Items	Validity Period	Approval No.
Yuan-li Plant		
Operational permit for stationary	2025/2/11	No. K0785-01 issued by Miaoli County
Air pollution control personnel (Class A)	Certified	No. FA310170 issued by EPA, 2017
Tongluo Plan		
Operational permit for stationary	2023/1/10	No. K0951-00 issued by Miaoli County
Air pollution control personnel (Class A)	Certified	No. FA270060 issued by EPA, 2013

(2) Water pollution prevention

The company has set up a wastewater process plant to deal with our wastewater generated by the production line, and both Yuanli and Tongluo plant have obtained wastewater process permits on 2009/6/29 and 2017/3/31 respectively, and also have dedicated personnel to conduct quarterly test, regular declaration, and operating by the manual.

Professional personnel: wastewater control personnel(Class A)

Items	Validity Period	Approval No.
Yuan-li Plant		
Operational permit for stationary	2022/08/10	No. 00444-03 issued by Miaoli County
wastewater control personnel(Class A)	Certified	No. GA030061 issued by EPA, 2002
Tongluo Plan		
Operational permit for stationary	2022/3/30	No. 00637-00 issued by Miaoli County
wastewater control personnel(Class A)	Certified	No. GA200027 issued by EPA, 2007

(3) Waste management

The general and hazardous business wastes derived from our production process are properly recycled and stored, and have been submitted to the local environmental protection bureau for the cleanup plan (Yuanli plant: No. 1050039824, Tongluo plant: No. 1070000205), and all the waste is processed by professional cleaning companies to ensure that the waste management goal is stabilized, harmless, and reducing.

Professional personnel: waste control personnel(Class A)

Items	Validity Period	Approval No.
Yuan-li Plant		
Waste control personnel(Class A)	Certificating	Waste control personnel(Class A)
Tongluo Plan		
Waste control personnel(Class A)	Certified	No. HA211661 issued by EPA, 2003

5.4.1.3 Industrial waste reduction

We follow the government's industrial waste reduction policy and promote the recycling of resources in the Company. Everlight encourages our employees both in the Company and dormitory to do a good job on recycling and making the policies to manage and recycle the waste of our production line. The valuable resource materials will be sold to qualified recycle processors for reusing, and suppliers will be gradually required to use the recyclable materials to implement the recycle policies.

5.4.2 The investment of pollution prevention equipment and the benefits:

2020/3/31, NT$'000

Equipment	Set	Acquired Date	Amount	Net Value	The Use and the benefits
Exhaust gas process equipment and the improvement	1	98.10.20	19,726.8	2942.1	Processing the exhaust gas generated in the manufacturing process to meet the emission standards of environmental protection requirements, and which can reduce the annual air pollution fee by about 500,000.
Exhaust gas process equipment and the improvement	1	105.7.27	16,527	11825.6	Processing the exhaust gas generated in the manufacturing process to meet the emission standards of environmental protection requirements, and which can reduce the annual air pollution fee by about 500,000.
Wastewater process equipment and the improvement	1	98.12.25	12,220.3	989.7	Processing the waste water generated in the manufacturing process to meet the standards of environmental protection requirements and reach the recyclable standards.
Wastewater process equipment and the improvement	1	105.12.30	10,826.2	7665.3	Processing the waste water generated in the manufacturing process to meet the standards of environmental protection requirements and reach the recyclable standards.
Polluted water process equipment and the improvement (MBR)	1	97.10.30	5,631.5	2033.3	Processing the polluted water generated by the personnel of production activities and meet the recyclable standard.
Polluted water process equipment and the improvement (MBR)	1	105.7.25	431	400	Processing the polluted water generated by the personnel of production activities and meet the recyclable standard.

5.4.3 The process of improving environmental pollution or the process dealing wih incidents of pollution disputes in the past two years and as of the date of publication of the annual report:

Since 1998, the Company has been actively committed to the implementation and operation of the environmental management system. In 1999, it successfully passed the ISO14001 certification and passed the external certification in August 2005, and obtained the ISO14001: 2004 version certificate. In order to implement environmental protection, to keep industrial safety and health, and to apply to the concept of sustainable and operation, we set up a "environmental security department" to promote the operation of environmental safety and health systems and with a more aggressive action, we research and develop suitable environmental solutions to fulfill our commitment. On December 1, 1995, Everlight was awarded the Industrial Elite Award by the Bureau of Industry of the Ministry of Economic Affairs, demonstrating the Company's great efforts in continuous improvement in industrial safety and environmental protection. In order to slow down global warming, since 2009 Everlight has managed our greenhouse gas in accordance with the ISO 14064-1 every year, and has regularly proposed energy-saving solutions. With the goal of reducing carbon emissions output unit value every year, we will fulfill the corporate responsibility of protecting the environment.

5.4.4 Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

Yuan-li plant has violated the item 1 , article 7 of Water Pollution Control Act and fined NT$ 175,000 and has been corrected.

5.4.5 The impact of the current pollution situation and its improvement measures on the earnings, competitive position and capital expenditure and its expected major environmental capital expenditure in the next three years: NA

5.5 Relationship between the management and the labor

5.5.1 List any employee benefit plans, continuing education, training, retirement systems, the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests:

5.5.1.1 Our salaries

Base on the cocern of external competition, internal fairness and legitimacy, Everlight provides a diverse and competitive salary system, and adheres to the concept of profit sharing with employees, attracting new blood, retaining talents, training and motivating employees. With the outstanding operational performance, Everlight’s overall salary is maintained at a certain level.

The salary package of Everlightes includes monthly salary, various bonuses, and employee compensation from the annual profit.

Employee monthly bonuses and employee compensation are rewarding their contributions, and inspiring all employees to continue their efforts, so that the interests of employees and shareholders can be aligned to a win-win situation for the Company, shareholders and employees.

5.5.1.2 Our welfare

Everlight Electronics, which was founded in 1983, has formulated work regulations and established a Labor Pension Fund Monitoring Committee which monitors pension fund contributions and allocations pursuant to the Labor Standards Act to ensure that employees can perform their work duties and lead their lives in a worry-free manner. An Employee Welfare Committee has also been formed. This committee is in charge of employee welfare fund planning and management over the whole year, which encourages employees to have a long-term planning and investment plan during their service in the company.

(1) Employee uniforms and shoes for the factory floor
(2) Group comprehensive insurance and annual health checkup
(3) Grant for employees' advanced education
(4) Birthday gifts
(5) Annual and quarterly trips
(6) Marriage, funeral, celebration, festival statutory holidays and gifts for weddings and newborn babies
(7) Gifts for three main national holidays
(8) Statutory annual leave
(9) Contracted sports and fitness centers
(10) Department dinner
(11) Family insurance
(12) Gift vouchers and activities for holidays and festivals
(13) Movie appreciation
(14) Ball games/Arts and cultural activities

5.5.1.3 Our continuous training

Combine the Company's business strategy and employee function development, we organize complete training courses and multiple learning ways to create and maintain the company's best human quality.

(1) Our education and training programs in all aspects

- Newcomer series: newcomers basic training and production line internship courses, product introduction and quality control courses, on-the-job training (OJT), etc.
- Management development series: series courses of outstanding, attracting and retaining talents, team leadership, goal and performance management, corporate governance and other courses; mid-level talent development and training, project management, execution, teamwork communication, new supervisor training and other courses; On-site supervisor management, 5S management, on-site reserve supervisors training and other courses.
- Professional skill series: patent courses, product development, customer relationship management, quality control techniques, five core series courses, etc.

- Quality management series: ISO9001, IATF16949, QC080000, ISO14000 related courses.
- Staff assistance series: operating system and software operation learning courses, emotion and stress management, health lectures.
- Multiple learning channels: electronic exhibitions visiting, and various professional technical seminar courses; the Company has built an E-Learning online learning system platform to provide employees with independent, instant learning resources without any restrictions

(2) Complete education and training system and courses

- Certificated Internal Auditor: 1 in Audit Center.

(3) Implementation status of education and training

In 2019, in addition to the scheduled annual courses, there were more than 18,700 times that employees used and logged in the e-learning platform to learn and browse the existing Everlight e-learning courses. And to ensure the correct operation methods and the consistency of inspection standards, we combine the theory and actual operation screens to make it easier for all the staff to understand and catch up the necessary skills through the education and training of each station in the product lines by continuous video teaching and pre-work training all year long.

In order to continue and enhance the competitiveness of the Company, we continue to organize various training activities every year. Through our multiple training and learning, the average training hours of general employees are about 53 hours, and the average training hours of management staff are about 38 hours.

We have not only the various management, professional, and general courses, the Company also arranges 4 hours of internal training for each department to increase the understanding internally. Topics such as systems introduction and laws and regulations are used to conduct education, training, and learning through the morning session after daily morning exercises, and we hold the mid-term and final exams for each year to review, evaluate, and maintain the outcomes we expect.

5.5.1.4 Retirement system and implementation

Everlight has established employee retirement methods based on the "Labor Standards Act" and "Labor Pension Act". The Company has a solid financial system to ensure that all the employees have a stable pension provision and payment, and further encourage colleagues to have long-term service, planning and investment in the Company.

5.5.1.5 Labor agreements and employee rights protection

The Company always operates in the ways of independent management and full participation. All department heads and staffs have effectively communicated through regular business meetings, education and training, and the welfare committee to encourage harmonious labor relations.

5.5.1.6 Employee code of conduct or ethics

The company clearly communicates the corporate culture, employee work rules, and team spirit to each employee through "new comers training", "employee memo card", "bulltin board" and "internal website". Through internal website, electronic bulletin boards and other publications, we declare employee codes of conduct transparently, in order to comply with ethical and legal principles, protect shareholders' rights and interests and Everlight's corporate image. The main highlights are listed as follow:

(1) Code of ethics

- Do not accept any gifts or hospitality.
- Do not conceal any fraud.
- Comply with intellectual property rights regulations。

(2) Company resources

- Confidentiality of work content.
- Repect of patents and intellectual property rights.
- Corporation information protection.
- Blocking of inside trading.

(3) Conclusion:

Everlight upholds the business philosophy of "Excellence, Innovation, Integrity, Quality, and Execution", and meets the needs of employees with "effectiveness, execution, discipline, speed, accuracy, and creativity" and satisfies internal and external need with "service exceeds expectations". In accordance with the labor-related laws and regulations, we will taking care of every staff.

5.5.1.7 Working environment and employees' personal safety protection

Everlight's safety and health management framework is based on the occupational health and safety management system(OHSAS18001) and Taiwan's occupational safety and health management system (TOSHMS), and through the plan, do, check and act(PDCA) cycle management to achieve accident prevention, reach the goal of safety and health and protect the assets.

In accordance with the related laws and regulations of the labor safety and health, the Company has personnels in charge with labor safety and health, and they need to regularly test the working environment safety, and publicize labor safety regulations and knowledge. The company's safety and health management can be divided into several areas:

(1) Occupational accidents prevention plan

In order to achieve the goal of zero accidents, according to the the occupational health and safety management system(OHSAS18001) and Taiwan's occupational safety and health management system (TOSHMS), Everlight regularly makes the next year’s occupational accidents prevention plan at the end of the year, to aim at safety and health organizations, safety and health management, safety and health education and training, work safety analysis and coaching, safety and health inspection (automatic inspection), inspection of equipment and personal safety protective equipment, medical care, safety and health activities. All the detailed plans are established, approved by the environment and health management committee, and submitted to the execution unit for implementation. If any missing of the implementation through the audit system, the environment and health management committee will discuss every three months, and make the amendment plan according to the PDCA cycle management to achieve zero accidents.

(2) Implement of automatice inspection

Everlight makesthe safety and health inspection plans to prevent employees from having accidents during work. The inspection plan includes regular inspections of general safety and health facilities, regular inspections of firefighting equipment, periodic inspections of low-voltage electrical equipment, periodic inspections of hazardous materials, and regular inspections of drying equipment, the second type of pressure vessel periodic inspection, organic solvent operation inspection,vehicle periodic inspection and other key inspection. In addition to the inspection of process equipment, we also established a safety communication mechanism between the equipment supplier and the Company's equipment technisian department to improve the existing or potential risks of new equipments. In the part of safety work, we not only do the general inspection and operation safety management before operation, we also require the high-risk and the high-hazard operation control. And in the health management section, we offer both general health examination and special occupational health examination to care the occupational health management issues, including cancer prevention seminars and cancer examination, overwork and other human factors surveys and analysis. All of these can help us to conduct and formulate relevant measures to reduce operations risk.

(3) On-site operating environment measurement

According to the occupational accidents prevention plan, Everlight conducts working environment inspection for special operating environments, inclduing 11 testing items, such as carbon dioxide, illuminance, noise, sulfuric acid, acetone, isopropanol, toluene, n-hexane, and ethyl acetate, methanol, dust working environment, all the test data obtained will be used as the basis for the future improvement of the working environment.

In the future, the Company will continue to reduce the impact of corporate activities on the environment, to keep our employees healthy physically and psychologically, to fulfill the corporate social responsibilities, and to keep the promises of continuous improvements.

5.5.2 Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions): The Company's labor relationship is good, and labor and management have reached a certain consensus, so there is no labor disputes and related losses occurred.

5.6 Material Contract

Agreement	Patent Owner	Effective Term	Technology	Limitation
Patent Cross Licensing Agreement	Osram	From 2009.03.25 to Patent Expiration	White Light LED Patents in Gloal fields including Automotive and General Lighting.	Confidential
Patent Licensing Agreement	Toyoda Gosei	From 2007.10.23 to Patent Expiration	White Light LEDs	Confidential
Patent Licensing Agreement	GE Lighting Solutions	Confidential	White Light LEDs	Confidential

6. Financial Information

6.1 Five-Year Financial Summary

(1) Consolidated Condensed Balance Sheet – Based on IFRS

NT$, '000

Item / Year		Financial Summary for The Last Five Years(Note 1) 2015	2016	2017	2018	2019	As of the printing date 2020/3/31 of this annual report
Current assets		23,968,608	24,428,410	24,068,351	17,360,421	17,386,636	17,755,688
Property, Plant and Equipment		10,949,803	11,328,119	11,427,695	10,239,693	8,909,437	8,512,024
Intangible assets		218,614	219,047	186,440	124,585	82,650	106,203
Other assets		2,161,386	1,949,571	1,492,362	1,359,444	1,970,349	2,216,889
Total assets		37,298,411	37,925,147	37,174,848	29,084,143	28,349,072	28,590,804
Current liabilities	Before distribution	10,683,248	12,321,735	18,349,977	9,961,920	10,280,488	10,641,217
	After distribution	11,995,059	13,644,120	19,671,110	10,626,475	註 2	註 2
Non-current liabilities		8,588,165	7,932,069	652,223	1,769,597	874,156	852,881
Total liabilities	Before distribution	19,271,413	20,253,804	19,002,200	11,731,517	11,154,644	11,494,098
	After distribution	20,583,224	21,576,189	20,323,333	12,396,072	註 2	註 2
Equity attributable to shareholders of the parent		17,449,748	17,331,621	17,848,938	16,987,956	16,842,893	16,753,710
Capital stock		4,364,519	4,390,357	4,404,486	4,429,996	4,432,457	4,433,428
Capital surplus		8,977,178	9,108,900	9,139,711	9,159,142	9,089,121	9,089,839
Retained earnings	Before distribution	4,744,839	5,251,617	5,135,535	4,623,095	4,782,354	4,843,327
	After distribution	3,433,028	3,929,232	3,814,402	3,958,540	註 2	註 2
Other equity interest		(636,788)	(1,419,253)	(830,794)	(1,224,277)	(1,461,039)	(1,612,884)
Treasury stock		—	—	—	—	—	—
Non-controlling interest		577,250	339,722	323,710	364,670	351,535	342,996
Total equity	Before distribution	18,026,998	17,671,343	18,172,648	17,352,626	17,194,428	17,096,706
	After distribution	16,715,187	16,348,958	16,851,515	16,688,071	註 2	註 2

Note 1：The financial information of the above years is audited by the accountant.

2：The resolution will be finalized after the resolution of the 109th Annual Shareholders' Meeting.

(2) Consolidated Condensed balance sheet – Based on ROC GAAP

NT$, '000

Item \ Year		Financial Summary for The Last Five Years(Note 1)				
		2015	2016	2017	2018	2019
Current assets		16,631,896	18,233,114	18,804,448	12,349,315	12,067,548
Property, Plant and Equipment		6,556,883	6,563,265	6,885,351	6,146,287	5,480,059
Intangible assets		180,615	181,446	153,374	89,880	55,727
Other assets		11,886,349	10,474,385	10,238,444	9,761,767	9,809,065
Total assets		35,255,743	35,452,210	36,081,617	28,347,249	27,412,399
Current liabilities	Before distribution	9,127,432	10,063,033	17,559,446	9,551,652	9,693,001
	After distribution	10,439,243	11,385,418	18,880,579	10,216,207	註 2
Non-current liabilities		8,678,563	8,057,556	673,233	1,807,641	876,505
Total liabilities	Before distribution	17,805,995	18,120,589	18,232,679	11,359,293	10,569,506
	After distribution	19,117,806	19,442,974	19,553,812	12,023,848	註 2
Capital stock		4,364,519	4,390,357	4,404,486	4,429,996	4,432,457
Capital surplus		8,977,178	9,108,900	9,139,711	9,159,142	9,089,121
Retained earnings	Before distribution	4,744,839	5,251,617	5,135,535	4,623,095	4,782,354
	After distribution	3,433,028	3,929,232	3,814,402	3,958,540	註 2
Other equity interest		(636,788)	(1,419,253)	(830,794)	(1,224,277)	(1,461,039)
Treasury stock		—	—	—	—	—
Total equity	Before distribution	17,449,748	17,331,621	17,848,938	16,987,956	16,842,893
	After distribution	16,137,937	16,009,236	16,527,805	16,323,401	註 2

Note 1：The financial information of the above years is audited by the accountant.

2：The resolution will be finalized after the resolution of the 109th Annual Shareholders' Meeting.

(3) Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

NT$ '000, EPS is per NT$

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of the printing date 2020/3/31 of this annual report
	2015	2016	2017	2018	2019	
Operating revenue	28,865,615	29,347,250	27,310,581	24,089,291	20,966,541	4,532,181
Gross profit	6,802,769	7,179,858	6,346,412	5,654,578	5,128,448	1,007,594
Income from operations	1,967,750	2,136,020	1,692,463	889,068	835,193	23,878
Non-opr. income/Expense	270,837	83,643	(184,744)	234,891	230,515	66,955
Income before tax	2,238,587	2,219,663	1,507,719	1,123,959	1,065,708	90,833
Net income (Loss)	1,833,098	1,839,518	1,245,991	863,079	851,329	55,086
Discontinued Operation	—	—	—	—	—	—
Net Income incl. Discontinued Operation	1,833,098	1,839,518	1,245,991	863,079	851,329	55,086
Other comprehensive income (income after tax)	(900,659)	(852,236)	589,721	(388,274)	(240,723)	(154,497)
Total comprehensive income	932,439	987,282	1,835,712	474,805	610,606	(99,411)
Net income attributable to shareholders of the parent	1,839,930	1,805,624	1,203,508	793,069	822,244	60,973
Net income attributable to non-controlling interest	(6,832)	33,894	42,483	70,010	29,085	(5,887)
Comprehensive income attributable to Shareholders of the parent	948,031	994,335	1,794,762	410,915	593,478	(90,872)
Comprehensive income attributable to non-controlling interest	(15,592)	(7,053)	40,950	63,890	17,128	(8,539)
Earnings per share	4.27	4.13	2.74	1.80	1.86	0.14

Note 1：The financial information of the above years is audited by the accountant.

(4) Consolidated Condensed Statement of Income – Based on ROC GAAP

NT$ ‘000, EPS is per NT$

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2015	2015	2015	2015	2015
Operating revenue	22,764,734	24,336,509	22,480,597	19,775,854	17,390,373
Gross profit	4,594,635	4,953,853	4,074,823	3,621,427	2,449,825
Income from operations	1,920,578	2,028,994	1,329,112	845,527	757,764
Non-opr. income/Expense	128,974	(7,545)	(17,460)	73,440	182,376
Income before tax	2,049,552	2,021,449	1,311,652	918,967	940,140
Net income (Loss)	1,839,930	1,805,624	1,203,508	793,069	822,244
Discontinued Operation	—	—	—	—	—
Net Income incl. Discontinued Operation	1,839,930	1,805,624	1,203,508	793,069	822,244
Other comprehensive income (income after tax)	(891,899)	(811,289)	591,254	(382,154)	(228,766)
Total comprehensive income	948,031	994,335	1,794,762	410,915	593,478
Earnings per share	4.27	4.13	2.74	1.80	1.86

Note 1：The financial information of the above years is audited by the accountant.

6.2 Auditors' Opinions from 2015 to 2019

Year	Accounting Firm	CPA	Audit Opinion
2015	KPMG	Au, Yiu Kwan/ Guo,Guan-Ying	Unqualified Opinion
2016	KPMG	Lo, Jui Lan/ Guo,Guan-Ying	Unqualified Opinion
2017	KPMG	Lo, Jui Lan/ Guo,Guan-Ying	Unqualified Opinion
2018	KPMG	Au, Yiu Kwan/ Lo, Jui Lan	Unqualified Opinion
2019	KPMG	Au, Yiu Kwan/ Lo, Jui Lan	Unqualified Opinion

6.2.1 Parent Financial Analysis – Based on IFRS

Item		Financial Analysis for the Last Five Years (Year)				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	51	51	51	40	39
	Ratio of long-term capital to property, plant and equipment	388	376	259	295	308
Solvency (%)	Current ratio	182	181	107	129	124
	Quick ratio	170	171	101	122	117
	Interest earned ratio (times)	21	18	12	10	19
Operating performance	Accounts receivable turnover (times)	2.99	3.14	2.77	2.71	2.79
	Average collection period	122	116	132	135	131
	Inventory turnover (times)	14.39	18.23	18.05	19.12	20.54
	Accounts payable turnover (times)	2.36	2.78	2.69	2.55	2.54
	Average days in sales	25	20	20	19	18
	Property, plant and equipment turnover (times)	3.71	3.71	3.34	3.04	2.99
	Total assets turnover (times)	0.67	0.69	0.63	0.61	0.62
Profitability	Return on total assets (%)	5.70	5.39	3.65	2.73	3.10
	Return on stockholders' equity (%)	11	10	7	5	5
	Pre-tax income to paid-in capital (%)	47	46	30	21	21
	Profit ratio (%)	8	7	5	4	5
	Earnings per share (NT$)	4.27	4.13	2.74	1.80	1.86
Cash flow	Cash flow ratio (%)	35	19	16	24	22
	Cash flow adequacy ratio (%)	NA	NA	121	115	105
	Cash reinvestment ratio (%)	5	2	6	4	6
Leverage	Operating leverage	1.53	1.47	1.76	2.23	2.29
	Financial leverage	1.05	1.06	1.10	1.14	1.07

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

1. Interest earned ratio (times) increased due to paying back the corporate bonds payable, therefore interest expenses reduced this period.
2. Cash reinvestment ratio (%) increased mainly due to the decrease in current assets (decrease in receivables) and the increase in current liabilities (relocation of corporate bonds payable to corporate bonds payable within one year) resulted in a decrease in working capital.

Note 1：The financial information of the above years is audited by the accountant.

Note2 :

Glossary －Taiwan-IFRSs version:

1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders’ Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory
(4) Average Payment Turnover = Cost of Sales / Average Trade Payables
(5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis
(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate))/Average Total Assets
(2) Return on Equity = Net Income / Average Equity
(3) Net Margin = Net Income / Net Sales
(4) Earnings Per Share = (Net Income - Preferred Stock Dividend) /Weighted Average Number of Shares Outstanding

5. Cash Flow
(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/(Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage
(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
(2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

6.2.2 Consolidated Financial Analysis – Based on IFRS

Item		2015	2016	2017	2018	2019	As of the printing date of this annual report
	Year	Financial Analysis for the Last Five Years					
Financial structure (%)	Debt Ratio	52	53	51	40	39	40
	Ratio of long-term capital to property, plant and equipment	237	220	159	181	193	201
Solvency (%)	Current ratio	224	198	131	174	169	167
	Quick ratio	201	178	117	155	151	149
	Interest earned ratio (times)	19	17	13	10	16	6
Operating performance	Accounts receivable turnover (times)	3.30	3.25	3.04	3.11	3.23	2.99
	Average collection period	111	112	120	117	113	122
	Inventory turnover (times)	8.21	8.71	8.39	8.41	8.71	7.26
	Accounts payable turnover (times)	3.00	3.16	3.27	3.62	3.57	3.12
	Average days in sales	44	42	44	43	42	50
	Property, plant and equipment turnover (times)	2.70	2.63	2.40	2.22	2.19	2.08
	Total assets turnover (times)	0.77	0.77	0.73	0.83	0.74	0.63
Profitability	Return on total assets (%)	5.35	5.19	3.61	2.91	3.16	0.96
	Return on stockholders' equity (%)	10	10	7	5	5	1
	Pre-tax income to paid-in capital (%)	51	51	34	25	24	8
	Profit ratio (%)	6	6	5	4	4	1
	Earnings per share (NT$)	4.27	4.13	2.74	1.80	1.86	0.14
Cash flow	Cash flow ratio (%)	37	34	15	35	40	(12)
	Cash flow adequacy ratio (%)	NA	NA	113	110	114	114
	Cash reinvestment ratio (%)	6	7	4	6	10	(4)
Leverage	Operating leverage	2.16	1.87	2.16	3.23	3.35	17.73
	Financial leverage	1.07	1.07	1.08	1.16	1.09	3.30

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

1. Interest earned ratio (times) increased due to paying back the corporate bonds payable, therefore interest expenses reduced this period.

2. Cash reinvestment ratio (%) increased mainly due to the inrease in other assets (increase in right-of–use assets) and the increase in current liabilities (relocation of corporate bonds payable to corporate bonds payable within one year) resulted in a decrease in working capital.

Note 1：The financial information of the above years is audited by the accountant.

Note2 :

Glossary －Taiwan-IFRSs version:

1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables
(2) Days Sales Outstanding = 365 / Average Collection Turnover
(3) Average Inventory Turnover = Cost of Sales / Average Inventory
(4) Average Payment Turnover = Cost of Sales / Average Trade Payables
(5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis
(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate))/Average Total Assets
(2) Return on Equity = Net Income / Average Equity
(3) Net Margin = Net Income / Net Sales
(4) Earnings Per Share = (Net Income - Preferred Stock Dividend) /Weighted Average Number of Shares Outstanding

5. Cash Flow
(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/(Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage
(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
(2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

6.3 Audit Committee's Report for the Most Recent Year

Everlight Electronics Co., Ltd.

Audit Committee's Review Report

The board of directors has prepared and submitted the Company's 2019 Business Report, Financial Statements and Proposal for Earnings Distribution of the Company for the year 2019. Yiu-Kwan Au CPA and Jui-Lan Lo CPA of KPMG have also audited the financial statements and issued the auditors' report. The Business Report, Financial Statements and Proposal for Earnings Distribution of the Company for the year 2019 have been reviewed and determined to be correct and accurate by the Audit Committee members of Everlight Electronics Co., Ltd. According to article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit the report.

Hereto

2020 Annual General Shareholders' General Meeting

Chairman of the Audit Committee: Chen-en Ko

Date: March 24th, 2020

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Everlight Electronics Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

1. Inventory valuation

   Please refer to note 4(g) for accounting policy related to valuation of inventory; note 5 for uncertainty of inventory valuation; and note 6(f) for information regarding inventory and related expenses.

   Description of key audit matters:

   Due to the impact of product life cycle and industrial competition in electronic industry, the price variability on the inventory of the Company is expected. Therefore, the test of inventory valuation is one of the significant assessment items in our audit procedures.

Audit procedures:

Our principal audit procedures included: assessing the allowance for inventory valuation and obsolescence losses to determine whether the policies of the Company and the accounting policies are applied accordingly, and inspecting the aging inventory statement, analyzing the change in aging inventory, as well as verifying the aging inventory statement and the calculation of lower of cost or net realizable value in order to verify the rationality of assessment on allowance to reduce the price of inventory to the market price.

2. Accounts receivable valuation

Please refer to note 4(f) (i) 5) for accounting policy of accounts receivable valuation; note 5 for uncertainty of accounts receivable valuation; note 6(d) and note 6(e) for information regarding accounts receivable and other receivables valuation.

Description of key audit matters:

The valuation on accounts receivable uses the lifetime expected credit loss (ECL) of accounts shown in objective evidence to calculate loss allowance. Due to the wide variety of the Company's customers, the ECL of accounts receivable is affected by the operating conditions of the customers, external industrial environment, market economics, etc. Therefore, the valuation of accounts receivable is one of the significant assessment items in our audit procedures.

Audit procedures:

Our principal audit procedures included: determining whether the evaluation policy of the Company and the accounting policies are applied accordingly; understanding the reasons and the recoverability of long overdue receivables in subsequent period, as well as evaluating the rationality of assessment on allowance estimated by the management.

3. Revenue recognition

Please refer to note 4(q) for the accounting policy of revenue; and note 6(u) for information regarding revenue recognition.

Description of key audit matters:

The main activities of the Company include manufacturing and selling of products on light-emitting and sensing components. The sales revenue is a key matter in the financial statements, and the amounts and changes of sales revenue may affect the users' understanding of the entire financial statements. Therefore, testing over revenue recognition is one of the significant assessment items in our audit procedures.

Audit Procedures:

Our principal audit procedures included: testing the related controls surrounding the aforementioned sales and collection cycle; testing of details; as well as selectively conducting external confirmations in order to evaluate the accuracy of the timing of the operating revenue recognition and determine whether related accounting policies are applied appropriately of the Company.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2020

Notes to Readers

The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying 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' audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

EVERLIGHT ELECTRONICS CO., LTD.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 2,071,163	8	2,371,473	8
1110	Current financial assets at fair value through profit or loss (note 6(b))	116,188	-	165,887	1
1141	Current contract assets (note 6(u))	106,363	-	78,550	-
1170	Notes and accounts receivable, net (note 6(d))	4,501,034	17	5,056,822	18
1180	Accounts receivable due from related parties, net (notes 6(d) and 7)	1,286,865	5	1,496,727	5
1210	Other receivables due from related parties, net (notes 6(e) and 7)	337,110	1	729,448	3
1310	Inventories (note 6(f))	689,253	3	681,642	2
1470	Other current assets	129,819	-	173,275	1
1476	Other current financial assets (notes 6(a) and 6(e))	2,829,753	10	1,595,491	6
		12,067,548	44	12,349,315	44
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	325,758	1	331,056	1
1550	Investments accounted for using equity method (note 6(g))	8,458,173	31	8,907,803	31
1600	Property, plant and equipment (note 6(i))	5,480,059	20	6,146,287	22
1755	Right-of-use assets (note 6(j))	248,731	1	-	-
1780	Intangible assets	55,727	-	89,880	-
1840	Deferred tax assets (note 6(q))	401,474	2	377,791	1
1900	Other non-current assets (note 6(d))	374,929	1	145,117	1
		15,344,851	56	15,997,934	56
	Total assets	$ 27,412,399	100	28,347,249	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(k))	$ 1,899,493	7	2,503,572	9
2130	Current contract liabilities (note 6(u))	8,884	-	5,359	-
2170	Notes and accounts payable	1,437,366	5	1,128,669	4
2180	Accounts payable to related parties (note 7)	3,878,931	14	4,629,458	16
2213	Payable on machinery and equipment	238,495	1	277,223	1
2220	Other payables to related parties (note 7)	162,520	1	175,185	1
2230	Current tax liabilities	169,038	1	90,957	-
2280	Current lease liabilities (note 6(n))	8,991	-	-	-
2300	Other current liabilities (notes 6(b) and 6(m))	753,846	3	728,271	3
2321	Bonds payable, current portion (note 6(m))	1,119,659	4	-	-
2322	Long-term borrowings, current portion (note 6(l))	15,778	-	12,958	-
		9,693,001	36	9,551,652	34
	Non-Current liabilities:				
2530	Bonds payable (note 6(m))	-	-	1,102,525	4
2540	Long-term borrowings (note 6(l))	37,866	-	51,831	-
2570	Deferred tax liabilities(note 6(q))	94,492	-	168,711	-
2580	Non-current lease liabilities (note 6(n))	241,577	1	-	1
2640	Non-current provisions for employee benefits (note 6(p))	124,282	1	137,484	-
2670	Other non-current liabilities, others (note 6(g))	378,288	1	347,090	1
		876,505	3	1,807,641	6
	Total liabilities	10,569,506	39	11,359,293	40
	Equity (note 6(r)):				
3110	Ordinary shares	4,432,457	16	4,429,996	16
3200	Capital surplus (notes 6(g) and 6(m))	9,089,121	33	9,159,142	32
	Retained earnings:				
3310	Legal reserve	2,589,754	9	2,510,447	9
3320	Special reserve	1,224,277	4	830,794	3
3350	Unappropriated retained earnings (note 6(g))	968,323	4	1,281,854	4
		4,782,354	17	4,623,095	16
3400	Other equity interests	(1,461,039)	(5)	(1,224,277)	(4)
	Total equity	16,842,893	61	16,987,956	60
	Total liabilities and equity	$ 27,412,399	100	28,347,249	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

EVERLIGHT ELECTRONICS CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share, which is expressed in New Taiwan Dollars)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(u) and 7)**	$ 17,390,373	100	19,775,854	100
5110	**Cost of sales (notes 6(f), 7 and 12)**	14,182,784	82	16,154,427	82
5900	**Gross profit**	3,207,589	18	3,621,427	18
	Operating expenses (notes 7 and 12):				
6100	Selling expenses	874,251	5	972,777	5
6200	Administrative expenses	910,868	5	1,076,552	5
6300	Research and development expenses	622,503	4	712,079	4
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	42,203	-	14,492	-
		2,449,825	14	2,775,900	14
6900	**Net operating income**	757,764	4	845,527	4
	Non-operating income and expenses:				
7100	Interest income (note 6(w))	30,711	-	60,272	-
7190	Other income (note 6(g))	76,003	-	63,161	-
7210	Gains (loss) on disposals of property, plant and equipment (note 7)	36,486	-	(7,334)	-
7230	Foreign exchange gains (note 6(x))	83,738	1	121,016	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method (note 6(g))	53,324	-	15,895	-
7235	Gains (loss) on financial assets (liabilities) at fair value through profit or loss, net (note 6(m))	(26,483)	-	(15,575)	-
7050	Finance costs (note 6(m) and 6(w))	(51,891)	-	(104,342)	-
7590	Other expenses and losses (note 6(m))	(19,512)	-	(59,653)	-
		182,376	1	73,440	-
7900	**Profit before tax**	940,140	5	918,967	4
7950	Less: Income tax expenses (note 6(q))	117,896	1	125,898	-
	Profit	822,244	4	793,069	4
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(p))	9,210	-	4,948	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,298)	-	(194,768)	(1)
8330	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	628	-	(81)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(q))	1,842	-	(2,579)	-
		2,698	-	(187,322)	(1)
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	74	-	(182)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(231,523)	(1)	(197,499)	(1)
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(q))	15	-	(2,849)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(231,464)	(1)	(194,832)	(1)
8300	**Other comprehensive income**	(228,766)	(1)	(382,154)	(2)
	Total comprehensive income	$ 593,478	3	410,915	2
	Earnings per share (note 6(t))				
9750	**Basic earnings per share**	$	1.86		1.80
9850	**Diluted earnings per share**	$	1.80		1.66

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

EVERLIGHT ELECTRONICS CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Other equity interest interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2018	$ 4,404,486	9,139,711	2,390,096	1,419,253	1,326,186	(437,489)	(389,010)	(826,499)	17,853,233
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	120,351	-	(120,351)	-	-	-	-
Special reserve	-	-	-	(588,459)	588,459	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,321,133)	-	-	-	(1,321,133)
	-	-	120,351	(588,459)	(853,025)	-	-	-	(1,321,133)
Profit for the year	-	-	-	-	793,069	-	-	-	793,069
Other comprehensive income for the year	-	-	-	-	7,446	(194,832)	(194,768)	(389,600)	(382,154)
Total comprehensive income for the year	-	-	-	-	800,515	(194,832)	(194,768)	(389,600)	410,915
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(3,656)	-	-	-	-	-	-	(3,656)
Share-based payments transactions	25,510	22,555	-	-	-	-	-	-	48,065
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	8,178	-	(8,178)	(8,178)	-
Other	-	532	-	-	-	-	-	-	532
Balance at December 31, 2018	4,429,996	9,159,142	2,510,447	830,794	1,281,854	(632,321)	(591,956)	(1,224,277)	16,987,956
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	79,307	-	(79,307)	-	-	-	-
Special reserve	-	-	-	393,483	(393,483)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(664,555)	-	-	-	(664,555)
	-	-	79,307	393,483	(1,137,345)	-	-	-	(664,555)
Profit for the year	-	-	-	-	822,244	-	-	-	822,244
Other comprehensive income for the year	-	-	-	-	7,996	(231,464)	(5,298)	(236,762)	(228,766)
Total comprehensive income for the year	-	-	-	-	830,240	(231,464)	(5,298)	(236,762)	593,478
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(72,690)	-	-	-	-	-	-	(72,690)
Changes in ownership interests in investee companies	-	-	-	-	(6,426)	-	-	-	(6,426)
Share-based payments transactions	2,461	2,669	-	-	-	-	-	-	5,130
Balance at December 31, 2019	$ 4,432,457	9,089,121	2,589,754	1,224,277	968,323	(863,785)	(597,254)	(1,461,039)	16,842,893

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

EVERLIGHT ELECTRONICS CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 940,140	918,967
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	1,088,969	1,133,884
Expected credit loss	42,203	14,492
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	79,286	(58,508)
Interest expense	51,891	104,342
Interest income	(30,711)	(60,272)
Share-based payments compensation cost (gain)	748	(1,533)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(53,324)	(15,895)
Loss (gain) on disposal of property, plan and equipment	(36,486)	7,334
Loss on bonds redemption	-	42,668
Others	(692)	10,790
Total adjustments to reconcile profit (loss)	1,141,884	1,177,302
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss, mandatorily measured at fair value	9,426	91,153
Increase in contract assets	(27,813)	(78,550)
Decrease in notes and accounts receivable (including related parties)	628,580	1,267,638
Decrease (increase) in inventories	(7,611)	310,585
Decrease (increase) in other current assets	34,900	(12,836)
Increase (decrease) in contract liabilities	3,525	(2,084)
Decrease in notes and accounts payable (including related parties)	(441,830)	(1,034,489)
Decrease in provisions	(16,765)	(13,562)
Decrease in other current liabilities	(11,754)	(184,861)
Decrease in non-current provisions for employee benefits	(3,992)	(19,590)
Total changes in operating assets and liabilities	166,666	323,404
Cash inflow generated from operations	2,248,690	2,419,673
Interest received	28,283	81,845
Interest paid	(37,441)	(26,972)
Income taxes paid	(131,018)	(173,240)
Net cash flows from operating activities	2,108,514	2,301,306
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	18,227
Proceeds from liquidation and capital reduction of investments accounted for using equity method	235,643	877
Acquisition of property, plant and equipment	(420,055)	(668,544)
Proceeds from disposal of property, plant and equipment	77,647	217,537
Decrease in refundable deposits	21,425	10,907
Decrease in other receivables due from related parties	274,981	191,516
Acquisition of intangible assets	(36,991)	(26,712)
Decrease (increase) in other financial assets	(1,231,834)	4,548,386
Increase in restricted deposits	(215,109)	-
Dividends received	126,082	202,560
Net cash flows from (used in) investing activities	(1,168,211)	4,494,754
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(604,079)	817,279
Proceed from long-term borrowings	-	64,789
Repayments of bonds	-	(6,528,800)
Repayments of long-term borrowings	(9,467)	-
Increase in guarantee deposits received	55,365	955
Increase (decrease) in other payables due to related parties	(12,665)	315
Payment of lease liabilities	(9,594)	-
Cash dividends paid	(664,555)	(1,321,133)
Exercise of employee stock options	4,382	49,598
Other financing activities	-	532
Net cash flows from (used in) financing activities	(1,240,613)	(6,916,465)
Net decrease in cash and cash equivalents	(300,310)	(120,405)
Cash and cash equivalents at beginning of period	2,371,473	2,491,878
Cash and cash equivalents at end of period	$ 2,071,163	2,371,473

See accompanying notes to financial statements.

(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.

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issuance by the board of directors on March 24, 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, 2019.

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

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

(i) IFRS 16"Leases"

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

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

1) Definition of a lease

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

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

2) As a lessee

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

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

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

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $254,257 of both of right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 1.23%.

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

		January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	$	82,493
Recognition exemption for:		
short-term leases		(2,177)
leases of low-value assets		(2,600)
Extension and termination options reasonably certain to be exercised		277,567
		355,283
Discounted using the incremental borrowing rate at January 1, 2019		254,257
Finance lease liabilities recognized as at December 31, 2018		-
Lease liabilities recognized at January 1, 2019	$	254,257

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

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

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

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

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

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

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

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

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

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

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

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

(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on the historical cost basis:

(Continued)

1) Financial assets at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value.

3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The Company financial statements are presented in New Taiwan dollar, which is the Company's functional currency. All financial information presented in New Taiwan dollar has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to an investment in equity securities designated as at fair value through other comprehensive income, which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed to such that control, significant influence or joint control is lost; the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of a net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits and bonds purchased under resale agreements which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(Continued)

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivables that the Company intends to sell immediately or in near term are measured at FVTPL; however, they are included in accounts receivable line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

(Continued)

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable, other receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company' s historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

 (Continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is change to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instrument

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expires. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of inventories adopt the standard cost method and include expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses. The differences between standard and actual costing are fully classified as operating costs.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

Investment in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases.

(Continued)

Gains and losses profits resulting from the transactions between the Company and an associate are recognized only to the extent of the Company's interest in the associate.

When the Company's share of losses of an associate equals exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(i) Investments in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statement, are equal to those in the consolidated financial statements.

Change in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(j) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics: (a) the parties are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets in relation to the arrangement, and are liable for the liabilities related to the arrangement. A joint operator shall recognize and measure the assets, liabilities (and related revenues and expenses) related to its interest in a joint arrangement in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When assessing the classification of a joint arrangement, the Company shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances.

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings: 35~60 years

2) Building improvements: 3~16 years

3) Machinery and equipment: 3~6 years

4) Modeling equipment: 3~4 years

5) Office and other equipment: 1~11 years

Buildings and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities, etc. Each such part depreciates based on its useful life.

(Continued)

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(m) Lease

Applicable from January 1, 2019

(i) Identifying a lease

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

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Company has the right to direct the use of the asset throughout the period of use only if either:

- the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  - the Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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

(ii) As a leasee

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

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

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

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

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

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

— there are any lease modifications

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

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

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

(Continued)

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

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

(iii) As a leasor

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

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

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

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

Applicable before January 1, 2019

(i) The Company as lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) The Company as lessee

Operating leases are not recognized in the Company's balance sheet.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense on a straight-line basis, over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

1) Patents: the shorter of contract period and estimated useful lives

2) ERP software system: 1~3 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(o) Impairment – non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and those risks specific to the liability. The increase in the provision due to the passage of time is recognized as an interest expense.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on the historical warranty data and the weighting of all possible outcomes against their associated probabilities.

(q) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods–electronic components

The Company manufactures and sells of LEDs, LCDs and pendants. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Construction contracts

The Company enters into contracts to illuminating construction. Because its customer controls the asset as it is constructed, the Company recognizes revenue over time on the basis of completion of a physical proportion of the contract work. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days), accumulated experience is used to estimate the amount of variable consideration, using the expected value method. For other variable considerations (for example, completion bonus if a construction is completed by a specified date), the Company estimates the amount of variable consideration using the most likely amount. The Company recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Company has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Company cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Company shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Company expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For illuminating construction, the Company offers a standard warranty to provide assurance that it complies with agreed-upon specifications, and has recognized warranty provisions for this obligation.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as the related servise is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential assets for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income , and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for the differences between the expected and the actual outcomes.

(t) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities ; and

(i) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(u) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquire, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as the Company's expenses when incurred, except for the issuance of debt or equity instruments.

When the Company loses control of a subsidiary, the Company derecognizes the assets and liabilities of the subsidiary at their carrying amounts, and recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost. The difference is recognized as a gain or loss in profit or loss.

(v) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds, employee stock options, remuneration to employees not yet approved by the shareholders, and restricted employee shares.

(Continued)

(w) Operating segments

The Company has disclosed the operating segment information in the consolidated financial statements. Therefore, the Company will not disclose the operating segment information in the parent-company-only financial statements.

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

The preparation of the financial statements in conformity with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the financial statements.

For those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment within the next financial year is stated below:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future sales price. Due to the transformation in industry and market, there may be changes in the net realizable value of inventories. Please refer to note 6(f) for further description on the valuation of inventories.

(b) The loss allowance of trade receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input value, please refer to note 6(d).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash, checking accounts and demand deposits	$ 1,464,331	1,263,490
Time deposits	606,832	1,107,983
	$ 2,071,163	2,371,473

(Continued)

(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 $2,783,840 and $1,577,960 as of December 31, 2019 and 2018, respectively.

(ii) Please refer to note 6(x) for the fair value sensitivity analysis of the financial assets and liabilities of the Company.

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

		December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging	$	15,393	64,111
Listed convertible bonds		47,093	70,886
Credit-Linked Note (CLN)		-	21,584
Beneficiary certificate-Funds		47,188	-
Stocks listed on domestic markets		6,514	9,306
	$	**116,188**	**165,887**

		December 31, 2019	December 31, 2018
Current financial liabilities held-for-trading:			
Derivative instruments not used for hedging	$	39,440	427
	$	**39,440**	**427**

(i) Listed convertible bonds are hybrid instruments. Even though it is required to record the host contract and embedded derivative separately, they are recognized as financial assets designated as at fair value through profit or loss because those investments can not be reliably measured at fair value as of the acquisition date.

(ii) The Company's Credit-Linked Notes (CLN) mainly are the structured instruments which combine fixed income bond and credit derivate instrument. Even though it is required to record the host contract and embedded derivative separately, they are recognized as financial assets designated as at fair value through profit or loss because those investments can not be reliably measured at fair value as of the acquisition date.

(iii) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net income pre-tax for 2019 and 2018 will be $2,685 and $465, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.

(Continued)

(iv) The Company uses derivative financial instruments to hedge certain foreign exchange and interest risk the Company 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

	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	EUR	250	EUR to USD	2020.02.25
Forward exchange sold	USD	23,000	USD to RMB	2020.01.07~2020.03.26
Financial liabilities:				
Forward exchange sold	EUR	3,500	EUR to USD	2020.01.07~2020.04.23

	December 31, 2018			
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	18,000	USD to TWD	2019.01.08~2019.03.07
Forward exchange sold	USD	11,000	USD to RMB	2019.01.08~2019.03.07
Forward exchange sold	EUR	750	EUR to USD	2019.01.08~2019.02.21
Financial liabilities:				
Forward exchange sold	USD	3,000	USD to TWD	2019.01.17~2019.02.21
Forward exchange sold	USD	1,000	USD to RMB	2019.02.19
Forward exchange sold	EUR	1,750	EUR to USD	2019.01.17~2019.03.14

2) Cross currency swap

December 31, 2019					
Contract amount (in thousands)		Contract Period	Interest rate payable	Interest rate receivable	Maturity date
Financial liabilities:					
USD	30,000	2019.06.18~2020.06.10	0.52%	0.45%+1LIBOR	2020.06.10

(Continued)

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

3) Other derivative financial instrument contracts

December 31, 2018			
Contract amount (in thousands)		Rate	Maturity Period
Financial assets:			
TWD	21,500	2.5%	2019.05.03

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

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

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

	December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	$ 323,505	256,004
Stocks unlisted on domestic markets	2,253	75,052
	$ 325,758	331,056

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

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

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 31,2019. For the year ended December 31, 2018, the Company disposed parts of its financial assets at fair value through other comprehensive income, with the fair value of $18,227, and recognized a gain of

(Continued)

$8,178, which was accounted for as other comprehensive income. The gain had been transferred to retained earnings.

(ii) The Company's information of market risk, please refer to note 6(y).

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

(d) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	$ 7,616	1,606
Accounts receivable-measured as amortized cost	5,944,970	6,646,024
	5,952,586	6,647,630
Less: allowance for uncollectible accounts	(128,559)	(94,081)
	$ 5,824,027	6,553,549
Notes and accounts receivable, net	$ 4,501,034	5,056,822
Accounts receivable due from related parties, net	1,286,865	1,496,727
Long-term receivables (recorded as other non-current assets)	36,128	-
	$ 5,824,027	6,553,549

(i) Impairment loss on notes and accounts receivables

The Company 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 future economic situation.

The loss allowance provision were determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not overdue	$ 5,240,726	0.099%	5,198
Overdue 0-90 days	133,242	0.480%	640
Overdue 91-180 days	173,568	1.584%	2,750
Overdue 181-270 days	98,645	1.140%	1,125
Overdue 271-365 days	188,623	0.564%	1,064
Overdue over one year	117,782	100%	117,782
	$ 5,952,586		128,559

	December 31, 2018		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Not overdue	$ 5,851,333	0.099%	5,816
Overdue 0-90 days	336,408	0.561%	1,886
Overdue 91-180 days	160,006	0.934%	1,494
Overdue 181-270 days	155,957	2.044%	3,188
Overdue 271-365 days	83,606	25.569%	21,377
Overdue over one year	60,320	100%	60,320
	$ **6,647,630**		**94,081**

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

	2019	**2018**
Balance on January 1	$ 94,081	92,621
Impairment loss recognized	42,203	14,492
Amounts written off	(7,725)	(13,032)
Balance on December 31	$ **128,559**	**94,081**

(iii) As of December 31, 2019 and 2018, the Company did not provide any notes and accounts receivable as collateral for its loans.

(e) Other receivables

	December 31, 2019	**December 31, 2018**
Other receivables due from related parties	$ 337,110	729,448
Other receivables (recorded as other current financial assets)	45,913	17,531
	$ **383,023**	**746,979**

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

	December 31, 2019	
	Lifetime ECL-not credit-impaired	**Lifetime ECL-credit-impaired**
Not overdue	$ 383,023	-
Overdue	-	-
Gross carrying amount	383,023	-
Impairment losses	-	-
Carrying amount	$ **383,023**	-

(Continued)

	December 31, 2018	
	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired
Not overdue	$ 746,979	-
Overdue	-	-
Gross carrying amount	746,979	-
Impairment losses	-	-
Carrying amount	$ 746,979	-

The Company did not calculate the allowance for impairment loss with respect to other receivables for the years of 2019 and 2018.

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

(f) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 92,455	93,778
Work in progress	95,056	72,984
Finished goods	501,742	514,880
	$ 689,253	681,642

In 2019 and 2018, inventory cost (excluding construction cost) recognized as cost of sales amounted to $14,047,836 and $15,969,904, respectively.

The Company reversed its allowance for inventory valuation and obsolescence loss amounting to $17,400 and $26,325 in 2019 and 2018, 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 December 31, 2019 and 2018, the Company did not provide any inventories as collateral for its loans.

(Continued)

(g) Investments accounted for using equity method

A summary of the Company's financial information for equity-accounted investees at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	$ 8,026,507	8,633,273
Associates	41,589	53,147
	8,068,096	8,686,420
Recorded as deduction of assets:		
Accounts receivable due from related parties	87,705	28,966
Other receivables due from related parties	117,357	-
Recorded as other non-current liabilities:		
Credit balance of investments in equity method	185,015	192,417
Total	$ **8,458,173**	**8,907,803**

(i) A summary of the Company's financial information for the share of profit of subsidiaries and associates for the years ended December 31, 2019 and 2018 were as follow:

	December 31, 2019	December 31, 2018
Subsidiaries	$ 64,879	18,007
Associates	(11,555)	(2,112)
	$ **53,324**	**15,895**

(ii) Subsidiaries

1) Please refer to the consolidated financial statements for the year ended December 31, 2019.

2) As of December 31, 2019 and 2018, the credit balance generated by the Company's investment in the subsidiary of Everlight Americas, Inc. (ELA) which used the equity method, were $87,705 and $28,966, respectively. Since that there were accounts receivable for ELA on the Company's account, the credit balance of $87,705 and $28,966 were reclassified to a deduction of accounts receivable due from related parties. Please refer to note 7 for details.

3) As of December 31, 2019 and 2018, the credit balances generated by the Company's investment in the subsidiary of Everlight Lighting Management Consulting (Shanghai) Co., Ltd. which used the equity method were $185,015 and $192,417, respectively, which were recorded as non-current liabilities.

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4) As of December 31, 2019, the credit balance generated by the Company's investment in the subsidiary of WOFI Wortmann & Fliz GmbH (WOFI) which used the equity method, was $117,357. Since that there were other receivable for WOFI on the Company's account, the credit balance of $117,357 was reclassified to a deduction of other receivable due from related parties. Please refer to note 7 for details.

5) Zenaro Lighting GmbH, a subsidiary of the Company, had completed its liquidation process in 2018. The Company recognized a gain on disposal of $1,081, and recorded it as other income.

6) Ever Power Investment Co., Ltd., a subsidiary of the Company, had completed its liquidation process in 2018. The Company recognized a gain on disposal of $2,727, and recorded it as other income.

7) Zenaro Lighting Co., Ltd., a subsidiary of the Company, had completed its liquidation process in 2019. The Company recognized a gain on disposal of $14, and recorded it as other income.

(iii) Associates

1) The Company's financial information for investments accounted for using equity method that are individually insignificant were as follows:

		December 31, 2019	December 31, 2018
The carrying amount of individually insignificant associates equity	$	41,589	53,147

		2019	2018
Attributable to the Company:			
Profit (loss) from continuing operations	$	(11,555)	(2,112)
Other comprehensive income		(6)	(5)
	$	(11,561)	(2,117)

2) As of December 31, 2019 and 2018, the Company had 9.66% ownership of Tekcore. Since the Company is able to exercise significant influence over Tekcore's operations and financial policies, the long-term investment in Tekcore is accounted for using equity method.

(iv) The Company's investee company accounted for using equity method had reduced its capital and refunded the cash amounting to $188,397 to the Company during 2019. All the amounts had been fully received.

(v) Because the subsidiary's investee company increased their common stock by cash injection, the subsidiary did not purchase the newly issued shared proportionately, resulting in a decrease of $6,426 in the percentage of the subsidiary's ownership and equity in net assets in 2019. The aforementioned amount was recognized as a reduction of retained earnings using equity method.

(vi) For the years ended December 31, 2019 and 2018, the Company received cash dividend of $126,082 and $202,560, respectively.

(vii) Pledges

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

(h) Joint operation

The Company undertook with the A3 Commerce LLP and Altocom Asia LLP in the joint operation of the streetlight project in the Republic of Kazakhstan.

The joint operation ratio between the Company and the joint operators is 53.6%, 36.4%, and 10%, respectively. The joint operators account for the input costs incurred by each of their proportions, and share the income incurred by the project settlement and the expenses incurred jointly.

The Company recognizes its direct rights (and its share) to the joint operation's assets, liabilities, income and expenses, which are included in the financial statements.

(i) Property, plant and equipment

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

		Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Cost or deemed cost:								
Balance on January 1, 2019	$	599,610	4,589,116	6,904,712	1,117,354	491,483	125,568	13,827,843
Add: additions		-	17,458	228,699	68,914	5,291	62,055	382,417
Add: reclassification		-	3,390	27,149	1,260	716	(33,609)	(1,094)
Less: sales		-	-	(243,306)	(52,604)	(329)	(4,710)	(300,949)
Less: retirement		-	(67)	(62,195)	(143,529)	(4,299)	-	(210,090)
Balance on December 31, 2019	$	**599,610**	**4,609,897**	**6,855,059**	**991,395**	**492,862**	**149,304**	**13,698,127**
Balance on January 1, 2018	$	604,921	4,403,845	7,311,717	1,038,921	449,943	294,190	14,103,537
Add: additions		-	17,742	232,927	117,977	33,146	127,695	529,487
Add: reclassification		-	213,650	55,816	-	18,995	(288,464)	(3)
Less: sales		(5,311)	(46,037)	(635,694)	(16,385)	(551)	(7,853)	(711,831)
Less: retirement		-	(84)	(60,054)	(23,159)	(10,050)	-	(93,347)
Balance on December 31, 2018	$	**599,610**	**4,589,116**	**6,904,712**	**1,117,354**	**491,483**	**125,568**	**13,827,843**

(Continued)

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Depreciation and impairments loss:							
Balance on January 1, 2019	$ -	1,242,692	5,193,022	877,258	368,584	-	7,681,556
Add: depreciation for the year	-	217,008	627,273	111,914	50,199	-	1,006,394
Add: reclassification	-	-	-	-	(4)	-	(4)
Less: sales	-	-	(208,483)	(51,317)	(181)	-	(259,981)
Less: retirement	-	(67)	(62,135)	(143,411)	(4,284)	-	(209,897)
Balance on December 31, 2019	$ -	1,459,633	5,549,677	794,444	414,314	-	8,218,068
Balance on January 1, 2018	$ -	1,035,672	5,055,494	794,703	332,317	-	7,218,186
Add: depreciation for the year	-	214,693	666,012	116,453	46,520	-	1,043,678
Less: sales	-	(7,589)	(468,638)	(10,741)	(241)	-	(487,209)
Less: retirement	-	(84)	(59,846)	(23,157)	(10,012)	-	(93,099)
Balance on December 31, 2018	$ -	1,242,692	5,193,022	877,258	368,584	-	7,681,556
Carrying amounts:							
Balance on December 31, 2019	$ 599,610	3,150,264	1,305,382	196,951	78,548	149,304	5,480,059
Balance on January 1, 2018	$ 604,921	3,368,173	2,256,223	244,218	117,626	294,190	6,885,351
Balance on December 31, 2018	$ 599,610	3,346,424	1,711,690	240,096	122,899	125,568	6,146,287

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

(j) Right-of-use assets

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

	Land	Vehicles equipment	Total
Cost:			
Balance on January 1, 2019	$ -	-	-
Effect of retrospective application	250,473	3,784	254,257
Adjusted balance at January 1, 2019	250,473	3,784	254,257
Acquisitions	-	5,905	5,905
Balance on December 31, 2019	$ 250,473	9,689	260,162
Accumulated depreciation and impairment losses:			
Balance on January 1, 2019	$ -	-	-
Effect of retrospective application	-	-	-
Adjusted balance on January 1, 2019	-	-	-
Depreciation for the year	7,294	4,137	11,431
Balance on December 31, 2019	$ 7,294	4,137	11,431
Carrying amount:			
Balance on December 31, 2019	$ 243,179	5,552	248,731

The Company leases offices, warehouses and factory facilities under the operating leases for the year ended December 31, 2018, please refer to note 6(o).

(k) Short-term borrowings

The short-term loans were summarized as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 1,899,493	2,503,572
Unused short-term credit lines	$ 9,553,619	9,933,167
Annual interest rates	0.44%~2.56%	0.44%~3.6%

(i) For information on the Company's foreign currency risk, please refer to note 6(x) for details.

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

(l) Long-term loans

The details were as follows:

	December 31, 2019			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	KZT	6.96%~7.81%	2023.10	$ 53,644
Less: current portion				(15,778)
Total				$ 37,866
Unused long-term credit lines				$ -

	December 31, 2018			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	KZT	6.96%~7.81%	2023.10	$ 64,789
Less: current portion				(12,958)
Total				$ 51,831
Unused long-term credit lines				$ -

(i) For information on the Company's interest risk and liquidity risk, please refer to 6(x) for details.

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

(Continued)

(m) Convertible bonds payable

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

	December 31, 2019	December 31, 2018
Total convertible bonds issued	$ 5,000,000	5,000,000
Unamortized discounted bonds payable	(6,066)	(22,200)
Cumulated repurchased and redeemed amount	(3,873,900)	(3,873,900)
	1,120,034	1,103,900
Unamortized amount of the cost of issuing convertible bonds	(375)	(1,375)
Bonds payable, current portion	(1,119,659)	-
Non-current	$ -	1,102,525
Equity components – conversion options (recognized as capital surplus – redemption rights)	$ 87,820	87,820

	2019	2018
Embedded derivative – gains or losses resulting from put options at fair value (recorded as gains (losses) on financial assets (liabilities) at fair value through profit or loss)	$ -	(12,078)
Interest expense	$ (16,134)	(74,370)

The effective rates of the fifth and the sixth convertible bonds payable were 1.504% and 1.46854%, respectively.

(i) The significant terms of the aforementioned convertible bonds were as follows:

1) Interest rate: 0%

2) Duration:

a) The fifth: five years (December 20, 2013 to December 20, 2018)

b) The sixth: five years (May 18, 2015 to May 18, 2020)

3) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:

Within the period between one month after the issuance date and 40 days before the last convertible date, if (i) the closing price of the Company's common shares on the TSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, or (ii) in the event that at least 90% of the principal amount of the bonds originally outstanding has been redeemed, repurchased or converted, the Company may redeem all bonds at face value.

 (Continued)

4) Redemption at the option of bondholders:

The bondholders have the right to request the Company to repurchase the bonds at face value three years after the issuance date.

5) Terms of conversion:

a) The fifth: Bondholders may opt to have the bonds converted into common stock of the Company within the period between one month after the issuance date and 10 days before the last convertible date, instead of the final cash redemption upon expiration of the bonds.

The sixth: Bondholders may opt to have the bonds converted into common stock of the Company within the period between one month after the issuance date and the last convertible date, instead of the final cash redemption upon expiration of the bonds.

b) Conversion price:

i) The fifth: After adjustments for distributions of retained earnings, the conversion price was NT$51.4 (dollars) per share of common stock.

ii) The sixth: After adjustments for distributions of retained earnings, the conversion price was NT$57.9 (dollars) per share of common stock.

(ii) The Company issued the fifth domestic unsecured convertible bonds with a face value of $4,000,000 on December 20, 2013 and the sixth domestic unsecured convertible bonds with a face value of $5,000,000 on May 18, 2015. The Company separated the equity, asset and liability components of the convertible option as follow:

		The fifth	The sixth
The compound interest present value of the convertible bonds' face value at issuance	$	3,692,400	4,623,500
The embedded derivative asset at issuance – call option		(2,800)	(2,000)
The embedded derivative liability at issuance – put option		23,600	33,500
The equity components at issuance		286,800	345,000
The total amount of the convertible bonds at issuance	$	4,000,000	5,000,000

(iii) For the year ended December 31, 2018, the Company made a cash payment of $3,480,500 to redeem its bonds payable at the carrying amount of $3,480,500 upon the bondholder's request, and reversed the unamortized discount on bonds payable and other current liabilities (embedded derivative instrument - put option). Therefore, the Company recognized the loss on redemption of convertible bonds amounting to $42,668, which was recorded under other expenses and losses. In addition, due to the said bond redemption, the Company reclassified its capital surplus - stock option to capital surplus -treasury stock amounting to $257,180. The aforesaid amount had been paid.

(iv) The fifth convertible bonds expired on December 20, 2018. The Company redeemed the remaining fifth convertible bonds with a principal of $3,048,300 at their face value. Thereafter, the Company offset the paid-in capital-redemption rights and recognized the paid-in capital-treasury stock amounting to $256,110.

(n) Lease liabilities

The carrying amount of lease liabilities were as follows:

	December 31, 2019
Current	$ 8,991
Non-current	$ 241,577

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 4,251
Expenses relating to short-term leases	$ 2,613

The amounts recognized in the statement of cash flows for the Company was as follows:

	2019
Total cash outflow for leases	$ 16,458

(i) Real estate leases

For the year ended December 31, 2019, the Company leases land for its office space and factory. The leases of land typically run for a period for 4 years to 20 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 Company 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 Company leases vehicles equipment, with lease terms of 2 to 4 years. In some cases, the Company has options to purchase the assets at the end of the contract term.

The Company also leases a part of vehicles equipment with contract terms of 1 year. These leases are short-term items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Operating lease

(i) The Company as leasee

1) The Company leased a piece of land in Shulin Datong Technology Park, New Taipei City, from National Property Administration, Ministry of Finance. The lease period runs for 20 years (September 1, 2007 to August 31, 2027). The terms of the lease are as follows: The rent is free for the first four years, charged at half the full rent for the next six years, and then charged at full rent starting in the eleventh year. The monthly rentals are calculated by multiplying the current assessed land value by the national land rental rate.

The Company determined that the land and building elements of the leases are operating leases. The rent paid to the landlord is increased to market rent at regular intervals, and the Company does not participate in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord.

2) For the year ended December 31, 2018, the expenses recognized in profit or loss in respect of the operating leases amounted to $19,164.

(ii) The Company as lessor

The Company leased out parking space and employee dormitory under operating lease. The rent income in 2019 and 2018 was $7,992 and $7,888, respectively.

(p) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value of the plan assets of the Company were as follows:

		December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$	(200,527)	(210,549)
Fair value of plan assets		76,245	73,065
Net defined benefit obligations assets (liabilities)	$	**(124,282)**	**(137,484)**

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on the years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The labor pension reserve account balance of the Company with Bank of Taiwan amounted to $76,245 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2019	2018
Defined benefit obligation at January 1	$ (210,549)	(235,926)
Benefits paid by the plan	7,200	27,673
Current service costs and interest	(4,087)	(5,600)
Remeasurement in net defined benefit assets (liability)	6,909	3,304
Defined benefit obligation at December 31	$ **(200,527)**	**(210,549)**

3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company were as follows:

	2019	2018
Fair value of plan assets at January 1	$ 73,065	73,904
Contributions made	3,136	23,976
Benefits paid from the plan assets	(3,281)	(27,673)
Expected return on plan assets	1,024	1,214
Remeasurement in net defined benefit assets (liability)	2,301	1,644
Fair value of plan assets at December 31	$ **76,245**	**73,065**
Actual return on plan assets	$ **3,325**	**2,858**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2019	2018
Service cost	$ 1,239	1,781
Interest cost	2,848	3,819
Expected return on plan assets	(1,024)	(1,214)
	$ **3,063**	**4,386**

(Continued)

5) Remeasurement in net defined benefit asset (liability) recognized in other comprehensive income

The Company's remeasurement in net defined benefit asset (liability) recognized in other comprehensive income were as follows:

		2019	2018
Cumulative amount at January 1	$	(26,831)	(31,779)
Recognized during the period		9,210	4,948
Cumulative amount at December 31	$	(17,621)	(26,831)

6) Actuarial assumptions

The following are the principal actuarial assumptions of present value of defined obligations on the financial reporting date of the Company:

	December 31, 2019	December 31, 2018
Discount rate	1.125 %	1.375 %
Future salary increasing rate	3.500 %	3.500 %

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was $6,452.

The weighted-average duration of the defined benefit obligation of the Company is 16.07 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit liabilities	
		Increased 0.25%	Decreased 0.25%
December 31, 2019			
Discount rate	$	(6,614)	6,908
Future salary increasing rate		6,636	(6,393)
December 31, 2018			
Discount rate		(7,009)	7,345
Future salary increasing rate		7,080	(6,792)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(Continued)

There is no change in the method and assumptions used in the preparation of sensitivity analysis for both periods.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. They also make payments for life insurance based on the Company policy. Under this defined contribution plan, the Company allocates a fixed rate of salaries to the Bureau of the Labor Insurance and insurance company without additional legal or constructive obligations.

The pension costs under the defined contribution method of the Company for the years ended December 31, 2019 and 2018 amounted to $47,839 and $50,958, respectively. The pension costs have been allocated to the Bureau of the Labor Insurance and provision of life insurance account.

(q) Income taxes

(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2019 and 2018 was as follows:

		2019	2018
Current tax expense			
Recognized during the period	$	227,609	161,340
Adjustment for prior periods		(9,954)	(1,192)
10% surtax on unappropriated earnings		-	35,328
		217,655	195,476
Deferred tax expense			
Recognition and reversal of temporary differences		(99,759)	(47,767)
Adjustment in tax rate		-	(21,811)
		(99,759)	(69,578)
Income tax expense	$	**117,896**	**125,898**

2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2019 and 2018 was as follows:

		2019	2018
Items that may not be reclassified subsequently to profit or loss:			
Remeasurements from defined benefit plans	$	**1,842**	**(2,579)**

(Continued)

	2019	2018
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	$ 15	(2,849)

3) Reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

	2019	2018
Profit before income tax	$ 940,140	918,967
Income tax using the Company's domestic tax rate	$ 188,028	183,794
Adjustment in tax rates	-	(21,811)
Non-deductible expenses	14,967	14,874
Exemption of investment disposal income	(795)	(189)
Increase in investment tax credits	(24,183)	(27,401)
Realized investment gains or losses	(30,678)	(20,355)
Net gains or losses on domestic investments	(5,234)	(27,806)
Changes in unrecognized deferred tax assets and liabilities	(37,980)	(7,981)
10% surtax on unappropriated earnings	-	35,328
Others	13,771	(2,555)
	$ 117,896	125,898

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

The Company is able to control the timing of the reversal of the part of temporary differences associated with investments in subsidiaries as at December 31, 2019 and 2018. Also, the management of the Company considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Furthermore, deferred tax assets are not recognized when the Company has considered that the future taxable profit will not be available against which the unused tax credits and deductible temporary differences can be utilized.

Details of unrecognized deferred tax assets were as follow:

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 14,706	14,706

(Continued)

Details of unrecognized deferred tax liabilities were as follow:

	December 31, 2019	December 31, 2018
Temporary differences related to investments in subsidiaries	$ 604,923	566,943

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	Defined benefit Plans	Investment loss accounted for using equity method	Loss for market price decline and obsolete inventories	Others	Total
Deferred tax assets:					
Balance on January 1, 2019	$ 27,559	220,775	56,301	73,156	377,791
Recognized in profit or loss	(799)	28,251	(3,480)	1,568	25,540
Recognized in other comprehensive income	(1,842)	-	-	(15)	(1,857)
Balance on December 31, 2019	$ 24,918	249,026	52,821	74,709	401,474
Balance on January 1, 2018	$ 28,202	125,968	52,331	68,487	274,988
Recognized in profit or loss	(3,222)	94,807	3,970	1,820	97,375
Recognized in other comprehensive income	2,579	-	-	2,849	5,428
Balance on December 31, 2018	$ 27,559	220,775	56,301	73,156	377,791

	Difference between book and tax depreciation	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2019	$ 96,253	72,458	168,711
Recognized in profit or loss	(53,161)	(21,058)	(74,219)
Balance on December 31, 2019	$ 43,092	51,400	94,492
Balance on January 1, 2018	$ 90,718	50,196	140,914
Recognized in profit or loss	5,535	22,262	27,797
Balance on December 31, 2018	$ 96,253	72,458	168,711

3) Uncertain tax treatment

The Company had assessed the uncertain treatment of the declared income tax returns yet not examined by the tax authorities base on relevant factors, including interpretative letters issued by the tax authority and the historical tax assessment experience. The accrual amount of deferred tax liabilities was considered sufficient as the result.

4) Assessment of tax

The tax authorities have examined the Company's income tax returns through 2017.

(r) Capital and other equities

As of December 31, 2019 and 2018, the authorized common stocks amounted to $10,000,000 (of which $400,000 were reserved for the exercising of employee share options); face value of each share is $10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,246 and 443,000 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2019 and 2018 were as follows:

(in thousands of shares)	**2019**	**2018**
Balance on January 1	443,000	440,449
Employee stock options exercised	246	2,551
Balance on December 31	**443,246**	**443,000**

(i) Ordinary shares

The employee stock options exercised amounting to $2,461 in year ended December 31, 2019 which resulted in a capital surplus of $11,506 (including the stock options converted into addition paid-in capital arising from the ordinary shares of $9,585). The registration procedures of the employee stock options amounting to $295 had not been completed.

The employee stock options exercised amounting to $25,510 in year ended December 31, 2018 which resulted in capital surplus of $119,803 (including the stock options converted into addition paid-in capital arising from the ordinary shares of $95,715). 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:

	December 31, 2019	**December 31, 2018**
Additional paid-in capital	$ 7,810,277	7,798,771
Difference between consideration and carrying amount of subsidiaries disposed	74,397	147,087
Changes in equity of associates accounted for using equity method	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	983,812	983,812
Share-based payment – employee stock options	125,750	134,587
Others	576	576
	$ 9,089,121	**9,159,142**

(Continued)

In accordance with the ROC Company Act, realized capital reserves can only be capitalized and distributed as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(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 special reserve from retained earnings in accordance with legal authorities and legislations. The remainder, accumulated with the unappropriated earnings of prior years, is distributed as additional dividends to shareholders, which cannot be lower than 50% of the total accumulated unappropriated earnings. The distribution rate is based on the proposal of the Company's board of directors and should be approved in the shareholders' meeting.

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

1) Legal reserve

If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), the unrealized land revaluation increment and foreign currency translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. According to the regulations, the retained earnings increased by $283,890 on the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special reserve, and when the relevant assets were used, disposed of, or reclassified, this special reserve shall be reserved as distributable earnings proportionately. As of December 31, 2019 and 2018, the carrying amount of special reserve amounted to $283,890 in both years.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of the carrying amount of other shareholders' equity and the special reserve resulting from the first-time adoption of IFRSs as stated above. Similarly, a portion of the undistributed prior-period earnings shall be reclassified as special reserve (which does not qualify for earnings distribution)

(Continued)

to account for the cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

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

	2018		2017	
	Amount per share (dollars)	**Total amount**	**Amount per share (dollars)**	**Total amount**
Dividends distributed to common shareholders:				
Cash	$ 1.50	664,555	3.00	1,321,133

On March 24, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Amount per share (dollars)	**Total amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 1.40	620,563

(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, 2019	$ (632,321)	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):			
The Company	59	-	59
Subsidiaries	(231,517)	-	(231,517)
Associates	(6)	-	(6)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Company	-	(5,298)	(5,298)
Balance on December 31, 2019	$ (863,785)	(597,254)	(1,461,039)

(Continued)

		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, 2018	$	(437,489)	(389,010)	(826,499)
Foreign exchange differences (net of taxes):				
The Company		2,667	-	2,667
Subsidiaries		(197,494)	-	(197,494)
Associates		(5)	-	(5)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
The Company		-	(190,473)	(190,473)
Subsidiaries		-	(4,295)	(4,295)
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	(8,178)	(8,178)
Balance on December 31, 2018	$	**(632,321)**	**(591,956)**	**(1,224,277)**

(s) Share-based payment

(i) Employee stock options

1) At a meeting of the board of directors held on August 6, 2014 (the sixth), March 25, 2013 (the fifth) and December 9, 2011 (the fourth), the Company's board of directors approved a resolution to issue 5,000,000 units, 10,000,000 units and 10,000,000 units, respectively, of five-year employee stock options, with an exercisable right of one share of the Company's common stock per unit. The issuance of the stock options was approved at a meeting of the board of directors held on August 6, 2015, April 2, 2015 and July 18, 2013, distributed 200,000 units, 4,800,000 units and 10,000,000 units, respectively.

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

	For the year ended December 31, 2019							
Date of issuance	**2019.1.1 Outstanding units**	**Current units granted**	**Current units exercised**	**Current units abandoned**	**Current units expired**	**2019.12.31 Outstanding units**	**2019.12.31 Exercisable units**	**Remaining duration**
August 6, 2015	17,500	-	6,500	10,000	-	1,000	1,000	0.6 years
April 2, 2015	712,850	-	239,600	53,800	-	419,450	419,450	0.4 years
	730,350	**-**	**246,100**	**63,800**	**-**	**420,450**	**420,450**	
Weighted-average exercise price (dollars)	$ **18.33**	**-**	**17.81**	**17.60**	**-**	**17.40**	**17.40**	

(Continued)

Date of issuance	2018.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2018.12.31 Outstanding units	2018.12.31 Exercisable units	Remaining duration
	For the year ended December 31, 2018							
August 6, 2015	60,000	-	42,500	-	-	17,500	11,500	1.6 years
April 2, 2015	3,194,000	-	2,290,150	191,000	-	712,850	412,550	1.4 years
July 18, 2013	489,600	-	218,350	51,900	219,350	-	-	- years
	3,743,600	**-**	**2,551,000**	**242,900**	**219,350**	**730,350**	**424,050**	
Weighted-average exercise price (dollars)	$ **19.67**	**-**	**19.44**	**18.36**	**18.60**	**18.33**	**18.34**	

The weighted-average fair price of the Company's stock amounted to NT$29.96 (dollars) and NT$37.45 (dollars) for the years ended December 31, 2019 and 2018, respectively.

The issuance terms of the stock options are as follows:

a) Exercise price: After the adjustment for stock dividends over the years, the exercise prices of the fourth, fifth, the first phase of the sixth and the second phase of the sixth issued stock options were NT$40.4 (dollars), NT$18.6 (dollars), NT$17.4 (dollars) and NT$18.7 (dollars), respectively.

b) Exercisable duration: The employees who received the stock options can exercise a specific percentage in each period as below. The exercisable duration of the options is five years. No transference, pledge or donation is allowed except for inheritance. After the expiration of the exercisable duration, the Company will retire the unexercised options and not re-issue the options.

Option holding period	Exercisable percentage (cumulative) — the fourth	Exercisable percentage (cumulative) — the fifth	Exercisable percentage (cumulative) — the sixth
More than 2 years	50%	65%	65%
More than 3 years	75%	90%	90%
More than 4 years	100%	100%	100%

c) Exercise method: The Company would issue new shares as the options are exercised.

d) Exercise procedure: In accordance with the Company's issuance and exercise rules, the employees who received the stock options can apply to exercise the options during a certain period. In addition, the entitlement certification of stock options exercised is registered as common stock after every quarter.

3) The compensation cost of the stock options amounted to $748 for the year ended December 31,2019. The compensation cost of the stock options, which were overestimated, have been reversed in the previous years due to the abandonment of resigned employees amounted to $1,533 for the years ended December 31, 2018.

(Continued)

4) The Company adopted the Black-Scholes model to compute the fair value of the stock options on the grant date, and the assumptions are summarized as follows:

	The fourth	**The fifth**	**The first phase of the sixth**	**The second phase of the sixth**
Original exercise price (New Taiwan dollars)	$51.6	24.0	24	24
Fair value per share of the Company's stock at the measurement date (New Taiwan dollars)	$46.25	48	70.10	44
Expected volatility	36.63~44.94%	35.02%	30.43~35.66%	30.43~35.66%
Risk-free interest rate	0.91~0.95%	0.73~1.02%	0.61~1.04%	0.61~1.04%
Expected life of the option	five years	five years	five years	five years
Weighted-average fair value (New Taiwan dollars/unit)	7.80~14.90	24.911~26.663	46.40~47.70	20.70~23.10

Expected volatility is based on the weighted average of historical volatility, and it is adjusted when there is an additional market information about the volatility. The Company determined the risk-free interest rate based on government bonds during the life of the option. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(t) Earnings per share

The Company's basic and diluted earnings per share are calculated as follows:

	2019	**2018**
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 822,244	793,069
Weighted-average number of outstanding ordinary shares (thousands)	443,120	441,787
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 822,244	793,069
Dilutive effect of potential ordinary shares:		
Convertible bonds (note)	16,134	86,448
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	$ 838,378	879,517

(Continued)

	2019	2018
Weighted-average number of outstanding ordinary shares (thousands)	443,120	441,787
Dilutive effect of potential ordinary shares:		
Employee stock bonus	2,979	1,746
Convertible bonds	18,873	86,849
Employee stock options	211	942
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)	**465,183**	**531,324**

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.

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019			
	LED	**Illumination**	**Others**	**Total**
Primary geographical markets:				
Asia	$ 4,314,050	210,673	2,478	4,527,201
Europe	5,653,314	17,130	115	5,670,559
Others	7,186,576	-	6,037	7,192,613
Total	**$ 17,153,940**	**227,803**	**8,630**	**17,390,373**
Major products				
Construction revenue	$ -	192,534	-	192,534
Sales revenue	17,153,940	35,269	8,630	17,197,839
	$ 17,153,940	**227,803**	**8,630**	**17,390,373**

	2018			
	LED	**Illumination**	**Others**	**Total**
Primary geographical markets:				
Asia	$ 17,285,486	282,496	11,928	17,579,910
Europe	1,510,110	-	-	1,510,110
Others	685,834	-	-	685,834
Total	**$ 19,481,430**	**282,496**	**11,928**	**19,775,854**
Major products				
Construction revenue	$ -	214,191	-	214,191
Sales revenue	19,481,430	68,305	11,928	19,561,663
	$ 19,481,430	**282,496**	**11,928**	**19,775,854**

(Continued)

(ii) Contract balance

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable	$ 7,616	1,606	9,631
Accounts receivables	5,944,970	6,646,024	7,947,635
Less: allowance for impairment	(128,559)	(94,081)	(92,621)
	$ **5,824,027**	**6,553,549**	**7,864,645**
Contract assets-illumination	$ **106,363**	**78,550**	**-**
Contract liabilities	$ **8,884**	**5,359**	**7,443**

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were $4,472 and $2,075, 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.

(v) 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 employee and remuneration to directors and supervisors not exceeding 1%. However, if the Company has accumulated deficits, the after-tax earnings shall first be offset against any deficit. The employees include those in the subsidiaries who meet specific conditions, which were formulated by the Board of meeting.

The remuneration to employees amounted to $97,931 and $59,098, and the remuneration to directors and supervisors amounted to $10,486 and $6,895, in 2019 and 2018, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees, directors and supervisors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These remuneration 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 amounts, as stated in the financial statements are identical to those of the actual distributions for 2019 and 2018.

(Continued)

(w) Non-operating income and expenses

The interest income and finance costs in 2019 and 2018 were as follows:

(i) Interest income

	2019	2018
Cash in banks	$ 27,230	51,456
Loans and receivables	3,315	3,628
Others	166	5,188
	$ **30,711**	**60,272**

(ii) Finance costs – interest expenses

	2019	2018
Loans	$ 31,506	29,972
Lease liabilities	4,251	-
Convertible Bonds	16,134	74,370
	$ **51,891**	**104,342**

(x) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial 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 receivable, please refer to note 6(e).

(ii) Liquidity Risk

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

(Continued)

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
December 31, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	$ 1,899,493	(1,899,493)	(1,899,493)	-	-
Notes and accounts payable (including related parties)	5,316,297	(5,316,297)	(5,316,297)	-	-
Payable on construction and equipment	238,495	(238,495)	(238,495)	-	-
Other payables	403,587	(403,587)	(403,587)	-	-
Lease liabilities (including current ans non-current)	250,568	(347,417)	(13,151)	(20,530)	(313,736)
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	139,217	(139,217)	-	-	(139,217)
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	-	-
	$ 9,460,775	(9,563,889)	(9,052,540)	(36,308)	(475,041)
December 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,503,572	(2,503,572)	(2,503,572)	-	-
Notes and accounts payable (including related parties)	5,758,127	(5,758,127)	(5,758,127)	-	-
Payable on construction and equipment	277,223	(277,223)	(277,223)	-	-
Other payables	433,985	(433,985)	(433,985)	-	-
Unsecured convertible bonds	1,103,900	(1,126,100)	-	(1,126,100)	-
Long-term loans (including current portion)	64,789	(64,789)	(12,958)	(12,958)	(38,873)
Guaranteed deposits received	83,852	(83,852)	-	-	(83,852)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	427				
Outflow	-	(184,578)	(184,578)	-	-
Inflow	-	184,199	184,199	-	-
	$ 10,225,875	(10,248,027)	(8,986,244)	(1,139,058)	(122,725)

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follow:

	December 31, 2019			December 31, 2018		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 126,983	USD/TWD =30.106	3,822,950	149,097	USD/TWD =30.733	4,582,198
RMB	365,914	RMB/TWD =4.3245	1,582,395	342,120	RMB/TWD =4.4700	1,529,276
HKD	385,974	HKD/TWD =3.8647	1,491,674	369,159	HKD/TWD =3.9251	1,448,986
Financial liabilities						
Monetary items						
USD	73,127	USD/TWD =30.106	2,201,561	145,860	USD/TWD =30.7330	4,482,715
RMB	979,661	RMB/TWD =4.3245	4,236,544	684,620	RMB/TWD =4.4700	3,060,251

2) Sensitivity analysis

The Company'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 Company's functional currency as of December 31, 2019 and 2018 would have increased (decreased) the net profit before tax by $32,549 and $16,440 for the years ended December 31, 2019 and 2018, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2019 and 2018, the foreign exchange gains or losses, including both realized and unrealized, amounted to gains $83,738 and gains $121,016, respectively.

(Continued)

4) Interest rate analysis

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

		Carrying amount	
		December 31, 2019	**December 31, 2018**
Variable rate instruments:			
Financial assets	$	1,895,331	1,367,490
Financial liabilities		(535,340)	(2,568,361)
	$	1,359,991	(1,200,871)

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 Company'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 for the years ended December 31, 2019 and 2018, were as following, which would be mainly resulted from bank borrowings and cash in banks with variable interest rates.

		2019	**2018**
Increase by 0.25%	$	3,400	(3,002)
Decrease by 0.25%		(3,400)	3,002

5) Fair value

a) Procedure of valuation

The Company's accounting policies and disclosure include the fair value method on financial assets and financial liabilities. The Company's management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

The Company uses observable market data to evaluate its assets and liabilities when it is possible. The different inputs of levels of fair value hierarchy in determining the fair value are as follows:

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

b) The kinds of financial instruments and fair value

The fair value of the Company'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.

	December 31, 2019				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	$ 15,393	-	15,393	-	15,393
Non derivative financial assets mandatorily measured at fair value through profit or loss	100,795	100,795	-	-	100,795
	116,188				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	323,505	323,505	-	-	323,505
Unquoted equity instruments	2,253	-	-	2,253	2,253
	325,758				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,071,163	-	-	-	-
Notes and accounts receivable (including related parties)	5,787,899	-	-	-	-
Other current financial assets	2,829,753	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	36,128	-	-	-	-
Refundable deposits (recorded as other non-current assets)	93,429	-	-	-	-
Restricted deposits (recorded as other non-current assets)	219,109	-	-	-	-
	11,037,481				
	$ 11,479,427				

(Continued)

	December 31, 2019				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	$ 39,440	-	39,440	-	39,440
	39,440				
Financial liabilities measured at amortized cost:					
Short-term borrowings	1,899,493	-	-	-	-
Notes and accounts payable (including related parties)	5,316,297	-	-	-	-
Payable on construction and equipment	238,495	-	-	-	-
Lease liabilities	250,568	-	-	-	-
Other current payables (recorded as other current liabilities)	403,587	-	-	-	-
Bonds payable (including current portion)	1,120,034	-	-	-	-
Long-term loans (including current portion)	53,644	-	-	-	-
Guaranteed deposits received	139,217	-	-	-	-
	9,421,335				
	$ 9,460,775				

	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	$ 64,111	-	64,111	-	64,111
Non derivative financial assets mandatorily measured at fair value through profit or loss	101,776	80,192	21,584	-	101,776
	165,887				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	256,004	256,004	-	-	256,004
Unquoted equity instruments	75,052	-	-	75,052	75,052
	331,056				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,371,473	-	-	-	-
Notes and accounts receivable (including related parties)	6,553,549	-	-	-	-
Other current financial assets	1,595,491	-	-	-	-
Refundable deposits (recorded as other non-current assets)	114,854	-	-	-	-
Restricted deposits (recorded as other non-current assets)	4,000	-	-	-	-
	10,639,367				
	$ 11,136,310				

(Continued)

	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	$ 427	-	427	-	427
	427				
Financial liabilities measured at amortized cost:					
Short-term borrowings	2,503,572	-	-	-	-
Notes and accounts payable (including related parties)	5,758,127	-	-	-	-
Payable on construction and equipment	277,223	-	-	-	-
Other current payables (recorded as other current liabilities)	433,985	-	-	-	-
Bonds payable (including current portion)	1,103,900	-	-	-	-
Long-term loans (including current portion)	64,789	-	-	-	-
Guaranteed deposits received	83,852	-	-	-	-
	10,225,448				
	$ 10,225,875				

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

The Company 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.

d) 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.

(Continued)

e) There was no transfers from one level to another of the Company for the years ended December 31, 2019 and 2018.

f) 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 Company for the years ended December 31, 2019 and 2018:

	Current financial assets at fair value through other comprehensive income–unquoted equity instruments	Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable	Total
Balance on January 1, 2019	$ 75,052	-	75,052
Total gains and losses recognized:			
In profit (loss)	-	-	-
In other comprehensive income	(72,799)	-	(72,799)
Balance on December 31, 2019	$ 2,253	-	2,253
Balance on January 1, 2018	$ 88,249	(46,988)	41,261
Repurchased	-	59,066	59,066
Disposal	(10,049)	-	(10,049)
Total gains and losses recognized:			
In profit (loss)	-	(12,078)	(12,078)
In other comprehensive income	(3,148)	-	(3,148)
Balance on December 31, 2018	$ 75,052	-	75,052

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 December 31, 2019 and 2018 were as follows:

	2019	2018
Total gains and losses recognized:		
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	$ (72,799)	(3,148)
In profit or loss (recorded as gains (losses) from financial assets (liabilities) at fair value through profit or loss)	-	(12,078)

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

(Continued)

The Company'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, derivative financial instrument and available-for-sale financial assets — equity securities.

Most of fair value measurements of the Company which are categorized as equity investment instruments into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity instrument without quoted price 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 instrument	Guideline Public Company method - Price-Book Method	·Price-to-Book ratio (P/B Ratio) (0.405 and 0.53 on December 31, 2019 and 2018, respectively) ·Lack of marketability discount rate (20% on both December 31 2019 and 2018)	·The higher the P/B Ratio, the higher the fair value. ·The higher the lack of marketability discount, the lower the fair value.

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

The Company'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 impact on other comprehensive income or loss were as follows:

	Input	Variation	Impacts of fair value change on other comprehensive income: Advantageous change	Impacts of fair value change on other comprehensive income: Disadvantageous change
December 31, 2019				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	$ 110	110
Current financial assets at fair value through other comprehensive income	Lack of marketability discount	5%	$ 110	110
December 31, 2018				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	$ 3,000	3,000
Current financial assets at fair value through other comprehensive income	Lack of marketability discount	5%	$ 3,000	3,000

(Continued)

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.

(y) Financial risk management

(i) Briefings

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative and non-derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continually review the amount of the risk exposure and the compliance with the Company's policies. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounting receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and bank references in some cases. Credit limits that are established for each customer are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Company's customers are from many different industries. The Company does not concentrate on a specific customer, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. In order to mitigate account receivable credit risk, the Company constantly assesses the financial status of the customers.

The Company set the allowance for bad debt account to reflect the estimated losses for accounts receivables, other receivables, and investments. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is recognized based on historical collection records of similar financial assets.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and contractually obligated counterparties are banks, investment grade above financial institutions, and corporate organizations with good credit standing, there are no compliance issues, and therefore, there is no significant credit risk.

3) Guarantees

The Company's policy to provide financial guarantees is only permissible to subsidiaries. Please refer to note 13(a) for information of guarantees and endorsements to subsidiaries as of December 31, 2019 and 2018.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities to ensure they are in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to notes 6(k) and 6(l) for the unused credit lines of short-term and long-term loans as of December 31, 2019 and 2018.

(v) Market risk

Market risk is the risk that will affect the Company's income or the value of its financial instruments arising from the changes in market prices, such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

(Continued)

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies. The currencies used in these transactions are denominated in TWD, HKD, EUR, USD, and RMB.

The Company hedges accounts receivable denominated in a foreign currency. The Company uses forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date.

2) Interest rate risk

The Company borrows funds on fixed and floating interest rate; and the Company bears the cash flow risks related to floating rate loans.

3) Other market value risk

The Company is exposed to equity price risk arising from listed stock investments. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments. The material investments of investment portfolio are managed individually and their purchase decision must be approved by the finance department.

(z) Capital management

The Company maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there are financial resources and operating plans to support working capital, capital expenditures, research and development expenses, debt redemptions and dividend payments, and so on. The management decides the optimized capital by using appropriate debt-to-equity ratio, interest-bearing liabilities-to-equity ratio or other financial ratios. To maintain a strong capital base, the Company enhances the return on equity by optimizing debt-to-equity ratio. The Company's debt-to-equity ratio at the end of the reporting date was as follows:

		December 31, 2019	December 31, 2018
Total liabilities	$	10,569,506	11,359,293
Total equity		16,842,893	16,987,956
Interest-bearing liabilities		3,073,171	3,672,261
Debt-to-equity ratio		63 %	67 %
Interest-bearing liabilities to equity ratio		18 %	22 %

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

The Company's investing and financing activities which did not affect the current cash flow for the year ended December 31, 2019, were acquisition of right-of-use assets by lease; please refer to note 6(j). There were no non-cash investing and financing activities for the year ended December 31, 2018.

Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Amortization of interest and issuance costs	Non-cash changes: Foreign exchange movement	December 31, 2019
Short-term borrowings	$ 2,503,572	(604,079)	-	-	-	1,899,493
Long-term borrowings	64,789	(9,467)	-	-	(1,678)	53,644
Lease liabilities	254,257	(9,594)	5,905	-	-	250,568
Bonds payable	1,102,525	-	-	17,134	-	1,119,659
Guarantee deposits received	83,852	55,365	-	-	-	139,217
Total liabilities from financing activities	$ 4,008,995	(567,775)	5,905	17,134	(1,678)	3,462,581

	January 1, 2018	Cash flow	Non-cash changes: Amortization of interest and issuance costs	December 31, 2018
Long-term borrowings	$ -	64,789	-	64,789
Short-term borrowings	1,686,293	817,279	-	2,503,572
Bonds payable	7,453,249	(6,528,800)	178,076	1,102,525
Guarantee deposits received	82,897	955	-	83,852
Total liabilities from financing activities	$ 9,222,439	(5,645,777)	178,076	3,754,738

(7) Related-party transactions

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Pai-yee Investment Co., Ltd. (Pai-yee)	The Company's subsidiary
Everlight(BVI) Co., Ltd. (Everlight BVI)	The Company's subsidiary
Everlight Electronics (Europe) GmbH (Everlight Europe)	The Company's subsidiary
Everlight Americas, Inc. (ELA)	The Company's subsidiary
Everlight Optoelectronics Korea Co., Ltd. (ELK)	The Company's subsidiary
Forever Investment Co., Ltd. (Forever)	The Company's subsidiary
Everlight Intelligence Technology Co., Ltd. (ELIT, former name: Everlight Lighting Co., Ltd.)	The Company's subsidiary
Zenaro Lighting Co., Ltd. (Zenaro TW)	The Company's subsidiary
Wofi Leuchten GmbH (WOFI Holding)	The Company's subsidiary
Everlight Electronic India Private Limited (ELI)	The Company's subsidiary

(Continued)

Name of related party	Relationship with the Company
Evlite Electronics Co., Ltd. (Evlite)	The Company's subsidiary
Everlight Electronics Singapore Pte. Ltd. (ELS)	The Company's subsidiary
Everlight Japan Corporation (ELJ)	The Company's subsidiary
Evervison Electronics Co., Ltd. (Evervision TW)	The Company's subsidiary
Everlight Optoelectronics (M) SDN.BHD. (Everlight Malaysia)	The Company's subsidiary
Everlight Electronics (China) Co., Ltd. (Everlight China)	The Company's subsidiary
Everlight Lighting (China) Co., Ltd. (Everlight Lighting China)	The Company's subsidiary
Everlight Electronics (Guangzhou) Co., Ltd. (Everlight Electronics (Guangzhou))	The Company's subsidiary
Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	The Company's subsidiary
Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	The Company's subsidiary
Eralite Optoelectronics (Jiangsu) Co., Ltd. (Eralite)	The Company's subsidiary
Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	The Company's subsidiary
Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	The Company's subsidiary
Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	The Company's subsidiary
WOFI Wortmann & Fliz GmbH (WOFI W&F GmbH)	The Company's subsidiary
Euro Technics Trade GmbH (ETT)	The Company's subsidiary
WOFI Technics Trade Limited (WTT)	The Company's subsidiary
Action GmbH (Action)	The Company's subsidiary
WOFI Verkaufsgesellschaft mbH (WOFI VG)	The Company's subsidiary
Lamp For Less GmbH (LFL)	The Company's subsidiary
Evervision Electronics (B.V.I.) Limited (Evervision BVI)	The Company's subsidiary
VBest GmbH (VBest)	The Company's subsidiary
VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	The Company's subsidiary
Evervision Electronics (H.K.) Limited (Evervision HK)	The Company's subsidiary
Topbest Holding (Samoa) Limited (Topbest)	The Company's subsidiary
Epistar Corporation (Epistar)	The Company is the corporate director of this company (note)
Tekcore Co. Ltd (Tekcore)	Equity-accounted investee by the Company

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

(Continued)

(b) Significant related party transactions

(i) Sales

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

	2019	2018
Subsidiaries	$ 3,325,123	3,803,736

The Company sells instruments (production molds) to Everlight China and Everlight Zhongshan, and only sells end products to other related parties and other customers. There is no significant differences in the sales price of end product between the related parties and other customers. The payment term of sales to Everlight China and Everlight Zhongshan was OA 120 days and OA 95 days, respectively, depending on the funding demand. The payment term of sales to Everlight Lighting China was depending on the payment term of the end customer. The payment term of domestic sales and oversea sales to other related parties and other customers were 60 to 120 days and 30 to 165 days, respectively.

(ii) Purchase

The amounts of purchase by the Company from related parties were as follows:

	2019	2018
Subsidiaries:		
Everlight China	$ 8,833,769	9,678,700
Others	371,837	586,847
	9,205,606	10,265,547
Associates	75,583	86,141
Other related parties:		
Epistar (Note)	283,245	872,559
	$ 9,564,434	11,224,247

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

The Company purchases finished products and semi-finished products directly from Everlight China and Everlight Zhongshan. The amounts of purchase from triangular trade included the amounts of the Company' s sales of raw materials and semi-finished products, which amounting to $332,601 and $507,792 in 2019 and 2018, respectively. The aforementioned amounts had been eliminated in the financial statements, and were not regarded as sales and purchase transactions. Purchase prices from Everlight China, Everlight Zhongshan, Epistar, Tekcore, and Everlight Fujian are not comparable to other general trading price. There are no significant differences in purchase prices between other related parties and third-party suppliers. The payment terms for Everlight China and Everlight Zhongshan were both OA 120 days, depending on the funding demand. The payment terms for other related parties and third-party suppliers were OA 90 to 150 days.

(Continued)

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Related party categories		December 31, 2019	December 31, 2018
Subsidiaries	$	1,374,570	1,525,693
Less: Credit balance of investments in equity method		(87,705)	(28,966)
	$	1,286,865	1,496,727

(iv) Payables to related parities

The payables to related parties were as follows:

Related party categories		December 31, 2019	December 31, 2018
Subsidiaries			
Everlight China	$	3,699,980	4,000,233
Others		148,277	239,053
		3,848,257	4,239,286
Associates		30,674	29,660
Other related parties:			
Epistar		-	360,512
	$	3,878,931	4,629,458

(v) Property transaction

Details of machinery and equipment sold to related parties were as follows:

		2019		2018	
Related parties Categories		Sale price	Net gain (loss) on sale	Sale price	Net gain (loss) on sale
Subsidiaries:					
Everlight China	$	89,650	2,724	301,778	15,358
Others		337	1	316	8
	$	89,987	2,725	302,094	15,366

The aforementioned sale price included the amounts that the Company purchasing fixed assets on behalf of related parties, which amounted to $50,449 and $112,083 in 2019 and 2018, respectively.

(vi) Commissions expenses

In order to develop overseas market, the Company signed commission contracts with subsidiaries. The commissions fees were calculated in a certain percentage of the sales prices. Details of commissions' expenses were as follows:

Related parties Categories		2019	2018
Subsidiaries:			
Everlight Lighting China	$	100,660	116,176
Evlite		77,796	77,185
ELK		64,491	69,711
ELA		63,673	62,164
ELJ		49,282	58,505
Others		81,286	96,729
	$	**437,188**	**480,470**

(vii) Services expenses

Evervision TW and ELIT were commissioned to manage projects and to implement warranty services by the Company. The services expenses due to these services amounted to $11,483 and $8,175 in 2019 and 2018, respectively.

(viii) Loans to other parties

In order to support the operational funding demands of subsidiaries, the Company signed financing contracts with subsidiaries. Loans to other parties were recorded as other receivables— related parties. The amounts of loans to other parties were $303,875 and $352,262 as of December 31, 2019 and 2018, respectively. The actual usage amounts were as follows:

	Highest balance of financing to other parties		Interest income	
	2019	**2018**	**2019**	**2018**
Subsidiaries:				
WOFI	$ **641,514**	**352,262**	**3,315**	**3,628**

(ix) Guarantees and endorsements for other parties

There were no guarantees and endorsements between the Company and related parties as of December 31, 2019 and 2018.

(x) Others

1) As of December 31, 2019 and 2018, the amounts which were not remitted to the Company by the related parties due to collecting account receivables in China region on behalf of the Company, interest receivables, purchasing fixed assets from the Company, were recorded as other receivables—related parties. The details were as follows:

Related party categories		**December 31, 2019**	**December 31, 2018**
Subsidiaries:			
WOFI	$	308,583	353,797
Everlight China		77,685	270,348
Evlite		65,566	97,497
Others		2,633	7,806
Less: credit balance of investment in equity method		(117,357)	-
	$	**337,110**	**729,448**

2) As of December 31, 2019 and 2018, the unpaid amounts to related parties due to related parties paying freight on behalf of the Company, the Company collecting receivables on behalf of related parties, commissions payables and services payables, were recorded as other account payables—related parties. The details were as follows:

Related party categories		**December 31, 2019**	**December 31, 2018**
Subsidiaries:			
Everlight China	$	62,195	68,647
ELIT		35,540	30,450
Everlight Lighting China		38,038	29,236
Others		26,747	46,852
	$	**162,520**	**175,185**

(c) Key management personnel compensation

Key management personnel compensation comprised:

		2019	**2018**
Short-term employee benefits	$	24,138	31,907
Other		4,800	4,822
	$	**28,938**	**36,729**

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

(Continued)

(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

Assets	Objectives	December 31, 2019	December 31, 2018
Time deposits (recorded as other financial assets – non-current)	Guarantee for contract grants and guarantee for construction contracts	$ 219,109	4,000

(9) Commitments and contingencies

(a) The lawsuits between Nichia Corporation

In March 2012, the Company filed a lawsuit against Nichia Corporation (Nichia) in German Federal Patent Court (GFPC) alleging that Nichia's patent DE69702929 is invalid. The patent is related to specific white LED products. In September 2014, GFPC ruled DE69702929 being invalid, which was in favor of the Company and against Nichia. Afterwards, Nichia appealed to the Federal Court of Justice in October, 2014. In August, 2016, the Federal Court of Justice ruled the patent is valid. In December 2016, the Company filed another patent invalidation lawsuit with new evidences of patent invalidation. GFPC ruled patent being valid in September 2018. The Company decided to withdraw its appeal in October, 2018 because that patent had been expired since July 29, 2017 and there was no risk of injunction. There is no impact to the sales of the current products of the Company.

In April 2016, the Company filed opposition proceedings against Nichia to the European Patent Office (EPO) alleging that Nichia's patents EP2197053 and EP2276080 are invalid. In October 2017, EPO issued a decision that the original patent scope was invalid, and the narrowly amended one was valid. Both Nichia and the Company continued to appeal for the scope of patents. Currently, the case is still in progress in the second instance.

On April 18, 2012, Nichia filed a lawsuit against the Company and Everlight Europe to the Dusseldorf District Court alleging the infringement of patent DE69702929. The patent is related to white LED products with specific phosphor. Dusseldorf District Court ruled against the Company and Everlight Europe on September 3, 2013. The Company then appealed the case in the Dusseldorf Higher Regional Court on October 2, 2013. The Dusseldorf Higher Regional Court ruled against the Company and Everlight Europe on December 22, 2016. The Company and Everlight Europe then appealed in the Federal Court of Justice on January 18, 2017. There is no impact to the sales of the current products of the Company because that patent had been expired July 29, 2017. In addition, this litigation is filed against only certain obsolete products of the Company and Everlight Europe, therefore the operation and sales of the Company won't be seriously impacted by that patent. As a result, the Company decided to withdraw its appeal.

Furthermore, Nichia claimed that Everlight infringed Nichia's patents EP2197053 and EP2276080 (both are part of patent family of the aforementioned patent DE69702929) in July 2015 to the Dusseldorf Higher Regional Court but was rejected by the Court due to procedure flaw. Nichia then filed a lawsuit against the Company and Everlight Europe in the Dusseldorf District Court alleging the infringement of EP2197053 and EP2276080 in December 2016. The patent infringement case related to EP2197053 is currently suspended.

(Continued)

EP2197053 and EP2276080 had been both expired since July 29, 2017, therefore there is no impact to the sales of the current products of the Company. In addition, this litigation is filed against only certain obsolete products of the Group, therefore the operation and sales of the Group won't be seriously impacted by that patent. As a result, the Company had withdrawn from the patent infringement case related to EP2276080 in October, 2018.

(b) The Company has evaluated the future final decision of above cases and the potential demand for payment. The Company believes that it will not have any material effects on the operations of the Company and there is no unrecorded provision.

(c) Significant commitments unrecognized:

(i) As of December 31, 2019 and 2018, the Company's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to $872,196 and $795,043, respectively.

(10) Losses Due to Major Disasters: none

(11) Subsequent Events:

Breaking out of the novel coronavirus in early 2020 had affected the operations of some of the Company's subsidiaries in China. The impact may include postpone on manufacturing and delivery. Due to the ambiguity of the relevant information, the Company is not yet able to appropriately forecast the impact that the novel coronavirus may make on its operation result and the affected amount on its financial status. The Company will continuously follow the development of the epidemic to assess the influence in time.

(12) Other

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

By function / By item	2019			2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	486,488	723,514	1,210,002	540,958	723,439	1,264,397
Labor and health insurance	39,444	58,540	97,984	44,201	60,973	105,174
Pension	13,735	37,167	50,902	16,034	39,310	55,344
Remuneration of directors	-	13,426	13,426	-	8,159	8,159
Others	48,025	39,193	87,218	55,163	47,155	102,318
Depreciation	612,828	404,997	1,017,825	646,871	396,807	1,043,678
Amortization	42,585	28,559	71,144	54,273	35,933	90,206

(Continued)

The followings are additional information of numbers of the Company's employees and employee benefits expense:

	2019	2018
Employees	1,741	1,834
Non-employees of directors	7	6
Average employee benefit expenses	$ 834	835
Average salary expense	$ 698	692
Average salary expense adjustment	0.87 %	

(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 Company for the year ended December 31, 2019:

(i) Loans to other parties:

Unit: foreign currency in thousand dollars

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	WOFI Holding	Other current financial assets	Yes	641,514 (EUR19,000)	303,875 (EUR9,000)	303,875	1.00%	Short-term financing	-	Business turnover	-		-	1,684,289	6,737,157
1	Everlight Zhongshan	Zhongshan Everlight Lighting	〃	Yes	64,738 (RMB14,970)	45,278 (RMB10,470)	45,278 (RMB10,470)	2.50%	Short-term financing	-	〃	-		-	361,155	361,155
2	Everlight BVI	WOFI Holding	Other receivables	Yes	135,056 (EUR4,000)	67,528 (EUR2,000)	67,528 (EUR2,000)	-	Short-term financing	-	〃	-		-	2,795,072	2,795,072

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

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

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

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

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: foreign currency in thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	
The Company	Shin Kong Financial Holding Co., Ltd.	None	Current financial assets at fair value through profit or loss	11	$ 114	-%	114	
〃	SinoPac TWD Money Market Fund	〃	〃	3,377	47,188	-%	47,188	
〃	Cathay Financial Holding Co., Ltd. Preferred Stock B	〃	〃	100	6,400	-%	6,400	
〃	Gigasolar Materials Corporation convertible bonds	〃	〃	200	19,400	-%	19,400	
〃	China Airlines Ltd. convertible bonds	〃	〃	220	21,879	-%	21,879	

(Continued)

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	Global PMX Co., Ltd. convertible bonds	〃	〃	15	1,755	-%	1,755	
〃	Taiwan Chinsan Electronic Industrial Co., Ltd. convertible bonds	〃	〃	41	4,059	-%	4,059	
					$ 100,795			
The Company	Hua-chuang Automobile Information Technical Center Co., Ltd., Stocks	The Company is the corporate director of this company	Non-current financial assets at fair value through other comprehensive income	11,320	2,253	3.45%	2,253	
〃	Epistar Co., Ltd (Epistar) Stocks	None	〃	10,000	323,505	0.92%	323,505	
					$ 325,758			
Pai-yee	Taishin Ta-Chong Money Market Fund	None	Current financial assets at fair value through profit or loss	2,016	28,749	-%	28,749	
〃	Taipei Tech innofund Stocks	Pai-yee is the corporate director of this company	Non-current financial assets at fair value through profit or loss	3,000	41,201	10%	41,201	
Everlight Fujian	Kaistar Lighting (Xiamen) Co., Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	345,960 (RMB80,000)	3.97%	345,960	
〃	Country Lighting (B.V.I.) Ltd.	None	〃	(Note 2)	19,486 (RMB4,506)	8.21%	19,486	
					$ 435,396			
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	86,499 (RMB20,002)	-%	86,499	

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

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Unit: foreign currency in thousand dollars

Name of Company	Name of Counter-party	Relationship	Transaction Details				Abnormal Transaction		Notes/ Account (Payable) or Receivable		Note
			Purchase/ (Sale)	Amount (Note 1)	Percentage of total purchases/ sales	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 3)	Percentage of total notes/accounts receivable (payable)	
The Company	Evlite	100% owned subsidiary	(Sales)	$ (1,473,219)	(8)%	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	443,980	8 %	Note 2
〃	Everlight Europe	75% owned subsidiary	(Sales)	(960,095)	(6)%	OA 120	〃	〃	200,092	3 %	〃
〃	Everlight Lighting China	100% owned sub-subsidiary	(Sales)	(501,944)	(3)%	Depending on the credit conditions of the ultimate customers	〃	〃	561,747	10 %	〃
〃	ELA	99% owned subsidiary	(Sales)	(319,302)	(2)%	OA 140	〃	〃	161,736	3 %	〃
〃	Everlight China	100% owned sub-subsidiary	Purchases	8,833,769	75%	Depending on the demand for funding, OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(3,699,980)	(70)%	〃
〃	Everlight Zhongshan	100% owned sub-subsidiary	Purchases	357,841	3%	Depending on the demand for funding, OA 120	〃	〃	(148,030)	(3)%	〃
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(397,634) (RMB(88,823))	(100)%	Depending on the demand for funding, OA 95	-	Depending on the funding demand of both sides	147,837 (RMB34,186)	100 %	Note 2
Everlight China	〃	〃	(Sales)	(9,123,761) (RMB(2,038,055))	(99)%	Depending on the demand for funding, OA 120	-	〃	3,700,317 (RMB855,663)	99 %	〃
〃	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(117,719) (RMB(26,296))	(1)%	OA 90	Terms not comparable to other general trading price	General sales receivables in 90 days	25,680 (RMB5,938)	1 %	〃
〃	Tekcore	Equity-accounted investee by the Company	Purchases	338,076 (RMB75,519)	6%	OA 120	〃	〃	(137,611) (RMB(31,821))	(6)%	-

(Continued)

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)	
Everlight Lighting China	The Company	Ultimate holding company	Purchases	551,252 (RMB123,138)	45%	Depending on the terms of the ultimate customer	-	Depending on the funding demand of both sides	(571,117) (RMB(132,066))	(67)%	Note 2
〃	Everlight China	With the same parent company	Outsourced manufacturing fee	118,906 (RMB26,561)	10%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	(30,262) (RMB(6,998))	(4)%	〃
ELA	The Company	Parent company	Purchases	312,039 (USD10,092)	100%	OA 140	-	-	(162,527) (USD(5,398))	(99)%	〃
Everlight Europe	The Company	Parent company	Purchases	958,336 (EUR27,689)	100%	OA 120	-	-	(199,918) (EUR(5,921))	(100)%	〃
Evlite	The Company	Parent company	Purchases	1,583,102 (HKD401,151)	100%	OA 90	-	Depending on the funding demand of both sides	(444,018) (HKD(114,891))	(100)%	〃
Evervision TW	Vbest GmbH	Equity-accounted investee by Evervision TW	(Sales)	(133,196)	(16)%	OA 90	No significant difference to the general customers	General sales receivables in 90~120 days	7,244	4 %	〃
〃	Vbest Kunshan	〃	Purchases	436,703	60%	OA 60	Terms not comparable to other general trading price	General purchases rpayments in 90~120 days	(177,371)	(76)%	〃
Vbest GmbH	Evervision TW	65.5% owned subsidiary	Purchases	137,024 (EUR3,959)	100%	OA 90	Terms not comparable to other general trading price	-	(23) (EUR(1))	- %	〃
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(436,613) (USD(14,121))	(99)%	OA 60	Terms not comparable to other general trading price	-	178,116 (USD5,916)	99 %	〃

Note 1: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2019.
Note 2: The transaction amounts of the subsidiaries are inconsistent with the Company's because the financial statements of the subsidiaries do not take into account the adjnstments of the Company's transactions of material processing and in-transit inventory.
Note 3: The accounts were translated into New Taiwan dollars at the exchange rate at the ending date of the reporting period.

(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	200,092	4.42	-		172,320 (USD1,831、EUR3,391)	-
〃	ELA	99% owned subsidiary	161,736	1.79	-		61,649 (USD1,997)	-
〃	Evlite	100% owned subsidiary	443,980	3.22	-		202,762 (USD361、HKD48,597)	-
〃	Everlight Lighting China	100% owned sub-subsidiary	561,747	0.85	-		104,198 (RMB23,425)	-
〃	WOFI Holding	100% owned subsidiary	308,583 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	3,700,317	2.37	-		1,749,412 (RMB404,535)	-
Everlight Zhongshan	The Company	Ultimate holding company	147,837	2.19	-		82,637 (RMB19,109)	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	178,116 (USD5,916)	1.93	-		31,039 (USD1,031)	-

Note 1：Information as of March 24, 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)

(Continued)

(ix) Information derivative financial instruments transaction:

Unit: foreign currency in thousand dollars

Financial instrument	Notional Amount	Transaction date	Maturity date	Rate	Fair Value	Credit risk
The Company:						
Pre-sale forward exchange contract	USD23,000	2019.10.09~ 2019.12.23	2020.01.07~ 2020.03.26	USD/RMB 6.9928~7.1570	7,930	7,930
〃	USD26,000	2019.11.05~ 2019.12.30	2020.01.07~ 2020.03.17	USD/NTD 29.9660~30.5030	7,462	7,462
〃	EUR3,750	2019.10.02~ 2019.12.31	2020.01.07~ 2020.04.23	EUR/USD 1.1008~1.1278	(1,127)	-
Cross currency swap	USD30,000	2019.06.18	2020.06.10	USD/NTD 31.4	(38,312)	-
Everlight Zhongshan:						
Other derivative financial instrument contracts	RMB20,000	2019.12.30	2020.04.02	3.60%	9	-

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Unit: foreign currency in thousand dollars

Investor company	Investee company	Location	Main businesses and products	Original investment amount: December 31, 2019	Original investment amount: December 31, 2018	Ending balance: Shares (In thousands)	Ending balance: Percentage of ownership	Ending balance: Carrying value	Net income (Losses) of the Investee (Note 4)	Share of profits/losses of investee	Note
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	4,759,166	4,947,563	1,483	98%	$ 6,847,928	193,776	189,899	Subsidiaries
〃	Pai-yce	New Taipei City	Investment	580,253	580,253	23,940	100%	464,775	11,807	11,807	Subsidiaries
〃	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(87,705)	(61,604)	(60,933)	Subsidiaries
〃	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	215,450	28,426	6,899	Subsidiaries
〃	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	52,111	63,063	47,298	Subsidiaries
〃	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	35,218	4,900	4,900	Subsidiaries
〃	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	425,506	(7,922)	(7,922)	Subsidiaries
〃	Zenaro TW	New Taipei City	Sale of LED lighting products	-	380,100	(Note 3)	%	(Note 3)	29	29	Subsidiaries
〃	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	230,634	26,859	26,916	Subsidiaries
〃	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	41,589	(119,617)	(11,555)	(Note 1)
〃	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	106,113	11,301	11,301	Subsidiaries
〃	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	12,507	(2,269) (INR5,167)	(1,815)	Subsidiaries
〃	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	13,459	(3,898)	(3,898)	Subsidiaries
〃	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	(117,357)	(151,010)	(151,010)	Subsidiaries
〃	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	12,883	(9,771)	(9,771)	Subsidiaries
Pai-yce	Everlight BVI	Registered in British Virgin Islands	Investment	124,508	124,508	38	2%	139,754	193,776	3,877	Subsidiaries
〃	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	101,822	28,426	3,829	Subsidiaries

(Continued)

Investor company	Investee company	Location	Main businesses and products	Original investment amount: December 31, 2019	Original investment amount: December 31, 2018	Ending balance: Shares (In thousands)	Ending balance: Percentage of ownership	Ending balance: Carrying value	Net income (Losses) of the Investee (Note 4)	Share of profits/losses of investee	Note
Pai-yee	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	18,867	-	4,103	4.27%	18,383	(119,617)	(3,079)	(Note 2)
〃	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	758	68	68	Sub-subsidiaries
〃	ELI	India	Sale of LEDs	493	493	88	20%	3,125	(2,269) (INR5,167)	(454)	Subsidiaries
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%	177,855	28,426	7,891	Subsidiaries
〃	Eleocom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	45,000	30,000	4,500	32.14%	14,792	(55,720)	(16,819)	-
Evervision TW	Well	Hsinchu County	Merchandising of electronic materials	14,000	-	200	20%	4,249	5,737	1,222	-

Note 1: The market price is $45,899 thousand dollars.
Note 2: The market price is $20,269 thousand dollars.
Note 3: The liquidation process had been completed in October, 2019.
Note 4: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2019.

(c) Information on investment in Mainland China:

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

Unit: foreign currency in thousand dollars

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership owned directly or indirectly by the company	Investment Income (losses) (Note 4)	Carrying amount as of December 31, 2019 (Note 6)	Accumulated remittance of earnings as of December 31, 2019
The Company and Pai-yee:												
Everlight China	Manufacture of LEDs	3,698,681 (US$113,500、RMB65,129) (Note 7)	(Note 1)	3,322,498 (US$110,360)	-	-	3,322,498 (US$110,360)	200,357	100%	200,357	5,476,393	(Note 8)
Everlight Lighting China	Sale of LEDs	240,848 (US$8,000) (Note 11)	(Note 1)	156,551 (US$5,200)	-	-	156,551 (US$5,200)	(12,973)	100%	(12,973) (Note 12)	166,548 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	198,456 (US$128、RMB45,000) (Note 20)	(Note 1)	3,854 (US$128)	-	-	3,854 (US$128)	(328)	100%	(328) (Note 21)	193,733 (Note 21)	-
Everlight Zhongshan	Manufacture of LED related components	903,180 (US$30,000)	(Note 1)	903,180 (US$30,000)	-	-	903,180 (US$30,000)	503	100%	503	902,889	-
Everlight Fujian	Manufacture and sale of LED backlights and related	752,650 (US$25,000)	(Note 1)	648,658 (US$16,250、RMB36,868)	-	-	648,658 (US$16,250、RMB36,868)	12,865	90%	11,579	589,028	-
Shanghai Yaming Lighting Co., Ltd.(Yaming)	Assemble LED lighting products	86,490 (RMB20,000)	(Note 1)	44,075 (US$1,464)	-	-	44,075 (US$1,464)	-	50%	-	-	-
ELMS	Research and sale of LED lighting products	410,828 (RMB95,000) (Note 23)	Direct investment	106,255 (US$1,294、RMB15,562)	-	-	106,255 (US$1,294、RMB15,562)	1,179	100%	1,179 (Note 22)	9,587 (Note 22)	-
Yi-Yao	Research of electronic components	49,602 (RMB11,470)	(Note 1)	27,945 (RMB6,462)	-	-	27,945 (RMB6,462)	-	100%	-	-	-
Evervision TW:												
Vbest Kunshan	Post-assemble STN display and assemble module	541,908 (US$18,000)	(Note 2)	541,908 (US$18,000)	-	-	541,908 (US$18,000)	(12,491)	65.50%	(8,182)	430,870	-

(Continued)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership owned directly or indirectly by the company	Investment Income (losses) (Note 4)	Carrying amount as of December 31, 2019 (Note 6)	Accumulated remittance of earnings as of December 31, 2019
					Outflow	Inflow						
Everlight Lighting China:												
Zhongshan Everlight Lighting	Research and sale of LED lighting products	86,490 (RMB20,000)	(Note 3)	-	-	-	-	(2,702)	100%	(2,702)	(50,238)	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2019 (Note 6)	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (Note 6)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company and Pai-yee (Note 5)	5,342,683 (US$169,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 16 and 17)	5,403,412 (US$170,829 thousand 、 RMB60,223 thousand)	10,105,735
ELIT	142,059 (US$2,723 thousand 、 RMB13,893 thousand) (Notes 18 and 19)	142,059 (US$2,723 thousand 、 RMB13,893 thousand)	138,346 (Note 13)
Evervision TW	636,320(Note 15and 24) (US$21,136 thousand)	636,320 (US$21,136 thousand)	458,886 (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 Yaming and Everlight Electronic (Guangzhou), which recognized their gains and losses on investment in accordance with self-reported financial statements of investees, the gains and losses on investment of the remaining companies were recognized according to the investees' financial statements which had been reasonably audited by the certified public accountants of the parent company and other accountants, and the amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2019.

Note 5: Including the investment amount of US$ 3,790 thousand approved by Pai-yee.

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

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

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

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

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

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

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

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.

(Continued)

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

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

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

Note 19: Including ELIT's accumulated outflow of investment from Taiwan amounting to US$ 723 thousand. In January 2015, adjustments were made to coordinate with the organizational structure of the Group, and the Company acquired control over Yi-Yao through Everlight SSL (HK) invested Yi-Yao amounting RMB$6,462 thousand.

Note 20: The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in Everlight Electronic (Guangzhou) from Everlight China's owned fund.

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

Note 22: Including the gains or losses on investment and ending balance of the carrying value of investment in ELMS by Everlight Electronic (Guangzhou).

Note 23: The difference from the Company's outflow of investment was due to the amount of RMB45,000 thousand invested in ELMS from Everlight Electronic (Guangzhou).

Note 24: The liquidation of Debao was completed in June, 2017; and the aforesaid investment amounting to US$386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Company and the investee companies in Mainland China for the year ended December 31, 2019.

(14) Segment information:

Please refer to consolidated financial statements for the year ended December 31, 2019.

Everlight Electronics Co., Ltd.

Statement of Cash and Cash Equivalents

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Checking accounts		$ 296
Demand deposits		841,040
Foreign currency deposits	Including USD12,028 thousand @30.1060, JPY 96,938 thousand @0.2770, HKD 14,450 thousand @3.8647, EUR 1,374 thousand @33.7639, CNY 26,888 thousand @4.3245 and KZT 196,492 thousand @0.0786	622,995
Time deposits	NTD(Maturity date：2020.03.17)	84,000
Time deposits	CNY 120,900 thousand(Maturity date：2020.01.06)	522,832
		$ 2,071,163

Statement of Notes and Accounts Receivables from Non-related Parties

Client Name 22	Description	Amount
Notes Receivable (Note)	Non-related party sales	$ 7,616
Accounts Receivable:		
Client B014	〃	232,641
Client B015	〃	271,419
Others (Note)	〃	4,117,917
		4,621,977
Less: Loss allowance		128,559
		4,493,418
Total		$ 4,501,034

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Everlight Electronics Co., Ltd.

Statement of Accounts Receivables from Related Parties

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Client Name 33	Description	Amount
Accounts receivable:		
Everlight Lighting China	Related-party sales	$ 561,747
Evlite	〃	443,980
Everlight Europe	〃	200,092
ELA	〃	74,031
Others (Note)	〃	7,015
Total		$ 1,286,865

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Statement of Inventories

Item	Amount	
	Cost	Net Realizable Value
Finished goods	$ 681,230	
Less: Allowance for inventory market decline and obsolescence	(179,488)	
	501,742	546,971
Work in Process	95,056	
Less: Allowance for inventory market decline and obsolescence	-	
	95,056	95,056
Raw Materials	177,073	
Less: Allowance for inventory market decline and obsolescence	(84,618)	
	92,455	94,322
Total	$ 689,253	736,349

Everlight Electronics Co., Ltd.

Statement of Other Current Assets

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Prepaid expenses		$ 52,896
Other current assets:		
VAT Refund	Value-added tax refund	36,824
Income tax refund receivable	Business income tax refund receivable	21,454
Others(Note)	Excess business tax paid, fund of cooperation project and inspection - awaited assets	18,645
Total		76,923
		$ **129,819**

Note: The amount of each item included in others does not exceed 5% of the account balance.

Statement of Other Current Financial Assets

Item	Description	Amount
Time deposits	Time deposit with maturities over three months from the acquisition date	$ 2,783,840
Others	Estimated interest receivable, etc.	45,913
		$ **2,829,753**

Note: The amount of each item included in others does not exceed 5% of the account balance.

Everlight Electronics Co., Ltd.

Statement of Changes in Investments Accounted for Using Equity Method

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

	Balance, January 1, 2019		Increase		Decrease (Note 1)		Reclassification		Share of profit (loss) Recognized	Amounts for Exchanges Differences on Translation Foreign Operations	Unrealized Gains (losses) on Financial Assets	Other Adjustment Amount (Note 2)	Balance, December 31, 2019			2019.12.31 Market price or Net Value	Collaterals or pledged assets
Investees Company	Shares (In Thousands)	Amounts	Shares (In Thousands)	Amounts	Shares (In Thousands)	Amounts	Shares (In Thousands)	Amounts					Shares (In Thousands)	Percentage of ownership	Amounts		
Investments Accounted For Using Equity Method：																	
Everlight BVI	-	$ 7,126,119	-	-	(120)	(188,397)	-	-	189,899	(212,225)	-	(67,468)	1,483	98.00	6,847,928	6,847,928	None
Pai-yee	-	465,576	-	-	-	-	-	-	11,807	(7,515)	-	(5,093)	23,940	100.00	464,775	477,654	None
Forever	-	471,366	-	-	-	(25,493)	-	-	(7,922)	(6,284)	-	(6,161)	42,488	100.00	425,506	425,506	None
Everlight Europe	-	101,535	-	-	-	(90,789)	-	-	47,298	(5,933)	-	-	75	75.00	52,111	52,111	None
Evervision TW	-	213,813	-	-	-	-	-	-	6,899	(5,493)	-	231	4,477	24.27	215,450	183,462	None
ELA	-	(28,966)	-	-	-	-	-	-	(60,933)	2,194	-	-	11,375	98.91	(87,705)	(87,705)	None
ELK	-	32,276	-	-	-	-	-	-	4,900	(1,958)	-	-	38	100.00	35,218	35,218	None
Evlite	-	96,531	-	-	-	-	-	-	11,301	(1,719)	-	-	7,000	100.00	106,113	106,113	None
Tekcore	-	53,147	-	-	-	-	-	-	(11,555)	(6)	-	3	9,291	9.66	41,589	45,899	None
Zenaro TW	-	47,203	-	-	(20,062)	(47,232)	-	-	29	-	-	-	-	-	-		None
ELIT	-	213,518	-	-	-	(9,800)	-	-	26,916	-	-	-	20,000	100.00	230,634	230,634	None
ELI	-	14,946	-	-	-	-	-	-	(1,815)	(624)	-	-	353	80.00	12,507	12,507	None
ELS	-	17,436	-	-	-	-	-	-	(3,898)	(79)	-	-	200	100.00	13,459	13,459	None
ELJ	-	22,718	-	-	-	-	-	-	(9,771)	(64)	-	-	5	100.00	12,883	12,883	None
WOFI	-	31,619	-	-	-	-	-	-	(151,010)	2,034	-	-	5,775	100.00	(117,357)	(117,357)	None
ELMS	-	(192,417)	-	-	-	-	-	-	1,179	6,223	-	-	-	100.00	(185,015)	(185,015)	None
		8,686,420		-		(361,711)		-	53,324	(231,449)	-	(78,488)			8,068,096		
Recorded as deduction of assets：																	
Accounts receivable		28,966		-		-		-	-	-	-	58,739			87,705		
Other receivables -related parties		-		-		-		-	-	-	-	117,357			117,357		
Credit balance of investments in equity method		192,417		-		-		-	-	-	-	(7,402)			185,015		
Total		$ 8,907,803		-		(361,711)		-	53,324	(231,449)	-	90,206			8,458,173		

Note 1: Decrease in current period included cash dividends of $126,082, proceeds $188,397 from capital reduction of investments for using equity method, and liquidating dividend of $47,232 from investments for using equity method.
Note 2: Other adjustment amounts included a decrease in equity of investee companies of $79,116, a increase in actuarial gains and losses of $628., and an increase in credit balance of investments in equity method of $168,694.

Everlight Electronics Co., Ltd.

Statement of Changes in Property, Plant and Equipment

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Please refer to note (6)(i).

Statement of Right-of-use Assets

Please refer to note (6)(j).

Statement of Intangible Assets

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Intangible Assets	Patent right	$ 40,683
	ERP software system	15,044
Total		$ 55,727

Statement of Other Non-current Assets

Item	Description	Amount
Refundable deposits	Guarantees for tariffs, Illuminating warranty, etc.	$ 93,429
Investment property	Land	26,263
Pledged deposits	Pledged deposits - construction performance guarantee	219,109
Long-term receivables	Installment construction receivables	36,128
		$ 374,929

Everlight Electronics Co., Ltd.

Statement of short-term borrowings

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Bank	Description	Contract Period	Range of Interest Rates (%)	Loan Commitments (in thousands)	Amount	Collaterals or pledged assets
HSBC	Credit Loans	2019.12~2020.03	2.17%	USD35,000	$ 903,180	None
Citibank	〃	2019.11~2020.03	0.44%~2.02%	USD38,000	785,571	None
HNBK	〃	2019.12~2020.06	2.50%	NTD300,000	60,212	None
Land Bank of Taiwn	〃	2019.12~2020.01	2.56%	NTD1,000,000	60,212	None
SCSB	〃	2019.12~2020.01	2.14%	USD20,000	90,318	None
					$ 1,899,493	

Statement of Notes and Accounts Payables to Non-related Parties

Item	Description	Amount
Vendor C	Non-related party operating cost	$ 125,487
Vendor Q	〃	290,416
Others(Note)	〃	1,021,463
Total		$ 1,437,366

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

Everlight Electronics Co., Ltd.

Statement of Accounts Payables to Related Parties

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Everlight China	Related party operating cost	$ 3,699,980
Others(Note)	〃	178,951
Total		$ 3,878,931

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

Statement of Bonds Payable

Please refer to note (6)(m).

Statement of Lease Liabilities

Item	Lease-term	Discount rate	Amount
Land	4~20 years	1.154%~1.305%	$ 245,005
Vehicles	2~4 years	1.021%~1.154%	5,563
			$ 250,568

Everlight Electronics Co., Ltd.

Statement of Other Current Liabilities

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Accrued payroll and bonuses	December 2019 wages and salaries expense, estimated year-end bonuses of 2019, and remuneration of employees and directors.	$ 439,822
Financial liabilities held for trading	Derivative not used for hedging	39,440
Others (Note)	Payables for professional service, patents, commissions, receipts under custody and payment on behalf of others, labor and health insurances, utilities expenses, etc..	274,584
		$ 753,846

Note: The amount of each item included in others does not exceed 5% of the account balance.

Statement of Other Non-currnet Liabilities

Item	Description	Amount
Guarantee deposits received		$ 139,217
Credit balance of investments in equity method		185,015
Provisions	Warranties	54,056
Total		**$ 378,288**

Note: The amount of each item included in others does not exceed 5% of the account balance.

Everlight Electronics Co., Ltd.

Statement of Sales Revenue

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity (in thousands)	Net Sales
Sales Revenue:		
Luminous element	21,127,678	$ 11,149,922
Sensing element	6,033,515	6,004,018
Illumination	17	35,269
Others	157,539	8,630
		17,197,839
Construction revenue	-	192,534
Net sales revenue		$ 17,390,373

Note: The above amount has deducted sales returns and discounts.

Everlight Electronics Co., Ltd.

Statement of Operating Costs

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of the year	$ 183,704
Add: Purchases of raw materials	3,285,477
Gains on physical counts of raw materials	14,754
Less: Raw materials, end of the year	(177,073)
Cost of sales on raw materials(including that for processing)	(315,850)
Transferred to expenses for requisition by indirect and research departments	(50,987)
Raw materials used for current period	2,940,025
Direct labor	345,356
Manufacturing expenses	1,208,739
Manufacturing cost for the current period	4,494,120
Add: Work in process, beginning of the year	72,984
Purchases	742
Less: Work in process, end of the year	(95,056)
Transferred to expenses for requisition by indirect and research departments	(19)
Cost of goods manufactured	4,472,771
Add: Finished goods, beginning of the year	706,459
Purchases (including costs of raw materials and semi-finished products which from processing)	9,669,840
Less: Finished goods, end of year	(681,230)
Transferred to expenses for requisition by indirect and research department	(17,546)
Transferred to construction costs and others	(112,852)
Transferred to disposal	(1,173)
Cost of selling finished goods	14,036,269
Add: Costs of selling tools	32,078
Allowance for inventory valuation and obsolescence loss	(17,400)
Construction costs	160,131
Others	(8,502)
Less: Gains from sales of scraps	(19,792)
Total	**$ 14,182,784**

Everlight Electronics Co., Ltd.

Statement of Operating Expenses

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expense	Administrative expenses	Research and development expenses
Wages and salaries	$ 194,825	317,783	261,499
Advertisements	68,852	1,274	-
Professional service fees	9,575	95,549	6,437
Depreciation	2,527	274,941	127,529
Commission expenses	444,678	-	-
Export charges	79,315	2,800	-
Research expenses	-	-	84,684
Others (Note)	74,479	218,521	142,354
Total	$ **874,251**	**910,868**	**622,503**

Note: The amount of each item include in others does not exceed 5% of the account balance.

Representation Letter

The entities that are required to be included in the combined financial statements of Everlight Electronics Co., Ltd. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Everlight Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Everlight Electronics Co., Ltd.
Chairman: Robert Yeh
Date: March 24, 2020

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Everlight Electronics Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

1. Inventory valuation

   Please refer to note 4(h) for accounting policy related to valuation of inventory; note 5 for uncertainty of inventory valuation; and note 6(f) for information regarding inventory and related expenses.

Description of key audit matters:

Due to the impact of product life cycle and industrial competition in electronic industry, the price variability on the inventory of the Group is expected. Therefore, the test of inventory valuation is one of the significant assessment items in our audit procedures.

Audit procedures:

Our principal audit procedures included: assessing the allowance for inventory valuation and obsolescence losses to determine whether the policies of the Group and the accounting policies are applied accordingly, and inspecting the aging inventory statement, analyzing the change in aging inventory, as well as verifying the aging inventory statement and the calculation of lower of cost or net realizable value in order to verify the rationality of assessment on allowance to reduce the price of inventory to the market price.

2. Accounts receivable valuation

Please refer to note 4(g) (i) 4) for accounting policy of accounts receivable valuation; note 5 for uncertainty of accounts receivable valuation; note 6(d) and note 6(e) for information regarding accounts receivable valuation.

Description of key audit matters:

The valuation on accounts receivable uses the lifetime expected credit loss (ECL) of accounts shown in objective evidence to calculate loss allowance. Due to the wide variety of the Group's customers, the ECL of accounts receivable is affected by the operating conditions of the customers, external industrial environment, market economics, etc. Therefore, the valuation of accounts receivable is one of the significant assessment items in our audit procedures.

Audit procedures:

Our principal audit procedures included: determing whether the evaluation policy of the Group and the accounting policies are appied accordingly; understanding the reasons and the recoverability of long overdue receivables in subsequent period, as well as evaluating the rationality of assessment on allowance estimated by the management.

3. Revenue recognition

Please refer to note 4(q) for the accounting policy of revenue; and note 6(z) for information regarding revenue recognition.

Description of key audit matters:

The main activities of the Group include manufacturing and selling of products on light-emitting and sensing components. The sales revenue is a key matter in the consolidated financial statements, and the amounts and changes of sales revenue may affect the users' understanding of the entire financial statements. Therefore, testing over revenue recognition is one of the significant assessment items in our audit procedures.

Audit Procedures:

Our principal audit procedures included: testing the related controls surrounding the aforementioned sales and collection cycle; testing of details; as well as selectively conducting external confirmations in order to evaluate the accuracy of the timing of the operating revenue recognition and determine whether related accounting policies are applied appropriately of the Group.

KPMG

Other Matter

Everlight Electronics Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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)
March 24, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 4,982,698	18	4,530,385	16
1110	Current financial assets at fair value through profit or loss (note 6(b))	596,882	2	1,327,790	5
1140	Current contract assets (note 6(z))	106,363	-	78,550	-
1170	Notes and accounts receivable, net (note 6(d))	6,027,709	21	6,699,339	23
1180	Accounts receivable due from related parties, net (notes 6(d) and 7)	34,684	-	97,465	-
1310	Inventories (note 6(f))	1,785,349	6	1,850,867	6
1470	Other current assets	423,006	2	505,270	2
1476	Other current financial assets (notes 6(a),6(d), 6(e), 6(l) and 8)	3,429,945	12	2,270,755	8
		17,386,636	61	17,360,421	60
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	41,201	-	41,467	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	325,758	1	331,056	1
1550	Investments accounted for using equity method, net (note 6(g))	79,013	-	110,868	-
1600	Property, plant and equipment (note 6(j))	8,909,437	32	10,239,693	35
1755	Right-of-use assets (note 6(k))	404,510	2	-	-
1780	Intangible assets	82,650	-	124,585	-
1840	Deferred tax assets (note 6(t))	457,663	2	427,294	2
1900	Other non-current assets (notes 6(a), 6(d), 6(s), 6(x) and 8)	662,204	2	448,759	2
		10,962,436	39	11,723,722	40
	Total assets	$ 28,349,072	100	29,084,143	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(m))	$ 2,582,152	9	3,111,970	11
2130	Current contract liabilities (note 6(x))	23,752	-	26,191	-
2170	Notes and accounts payable	4,199,131	15	3,467,355	12
2180	Accounts payable to related parties (note 7)	168,285	-	1,035,028	4
2213	Payable on machinery and equipment	298,852	1	417,193	1
2230	Current tax liabilities	201,077	1	173,007	1
2280	Current lease liabilities (note 6(q))	49,958	-	-	-
2300	Other current liabilities (notes 6(b) and 6(n))	1,621,844	6	1,718,218	6
2410	Bonds payable, current portion (note 6(p))	1,119,659	4	-	-
2322	Long-term borrowings, current portion (note 6(o))	15,778	-	12,958	-
		10,280,488	36	9,961,920	35
	Non-Current liabilities:				
2530	Bonds payable (note 6(p))	-	-	1,102,525	4
2540	Long-term borrowings (note 6(o))	37,866	-	51,831	-
2570	Deferred tax liabilities (note 6(t))	183,169	1	261,798	1
2580	Non-current lease liabilities (note 6(q))	262,852	1	-	-
2640	Non-current provisions for employee benefits (note 6(s))	124,282	-	137,484	-
2600	Other non-current liabilities	265,987	1	215,959	1
		874,156	3	1,769,597	6
	Total liabilities	11,154,644	39	11,731,517	41
	Equity:				
	Equity attributable to owners of parent (note 6(u)):				
3110	Ordinary shares	4,432,457	16	4,429,996	15
3200	Capital surplus (notes 6(i) and 6(p))	9,089,121	32	9,159,142	31
	Retained earnings:				
3310	Legal reserve	2,589,754	9	2,510,447	9
3320	Special reserve	1,224,277	4	830,794	3
3350	Unappropriated retained earnings (note 6(g))	968,323	4	1,281,854	4
		4,782,354	17	4,623,095	16
3400	Other equity interests	(1,461,039)	(5)	(1,224,277)	(4)
		16,842,893	60	16,987,956	58
3610	**Non-controlling interests**	351,535	1	364,670	1
	Total equity	17,194,428	61	17,352,626	59
	Total liabilities and equity	$ 28,349,072	100	29,084,143	100

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share, which is expressed in New Taiwan Dollars)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(x) and 7)**	$ 20,966,541	100	24,089,291	100
5110	**Cost of sales (notes 6(f), 6(s), 7 and 12)**	15,838,093	76	18,434,713	77
5900	**Gross profit**	5,128,448	24	5,654,578	23
	Operating expenses (notes 6(s) and 12):				
6100	Selling expenses	1,524,014	7	1,632,479	6
6200	Administrative expenses	1,981,921	9	2,265,057	9
6300	Research and development expenses	750,665	4	848,926	4
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	36,655	-	19,048	-
		4,293,255	20	4,765,510	19
6900	**Net operating income**	835,193	4	889,068	4
	Non-operating income and expenses:				
7100	Interest income (note 6(z))	47,956	-	74,533	-
7190	Other income (note 6(g))	144,259	1	175,674	1
7210	Gains (loss) on disposals of property, plant and equipment	92,912	-	3,187	-
7225	Gains on disposals of investments (note 6(i))	37,038	-	(556)	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss, net (note 6(p))	17,018	-	43,198	-
7050	Finance costs (notes 6(p), 6(q) and 6(z))	(70,034)	-	(123,237)	(1)
7590	Other expenses and losses (note 6(p))	(35,877)	-	(72,843)	-
7630	Foreign exchange gains (losses), net (note 6(aa))	73,131	-	144,010	1
7670	Impairment loss (note 6(g))	(45,657)	-	-	-
7770	Share of profit (loss) of associates accounted for using equity method (note 6(g))	(30,231)	-	(9,075)	-
		230,515	1	234,891	1
7900	**Profit before tax**	1,065,708	5	1,123,959	5
7950	Less: Income tax expenses (note 6(t))	214,379	1	260,880	1
	Profit	851,329	4	863,079	4
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(s))	10,401	-	4,818	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,298)	-	(194,768)	(1)
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss (note 6(g))	4	-	(46)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(t))	2,080	-	(2,654)	-
		3,027	-	(187,342)	(1)
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(249,426)	(1)	(205,082)	(1)
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(t))	(5,676)	-	(4,150)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(243,750)	(1)	(200,932)	(1)
8300	**Other comprehensive income**	(240,723)	(1)	(388,274)	(2)
	Total comprehensive income	$ 610,606	3	474,805	2
	Profit, attributable to:				
	Owners of parent	$ 822,244	4	793,069	4
	Non-controlling interests	29,085	-	70,010	-
		$ 851,329	4	863,079	4
	Total comprehensive income attributable to:				
	Owners of parent	$ 593,478	3	410,915	2
	Non-controlling interests	17,128	-	63,890	-
		$ 610,606	3	474,805	2
	Earnings per share (note 6(w))				
9750	**Basic earnings per share**	$	1.86		1.80
9850	**Diluted earnings per share**	$	1.80		1.66

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
			Retained earnings			Other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 4,404,486	9,139,711	2,390,096	1,419,253	1,326,186	(437,489)	(389,010)	(826,499)	17,853,233	323,710	18,176,943
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	120,351	-	(120,351)	-	-	-	-	-	-
Special reserve	-	-	-	(588,459)	588,459	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,321,133)	-	-	-	(1,321,133)	-	(1,321,133)
	-	-	120,351	(588,459)	(853,025)	-	-	-	(1,321,133)	-	(1,321,133)
Profit for the period	-	-	-	-	793,069	-	-	-	793,069	70,010	863,079
Other comprehensive income for the period	-	-	-	-	7,446	(194,832)	(194,768)	(389,600)	(382,154)	(6,120)	(388,274)
Total comprehensive income for the period	-	-	-	-	800,515	(194,832)	(194,768)	(389,600)	410,915	63,890	474,805
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(3,656)	-	-	-	-	-	-	(3,656)	-	(3,656)
Share-based payments transactions	25,510	22,555	-	-	-	-	-	-	48,065	-	48,065
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(22,930)	(22,930)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	8,178	-	(8,178)	(8,178)	-	-	-
Other	-	532	-	-	-	-	-	-	532	-	532
Balance at December 31, 2018	4,429,996	9,159,142	2,510,447	830,794	1,281,854	(632,321)	(591,956)	(1,224,277)	16,987,956	364,670	17,352,626
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	79,307	-	(79,307)	-	-	-	-	-	-
Special reserve	-	-	-	393,483	(393,483)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(664,555)	-	-	-	(664,555)	-	(664,555)
	-	-	79,307	393,483	(1,137,345)	-	-	-	(664,555)	-	(664,555)
Profit for the period	-	-	-	-	822,244	-	-	-	822,244	29,085	851,329
Other comprehensive income for the period	-	-	-	-	7,996	(231,464)	(5,298)	(236,762)	(228,766)	(11,957)	(240,723)
Total comprehensive income for the period	-	-	-	-	830,240	(231,464)	(5,298)	(236,762)	593,478	17,128	610,606
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(72,690)	-	-	-	-	-	-	(72,690)	-	(72,690)
Changes in ownership interests in investee companies	-	-	-	-	(6,426)	-	-	-	(6,426)	-	(6,426)
Share-based payments transactions	2,461	2,669	-	-	-	-	-	-	5,130	-	5,130
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(30,263)	(30,263)
Balance at December 31, 2019	$ 4,432,457	9,089,121	2,589,754	1,224,277	968,323	(863,785)	(597,254)	(1,461,039)	16,842,893	351,535	17,194,428

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,065,708	1,123,959
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	2,089,477	2,100,691
Expected credit loss	36,655	19,048
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	82,487	(62,413)
Interest expense	70,034	123,237
Interest income	(47,956)	(74,533)
Share-based payments compensation cost (gain)	748	(1,533)
Share of loss of associates and joint ventures accounted for using equity method	30,231	9,075
Loss (gain) on disposal of investments	(37,038)	556
Gain on disposal of property, plan and equipment	(92,912)	(3,187)
Impairment loss	45,657	-
Loss on bonds redemption	-	42,668
Others	5,094	5,403
Total adjustments to reconcile profit (loss)	2,182,477	2,159,012
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	675,405	(90,453)
Increase in contract assets	(27,813)	(78,550)
Decrease in notes and accounts receivable (including related parties)	637,801	1,693,138
Decrease in inventories	65,518	638,785
Decrease in other current assets	46,244	4,910
Decrease in notes and accounts payable (including related parties)	(134,967)	(1,082,248)
Decrease in provisions	(16,764)	(13,562)
Decrease in other current liabilities	(133,846)	(609,574)
Decrease in non-current provisions for employee benefits	(3,992)	(19,590)
Increase (decrease) in current contract liability	(2,439)	18,122
Others	39,871	(29,270)
Total changes in operating assets and liabilities	1,145,018	431,708
Cash inflow generated from operations	4,393,203	3,714,679
Interest received	46,963	90,978
Interest paid	(55,441)	(45,569)
Income taxes paid	(283,047)	(223,956)
Net cash flows from operating activities	4,101,678	3,536,132
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	18,227
Acquisition of investments accounted for using equity method	(50,465)	(30,000)
Acquisition of property, plant and equipment	(898,237)	(1,368,862)
Proceeds from disposal of property, plant and equipment	171,183	292,875
Decrease in refundable deposits	18,572	8,928
Acquisition of intangible assets	(48,423)	(46,359)
Decrease (increase) in other financial assets	(1,224,833)	4,452,044
Increase in restricted deposits	(198,448)	(104,463)
Decrease (increase) in prepayments for business facilities	(46,796)	9,701
Others	-	1,190
Net cash flows from (used in) investing activities	(2,277,447)	3,233,281
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(529,818)	930,559
Repayments of bonds	-	(6,528,800)
Repayments of long-term borrowings	(9,467)	-
Proceeds from long-term borrowings	-	64,789
Increase (decrease) in guarantee deposits received	66,883	(653)
Payment of lease liabilities	(51,947)	-
Cash dividends paid	(664,555)	(1,321,133)
Exercise of employee stock options	4,382	49,598
Change in non-controlling interests	(30,263)	(22,930)
Other financing activities	-	532
Net cash flows used in financing activities	(1,214,785)	(6,828,038)
Effect of exchange rate changes on cash and cash equivalents	(157,133)	(179,996)
Net decrease in cash and cash equivalents	452,313	(238,621)
Cash and cash equivalents at beginning of period	4,530,385	4,769,006
Cash and cash equivalents at end of period	$ **4,982,698**	**4,530,385**

See accompanying notes to consolidated financial statements.

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

(1) Company history

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

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

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

These consolidated financial statements were authorized for issuance by the board of directors on March 24, 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, 2019.

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

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

(Continued)

(i) IFRS 16"Leases"

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

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

1) Definition of a lease

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

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

2) As a lessee

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

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

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

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

— Applied a single discount rate to a portfolio of leases with similar characteristics.

— Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

(Continued)

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on the historical cost basis:

1) Financial assets at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value.

3) The defined benefit liabilities (assets) is measured at fair value of the plan assets less the pressent value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Group consolidated financial statements are presented in New Taiwan dollar, which is the Company's functional currency. All financial information presented in New Taiwan dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from Intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

(ii) List of subsidiaries in the consolidated financial statements

The list of subsidiaries in the consolidated financial statements are as follows:

Investor	Name of subsidiary	Nature of business	Percentage of ownership December 31, 2019	Percentage of ownership December 31, 2018	Description
The Company	Pai-yee Investment Co., Ltd. (Pai-yee)	Investment	100 %	100 %	
The Company and Pai-yee	Everlight (BVI) Co., Ltd. (Everlight BVI)	Investment	100 %	100 %	
The Company	Everlight Electronics (Europe) GmbH (Everlight Europe)	Sale of LEDs	75 %	75 %	
The Company	Everlight Americas, Inc. (ELA)	Sale of LEDs	99 %	99 %	
The Company	Everlight Optoelectronics Korea Co., Ltd. (ELK)	Sale of LEDs	100 %	100 %	
The Company	Forever Investment Co., Ltd. (Forever)	Investment	100 %	100 %	
The Company	Everlight Intelligence Technology Co., Ltd. (ELIT, former name: Everlight Lighting Co., Ltd.)	Sale of LED lighting products	100 %	100 %	
The Company	Zenaro Lighting Co., Ltd. (Zenaro TW)	Sale of LED lighting products and investment	- %	100 %	Note 4
The Company	WOFI Leuchten GmbH (WOFI Holding)	Sale of lighting products, pendants and accessories	100 %	100 %	
The Company and Pai-yee	Everlight Electronic India Private Limited (ELI)	Sale of LEDs	100 %	100 %	
The Company	Evlite Electronics Co., Ltd. (Evlite)	Sale of LEDs	100 %	100 %	
The Company	Everlight Electronics Singapore Pte. Ltd. (ELS)	Sale of LEDs	100 %	100 %	
The Company	Everlight Japan Corporation (ELJ)	Sale of LEDs	100 %	100 %	
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 %	
Pai-yee	Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia)	Business development and customer services	100 %	100 %	
Everlight BVI	Everlight Electronics (China) Co., Ltd. (Everlight China)	Manufacture of LEDs	100 %	100 %	
Everlight BVI and Everlight China	Everlight Lighting (China) Co., Ltd. (Everlight Lighting China)	Sale of LEDs	100 %	100 %	
Everlight BVI and Everlight China	Everlight Electronic (Guangzhou) Co., Ltd. (Everlight Electronic (Guangzhou), former name: Guangzhou Yi-Liang Trading Co., Ltd.)	Business development and customer services	100 %	100 %	
Everlight BVI	Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	Manufacture of LED-related components	100 %	100 %	
Everlight BVI	Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	Manufacture and sale of LED backlights and related components	90 %	90 %	

(Continued)

			Percentage of ownership		
Investor	**Name of subsidiary**	**Nature of business**	**December 31, 2019**	**December 31, 2018**	**Description**
Everlight BVI	Eralite Optoelectronics (Jiangsu) Co., Ltd. (Eralite)	Manufacture and sale of LED backlights and related components	- %	100 %	Note 3
The Company and Everlight Electronic (Guangzhou)	Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	Research and sale of LED lighting products	100 %	100 %	
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	
The Company and ELIT	Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	Research of electronic components	100 %	100 %	
WOFI Holding	WOFI Wortmann & Fliz GmbH (WOFI W&F GmbH)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	Euro Technics Trade GmbH (ETT)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	WOFI Technics Trade Limited (WTT)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	Action GmbH (Action)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	WOFI Verkaufsgesellschaft mbH (WOFI VG)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	Lamp For Less GmbH (LFL)	Sale of lighting products, pendants and accessories	100 %	100 %	Note 1
Evervision TW	Evervision Electronics (B.V.I.) Limited (Evervision BVI)	Investment	100 %	100 %	
Evervision TW	VBest GmbH (VBest)	Sale of LCDs	75 %	75 %	
Evervision	VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	Manufacture of LCDs	100 %	100 %	
Evervision	Evervision Electronics (H.K.) Limited (Evervision HK)	Sale of LCDs	100 %	100 %	
Evervision	Topbest Holding (Samoa) Limited (Topbest)	Sale of LCDs	- %	100 %	Note 2

Note 1: The subsidiary was incorporated in July 2018.
Note 2: The subsidiary completed the liquidation procedure in May 2019.
Note 3: The subsidiary completed the liquidation procedure in August 2019.
Note 4: The subsidiary completed the liquidation procedure in October 2019.

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

(Continued)

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss, except for those differences relating to an investment in equity securities designated as at fair value through other comprehensive income, which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Group's presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Group's presentation currency at average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed to such that control, significant influence or joint control is lost; the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits and bonds purchased under resale agreements which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(g) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date in which the Group's right to receive payment is established.

(Continued)

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivables that the Group intends to sell immediately or in near term are measured at FVTPL; however, they are included in accounts receivable line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable, other receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 365 days past due;

(Continued)

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is change to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instruments is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

3) Compound financial instrument

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary share at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of inventories adopt the standard cost method and include expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses. The differences between standard and actual costing are fully classified as operating costs.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investment in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses profits resulting from the transactions between the Group and an associate are recognized only to the extent of the Group's interest in the associate.

When the Group's share of losses of an associate equals exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(j) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics: (a) the parties are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 " Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets in relation to the arrangement, and are liable for the liabilities related to the arrangement. A joint operator shall recognize and measure the assets, liabilities (and related revenues and expenses) related to its interest in a joint arrangement in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When assessing the classification of a joint arrangement, the Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances.

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings: 20~60 years

2) Building improvements: 2~16 years

3) Machinery and equipment: 1~10 years

4) Modeling equipment: 2~6 years

5) Office and other equipment: 1~11 years

Buildings and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities, etc. Each such part depreciates based on its useful life.

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(m) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

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1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset throughout the period of use only if either:

   - the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or

   - the relevant decisions about how and for what purpose the asset is used are predetermined and:

     – the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

     – the Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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

(ii) As a leasee

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there are any lease modifications

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

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

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

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

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

(iii) As a leasor

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

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

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

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

Applicable before January 1, 2019

(i) The Group as lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) The Group as lessee

Operating leases are not recognized in the Group's balance sheet.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense on a straight-line basis, over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

The expenditures for obtaining land leasehold rights are recognized as long-term prepaid rents and are recognized in expenses periodically on a straight-line basis over the contract periods of 45 to 50 years.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

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(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

1) Patents: the shorter of contract period and estimated useful lives

2) ERP software system: 1~10 years

Amortization method, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(o) Impairment – non financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and those risks specific to the liability. The increase in the provision due to the passage of time is recognized as an interest expense.

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A provision for warranties is recognized when the underlying products or services are sold. The provision is based on the historical warranty data and the weighting of all possible outcomes against their associated probabilities.

(q) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods–electronic components

The Group manufactures and sells of LEDs, LCDs and pendants. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers volume discounts to its customers based on aggregate sales of goods. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of goods are made with a credit term, which is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Construction contracts

The Group enters into contracts to illuminating construction. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of completion of a physical proportion of the contract work. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days), accumulated experience is used to estimate the amount of variable consideration, using the expected value method. For other variable considerations (for example, completion bonus if a construction is completed by a specified date), the Group estimates the amount of variable consideration using the most likely amount. The Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

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If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For illuminating construction, the Group offers a standard warranty to provide assurance that it complies with agreed-upon specifications, and has recognized warranty provisions for this obligation.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution pension plans are expensed as the related servise is provided.

(ii) Defined benefit plans

The net obligation of the Company and Evervision TW, in respect of the defined benefit pension plans, is calculated separately for each plan by estimating the amount of future benefit that the employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asses for the Company and Evervision TW, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income and accumulated in retained earnings within equity. The Company and Evervision TW determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company and Evervision TW recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's subsidiaries located in China provided their employees the social insurance and housing fund by using the minimum wage as the base calculation which is in accordance with the request of the bureau of labor and social security.

(s) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expenses, with a corresponding increase in equity over the period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for the differences between the expected and the actual outcomes.

(t) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

(Continued)

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities ; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

The surtax on unappropriated earnings of the Company and the consolidated subsidiaries in the ROC is recognized as current tax expense in the following year after the resolution of appropriate retained earnings is approved in the shareholders' meeting.

(Continued)

(u) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquire, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

When the Group loses control of a subsidiary, the Group derecognizes the assets and liabilities of the subsidiary at their carrying amounts, and recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost. The difference is recognized as a gain or loss in profit or loss.

(v) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds, employee stock options, remuneration to employees not yet approved by the shareholders, and restricted employee shares.

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(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 the IFRSs 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

For those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment within the next financial year is stated below:

(a) Valuation of receivables

As inventories are stated at the lower of cost or net realizable value, the Group writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future sales price. Due to the transformation in industry and market, there may be changes in the net realizable value of inventories. Please refer to note 6(f) for further description on the valuation of inventories.

(b) The loss allowance of trade receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(d).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash, checking accounts, and demand deposits	$ 4,040,872	2,958,280
Time deposits	765,619	1,402,753
Bonds purchased under resale agreements	176,207	169,352
	$ 4,982,698	4,530,385

(Continued)

(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 $3,207,851 and $1,984,411 as of December 31, 2019 and 2018, 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 $77,331 and $0 as of December 31, 2019 and 2018, respectively.

(i) Please refer to note 6(aa) for the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging	$ 15,393	64,238
Listed convertible bonds	47,093	70,886
Credit-Linked Note (CLN)	-	21,584
Structured deposits	86,499	753,449
Beneficiary certificate-funds	75,937	30,585
Stocks listed on domestic markets	6,514	9,306
Unlisted common shares	406,647	419,209
	$ 638,083	1,369,257
Current	$ 596,882	1,327,790
Non-current	41,201	41,467
	$ 638,083	1,369,257

	December 31, 2019	December 31, 2018
Current financial liabilities held-for-trading (recorded as other current liabilities):		
Derivative instruments not used for hedging	$ 39,440	427
	$ 39,440	427

(i) Listed convertible bonds are hybrid instruments. Even though it is required to record the host contract and embedded derivative separately, they are recognized as financial assets designated as at fair value through profit or loss because those investments can not be reliably measured at fair value as of the acquisition date.

(Continued)

(ii) The Group's Credit-Linked Notes (CLN) mainly are the structured instruments which combine fixed income bond and credit derivate instrument. Even though it is required to record the host contract and embedded derivative separately, they are recognized as financial assets designated as at fair value through profit or loss because those investments can not be reliably measured at fair value as of the acquisition date.

(iii) Capital guarantee financial products (Structured deposits) held by the Group, which were recognized as financial assets mandatorily measured at fair value through profit or loss, because the interest was not based on the time value on principal amount outstanding.

(iv) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net income pre-tax for 2019 and 2018 will be $24,455 and $22,955, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.

(v) 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

	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	EUR	250	EUR to USD	2020.02.25
Forward exchange sold	USD	23,000	USD to RMB	2020.01.07~2020.03.26
Financial liabilities:				
Forward exchange sold	EUR	3,500	EUR to USD	2020.01.07~2020.04.23

	December 31, 2018			
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	18,000	USD to TWD	2019.01.08~2019.03.07
Forward exchange sold	USD	11,000	USD to RMB	2019.01.08~2019.03.07
Forward exchange sold	EUR	1,071	EUR to USD	2019.01.08~2019.03.15
Financial liabilities:				
Forward exchange sold	USD	3,000	USD to TWD	2019.01.17~2019.02.21
Forward exchange sold	USD	1,000	USD to RMB	2019.02.19
Forward exchange sold	EUR	1,750	EUR to USD	2019.01.17~2019.03.14

(Continued)

2) Cross currency swap

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

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

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

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

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

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

(Continued)

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

	December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	$ 323,505	256,004
Stocks unlisted on domestic markets	2,253	75,052
	$ 325,758	331,056

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

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

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 31, 2019. For the year ended December 31, 2018, the Group disposed parts of its financial assets at fair value through other comprehensive income, with the fair value of $18,227, and recognized a gain of $8,178, which was accounted for as other comprehensive income. The gain had been transferred to retained earnings.

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

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

(d) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	$ 27,542	11,416
Accounts receivable-measured as amortized cost	6,310,794	6,981,114
	6,338,336	6,992,530
Less: Allowance for uncollectible accounts	(147,549)	(127,287)
	$ 6,190,787	6,865,243
Notes and accounts receivable, net	$ 6,027,709	6,699,339
Accounts receivable due from related parties, net	34,684	97,465
Long-term receivables (recorded as other non-current assets)	128,394	68,439
	$ 6,190,787	6,865,243

(Continued)

(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:

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

	December 31, 2018		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Not overdue	$ 5,240,149	0.129%	6,764
Overdue 0-90 days	200,835	0.953%	1,913
Overdue 91-180 days	30,028	5.009%	1,504
Overdue 181-270 days	37,871	16.701%	6,325
Overdue 271-365 days	42,754	50%	21,377
Overdue over one year	61,465	100%	61,465
	$ 5,613,102		99,348

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

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

(Continued)

	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

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

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

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

	2019	2018
Balance on January 1	$ 127,287	132,051
Impairment loss recognized	36,655	19,048
Amounts written off	(15,823)	(23,441)
Foreign exchange (gains) losses	(570)	(371)
Balance on December 31	$ 147,549	127,287

(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

(Continued)

be recorded under bank accounts. In addition, the Group has to pay the transaction fee with a certain percentage. As of December 31, 2019, and 2018, the pledged deposits amounted to $121,414 and $138,075, respectively, were recorded under other current financial assets.

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

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%

December 31, 2018					
Amount of sold A/R	**Limitation amount**	**Amount advanced unpaid**	**Advance amount paid**	**Amount derecognized**	**Interest rate**
$ 392,051	598,845	-	392,051	392,051	2.2%

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

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

	December 31, 2019	**December 31, 2018**
Other accounts receivable	$ 105,658	153,247
Less: Loss allowance	(4,978)	(4,978)
	$ 100,680	148,269

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:

	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	$ 100,680	-

(Continued)

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

For the years ended December 31, 2019 and 2018, the allowance for financial assets of other receivables had no change.

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

(f) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 233,262	213,365
Work in progress	301,293	312,082
Finished goods	1,250,794	1,325,420
	$ 1,785,349	1,850,867

In 2019 and 2018, inventory cost (excluding construction cost) recognized as cost of sales amounted to $15,786,377 and $18,208,931, respectively.

The Group reversed its allowance for inventory valuation and obsolescence loss amounting to $102,145 and $16,980 in the years ended December 31, 2019 and 2018, respectively, and recorded them as reduction of cost of sales, because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

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

(g) Investments accounted for using equity method

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

	December 31, 2019	December 31, 2018
Associates	$ 79,013	110,868

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

	December 31, 2019	December 31, 2018
The carrying amount of equity of the individually insignificant associates	$ 79,013	110,868

	2019	2018
Attributable to the Group:		
Profit (loss) from continuing operations	$ (30,231)	(9,075)
Other comprehensive income	4	(46)
	$ (30,227)	(9,121)

(iii) The Group had acquired 31.58% ownership of EleOcom Inc. (EleOcom) from third parties with the cash considerations of $30,000 in 2018. The additional cash of $15,000 invested by the Group in EleOcom in 2019 was not in proportion to the percentage of ownership in investment; therefore, the ownership of equity in EleOcom were changed in 2019. The difference resulting from the change in percentage of ownership was reflected by decreasing the retained earnings by $6,426. The percentage of ownership in EleOcom increased from 31.58% to 32.14%. Since the Group is able to exercise significant influence over EleOcom's operations and financial policies, the long-term investment in EleOcom was accounted for using the equity method.

(iv) The Group had acquired 20% ownership of Well Service Company Ltd. (Well) from third parties, with the cash considerations of $14,000 in 2019. Since the Group is able to exercise significant influence over Well's operations and financial policies, the long-term investment in Well was accounted for using the equity method.

(v) As of December 31, 2018, the Group had 9.66% ownership of Tekcore Co., Ltd. (Tekcore). In addition, the Group had acquired 4.27% ownership of Tekcore from the third parties, with the cash considerations of $21,465 in 2019. The Group transferred the amount of $2,598, less, the net amount of the identifiable assets acquired and liabilities assumed, which was recognized as gain on a bargain purchase in other income. The percentage of ownership in Tekcore increased from 9.66% to 13.93%. Since the Group is able to exercise significant influence over Tekcore' s operations and financial policies, the long-term investment in Tekcore was accounted for using the equity method.

(vi) As of December 31, 2019, the Group evaluated the carrying amount of part of associates in exceed of its recoverable amount. The Group recognized an impairment loss of $45,657, and recorded it as impairment loss.

(vii) Pledges

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

(h) Joint operation

The Group cooperated with the A3 Commerce LLP and 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%, 36.4% and 10%. 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) Zenaro GmbH had completed its liquidation process in January 2018. It is no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Zenaro GmbH and recognized a gain on disposal of $1,081, and recorded it as gains (losses) on disposal of investments, net.

The carrying amount of assets and liabilities of Zenaro GmbH on the date of liquidation was as follows:

Other current assets	$	3,864
Other current liabilities		-
Carrying amount of net assets	$	**3,864**
Other equity	$	**(4,945)**

(ii) Ever Power had completed its liquidation process in April, 2018. The Group reversed capital surplus of $3,656 which was not recognized at the shareholding percentage. It is no longer included in the consolidated since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Ever Power, and recognized a gain on disposal of $2,727, and recorded it as gains (losses) on disposal of investments, net.

The carrying amount of assets and liabilities of Ever Power on the date of liquidation wss as follows:

Other current assets	$	327,702
Other current liabilities		-
Carrying amount of net assets	$	**327,702**
Other equity	$	**(3,656)**

(iii) Zenaro USA had completed its liquidation process in December 2018. It is no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Zenaro USA and recognized a loss on disposal of $4,364, and recorded it as gains (losses) on disposal of investments, net.

(Continued)

The carrying amount of assets and liabilities of Zenaro USA on the date of liquidation was as follows:

Other current assets	$ 6,073
Other current liabilities	-
Carrying amount of net assets	$ **6,073**
Other equity	$ **3,932**

(iv) Eralite had completed its liquidation process in August 2019, and the Group received the liquidating dividend of $284,710. The Group reversed the capital surplus of $72,690, which was recognized due to the change in its shareholding percentage. Eralite was no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Eralite and recognized a gain on disposal of $37,024, which was recorded as net gains (losses) on disposal of investment.

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

Other current assets	$ 299,705
Other current liabilities	518
Carrying amount of net assets	$ **299,187**
Other equity	$ **(51,501)**

(v) Zenaro had completed its liquidation process in October 2019, and the Group received the liquidating dividend of $47,246. Zenaro is no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Zenaro and recognized a gain on disposal of $14, and recorded it as net gains (losses) on disposal of investment.

The carrying amount of assets and liabilities of Zenaro on the date of liquidation was as follows:

Other current assets	$ 47,302
Other current liabilities	70
Carrying amount of net assets	$ **47,232**

(j) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Cost or deemed cost:							
Balance on January 1, 2019	$ 645,175	8,209,170	13,707,628	1,706,878	1,163,726	125,568	25,558,145
Add: additions	-	81,467	511,730	97,995	26,649	62,055	779,896
Add: reclassification	-	31,830	27,543	1,274	716	(33,609)	27,754
Less: sales	-	-	(603,431)	(56,508)	(1,855)	(4,710)	(666,504)
Less: retirement	-	(134)	(39,225)	(156,507)	(15,551)	-	(211,417)
Effect of movements in exchange rates	(1,892)	(116,327)	(198,814)	(19,399)	(21,341)	-	(357,773)
Balance on December 31, 2019	$ 643,283	8,206,006	13,405,431	1,573,733	1,152,344	149,304	25,130,101
Balance on January 1, 2018	$ 651,235	8,016,840	14,063,604	1,564,202	1,181,827	294,190	25,771,898
Add: additions	-	55,771	660,100	203,872	108,328	127,695	1,155,766
Add: reclassification	-	259,558	82,722	116	(31,125)	(288,464)	22,807
Less: sales	(5,311)	(46,037)	(827,859)	(23,367)	(57,890)	(7,853)	(968,317)
Less: retirement	-	(151)	(141,227)	(23,393)	(22,371)	-	(187,142)
Effect of movement in exchange rates	(749)	(76,811)	(129,712)	(14,552)	(15,043)	-	(236,867)
Balance on December 31, 2018	$ 645,175	8,209,170	13,707,628	1,706,878	1,163,726	125,568	25,558,145
Depreciation and impairments loss:							
Balance on January 1, 2019	$ -	3,401,783	10,083,877	1,194,248	638,544	-	15,318,452
Add: depreciation for the year	-	431,794	1,231,304	186,436	97,078	-	1,946,612
Add: reclassification	-	-	-	-	(4)	-	(4)
Less: sales	-	-	(534,280)	(53,194)	(1,088)	-	(588,562)
Less: retirement	-	(134)	(39,144)	(156,389)	(15,421)	-	(211,088)
Effect of movements in exchange rates	-	(73,519)	(149,783)	(12,222)	(9,222)	-	(244,746)
Balance on December 31, 2019	$ -	3,759,924	10,591,974	1,158,879	709,887	-	16,220,664
Balance on January 1, 2018	$ -	3,012,162	9,691,147	1,050,195	590,699	-	14,344,203
Add: depreciation for the year	-	441,987	1,270,228	190,960	93,200	-	1,996,375
Add: reclassification	-	1,027	-	8,693	100	-	9,820
Less: sales	-	(7,589)	(643,729)	(16,025)	(21,572)	-	(688,915)
Less: retirement	-	(151)	(134,184)	(23,384)	(19,137)	-	(176,856)
Less: reclassification	-	-	(1,127)	(8,693)	-	-	(9,820)
Effect of movements in exchange rates	-	(45,653)	(98,458)	(7,498)	(4,746)	-	(156,355)
Balance on December 31, 2018	$ -	3,401,783	10,083,877	1,194,248	638,544	-	15,318,452
Carrying amounts:							
Balance on December 31, 2019	$ 643,283	4,446,082	2,813,457	414,854	442,457	149,304	8,909,437
Balance on January 1, 2018	$ 651,235	5,004,678	4,372,457	514,007	591,128	294,190	11,427,695
Balance on December 31, 2018	$ 645,175	4,807,387	3,623,751	512,630	525,182	125,568	10,239,693

(i) There was no indication that the property and equipment may be impaired in 2019 and 2018.

(ii) As of December 31, 2019 and 2018, the aforesaid property, plant and equipment were not pledged as collateral.

(Continued)

(k) Right-of-use assets

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

		Land	Buildings and construction	Office and other equipment	Total
Cost:					
Balance on January 1, 2019	$	-	-	-	-
Effect of retrospective application		357,906	65,058	24,891	447,855
Adjusted balance at January 1, 2019		357,906	65,058	24,891	447,855
Acquisitions		-	8,913	10,409	19,322
Effect of changes in foreign exchange rates		(3,364)	(1,764)	(943)	(6,071)
Balance on December 31, 2019	$	**354,542**	**72,207**	**34,357**	**461,106**
Accumulated depreciation and impairment losses:					
Balance on January 1, 2019	$	-	-	-	-
Effect of retrospective application		-	-	-	-
Adjusted balance on January 1, 2019		-	-	-	-
Depreciation for the year		11,398	31,952	14,301	57,651
Effect of changes in foreign exchange rates		(103)	(684)	(268)	(1,055)
Balance on December 31, 2019	$	**11,295**	**31,268**	**14,033**	**56,596**
Carrying amount:					
Balance on December 31, 2019	$	**343,247**	**40,939**	**20,324**	**404,510**

The Group leases offices, warehouses and factory facilities under the operating leases in the year ended December 31, 2018, please refer to note 6(r).

(l) Other current financial assets

		December 31, 2019	December 31, 2018
Time deposits with maturities over three months	$	3,207,851	1,984,411
Restricted deposits		121,414	138,075
Other receivables		100,680	148,269
	$	**3,429,945**	**2,270,755**

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

(Continued)

(m) Short-term borrowings

The short-term loans were summarized as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 2,582,152	3,111,970
Unused short-term credit lines	$ 15,356,175	12,429,732
Annual interest rates	0.43%~3.28%	0.44%~3.6%

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

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

(n) Other current liabilities

	December 31, 2019	December 31, 2018
Refund liabilities – current	$ 7,308	9,817
Derivative instruments not used for hedging	39,440	427
Wages and salaries payable	228,081	238,618
Other payables	896,328	1,018,568
Others	450,687	450,788
	$ 1,621,844	1,718,218

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

(o) Long-term loans

The details were as follows:

	December 31, 2019			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	KZT	6.96%~7.81%	2023.10	$ 53,644
Less: current portion				(15,778)
Total				$ 37,866
Unsecured long-term credit lines				$ -

(Continued)

	December 31, 2018			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured bank loans	KZT	6.96%~7.81%	2023.10	$ 64,789
Less: current portion				(12,958)
Total				$ 51,831
Unsecured long-term credit lines				$ -

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

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

(p) Convertible bonds payable

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

	December 31, 2019	December 31, 2018
Total convertible bonds issued	$ 5,000,000	5,000,000
Unamortized discounted bonds payable	(6,066)	(22,200)
Cumulated repurchased and redeemed amount	(3,873,900)	(3,873,900)
	1,120,034	1,103,900
Unamortized amount of the cost of issuing convertible bonds	(375)	(1,375)
Bonds payable, current portion	(1,119,659)	-
Non-current	$ -	1,102,525
Equity components – conversion options (recognized as capital surplus – redemption rights)	$ 87,820	87,820

	2019	2018
Embedded derivative – gains or losses resulting from put options at fair value (recorded as gains (losses) on financial assets (liabilities) at fair value through profit or loss)	$ -	(12,078)
Interest expense	$ (16,134)	(74,370)

The effective rates of the fifth and the sixth convertible bonds payable were 1.504% and 1.46854%, respectively.

(Continued)

(i) The significant terms of the aforementioned convertible bonds were as follows:

1) Interest rate: 0%

2) Duration:

a) The fifth: five years (December 20, 2013 to December 20, 2018)

b) The sixth: five years (May 18, 2015 to May 18, 2020)

3) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:

Within the period between one month after the issuance date and 40 days before the last convertible date, if (i) the closing price of the Company's common shares on the TSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, or (ii) in the event that at least 90% of the principal amount of the bonds originally outstanding has been redeemed, repurchased or converted, the Company may redeem all bonds at face value.

4) Redemption at the option of bondholders:

The bondholders have the right to request the Company to repurchase the bonds at face value three years after the issuance date.

5) Terms of conversion:

a) The fifth: Bondholders may opt to have the bonds converted into common stock of the Company within the period between one month after the issuance date and 10 days before the last convertible date, instead of the final cash redemption upon expiration of the bonds.

The sixth: Bondholders may opt to have the bonds converted into common stock of the Company within the period between one month after the issuance date and the last convertible date, instead of the final cash redemption upon expiration of the bonds.

b) Conversion price:

i) The fifth: After adjustments for distributions of retained earnings, the conversion price was NT$51.4 (dollars) per share of common stock.

ii) The sixth: After adjustments for distributions of retained earnings, the conversion price was NT$57.9 (dollars) per share of common stock.

(ii) The Company issued the fifth domestic unsecured convertible bonds with a face value of $4,000,000 on December 20, 2013 and the sixth domestic unsecured convertible bonds with a face value of $5,000,000 on May 18, 2015. The Company separated the equity, asset and liability components of the convertible option as follow:

		The fifth	The sixth
The compound interest present value of the convertible bonds' face value at issuance	$	3,692,400	4,623,500
The embedded derivative asset at issuance – call option		(2,800)	(2,000)
The embedded derivative liability at issuance – put option		23,600	33,500
The equity components at issuance		286,800	345,000
The total amount of the convertible bonds at issuance	$	**4,000,000**	**5,000,000**

(iii) For the year ended December 31, 2018, the Company made a cash payment of $3,480,500 to redeem its bonds payable at the carrying amount of $3,480,500 upon the bondholder's request, and reversed the unamortized discount on bonds payable and other current liabilities (embedded derivative instrument - put option). Therefore, the Company recognized the loss on redemption of convertible bonds amounting to $42,668, which was recorded under other expenses and losses. In addition, due to the said bond redemption, the Company reclassified its capital surplus - stock option to capital surplus -treasury stock amounting to $257,180. The aforesaid amount had been paid.

(iv) The fifth convertible bonds expired on December 20, 2018. The Company redeemed the remaining fifth convertible bonds with a principal of $3,048,300 at their face value. Thereafter, the Company offset the paid-in capital-redemption rights and recognized the paid-in capital-treasury stock amounting to $256,110.

(q) Lease liabilities

The carrying amount of lease liabilities were as follows:

		December 31, 2019
Current	$	49,958
Non-current	$	262,852

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 6,097
Variable lease payments not included in the measurement of lease liabilities	$ 7,039
Expenses relating to short-term leases	$ 35,579
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 257

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

	2019
Total cash outflow for leases	$ 100,919

(i) Real estate leases

As of December 31, 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.

(Continued)

(r) Operating lease

(i) The Group as leasee

1) Non-cancellable operating lease that are payable as follows:

		December 31, 2018
Less than one year	$	61,024
Between one and five years		92,597
More than five years		30,776
	$	184,397

The Group leased several offices, warehouses and factory facilities under operating leases with lease terms of 1 to 5 years and had an option to renew the leases. Lease payments are adjusted annually to reflect the market rentals.

2) The Company leased a piece of land in Shulin Datong Technology Park, New Taipei City, from National Property Administration, Ministry of Finance. The lease period runs for 20 years (September 1, 2007 to August 31, 2027). The terms of the lease are as follows: The rent is free for the first four years, charged at half the full rent for the next six years, and then charged at full rent starting in the eleventh year. The monthly rentals are calculated by multiplying the current assessed land value by the national land rental rate.

The Group determined that the land and building elements of the leases are operating leases. The rent paid to the landlord is increased to market rent at regular intervals, and the Group does not participate in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord.

3) Long-term prepaid rents (recorded as other non-current assets)

During the period from 2000 to 2008, the Group acquired the land leasehold rights in Jiangsu Province and Guangdong Province, PRC, to construct plants. The total land leasehold rights amounted to RMB32,198 thousands. The useful life was 45 years to 50 years and will expire from 2049 to 2053. The abovementioned amount of land leasehold rights had been transferred from long-term prepaid rents to right-of-use assets upon the initial application of IFRS16 on January 1, 2019.

4) For the year ended December 31, 2018, the expenses recognized in profit or loss in respect of the operating leases amounted to $117,380.

(ii) The Group as lessor

The Group leased out parking space and employee dormitory under operating lease. The rent income in 2019 and 2018 was $6,899 and $17,294, respectively.

(s) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value of the plan assets of the Company and Evervision TW were as follows:

		December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$	(211,548)	(221,733)
Fair value of plan assets		94,690	90,709
Net defined benefit obligations assets (liabilities)	$	**(116,858)**	**(131,024)**
Defined benefit assets	$	7,424	6,460
Defined benefit liabilities		(124,282)	(137,484)
	$	**(116,858)**	**(131,024)**

The Company and Evervision TW make defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on the years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company and Evervision TW allocate pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The labor pension reserve account balance of the Company and Evervision TW with Bank of Taiwan amounted to $94,690 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(Continued)

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company and Evervision TW were as follows:

		2019	2018
Defined benefit obligation at January 1	$	(221,733)	(246,384)
Benefits paid by the plan		7,200	27,673
Current service costs and interest		(4,513)	(5,743)
Remeasurement in net defined benefit assets (liability)		7,498	2,721
Defined benefit obligation at December 31	$	**(211,548)**	**(221,733)**

3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company and Evervision TW were as follows:

		2019	2018
Fair value of plan assets at January 1	$	90,709	90,862
Contributions made		3,136	23,976
Benefits paid from the plan assets		(3,281)	(27,673)
Expected return on plan assets		1,223	1,447
Remeasurement in net defined benefit assets (liability)		2,903	2,097
Fair value of plan assets at December 31	$	**94,690**	**90,709**
Actual return on plan assets	$	**4,126**	**3,544**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company and Evervision TW were as follows:

		2019	2018
Service cost	$	1,539	1,781
Interest cost		2,974	3,962
Expected return on plan assets		(1,223)	(1,447)
	$	**3,290**	**4,296**

(Continued)

5) Remeasurement in net defined benefit asset (liability) recognized in other comprehensive income

The Company's and Evervision TW's remeasurement in net defined benefit asset (liability) recognized in other comprehensive income were as follows:

		2019	2018
Cumulative amount at January 1	$	(30,476)	(35,294)
Recognized during the period		10,401	4,818
Cumulative amount at December 31	$	(20,075)	(30,476)

6) Actuarial assumptions

The following are the principal actuarial assumptions of present value of defined obligations on the financial reporting date of the Company and Evervision TW:

	December 31, 2019	December 31, 2018
Discount rate	1.000%~1.125%	1.125%~1.375%
Future salary increasing rate	3.00%~3.50%	3.00%~3.50%

The expected allocation payment made by the Company and Evervision TW to the defined benefit plans for the one year period after the reporting date was $6,452 and $0, respectively.

The weighted-average duration of the defined benefit obligation of the Company and Evervision TW are 16.07 years and 14.23 years, respectively.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit liabilities	
The Company		Increased 0.25%	Decreased 0.25%
December 31, 2019			
Discount rate	$	(6,614)	6,908
Future salary increasing rate		6,636	(6,393)
December 31, 2018			
Discount rate		(7,009)	7,345
Future salary increasing rate		7,080	(6,792)

(Continued)

		Influences of defined benefit assets	
Evervision TW		**Increased 0.25%**	**Decreased 0.25%**
December 31, 2019			
Discount rate	$	401	(419)
Future salary increasing rate		(405)	390
December 31, 2018			
Discount rate		430	(450)
Future salary increasing rate		(435)	418

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for both periods.

(ii) Defined contribution plans

The Company and the Group entities in the ROC allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. They also make payments for life insurance based on the Company policy. Under this defined contribution plan, the Company and the Group entities in the ROC allocate a fixed rate of salaries to the Bureau of the Labor Insurance and insurance company without additional legal or constructive obligations.

The pension costs under the defined contribution method of the Company and the consolidated subsidiaries in the ROC have been allocated to the Bureau of the Labor Insurance and provision of life insurance account. The subsidiaries other than the aforementioned entities recognized their pension expense, endowment insurance expense and social security expense. The total pension expenses recognized under the defined contribution plans for the years ended December 31, 2019 and 2018 were $129,951 and $161,032, respectively.

(t) Income taxes

(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2019 and 2018 was as follows:

		2019	**2018**
Current tax expense			
Recognized during the period	$	325,943	288,469
Adjustment for prior periods		(11,255)	(2,802)
Surtax on unappropriated earnings		5,093	41,406
		319,781	327,073

	2019	2018
Deferred tax expense		
Recognition and reversal of temporary differences	(105,402)	(26,464)
Adjustment in tax rate	-	(39,729)
	(105,402)	(66,193)
Income tax expense	$ 214,379	260,880

2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2019 and 2018 was as follows:

	2019	2018
Exchange differences on translating foreign operations	$ (5,676)	(4,150)
Actuarial gains (losses) on defined benefit plans	2,080	(2,654)
	$ (3,596)	(6,804)

3) Reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

	2019	2018
Profit before income tax	$ 1,065,708	1,123,959
Income tax using the Company's domestic tax rate	$ 213,142	224,792
Adjustment in tax rates	-	(39,729)
Effect of tax rates in foreign jurisdiction	36,295	40,447
Non-deductible expenses	14,967	14,874
Exemption of investment disposal income	(801)	(2,509)
Increase in investment tax credits	(24,183)	(27,401)
Realized investment gains or loss	(30,678)	(62,320)
Net gains or losses on domestic investments	(3,598)	(34,822)
Changes in unrecognized deferred tax assets and liabilities	(42,727)	(28,142)
Changes in unrecognized deferred tax assets arising from tax loss	40,947	84,396
Surtax on unappropriated earnings	5,093	41,406
Adjustment for prior periods and others	5,922	49,888
	$ 214,379	260,880

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

Details of unrecognized deferred tax assets were as follow:

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 81,550	85,522
Tax losses	539,209	642,367
	$ 620,759	727,889

Details of unrecognized deferred tax liabilities were as follow:

	December 31, 2019	December 31, 2018
Temporary differences related to investments in subsidiaries	$ 536,070	497,315

The Group is able to control the timing of the reversal of the part of temporary differences associated with investments in subsidiaries as at December 31, 2019 and 2018. Also, the management of the Group considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities.

Deferred tax assets are not recognized when the Group has considered that the future taxable profit will not be available against which the unused tax credits and deductible temporary differences can be utilized. Furthermore, each Group entity is subject to its income tax act, and these income tax acts allow net losses, as assessed by their tax authorities, to offset taxable income for local tax reporting purposes. The above deferred tax assets were not recognized because it is not probable that the Group will have any sufficient taxable profit in the future periods to benefit from the reduction in tax payments.

As of December 31, 2019, the Group had not recognized the perior years' loss carry-forwards as deferred tax assets, and their expiry years thereof were as follows:

	Year of occurrence	Deductible amount	Tax credit amount	Expiry year
Subsidiaries in the ROC	2011~2019	$ 180,189	36,038	2021~2029
Subsidiaries in the PRC	2011~2019	609,893	152,474	2016~2029
Subsidiaries in the United States	2008~2017	237,958	80,907	2028~2037
Subsidiaries in the United States	2018~2019	148,784	50,587	-
Subsidiaries in Germany	2014~2019	734,838	219,203	-
			$ 539,209	

(Continued)

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	Defined benefit Plans	Investment loss accounted for using equity method	Loss for market price decline and obsolete inventories	Others	Total
Deferred tax assets:					
Balance on January 1, 2019	$ 27,559	220,775	56,691	122,269	427,294
Recognized in profit or loss	(799)	28,251	(3,391)	7,399	31,460
Recognized in other comprehensive income	(1,842)	-	-	751	(1,091)
Balance on December 31, 2019	$ 24,918	249,026	53,300	130,419	457,663
Balance on January 1, 2018	$ 28,202	125,968	52,595	118,063	324,828
Recognized in profit or loss	(3,222)	94,807	4,096	1,357	97,038
Recognized in other comprehensive income	2,579	-	-	2,849	5,428
Balance on December 31, 2018	$ 27,559	220,775	56,691	122,269	427,294

	Defined benefit Plans	Difference between book and tax depreciation	Others	Total
Deferred tax liabilities:				
Balance on January 1, 2019	$ 1,244	96,253	164,301	261,798
Recognized in profit or loss	(45)	(53,161)	(20,736)	(73,942)
Recognized in other comprehensive income	238	-	(4,925)	(4,687)
Balance on December 31, 2019	$ 1,437	43,092	138,640	183,169
Balance on January 1, 2018	1,058	90,718	140,553	232,329
Recognized in profit or loss	261	5,535	25,049	30,845
Recognized in other comprehensive income	(75)	-	(1,301)	(1,376)
Balance on December 31, 2018	$ 1,244	96,253	164,301	261,798

(Continued)

3) Uncertain tax treatment

The Group had assessed the uncertain treatment of the declared income tax returns yet not examined by the tax authorities base on relevant factors, including interpretative letters issued by the tax authority and the historical tax assessment experience. The accrual amount of deferred tax liabilities was considered sufficient as the result.

4) The tax authorities have examinated the Company's income tax returns through 2017.

The income tax returns of the Group and other consolidated entities in the ROC have been examined by the tax authorities through 2017.

(u) Capital and other equities

As of December 31, 2019 and 2018, the authorized common stocks amounted to $10,000,000 (of which $400,000 were reserved for the exercising of employee share options); face value of each share is $10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,246 and 443,000 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding in the years ended December 31, 2019 and 2018 were as follows:

(in thousands of shares)	2019	2018
Balance on January 1	443,000	440,449
Employee stock options exercised	246	2,551
Balance on December 31	**443,246**	**443,000**

(i) Ordinary shares

The employee stock options exercised in year ended December 31, 2019 amounted to $2,461, which resulted in a capital surplus of $11,506 (including the stock options converted into addition paid-in capital arising from the ordinary shares of $9,585). The registration procedures of the employee stock options amounting to $295 had not been completed.

The employee stock options exercised in year ended December 31, 2018 amounted to $25,510, which resulted in capital surplus of $119,803 (including the stock options converted into addition paid-in capital arising from the ordinary shares of $95,715). The registration procedures of the employee stock options had been completed.

(Continued)

(ii) Capital surplus

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

	December 31, 2019	December 31, 2018
Additional paid-in capital	$ 7,810,277	7,798,771
Difference between consideration and carrying amount of subsidiaries disposed	74,397	147,087
Changes in equity of associates accounted for using equity method	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	983,812	983,812
Share-based payment – employee stock options	125,750	134,587
Others	576	576
	$ 9,089,121	9,159,142

In accordance with the ROC Company Act, realized capital reserves can only be capitalized and distributed as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

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

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

1) Legal reserve

If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

(Continued)

2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), the unrealized land revaluation increment and foreign currency translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. According to the regulations, the retained earnings increased by $283,890 on the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special earnings reserve, and when the relevant assets were used, disposed of, or reclassified, this special earnings reserve shall be reserved as distributable earnings proportionately. As of December 31, 2019 and 2018, the carrying amount of special earnings reserve amounted to $283,890 in both years.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of the carrying amount of other shareholders' equity and the special earnings reserve resulting from the first-time adoption of IFRSs as stated above. Similarly, a portion of the undistributed prior-period earnings shall be reclassified as special reserve (which does not qualify for earnings distribution) to account for the cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

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

	2018		2017	
	Amount per share (dollars)	**Total amount**	**Amount per share (dollars)**	**Total amount**
Dividends distributed to common shareholders:				
Cash	$ 1.50	664,555	3.00	1,321,133

On March 24, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Amount per share (dollars)	**Total amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 1.40	620,563

(Continued)

(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, 2019	$	(632,321)	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):				
The Group		(231,458)	-	(231,458)
Associates		(6)	-	(6)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
The Group		-	(5,298)	(5,298)
Balance on December 31, 2019	$	**(863,785)**	**(597,254)**	**(1,461,039)**
Balance of January 1, 2018	$	(437,489)	(389,010)	(826,499)
Foreign exchange differences (net of taxes):				
The Group		(194,827)	-	(194,827)
Associates		(5)	-	(5)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:				
The Group		-	(194,768)	(194,768)
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	(8,178)	(8,178)
Balance on December 31, 2018	$	**(632,321)**	**(591,956)**	**(1,224,277)**

(v) Share-based payment

(i) Employee stock options

1) At a meeting of the board of directors held on August 6, 2014 (the sixth), March 25, 2013 (the fifth) and December 9, 2011 (the fourth), the Company's board of directors approved a resolution to issue 5,000,000 units, 10,000,000 units and 10,000,000 units, respectively, of five-year employee stock options, with an exercisable right of one share of the Company's common stock per unit. The issuance of the stock options was approved at a meeting of the board of directors held on August 6, 2015, April 2, 2015 and July 18, 2013, distributed 200,000 units, 4,800,000 units and 10,000,000 units, respectively.

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

	For the year ended December 31, 2019							
Date of issuance	2019.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2019.12.31 Outstanding units	2019.12.31 Exercisable units	Remaining duration
August 6, 2015	17,500	-	6,500	10,000	-	1,000	1,000	0.6 years
April 2, 2015	712,850	-	239,600	53,800	-	419,450	419,450	0.4 years
	730,350	-	246,100	63,800	-	420,450	420,450	
Weighted-average exercise price (dollars)	$ 18.33	-	17.81	17.60	-	17.40	17.40	

	For the year ended December 31, 2018							
Date of issuance	2018.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2018.12.31 Outstanding units	2018.12.31 Exercisable units	Remaining duration
August 6, 2015	60,000	-	42,500	-	-	17,500	11,500	1.6 years
April 2, 2015	3,194,000	-	2,290,150	191,000	-	712,850	412,550	1.4 years
July 18, 2013	489,600	-	218,350	51,900	219,350	-	-	- years
	3,743,600	-	2,551,000	242,900	219,350	730,350	424,050	
Weighted-average exercise price (dollars)	$ 19.67	-	19.44	18.36	18.60	18.33	18.34	

The weighted-average fair price of the Company's stock amounted to NT$29.96 (dollars) and NT$37.45 (dollars) for the years ended December 31, 2019 and 2018, respectively.

The issuance terms of the stock options are as follows:

a) Exercise price: After the adjustment for stock dividends over the years, the exercise prices of the fourth, fifth, the first phase of the sixth and the second phase of the sixth issued stock options were NT$40.4 (dollars), NT$18.6 (dollars), NT$17.4 (dollars) and NT$18.7 (dollars), respectively.

b) Exercisable duration: The employees who received the stock options can exercise a specific percentage in each period as below. The exercisable duration of the options is five years. No transference, pledge or donation is allowed except for inheritance. After the expiration of the exercisable duration, the Company will retire the unexercised options and not re-issue the options.

Option holding period	Exercisable percentage (cumulative) — the fourth	Exercisable percentage (cumulative) — the fifth	Exercisable percentage (cumulative) — the sixth
More than 2 years	50%	65%	65%
More than 3 years	75%	90%	90%
More than 4 years	100%	100%	100%

(Continued)

c) Exercise method: The Company would issue new shares as the options are exercised.

d) Exercise procedure: In accordance with the Company's issuance and exercise rules, the employees who received the stock options can apply to exercise the options during a certain period. In addition, the entitlement certification of stock options exercised is registered as common stock after every quarter.

(ii) The compensation cost of the stock options amounted to $748 for the year ended December 31, 2019. The compensation cost of the stock options, which were overestimated, have been reversed in the previous years due to the abandonment of resigned employees amounted to $1,533 in the year ended December 31, 2018.

(iii) The Company adopted the Black-Scholes model to compute the fair value of the stock options on the grant date, and the assumptions are summarized as follows:

	The fourth	**The fifth**	**The first phase of the sixth**	**The second phase of the sixth**
Original exercise price (New Taiwan dollars)	$51.6	24	24	24
Fair value per share of the Company's stock at the measurement date (New Taiwan dollars)	$46.25	48	70.10	44
Expected volatility	36.63~44.94%	35.02%	30.43~35.66%	30.43~35.66%
Risk-free interest rate	0.91~0.95%	0.73~1.02%	0.61~1.04%	0.61~1.04%
Expected life of the option	five years	five years	five years	five years
Weighted-average fair value (New Taiwan dollars/unit)	7.80~14.90	24.911~26.663	46.40~47.70	20.70~23.10

Expected volatility is based on the weighted average of historical volatility, and it is adjusted when there is an additional market information about the volatility. The Group determined the risk-free interest rate based on government bonds during the life of the option. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(Continued)

(w) Earnings per share

For the years ended December 31, 2019 and 2018, the Group's basic and diluted earnings per share were calculated as follows:

		2019	2018
Basic earnings per share:			
Profit attributable to ordinary shareholders of the Company	$	**822,244**	**793,069**
Weighted-average number of outstanding ordinary shares (thousands)		**443,120**	**441,787**
Diluted earnings per share:			
Profit attributable to ordinary shareholders of the Company	$	822,244	793,069
Dilutive effect of potential ordinary shares:			
Convertible bonds		16,134	86,448
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	$	**838,378**	**879,517**
Weighted-average number of outstanding ordinary shares (thousands)		443,120	441,787
Dilutive effect of potential ordinary shares:			
Employee stock bonus		2,979	1,746
Convertible bonds		18,873	86,849
Employee stock options		211	942
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)		**465,183**	**531,324**

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.

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019				
	LED	**LCD**	**Illumination**	**Others**	**Total**
Primary geographical markets:					
Asia	$ 16,362,564	301,886	779,291	67,629	17,511,370
Europe	1,360,422	189,747	1,000,836	-	2,551,005
Others	617,786	183,084	103,296	-	904,166
Total	**$ 18,340,772**	**674,717**	**1,883,423**	**67,629**	**20,966,541**
Major products					
Construction revenue	$ -	-	194,559	-	194,559
Sales revenue	18,340,772	674,717	1,688,864	67,629	20,771,982
	$ 18,340,772	**674,717**	**1,883,423**	**67,629**	**20,966,541**

(Continued)

	2018				
	LED	**LCD**	**Illumination**	**Others**	**Total**
Primary geographical markets:					
Asia	$ 18,255,695	367,695	743,256	87,459	19,454,105
Europe	1,766,143	198,653	1,648,843	-	3,613,639
Others	764,145	229,792	27,610	-	1,021,547
Total	$ 20,785,983	796,140	2,419,709	87,459	24,089,291
Major products					
Construction revenue	$ -	-	255,628	-	255,628
Sales revenue	20,785,983	796,140	2,164,081	87,459	23,833,663
	$ 20,785,983	796,140	2,419,709	87,459	24,089,291

(ii) Contract balance

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable	$ 27,542	11,416	28,368
Accounts receivables	6,310,794	6,981,114	8,681,112
Less: allowance for impairment	(147,549)	(127,287)	(132,051)
	$ 6,190,787	6,865,243	8,577,429
Contract assets-illumination	$ 106,363	78,550	-
Contract liabilities	$ 23,752	26,191	8,069

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were $21,375 and $8,069, 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.

(y) Remuneration of employees, directors, and supervisors

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

The remuneration to employees amounted to $97,931 and $59,098, and the remuneration to directors and supervisors amounted to $10,486 and $6,895, in 2019 and 2018, respectively. These amounts are calculated using the Company's profit before tax whithout the remuneration to employees, directors and supervisors for the period, and are determined using the earnigns allocation method which was stated under the Company's article. These remuneration are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System

(Continued)

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 amounts, as stated in the consolidated financial statements are idential to those of the actual distributions for 2019 and 2018.

(z) Non-operating income and expenses

The interest income and finance costs in 2019 and 2018 were as follows:

(i) Interest income

		2019	2018
Cash in banks	$	45,546	66,025
Other		2,410	8,508
	$	47,956	74,533

(ii) Finance costs – interest expenses

		2019	2018
Loans	$	47,803	48,867
Lease liabilities		6,097	-
Convertible Bonds		16,134	74,370
	$	70,034	123,237

(aa) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Credit risk of receivables

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

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

(ii) Liquidity Risk

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

(Continued)

	Carrying Amount	Contractual cash flows	Within 1 year	1～2 years	Over 2 years
December 31, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,582,152	(2,582,152)	(2,582,152)	-	-
Notes and accounts payable (including related parties)	4,367,416	(4,367,416)	(4,367,416)	-	-
Payables on construction and equipment	298,852	(298,852)	(298,852)	-	-
Other payables	896,328	(896,328)	(896,328)	-	-
Lease liabilities (including current and non-current)	312,810	(410,960)	(55,075)	(39,776)	(316,109)
Unsecured convertible bonds	1,120,034	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	53,644	(53,644)	(15,778)	(15,778)	(22,088)
Guaranteed deposits received	198,252	(198,252)	-	-	(198,252)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	1,128				
Outflow	-	(118,174)	(118,174)	-	-
Inflow	-	117,355	117,355	-	-
Cross currency swap:	38,312				
Outflow	-	(942,000)	(942,000)	-	-
Inflow	-	903,180	903,180	-	-
	$ 9,868,928	(9,973,343)	(9,381,340)	(55,554)	(536,449)
December 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	$ 3,111,970	(3,111,970)	(3,111,970)	-	-
Notes and accounts payable (including related parties)	4,502,383	(4,502,383)	(4,502,383)	-	-
Payables on construction and equipment	417,193	(417,193)	(417,193)	-	-
Other payables	1,018,568	(1,018,568)	(1,018,568)	-	-
Unsecured convertible bonds	1,103,900	(1,126,100)	-	(1,126,100)	-
Long-term loans (including current portion)	64,789	(64,789)	(12,958)	(12,958)	(38,873)
Guaranteed deposits received	131,369	(131,369)	-	-	(131,369)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	427				
Outflow	-	(184,578)	(184,578)	-	-
Inflow	-	184,199	184,199	-	-
	$ 10,350,599	(10,372,751)	(9,063,451)	(1,139,058)	(170,242)

(Continued)

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2019			December 31, 2018		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 140,990	USD/TWD =30.106	4,244,645	170,402	USD/TWD =30.733	5,236,965
USD	543	USD/RMB =6.9617	16,348	50,631	USD/RMB =6.8754	1,556,043
RMB	360,871	RMB/TWD =4.3245	1,560,587	342,128	RMB/TWD =4.4700	1,529,312
HKD	388,964	HKD/TWD =3.8647	1,503,229	371,986	HKD/TWD =3.9251	1,460,082
Financial liabilities						
Monetary items						
USD	81,687	USD/TWD =30.106	2,459,269	132,441	USD/TWD =30.733	4,070,309
USD	39,782	USD/RMB =6.9617	1,197,677	49,426	USD/RMB =6.8750	1,519,009
RMB	979,661	RMB/TWD =4.3245	4,236,544	684,620	RMB/TWD =4.4700	3,060,251

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 December 31, 2019 and 2018 would have decreased (increased) the net profit before tax by $10,170 for the year ended December 31, 2019, and increased (decreased) the net profit before tax by $83,587 for the year ended December 31, 2018. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2019 and 2018, the foreign exchange gains, including both realized and unrealized, amounted to $73,131 and $144,010, respectively.

(Continued)

4) Interest rate analysis

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

	Carrying amount	
	December 31, 2019	**December 31, 2018**
Variable rate instruments:		
Financial assets	$ 4,708,126	3,918,619
Financial liabilities	(1,127,971)	(2,858,795)
	$ 3,580,155	1,059,824

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 years ended December 31, 2019 and 2018, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

	2019	**2018**
Increase by 0.25%	$ 8,950	2,650
Decrease by 0.25%	(8,950)	(2,650)

5) Fair value

a) Procedure of valuation

The Group's accounting policies and disclosure include the fair value method on financial assets and financial liabilities. The Group's management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

The Group uses observable market data to evaluate its assets and liabilities when it is possible. The different inputs of levels of fair value hierarchy in determining the fair value are as follows:

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

b) 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.

	December 31, 2019				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	$ 15,393	-	15,393	-	15,393
Non-derivative financial assets mandatorily measured at fair value through profit or loss	622,690	129,544	493,146	-	622,690
	638,083				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	323,505	323,505	-	-	323,505
Unquoted equity instruments	2,253	-	-	2,253	2,253
	325,758				

(Continued)

	December 31, 2019				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
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)	222,083	-	-	-	-
	15,040,568				
	$ 16,004,409				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	$ 39,440	-	39,440	-	39,440
Financial liabilities measured at amortized cost:					
Short-term borrowings	2,582,152	-	-	-	-
Notes and accounts payable (including related parties)	4,367,416	-	-	-	-
Payable 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	198,252	-	-	-	-
	9,829,488				
	$ 9,868,928				

(Continued)

	December 31, 2018				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	$ 64,238	-	64,238	-	64,238
Non-derivative financial assets mandatorily measured at fair value through profit or loss	1,305,019	110,777	1,194,242	-	1,305,019
	1,369,257				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	256,004	256,004	-	-	256,004
Unquoted equity instruments	75,052	-	-	75,052	75,052
	331,056				
Financial assets measured at amortized cost:					
Cash and cash equivalents	4,530,385	-	-	-	-
Notes and accounts receivable (including related parties)	6,796,804	-	-	-	-
Other current financial assets	2,270,755	-	-	-	-
Refundable deposits (recorded as other non-current assets)	156,296	-	-	-	-
Long-term accounts receivable (recorded as other non-current assets)	68,439	-	-	-	-
Restricted deposits (recorded as other non-current assets)	6,974	-	-	-	-
	13,829,653				
	$ 15,529,966				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	$ 427	-	427	-	427
	427				
Financial liabilities measured at amortized cost:					
Short-term borrowings	3,111,970	-	-	-	-
Notes and accounts payable (including related parties)	4,502,383	-	-	-	-
Payables on construction and equipment	417,193	-	-	-	-
Other current payables (recorded as other current liabilities)	1,018,568	-	-	-	-
Long-term loans (including current portion)	64,789	-	-	-	-
Bonds payable (including current portion)	1,103,900	-	-	-	-
Guarantee deposits received	131,369	-	-	-	-
	10,350,172				
	$ 10,350,599				

(Continued)

c) 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.

d) 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.

e) There were no transfers from one level to another of the Group in the years ended December 31, 2019 and 2018.

f) 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 years ended December 31, 2019 and 2018:

	Current financial assets at fair value through other comprehensive income – unquoted equity instruments	Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable	Total
Balance on January 1, 2019	$ 75,052	-	75,052
Total gains and losses recognized:			
In profit (loss)	-	-	-
In other comprehensive income	(72,799)	-	(72,799)
Balance on December 31, 2019	$ 2,253	-	2,253

(Continued)

		Current financial assets at fair value through other comprehensive income – unquoted equity instruments	Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable	Total
Balance on January 1, 2018	$	88,249	(46,988)	41,261
Repurchased		-	59,066	59,066
Disposal		(10,049)	-	(10,049)
Total gains and losses recognized:				
In profit (loss)		-	(12,078)	(12,078)
In other comprehensive income		(3,148)	-	(3,148)
Balance on December 31, 2018	$	75,052	-	75,052

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 December 31, 2019 and 2018 were as follows:

		2019	2018
Total gains and losses recognized:			
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	$	(72,799)	(3,148)
In profit or loss (recorded as gains (losses) from financial assets (liabilities) at fair value through profit or loss)		-	(12,078)

g) 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.

(Continued)

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	·Price-to-Book ratio (P/B Ratio) (0.405 and 0.53 on December 31, 2019 and 2018, respectively) ·Lack of marketability discount rate (20% on December 31, 2019 and 2018)	·The higher the P/B ratio, the higher the fair value. ·The higher the lack of marketability discount, the lower the fair value.

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

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

			Impacts of fair value changes on other comprehensive income	
	Input	Variation	Advantageous change	Disadvantageous change
December 31, 2019				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	$ 110	110
〃	Lack of marketability discount	5%	$ 110	110
December 31, 2018				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	$ 3,000	3,000
〃	Lack of marketability discount	5%	$ 3,000	3,000

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

(Continued)

(ab) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative and non-derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continually review the amount of the risk exposure and the compliance with the Group's policies. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounting receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and bank references in some cases. Credit limits that are established for each customer are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

(Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's customers are from many different industries. The Group does not concentrate on a specific customer, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. In order to mitigate account receivable credit risk, the Group constantly assesses the financial status of the customers.

The Group set the allowance for bad debt account to reflect the estimated losses for accounts receivables, other receivables, and investments. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is recognized based on historical collection records of similar financial assets.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and contractually obligated counterparties are banks, investment grade above financial institutions, and corporate organizations with good credit standing, there are no compliance issues, and therefore, there is no significant credit risk.

3) Guarantees

The Group's policy to provide financial guarantees is only permissible to subsidiaries. Please refer to note 13(a) for information of guarantees and endorsements to subsidiaries as of December 31, 2019 and 2018.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities to ensure they are in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to notes 6(m) and 6(o) for the unused credit lines of short-term and long-term loans as of December 31, 2019 and 2018.

(v) Market risk

Market risk is the risk that will affect the Group's income or the value of its financial instruments arising from the changes in market prices, such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily TWD, EUR, USD, HKD, and RMB, etc. The currencies used in these transactions are denominated in TWD, HKD, EUR, USD, and RMB.

The Group hedges accounts receivable denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date.

2) Interest rate risk

The Group borrows funds on fixed and floating interest rate; and the Group bears the cash flow risks related to floating rate loans.

3) Other market value risk

The Group is exposed to equity price risk arising from listed stock investments. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments. The material investments of investment portfolio are managed individually and their purchase decision must be approved by the finance department.

(ac) Capital management

The Group maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there are financial resources and operating plans to support working capital, capital expenditures, research and development expenses, debt redemptions and dividend payments, and so on. The management decides the optimized capital by using appropriate debt-to-equity ratio, interest-bearing liabilities-to-equity ratio or other financial ratios. To maintain a strong capital base, the Group enhances the return on equity by optimizing debt-to-equity ratio. The Group's debt-to-equity ratio at the end of the reporting date was as follows:

		December 31, 2019	December 31, 2018
Total liabilities	$	11,154,644	11,731,517
Total equity		17,194,428	17,352,626
Interest-bearing liabilities		3,755,830	4,280,659
Debt-to-equity ratio		65 %	68 %
Interest-bearing liabilities to equity ratio		22 %	25 %

(Continued)

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

The Group's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2019, were acquisition of right-of-use assets by lease; please refer to note 6(k). There were no non-cash investing and financing activities in the year ended December 31, 2018. Reconciliations of liabilities arising from financing activities were as follows:

			Non-cash changes			
	January 1, 2019	Cash flows	Acquisition	Amortization of interest and issuance costs	Foreign exchange movement	December 31, 2019
Short-term borrowings	$ 3,111,970	(529,818)	-	-	-	2,582,152
Long-term borrowings	64,789	(9,467)	-	-	(1,678)	53,644
Lease liabilities	347,210	(51,947)	19,322	-	(1,775)	312,810
Bonds payable	1,102,525	-	-	17,134	-	1,119,659
Guarantee deposits received	131,369	66,883	-	-	-	198,252
Total liabilities from financing activities	$ 4,757,863	(524,349)	19,322	17,134	(3,453)	4,266,517

			Non-cash changes	
	January 1, 2018	Cash flow	Amortization of interest and issuance costs	December 31, 2018
Short-term borrowings	$ 2,181,411	930,559	-	3,111,970
Longt-term borrowings	-	64,789	-	64,789
Bonds payable	7,453,249	(6,528,800)	178,076	1,102,525
Guarantee deposits received	132,022	(653)	-	131,369
Total liabilities from financing activities	$ 9,766,682	(5,534,105)	178,076	4,410,653

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

(b) Significant related party transactions

(i) Sales

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

		2019	2018
Associates	$	57,107	75,209
Other related parties (Note)		53,148	112,162
	$	**110,255**	**187,371**

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

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

(ii) Purchase

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

		2019	2018
Associates	$	414,912	451,724
Other related parties-Epistar (Note)		642,995	1,798,787
	$	**1,057,907**	**2,250,511**

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

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

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Related party categories		December 31, 2019	December 31, 2018
Associates	$	34,684	34,839
Other related parties		-	62,626
	$	**34,684**	**97,465**

(iv) Payables to related parities

The payables to related parties were as follows:

Related party categories		December 31, 2019	December 31, 2018
Associates	$	168,285	198,955
Other related parties-Epistar		-	836,073
	$	168,285	1,035,028

(c) Key management personnel compensation

Key management personnel compensation comprised:

		2019	2018
Short-term employee benefits	$	24,138	31,907
Others		4,800	4,822
	$	28,938	36,729

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		December 31, 2019	December 31, 2018
Time deposits and restricted deposits (recorded as other financial assets – non-current)	Guarantee for contract grant and guarantee for construction contracts	$	222,083	6,974
Restricted deposits (recorded as other financial assets-current)	Contract of accounts receivable factoring		121,414	138,075
		$	343,497	145,049

(9) Commitments and contingencies

(a) The lawsuits between Nichia Corporation

In March 2012, the Group filed a lawsuit against Nichia Corporation (Nichia) in German Federal Patent Court (GFPC) alleging that Nichia's patent DE69702929 is invalid. The patent is related to specific white LED products. In September 2014, GFPC ruled DE69702929 being invalid, which was in favor of the Company and against Nichia. Afterwards, Nichia appealed to the Federal Court of Justice in October, 2014. In August, 2016, the Federal Court of Justice ruled the patent is valid. In December 2016, the Group filed another patent invalidation lawsuit with new evidences of patent invalidation. GFPC ruled patent being valid in September 2018. The Group decided to withdraw its appeal in October 2018 because that patent had been expired since July 29, 2017 and there was no risk of injunction. There is no impact to the sales of the current products of the Group.

(Continued)

In April 2016, the Group filed opposition proceedings against Nichia to the European Patent Office (EPO) alleging that Nichia's patents EP2197053 and EP2276080 are invalid. In October 2017, EPO issued a decision that the original patent scope was invalid, and the narrowly amended one was valid. Both Nichia and the Group continued to appeal for the scope of patents. Currently, the case is still in progress in the second instance.

On April 18, 2012, Nichia filed a lawsuit against the Company and Everlight Europe to the Dusseldorf District Court alleging the infringement of patent DE69702929. The patent is related to white LED products with specific phosphor. Dusseldorf District Court ruled against the Company and Everlight Europe on September 3, 2013. The Group then appealed the case in the Dusseldorf Higher Regional Court on October 2, 2013. The Dusseldorf Higher Regional Court ruled against the Company and Everlight Europe on December 22, 2016. The Company and Everlight Europe then appealed in the Federal Court of Justice on January 18, 2017. There is no impact to the sales of the current products of the Group because that patent had been expired July 29, 2017. In addition, this litigation is filed against only certain obsolete products of the Company and Everlight Europe, therefore the operation and sales of the Group won' t be seriously impacted by that patent. As a result, the Group decided to withdraw its appeal.

Furthermore, Nichia claimed that Everlight infringed Nichia's patents EP2197053 and EP2276080 (both are part of patent family of the aforementioned patent DE69702929) in July 2015 to the Dusseldorf Higher Regional Court but was rejected by the Court due to procedure flaw. Nichia then filed a lawsuit against the Company and Everlight Europe in the Dusseldorf District Court alleging the infringement of EP2197053 and EP2276080 in December 2016. The patent infringement case related to EP2197053 is currently suspended.

EP2197053 and EP2276080 had been both expired since July 29, 2017, therefore there is no impact to the sales of the current products of the Group. In addition, this litigation is filed against only certain obsolete products of the Group, therefore the operation and sales of the Group won' t be seriously impacted by that patent. As a result, the Group had withdrawn from the patent infringement case related to EP2276080 in October 2018.

In September 2015, Nichia filed a litigation in the Dusseldorf District Court alleging that Wofi Leuchten (Wofi) infringes EP2197053 and EP2276080. Dusseldorf District Court ruled against Wofi on December 15, 2016. Wofi then appealed the case on January 12, 2017 in the Dusseldorf Higher Regional Court. The case is still in progress. In November 22, 2015, Nichia filed a litigation in the Dusseldorf District Court alleging that Wofi Leuchten (Wofi) infringes DE69702929. Dusseldorf District Court ruled against Wofi on July 4, 2017. Nichia was allowed to enforce the injunction after depositing guarantees in the court; Nichia was not able to enforce the injunction after the expiration date of DE69702929, which is July 29, 2017. Wofi Leuchten hadn't received a court order to enforce the injunction before the expiration date of DE69702929. The Group appealed the case on August 4, 2017 in the Dusseldorf Higher Regional Court.

E69702929 had expired since July 29, 2017, therefore there is not impact to the sales of the current products of Wofi Leuchten. In addition, this litigation is filed against only certain obsolete products of Wofi Leuchten, therefore he operation and sales of Wofi Leuchten won't be seriously impacted by this patent. As a result, the Group had withdrawn from this patent infringement case related to DE69702929 in October 2018.

(Continued)

(b) The Group has evaluated the future final decision of above cases and the potential demand for payment. The Group believes that it will not have any material effects on the operations of the Group and there is no unrecorded provision liability.

(c) Significant commitments unrecognized:

(i) As of December 31, 2019, and 2018, the Group's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$931,964 and \$930,196, respectively.

(10) Losses due to major disasters: none

(11) Subsequent Events:

Breaking out of the novel coronavirus in early 2020 had affected the some of the Group's operation in China. The impact may include postpone on manufacturing and delivery. Due to the ambiguity of the relevant information, the Group is not yet able to appropriately forecast the impact that the novel coronavirus may make on its operation result and the affected amount on its financial status. The Group will continuously follow the development of the epidemic to assess the influence in time.

(12) Other

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

By function	2019			2018		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,606,342	1,687,203	3,293,545	1,768,605	1,707,427	3,476,032
Labor and health insurance	81,124	155,180	236,304	92,368	155,188	247,556
Pension	75,860	57,381	133,241	102,922	62,406	165,328
Others	113,926	67,161	181,087	130,472	76,397	206,869
Depreciation	1,347,721	656,542	2,004,263	1,390,398	605,977	1,996,375
Amortization	49,920	35,294	85,214	62,272	42,044	104,316

(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 year ended December 31, 2019:

(Continued)

(i) Loans to other parties:

Unit: foreign currency in thousand dollars

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	WOFI Holding	Other current financial assets	Yes	641,514 (EUR19,000)	303,875 (EUR9,000)	303,875	1.0%	Short-term financing	-	Business turnover	-		-	1,684,289	6,737,157
1	Everlight Zhongshan	Zhongshan Everlight Lighting	〃	Yes	64,738 (RMB14,970)	45,278 (RMB10,470)	45,278 (RMB10,470)	2.5%	Short-term financing	-	〃	-		-	361,155	361,155
2	Everlight BVI	WOFI Holding	Other receivables	Yes	135,056 (EUR4,000)	67,528 (EUR2,000)	67,528 (EUR2,000)	-	Short-term financing	-	〃	-		-	2,795,072	2,795,072

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 Zhonghshan; and to borrowers having business relationship with Everlight Zhongshan, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of cash fund financing cannot exceed 40% of Everlight Zhongshan's net worth.

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

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

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: foreign currency in thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Shin Kong Financial Holding Co., Ltd.	None	Current financial assets at fair value through profit or loss	11	$ 114	-%	114	347	- %	
〃	SinoPac TWD Money Market Fund	〃	〃	3,377	47,188	-%	47,188	3,377	- %	
〃	Cathay Financial Holding Co., Ltd. Preferred Stock B	〃	〃	100	6,400	-%	6,400	100	- %	
〃	Gigasolar Materials Corporation convertible bonds	〃	〃	200	19,400	-%	19,400	200	- %	
〃	China Airlines Ltd. convertible bonds	〃	〃	220	21,879	-%	21,879	220	- %	
〃	Global PMX Co., Ltd. convertible bonds	〃	〃	15	1,755	-%	1,755	15	- %	
〃	Taiwan Chinsan Electronic Industrial Co., Ltd. convertible bonds	〃	〃	41	4,059	-%	4,059	41	- %	
					$ 100,795					
The Company	Hua-chuang Automobile Information Technical Center Co., Ltd., Stocks	The Company is the corporate director of this company	Non-current financial assets at fair value through other comprehensive income	11,320	2,253	3.45%	2,253	11,320	3.45 %	
〃	Epistar Co., Ltd (Epistar) Stocks	None	〃	10,000	323,505	0.92%	323,505	10,000	0.92 %	
					$ 325,758					
Pai-yee	Taishin Ta-Chong Money Market Fund	None	Current financial assets at fair value through profit or loss	2,016	28,749	-%	28,749	2,156	- %	
〃	Taipei Tech innofund Stocks	Pai-yee is the corporate director of this company	Non-current financial assets at fair value through profit or loss	3,000	41,201	10%	41,201	3,000	10 %	
Everlight Fujian	Kaistar Lighting (Xiamen) Co.,Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	345,960 (RMB80,000)	3.97%	345,960	(Note 2)	3.97 %	
〃	Country Lighting (B.V.I.) Ltd.	None	〃	(Note 2)	19,486 (RMB4,506)	8.21%	19,486	(Note 2)	8.21 %	
					$ 435,396					
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	86,499 (RMB20,002)	-%	86,499	-	- %	

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.

(Continued)

(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

			Transaction Details				Abnormal Transaction		Notes/ Account (Payable) or Receivable		
Name of Company	Name of Counter-party	Relationship	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)	Note
The Company	Evlite	100% owned subsidiary	(Sales)	$ (1,473,219)	(8)%	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	443,980	8 %	Note 2
〃	Everlight Europe	75% owned subsidiary	(Sales)	(960,095)	(6)%	OA 120	〃	〃	200,092	3 %	〃
〃	Everlight Lighting China	100% owned sub-subsidiary	(Sales)	(501,944)	(3)%	Depending on the credit conditions of the ultimate customers	〃	〃	561,747	10 %	〃
〃	ELA	99% owned subsidiary	(Sales)	(319,302)	(2)%	OA 140	〃	〃	161,736	3 %	〃
〃	Everlight China	100% owned sub-subsidiary	Purchases	8,833,769	75%	Depending on the demand for funding, OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(3,699,980)	(70)%	〃
〃	Everlight Zhongshan	100% owned sub-subsidiary	Purchases	357,841	3%	Depending on the demand for funding, OA 120	〃	〃	(148,030)	(3)%	〃
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(397,634) (RMB(88,823))	(100)%	Depending on the demand for funding, OA 95	-	Depending on the funding demand of both sides	147,837 (RMB34,186)	100 %	〃
Everlight China	The Company	Ultimate holding company	(Sales)	(9,123,761) (RMB(2,038,055))	(99)%	Depending on the demand for funding, OA 120	-	〃	3,700,317 (RMB855,663)	99 %	〃
〃	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(117,719) (RMB(26,296))	(1)%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	25,680 (RMB5,938)	1 %	〃
〃	Tekcore	Equity-accounted investee by the Company	Purchases	338,076 (RMB75,519)	6%	OA 120	〃	〃	(137,611) (RMB(31,821))	(6)%	-
Everlight Lighting China	The Company	Ultimate holding company	Purchases	551,252 (RMB123,138)	45%	Depending on the terms of the ultimate customer	-	Depending on the funding demand of both sides	(571,117) (RMB(132,066))	(67)%	Note 2
〃	Everlight China	With the same parent company	Outsourced manufacturing fee	118,906 (RMB26,561)	10%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	(30,262) (RMB(6,998))	(4)%	〃
ELA	The Company	Parent company	Purchases	312,039 (USD10,092)	100%	OA 140	-	-	(162,527) (USD(5,398))	(99)%	〃
Everlight Europe	The Company	Parent company	Purchases	958,336 (EUR27,689)	100%	OA 120	-	-	(199,918) (EUR(5,921))	(100)%	〃
Evlite	The Company	Parent company	Purchases	1,583,102 (HKD401,151)	100%	OA 90	-	Depending on the funding demand of both sides	(444,018) (HKD(114,891))	(100)%	〃
Evervision TW	Vbest GmbH	Equity-accounted investee by Evervision TW	(Sales)	(133,196)	(16)%	OA 90	No significant difference to the general customers	General sales receivables in 90~120 days	7,244	4 %	〃
〃	Vbest Kunshan	Equity-accounted investee by Evervision TW	Purchases	436,703	60%	OA 60	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(177,371)	(76)%	〃
Vbest GmbH	Evervision TW	65.5% owned subsidiary	Purchases	137,024 (USD3,959)	100%	OA 90	Terms not comparable to other general trading price	-	(23) (EUR(1))	- %	〃
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(436,613) (USD(14,121))	(99)%	OA 60	〃	-	178,116 (USD5,916))	99 %	〃

Note 1: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2019.
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.

(Continued)

(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 Amount	Overdue Action taken	Amounts received in subsequent period (Note 1)	Allowance for bad debts
The Company	Everlight Europe	75% owned subsidiary	200,092	4.42	-		172,320 (USD1,831、EUR3,391)	-
〃	ELA	99% owned subsidiary	161,736	1.79	-		61,649 (USD1,197)	-
〃	Evlite	100% owned subsidiary	443,980	3.22	-		202,762 (USD361、HKD48,597)	-
〃	Everlight Lighting China	100% owned sub-subsidiary	561,747	0.85	-		104,198 (RMB23,425)	-
〃	WOFI Holding	100% owned subsidiary	308,583 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	3,700,317	2.37	-		1,749,412 (RMB404,535)	-
Everlight Zhongshan	The Company	Ultimate holding company	147,837	2.19	-		82,637 (RMB19,109)	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	178,116 (USD5,916)	1.93	-		31,039 (USD1,031)	-

Note 1：Information as of March 24, 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：The aforementioned transactions had been eliminated in the consolidated financial statements.

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

Unit: foreign currency in thousand dollars

Financial instrument	Notional Amount	Transaction date	Maturity date	Rate	Fair Value	Credit risk
The Company:						
Pre-sale forward exchange contract	USD23,000	2019.10.09~ 2019.12.23	2020.01.07~ 2020.03.26	USD/RMB 6.9928~7.1570	7,930	7,930
〃	USD26,000	2019.11.05~ 2019.12.30	2020.01.07~ 2020.03.17	USD/NTD 29.9660~30.5030	7,462	7,462
〃	EUR3,750	2019.10.02~ 2019.12.31	2020.01.07~ 2020.04.23	EUR/USD 1.1008~1.1278	(1,127)	-
Cross currency swap	USD30,000	2019.06.18	2020.06.10	USD/NTD 31.4	(38,312)	-
ETT：						
Everlight Zhongshan:						
Other derivative financial instrument contracts	RMB20,000	2019.12.30	2020.04.02	3.60%	9	-

(Continued)

(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	960,095	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	5 %
			1	Accounts receivable	200,092	〃	1 %
0	The Company	ELA	1	Sales revenue	319,302	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	2 %
			1	Accounts receivable	161,736	〃	1 %
0	The Company	Evlite	1	Sales revenue	1,473,219	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	7 %
			1	Accounts receivable	443,980	〃	2 %
0	The Company	Everlight Lighting China	1	Sales revenue	501,944	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	2 %
			1	Accounts receivable	561,747	〃	2 %
0	The Company	WOFI Holding	1	Other receivable due from related parties (Note 3)	308,583	Rate 1.0%	1 %
1	Everlight China	The Company	2	Sales revenue	9,123,761	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 120 days.	44 %
			2	Accounts receivable	3,700,317	〃	13 %
2	Everlight Zhongshan	The Company	2	Sales revenue	397,634	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 95 days.	2 %
			2	Accounts receivable	147,837	〃	1 %
3	Evervision TW	Vbest GmbH	3	Sales revenue	133,196	There is no significant difference on the price offered to general customers; and the credit period is OA 90 days.	1 %
4	Vbest Kunshan	Evervision TW	3	Sales revenue	436,613	There is no significant difference on the price offered to general customers; and the credit period is OA 150 days.	2 %
			3	Accounts receivable	178,116	〃	1 %

Note 1: The numbers filled in as follows:
1.0 represents the parent company.
2. Subsidiaries are sorted in a numerical order starting from 1.
Note 2: Relationship with the transactions labeled as follows:
1.Represents the transactions from the parent company to the subsidiaries.
2.Represents the transactions from the subsidiaries to the parent company.
3.Represents the transactions between the subsidiaries.
Note 3: lending funds (including interest)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

Unit: foreign currency in thousand dollars

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Ending balance			The highest holdings in the period		Net income (Losses) of the Investee (Note 4)	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (In thousands)	Percentage of ownership	Carrying value	Shares	Percentage of ownership			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	4,759,166	4,947,563	1,483	98%	$ 6,847,928	1,603	98%	193,776	189,899	Subsidiaries (Note 5)
〃	Pai-yee	New Taipei City	Investment	580,253	580,253	23,940	100%	464,775	23,940	100%	11,807	11,807	Subsidiaries (Note 5)
〃	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(87,705)	11,375	98.91%	(61,604)	(60,933)	Subsidiaries (Note 5)
〃	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	215,450	4,477	24.27%	28,426	6,899	Subsidiaries (Note 5)
〃	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	52,111	75	75%	63,063	47,298	Subsidiaries (Note 5)
〃	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	35,218	38	100%	4,900	4,900	Subsidiaries (Note 5)
〃	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	425,506	42,488	100%	(7,922)	(7,922)	Subsidiaries (Note 5)
〃	Zenaro TW	New Taipei City	Sale of LED lighting products	-	380,100	(Note3)		(Note3)	20,062	100%	29	29	Subsidiaries (Note 5)
〃	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	230,634	20,000	100%	26,859	26,916	Subsidiaries (Note 5)
〃	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	41,589	9,291	9.66%	(119,617)	(11,555)	(Note 1)
〃	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	106,113	7,000	100%	11,301	11,301	Subsidiaries (Note 5)
〃	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	12,507	353	80%	(2,269) (INR(5,167))	(1,815)	Subsidiaries (Note 5)
〃	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	13,459	200	100%	(3,898)	(3,898)	Subsidiaries (Note 5)
〃	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	(117,357)	5,775	100%	(151,010)	(151,010)	Subsidiaries (Note 5)
〃	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	12,883	5	100%	(9,771)	(9,771)	Subsidiaries (Note 5)
Pai-yee	Everlight BVI	Registered in British Virgin Islands	Investment	124,508	124,508	38	2%	139,754	38	2%	193,776	3,877	Subsidiaries (Note 5)
〃	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	101,822	2,485	13.47%	28,426	3,829	Subsidiaries (Note 5)
〃	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	18,867	-	4,103	4.27%	18,383	4,103	4.27%	(119,617)	(3,079)	Note 2
Pai-yee	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	758	254	100%	68	68	Sub-subsidiaries (Note 5)
〃	ELI	India	Sale of LEDs	493	493	88	20%	3,125	88	20%	(2,269) (INR(5,167))	(454)	Subsidiaries (Note 5)
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%	177,855	5,120	27.76%	28,426	7,891	Subsidiaries (Note 5)
〃	EleOcom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	45,000	30,000	4,500	32.14%	14,792	4,500	32.14%	(55,720)	(16,819)	-
Evervision	Well	Hsinchu County	Electronic material trading	14,000	-	200	20%	4,249	200	20%	5,737	1,222	-

Note 1: The market price is $45,899 thousand dollars.
Note 2: The market price is $20,269 thousand dollars.
Note 3: The liquidation process had been completed in October, 2019.
Note 4: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2019.
Note 5: The transactions between companies mentioned in note 4 had been eliminated in the consolidated financial statements.

(Continued)

(c) Information on investment in Mainland China:

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

Unit: foreign currency in thousand dollars

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Highest balanc during the year		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 December 31, 2019 (Note 6)	Accumulated remittance of earnings as of December 31, 2019
					Outflow	Inflow		Shares/ Units (thousands)	Percentage of ownership					
The Company and Pai-yee:														
Everlight China	Manufacture of LEDs	3,698,681 (US$113,500、 RMB65,129) (Note 7)	(Note 1)	3,322,498 (US$110,360)	-	-	3,322,498 (US$110,360)	-	100%	200,357	100%	200,357	5,476,393	(Note 8)
Everlight Lighting China	Sale of LEDs	240,848 (US$8,000) (Note 11)	(Note 1)	156,551 (US$5,200)	-	-	156,551 (US$5,200)	-	100%	(12,973)	100%	(12,973) (Note 12)	166,548 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	198,456 (US$128、 RMB45,000) (Note 20)	(Note 1)	3,854 (US$128)	-	-	3,854 (US$128)	-	100%	(328)	100%	(328) (Note 21)	193,733 (Note 21)	-
Everlight Zhongshan	Manufacture of LED related components	903,180 (US$30,000)	(Note 1)	903,180 (US$30,000)	-	-	903,180 (US$30,000)	-	100%	503	100%	503	902,889	-
Everlight Fujian	Manufacture and sale of LED backlights and related	752,650 (US$25,000)	(Note 1)	648,658 (US$16,250、 RMB36,868)	-	-	648,658 (US$16,250、 RMB36,868)	-	90%	12,865	90%	11,579	589,028	-
Shanghai Yaming Lighting Co., Ltd.(Yaming)	Assemble LED lighting products	86,490 (RMB20,000)	(Note 1)	44,075 (US$1,464)	-	-	44,075 (US$1,464)	-	50%	-	50%	-	-	-
ELMS	Research and sale of LED lighting products	410,828 (RMB95,000) (Note 23)	Direct investment	106,255 (US$1,294、 RMB15,562)	-	-	106,255 (US$1,294、 RMB15,562)	-	100%	1,179	100%	1,179 (Note 22)	9,587 (Note 22)	-
Yi-Yao	Research of electronic components	49,602 (RMB11,470)	(Note 1)	27,945 (RMB6,462)	-	-	27,945 (RMB6,462)	-	100%	-	100%	-	-	-
Evervision TW:														
Vbest Kunshan	Post-assemble STN display and assemble module	541,908 (US$18,000)	(Note 2)	541,908 (US$18,000)	-	-	541,908 (US$18,000)	-	65.50%	(12,491)	65.50%	(8,182)	430,870	-
Everlight Lighting China:														
Zhongshan Everlight Lighting	Research and sale of LED lighting products	86,490 (RMB20,000)	(Note 3)	-	-	-	-	-	100%	(2,702)	100%	(2,702)	(50,238)	-

(Continued)

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2019 (Note 6)	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (Note 6)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company and Pai-yee (Note 5)	5,342,683 (US$169,903 thousand、RMB58,892 thousand) (Notes 9、10、16 and 17)	5,403,412 (US$170,829 thousand、RMB60,223 thousand)	10,105,735
ELIT	142,059 (US$2,723 thousand、RMB13,893 thousand) (Notes 18 and 19)	142,059 (US$2,723 thousand、RMB13,893 thousand)	138,346 (Note 13)
Evervision TW (Note 15)	636,320(Note 15and 24) (US$21,136 thousand)	636,320 (US$21,136 thousand)	458,886 (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 Yaming and Everlight Electronic (Guangzhou), which recognized their gains and losses on investment in accordance with self-reported financial statements of investees, the gains and losses on investment of the remaining companies were recognized according to the investees' financial statements which had been reasonably audited by the certified public accountants of the parent company and other accountants, and the amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2019.
Note 5: Including the investment amount of US$ 3,790 thousand approved by Pai-yee.
Note 6: The amounts were translated into New Taiwan dollars at the exchange rates at the end of the reporting period.
Note 7: The difference from the Company's outflow of investment was due to the retained earnings transferred to the capital of Everlight China amounting to US$ 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.
Note 8: Including the remittance amounting to US$ 10,140 thousand from Guangzhou Everlight to Everlight BVI to be invested in Everlight China by Everlight BVI in 2007.
Note 9: In January 2011, the Company sold its subsidiary (Yi-Yao) in Mainland China, through Evlite, to its domestic subsidiary, ELIT, at US$ 245 thousand, and the Company had applied to eliminate its sales price. In addition, the aforesaid investment amount included its accumulated remittance for investment amounting to US$ 48 thousand.
Note 10: The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to US$ 3,750 thousand was included in the Company's accumulated outflow of investment from Taiwan.
Note 11: The difference from the Company's outflow of investment was due to the amount of US$ 2,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.
Note 12: Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.
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.

(Continued)

Note 18: ELIT sold 100% equity of ELMS to the Company in January 2014. The aforesaid investment amounting to US$ 2,000 thousand and RMB 13,893 thousand were included in ELIT's accumulated outflow of investment from Taiwan.
Note 19: Including ELIT's accumulated outflow of investment from Taiwan amounting to US$ 723 thousand. In January 2015, adjustments were made to coordinate with the organizational structure of the Group, and the Company acquired control over Yi-Yao through Everlight SSL(HK) invested Yi-Yao amounting RMB$6,462 thousand.
Note 20: The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in Everlight Electronic (Guangzhou) from Everlight China's owned fund.
Note 21: Including the gains or losses on investment and ending balance of carrying value of investment in Everlight Electronic (Guangzhou) by Everlight China.
Note 22: Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Electronic (Guangzhou) by ELMS.
Note 23: The difference from the Company's outflow of investment was due to the amount of RMB45,000 thousand invested in ELMS from Everlight Electronic (Guangzhou).
Note 24: The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to US$386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Group and the investee companies in Mainland China for the year ended December 31, 2019.

(14) Segment information:

(a) General Information

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

Other operating segments mainly engage in the sale of raw materials for electronic products, masks, and electrophoretic displays. The above operating segments did not meet the quantitative thresholds in the years ended December 31, 2019 and 2018.

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

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

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

(Continued)

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

	2019					
	LED segment	**LCD segment**	**Illumination segment**	**Others**	**Adjustments & eliminations**	**Total**
Revenues						
Revenues from external customers	$18,340,772	674,717	1,883,423	67,629	-	20,966,541
Intersegment revenues	-	-	-	-	-	-
Total revenues	$18,340,772	674,717	1,883,423	67,629	-	20,966,541
Reportable segment profit (loss)	$ 1,104,036	8,841	(282,017)	4,333	-	835,193
Reportable segment assets	$ -	-	-	-	-	28,349,072

	2018					
	LED segment	**LCD segment**	**Illumination segment**	**Others**	**Adjustments & eliminations**	**Total**
Revenues						
Revenues from external customers	$20,785,983	796,140	2,419,709	87,459	-	24,089,291
Intersegment revenues	-	-	-	-	-	-
Total revenues	$20,785,983	796,140	2,419,709	87,459	-	24,089,291
Reportable segment profit (loss)	$ 1,186,725	39,740	(360,290)	22,893	-	889,068
Reportable segment assets	$ -	-	-	-	-	29,084,143

(c) Entity-wide information

The following was the Group's geographical information. Revenues were attributed to countries on the basis of the customers' location. Non-current assets were attributed to countries on the basis of the assets' location.

(i) Revenues from external customers:

Geographical information	**2019**	**2018**
Asia	$ 17,511,370	19,454,105
Europe	2,551,005	3,613,639
America	611,805	831,039
Others	292,361	190,508
	$ 20,966,541	24,089,291

(Continued)

(ii) Non-current assets:

Geographical information		December 31, 2019	December 31, 2018
Asia	$	9,648,901	10,423,851
Europe		275,627	265,190
Others		126,849	117,536
	$	**10,051,377**	**10,806,577**

Non-current assets include property, plant and equipment, right-of-use right, investment property, intangible assets, and other assets, excluding financial instruments, deferred tax assets, and post-employment benefit assets.

(d) Information about major customers

There were no individual customers whose purchases were over 10% of consolidated net sales in 2019 and 2018.

6.6 In the most recent year and as of the date of publication of the annual report, if the Company and its affiliated companies had any difficulties in financial turnover, the impact of financial status should be stated: None

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

7.1 Analysis of Financial Performance Unit: NT$ thousands

Year / Item	2019	2018	Difference	
			Amount	%
Current Assets	17,386,636	17,360,421	26,215	0.15
Fix Assets	8,909,437	10,239,693	(1,330,256)	(12.99)
Intangible Assets	82,650	124,585	(41,935)	(33.66)
Other Assets	1,970,349	1,359,444	610,905	44.94
Total Assets	28,349,072	29,084,143	(735,071)	(2.53)
Current Liabilities	10,280,488	9,961,920	318,568	3.20
Long-term Liabilities	874,156	1,769,597	(895,441)	(50.60)
Total Liabilites	11,154,644	11,731,517	(576,873)	(4.92)
Equity attribute to owners of parent	16,842,893	16,987,956	(145,063)	(0.85)
Capital Stock	4,432,457	4,429,996	2,461	0.06
Capital Surplus	9,089,121	9,159,142	(70,021)	(0.76)
Retained Earnings	4,782,354	4,623,095	159,259	3.44
Other Earnings	(1,461,039)	(1,224,277)	(236,762)	(19.34)
Treasury stock	-	-	-	-
Non-Controlling Interests	351,535	364,670	(13,135)	(3.60)
Total Stockholders' Equity	17,194,428	17,352,626	(158,198)	(0.91)

Analysis of changes in financial ratios:

1. The decrease in intangible assets was mainly due to the amortization in the current period.
2. The increase in other assets was mainly due to the increase in right-of-use assets due to the adoption of IFRS No. 16 in this period.
3. The decrease in long-term liabilities is mainly due to the transfer of corporate bonds payable to corporate bonds payable that due within one year.

- **Effect of changes on the company's financial condition: The Company's financial condition has not changed significantly.**
- **Future response actions:** Not applicable

7.2 Analysis of Financial Performance Unit: NT$ thousands

Item \ Year	2019	2018	Difference Amount	Difference (%)
Revenue	20,966,541	24,089,291	(3,122,750)	(12.96)
Cost of Revenue	15,838,093	18,434,713	(2,596,620)	(14.09)
Gross Profit	5,128,448	5,654,578	(526,130)	(9.30)
Operating Expenses	4,293,255	4,765,510	(472,255)	(9.91)
Operating Income	835,193	889,068	(53,875)	(6.06)
Non-operating Income and Gains	230,515	234,891	4,376	(1.86)
Income Before Tax	1,065,708	1,123,959	(58,251)	(5.18)
Tax Expense	214,379	260,880	(46,501)	(17.82)
Net Income	851,329	863,079	(11,750)	(1.36)

Analysis of changes in financial ratios(Over 20%): Not applicable.

7.3 Analysis of Cash Flow

7.3.1 Latest 2 years Unit: NT$ thousands

Item \ Year	2019	2018	Difference (%)
Operating Activities	4,101,678	3,536,132	15.99
Investment Activities	(2,277,447)	3,233,281	(170.44)
Financing Activities	(1,214,785)	(6,828,038)	82.21
Total	609,446	(58,625)	1,139.57

1. Analysis of change in cash flow in the current year:

(1) The difference in cash flow from investment activities was mainly due to the increase in other financial assets during the year, resulting in a decrease in cash flow from investment activities.

(2) The difference in cash flow from financing activities was mainly due to the decrease in the redemption of corporate bonds in the current year, resulting in an increase in cash flow from financing activities.

7.3.2 Cash flow analysis in the coming year

NT$, '000

Estimated Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow (Inflow)	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Investment Plans
4,982,698	1,815,166	2,525,429	4,272,435	-	-

1. Analysis of cash flow changes in the coming year: (1) Operating activities: Mainly due to the expected cash inflow from the operation of the company. (2) Investment activities: Mainly due to cash outflows from the purchase of factory offices and machinery and equipment. (3) Financing activities: Mainly due to the net cash outflows arising from the full year financing activities such as cash dividends, employee bonuses, director and supervisor remuneration, and financing activities. 2. Measures and liquidity analysis of expected cash shortfall: None

7.4 Major Capital Expenditure Items: None

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

7.5.1 The most recent annual investment policy, the main reason for its profit or loss, and improvement plans:

NT$, '000

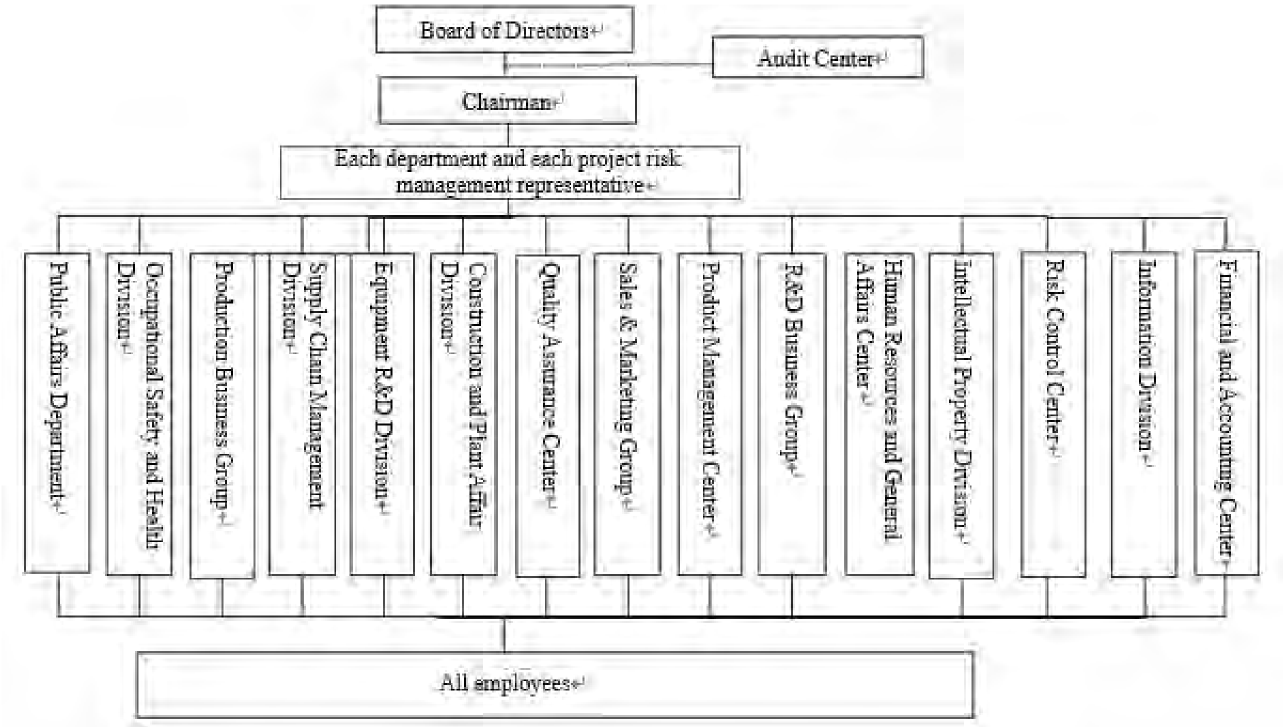
Our Investment	Profit/Loss	Business	Main Reason of Profit/Loss	Improvement Plan	Investment Plan
Everlight (BVI) Co., Ltd.	193,776	Holding company	The investment benefits of equity method	Not applicable	None
Pai Yee Investment Co., Ltd.	11,807	Investment company	The investment benefits of equity method and dividend income	Not applicable	None
Everlight Americas, Inc.	(61,604)	LED Sales	Revenue decreased	Expand business	None
Evervision Electronics Co., Ltd.	28,426	Production and sales of LCD panel	Automation introduced and improved yield, better product mix and Well expanding controled	Not applicable	None
Everlight Electronic Europe GmbH	63,063	LED Sales	Well expanding controled	Not applicable	None
Everlight Optoelectronics Korea Co., Ltd.	4,900	LED Sales	Well expanding controled	Not applicable	None
Forever Investment Co., Ltd.	(7,922)	Investment company	The investment loss of equity method	None	None
Zenaro Lighting Co., Ltd.	29	Sale of LED lighting products	Liquidation procedures have been completed this year	Not applicable	None
Everlight Lighting Intellengence Technology Co., Ltd.	26,859	Sale of LED lighting products	Well expanding controled	Not applicable	None
Tekcore Co. Ltd	(119,617)	Production and	Gross Loss	Improving yield	None

Our Investment	Profit/Loss	Business	Main Reason of Profit/Loss	Improvement Plan	Investment Plan
		sales of LED wafers and chips		of production to reduce gross loss	
Evlite Electronics Co., Ltd.	11,301	LED Sales	Well expanding controled	Not applicable	None
Everlight Electronics India Private Limited	(2,269)	LED Sales	Revenue decreased	Expand business and control expending	None
Everlight Electronics Singapore Pte.Ltd.	(3,898)	LED Sales	Revenue decreased	Expand business and control expending	None
WOFI Leuchten GmbH	(151,010)	Lighting products and accessories sales	Not meet the expectation of sales and gross margin	Improve sales strategy to increase selling prices and review the costs	None
Everlight Japan Corporation	(9,771)	LED Sales	Revenue decreased	Expand business	None
Everlight Lighting Management Consulting(Shanghai) Co., Ltd.	1,179	Research and sale of LED lighting products	Well expanding controled	Not applicable	None

7.5.2 Investment plans for the coming year: The Company estimates no major investment plans for the future.

7.6 Risk Management

7.6.1 Risk Management Framework



To ensure that all potential risks are effectively managed, each risk management unit runs through a risk assessment procedure on a quarterly basis to ensure that risk management is implemented effectively within the possible range.

The risk management of different operations is conducted by related units based on the nature of the operation, and the unit directly answers to the Chairman. The Audit Center reviews the existing or potential risks of operations and drafts a risk-oriented annual audit program based on the review.

The management unit of all risks and their risk management policies are as follows:

Public Affairs Department: Handling of press and media, industry association, and welfare activity related matters and management of relevant risks to reduce media risks

Occupational Safety and Health Division: Environmental protection, safety, and health operations to prevent or reduce the risk of accidents or environmental pollution

Production Business Group: Production and manufacturing risk control, reduction or prevention of resource waste or production efficiency risks during the production process

Supply Chain Management Division: Hold accountable for the management on the quality of raw materials, substances and components as well as the forbidden or restricted substances that keep the quality meeting the standards of the company and customers. Avoid the work being held up through a lack of materials, ensure reasonable procurement prices, reduce inventory and increase the competitiveness of products. Hold accountable for the risk control on the external risks (including accident risks, price risks, procurement quality risks, and technology advance risks) and internal risks (including contract risks, acceptance risks, and inventory risks) of procurement and to reduce or avoid the risks. Scheduling and allocation of production capacities to reduce or prevent the incidence of resource waste or production efficiency risks generated by production scheduling

Equipment R&D Division: Procurement, research, and development of production equipment to reduce or prevent risks generated by equipment needs or during the technology development process

Quality Assurance Center: Hold accountable for the risk control of the purchase of raw materials and production risks, reducing and avoiding the risks of internal or external failure resulting from defective raw materials quality or defective production process. This will improve the product quality of the company.

Sales and Marketing Group: Development of new clients and retention of old clients in line with annually planned sales targets and relevant KPI to maintain excellent report with customers and establish a sales performance management mechanism in order to reduce the risks associate with the inability to achieve annual sales targets; formulation and execution of marketing strategies for all business units to reduce the risks associated with product development and marketing.

Product Management Center: Hold accountable for planning and implementing the product strategy, life cycle, gross margin and future planning for the development of new products. Make suggestions to the company in compliance with the development trends of the industry and products from the market viewpoint to reduce or avoid the risk of failing to achieve the business goal of the company.

R&D Business Group: Control of risks related to the R&D and design of new products as well as the trial production stage, reduction and prevention of relevant risks through strategic thinking and control of R&D costs; assessment of key technologies and industry information, development and adoption of new materials and processes through integration of company resources and reduction or prevention of relevant risks.

Human Resources and General Affairs Center: Risks controls for human resource planning, training, recruitment, selection, appointment, and labor law compliance to reduce risks associated with human resource issues in order to achieve the goal of sustainable operations. The company's communications, power allocation, energy control, plant electrics, business equipment and other transactions to ensure smooth operations.

Information Division: Risk controls regarding the applicability, reliability, adaptability, and security of information systems to reduce or prevent the incidence of risks related to company systems and information technology project implementation as well as information security risks.

Legal Center: Divided into Legal division and Intellectual Property Division. Legal Division hold accountable for risk management of legal affairs and CSR planning, compliance of monitor policy of the competent authority, as well as handling contractual and litigation disputes to lower the legal risk concerning the company operations. And Intellectual Property Division is in charge of the risk management for IPR issues, compliance with regulatory policies of competent authorities and handling of litigation issues to reduce risks associated with patent right related matters.

Financial and Accounting Center: Hold accountable for planning and implementing the finance and taxes and risk control of financing, investment assessment, derivatives, financing, accounting information, financial reports and tax compliance, as well as enhancing the functions of internal control systems to ensure the effectiveness of continuous operations of the company.

Audit Center: Supervising unit in the risk management framework, objective and independent audits of the functioning and implementation of risk management mechanisms to guarantee an effective functioning of the system.

7.6.2 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

The Company's and subsidiaries' interest payments for 2018 and 2019 were NT$ 123,237,000 and NT$ 70,034000, respectively 0.51% and 0.33% of the consolidated net sales. Their ratios are very small and have no significant impact on the Company's profits. The Company and its subsidiaries consistently pay attention to the trend of interest rates by checking reports of various research institutions, and establish good relationships with financial institutions to keep lower capital costs. In addition to maintaining conservative and stable principles of working capital in the future, the Company and its subsidiaries will continue to strive to improve the financial structure to effectively control of the capital cost.

As for the exchange rate risk, the Company and its subsidiaries accounted for 91.50% of the total revenue are from export activities. Excessive exchange rate fluctuations would cost the profit of the Company and its subsidiaries. In 2018 and 2019, the Company and its subsidiaries recognized exchange benefits of NT$ 144,010,000 and profit NT$ 73,131,000, accounting for 0.60% and 0.35% of the net sales of each period. The Company and its subsidiaries are in accordance with the " Handling Procedures for Derivative Product Transaction Engagement " and maintain a certain hedge ratio to reduce the impact of exchange rate fluctuations on profitability.

The impact of inflation on the profit and loss currently is not yet obvious. The Company and its subsidiaries will also pay close attention to inflation, reduce various costs, watch the supply and demand of raw materials and price changes, and adjust inventory accordingly, and developing of high value-added products to respond certain situation.

7.6.3 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions: The Company is not engaged in any high-risk, high-leverage investment. Please refer to the company's financial report for the our loans to others and there is no endorsement or guarantee for others in recent years. Everlight trades derivative products only for the risk aversion and only undertake structured financial products with lower risks for the trading purposes.

7.6.4 Future Research & Development Projects and Corresponding Budget: Please see page 94-5.1.4 Long- and short-term business development plan

7.6.5 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales：None

7.6.6 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales：None

7.6.7 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures：None

7.6.8 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans：None

7.6.9 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans：Please see page 78-4.8 Financing Plans and Implementation

7.6.10 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration：The Company's sources of purchases and sales are well diversified and will not greatly be affected by a single customer.

7.6.11 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%：

None

7.6.12 Effects of, Risks Relating to and Response to the Changes in Management Rights：None

7.6.13 Litigation or Non-litigation Matters：

(1)Nichia claimed that Everlight infringed Nichia's European patents EP2276080(“Patent 080”) and EP2197053(“Patent 053”) in July 2015 to the Dusseldorf Higher Regional Court, however this case was rejected by the Court due to procedure flaw. Nichia then filed a lawsuit against the Company and Everlight Europe in the Dusseldorf District Court alleging the infringement of Patent 080 and Patent 053 in December 2016. The patent infringement case related to Patent 053 is currently suspended. Patent 053 and Patent 080 had both expired on July 29th, 2017, therefore they won’t affect the sales of the current products of the Company. In addition, this litigation was filed against only certain obsolete products of the Company, therefore the operation and sales of the Company won’t be seriously impacted by this patent. As a result, The Company had withdrawn litigation claims from this patent infringement case related to Patent 080.

(2) In April 2016, the Company filed opposition proceedings in the European Patent Office (“EPO”) alleging that Nichia's Patent 080 and Patent 053 are invalid. In October 2017, EPO issued decisions that the original claims were invalid, and the narrowly amended claims were valid. Both Nichia and the Company appealed and the cases are still in progress. The Company believes that the above-mentioned Nichia’s Patent 053 and Patent 080 should be invalid, so the Company evaluated the final judgment of the cases should have no significant impact on the operation of the company and its subsidiaries.

(3)On September 1, 2015, Nichia filed a litigation in the Dusseldorf District Court alleging that Wofi Leuchten (“Wofi”) infringes Nichia’s European Patent EP2276080(“Patent 080”) and EP2197053(“Patent 053”). The Patents are related to white light LED using specific phosphor. The Dusseldorf District Court ruled against Wofi in December 2016. Wofi then appealed the case in January 2017 in the Dusseldorf Higher Regional Court. In addition, in the objection procedure against the two patents in the aforementioned item, in October 2017, the European Patent Office(“EPO”) issued a judgment, and the original claims were invalid, and the narrowly amended claims were valid. Both Nichia and the Company appealed the second instance, the patents claims were under determination. The Dusseldorf Higher Regional Court has announced that it will suspend the trial of infringement cases and will restart the infringement process after the patents claims are determined. The Company believes that the patents should be invalid, so the Company evaluated the final judgment of the case should have no significant impact on the operation of the Company and its subsidiaries.

(4)In March 2016, Nichia Corporation (“Nichia”) filed a litigation in the Beijing Intellectual Property Court in China alleging that Everlight China and its distributor infringed Nichia China's patent CN97196762.8("Patent 762") and CN200610095837.4 ("Patent 837"). The patents are related to the use of specific phosphor in white LED. In September 25, 2017, the Patent Invalidation Reexamination Committee of the Intellectual Property Office determined that Nichia ’s Patent 837 was invalid, so Nichia withdrew the Patent 837 infringement case. In January 10, 2019, the Beijing Intellectual Property Court found that Everlight China and its distributor infringed and rendered damage of 3.2 million RMB. Since the Patent 762 has expired on July 29, 2017, there is no risk of an injunction, so the Company decided that Everlight China and its distributor did not appeal and Nichia also did not appeal. The case was terminated. The Company assessed that the final judgment of the case should have no significant impact on the operation of the company and its subsidiaries.

(5)Everlight China, a subsidiary of the Company, filed a patent invalidation procedures with the China Patent Invalidation Reexamination Committee against Nichia China ’s Patent 762 and Patent 837 in April 2016. On September 25, 2017, the Reexamination Committee decided that the patent 762 was valid and the patent 837 was invalid. Both Nichia and Everlight China appealed, and the second trial is in progress. On December 28, 2018, the Beijing Intellectual Property Court determined that Patent 762 were valid. Since the patent has expired on July 29, 2017, Everlight China decided not to appeal. On May 9, 2019, the Beijing Intellectual Property Court ruled that Patent 837 was invalid. Currently, Nichia appealed to the Supreme People's Court.

(6) In June, 2017, Document Security Systems. Inc. ("DSS") filed a litigation in the United States District Court for the Central District of California alleging that the company and its subsidiary Everlight Americas, Inc. infringed DSS US patents US 6,949,771, US 7,524,087, US 7,919,787 and US 7,256,486. The patents are related to the design of lead frame and substrate package in LED products. Both parties have settled and withdraw the case on April 23, 2019.

(7)In summary, although the Company and its subsidiaries have the above-mentioned litigation cases, they have appointed lawyers to deal with the litigations. The Company and its subsidiaries have taken relevant countermeasures. At present, there is no immediate and significant impact on the financial and business of the Company and its subsidiaries, and it should not cause any significant impact on its shareholders' equity or affect the stock transaction price.

7.6.14 Other Major Risks：None

7.7 Other Major Items：

Information security

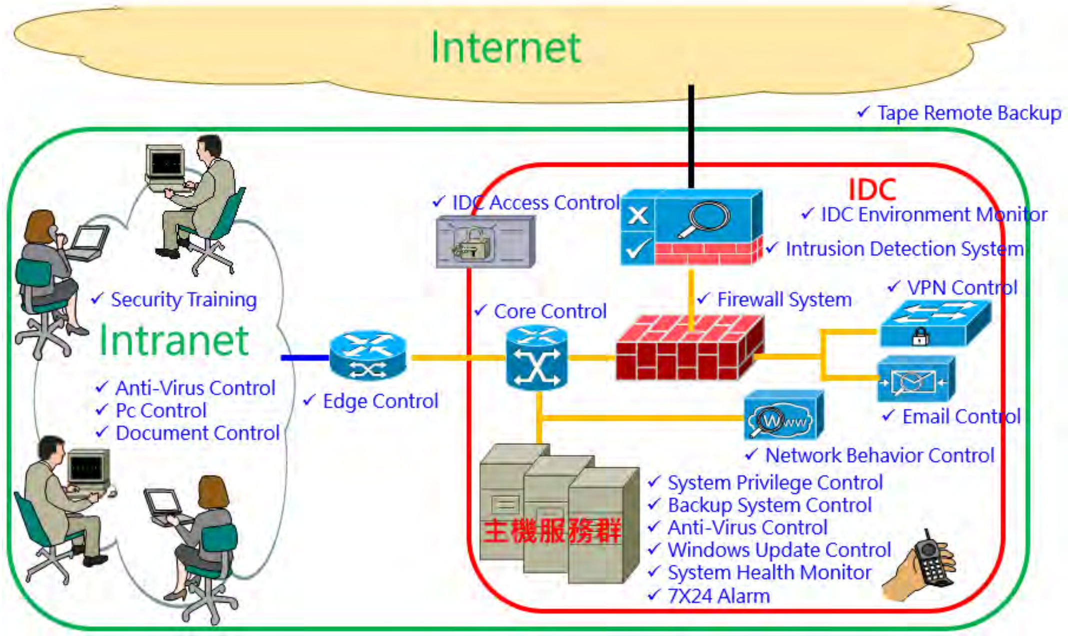
In the past few years, the thriving internet brings out the information secutiry problems, how to sustain internal information security becomes an urgent subject matter. Everlight determined to minimize the impact of information security risks and provide proficient service to our customers eternally, have regulations including server room and network management, information security control procedures, to ensure confidentiality, integrity, and availability of the data within company's administration and to protect the rights of company, customers and employees.

The scope of information security at Everlight encompasses employees, clients, suppliers, and shareholders and all IT software and hardware associated with its business activities. All information security standards and regulations are based on technical support and establishment of applications and data security standards. The standards and regulations are made part of the management system in order to protect the privacy of Everlight's employees, suppliers, and clients and maintain information security while the above parties discuss business matters.

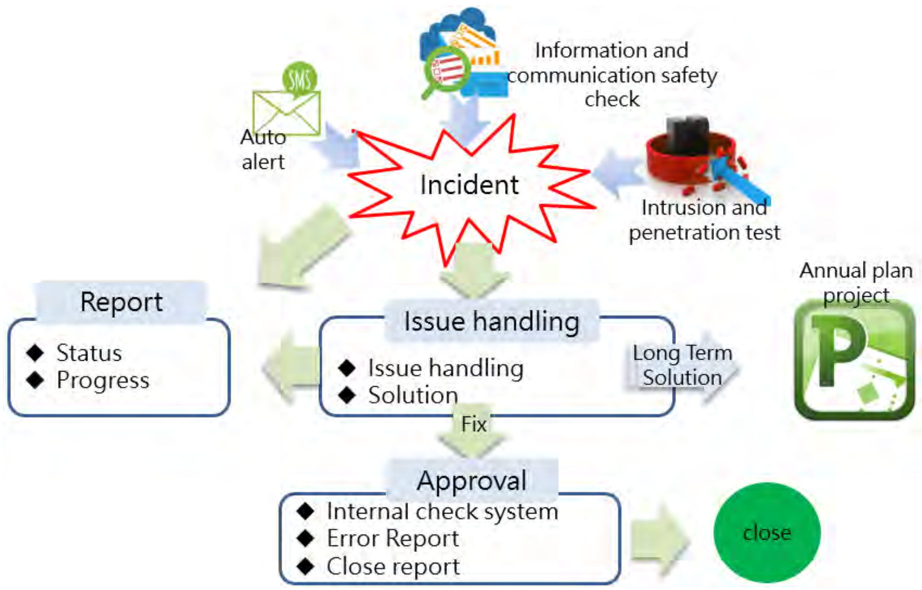
On the basis of company's information systems and technical aspects, softwares and virus scans of servers and personal computers will be updated regularly, in order to keep isolate from virus and malicious programs. With firewall hardware installed in the LAN network of specific policies to control all the communication between networks. With email filters, it will minimize the risks of email attack, such as spam/ads, phishing, fake, virus, malicious emails with attachments etc.

Since 2012, Everlight has controlled the usb devices of personal computers to incorporated the information security regulation and enforce the information safety and minimize the data breach and virus affection. Besides the continusou improvement of information security from the information secure department, new employee will sign the "Integrity, honesty and intellectual property rights agreement" on the boarding day and have an information security training. In addition, annual information security training is also provided. Everlight provides ongoing training as means to raise awareness of information security in the workplace and incorporate the elements into the processes in order to achieve the most secure and rigorous information protection.

Information Safety Protection：



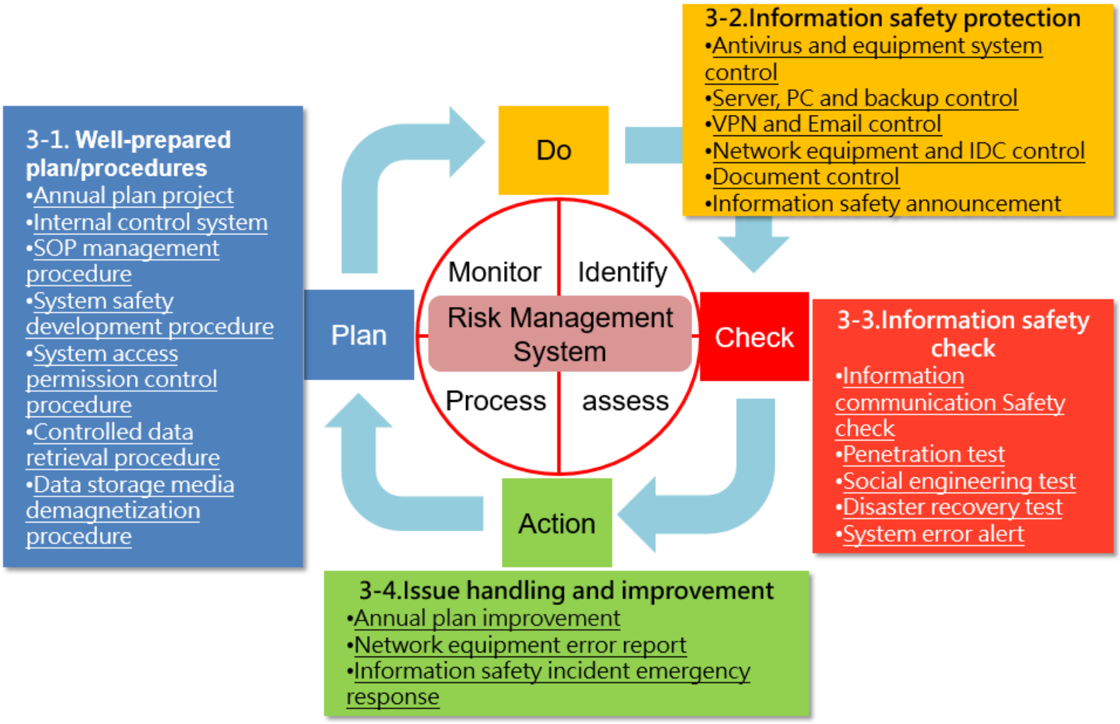
Issue handling and Improvement：



We are highly concerned about the privacy of every customer, with strict standard to protect the customer's privacy and personal data. Besides following Personal Information Protection Act, we have the "Personal data safety management instruction" and hold regular "personal information protection announcement", which record customer's related data. No employee should take unfair advantage of anyone throught manipulation, concealment, abuse of privilege information, misrepresentation of material facts, or any other unfair-dealing practice. With annual check of personal data and related risk evaluation in order to acquire” Data privacy protection mark (dp.mark)”. In 2019, there were no complaints related to infringement of customer privacy or loss of customer information.

1. PDCA Strategy：

Risk Management System Cycle：

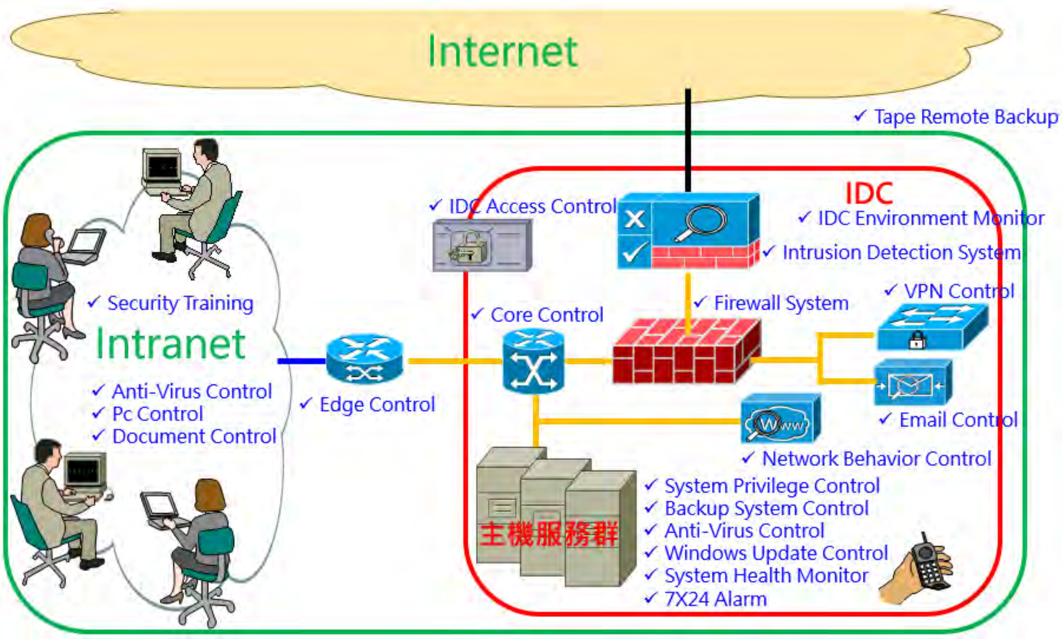


(1) Well-prepared procedures：

Document Level	Document No.	Document Name	Description
Internal Control System	Chapter 3 section 9	Electronic Data Cycle	Work description of IT division
Management Procedure	PRO-0000004	IDC Management Procedure	Establish the management system of server room and secure the information safety
	PRO-0000115	Information Security Management Procedure	Protect the information assets and avoid risks
Work Instruction	SOP-0000211	Information Service Request Instruction	Ensure the service quality of IT and increase the satisfaction of users
	SOP-0000464	IDC Environment Control Instruction	Make servers, network equipment be available
	SOP-0000465	IDC Safety Control Instruction	Safety control of server room
	SOP-0000466	IDC Backup Instruction	Ensure the integrity of business data
	SOP-0006803	Human Factor Engineering Hearth Management Instruction	To avoid injuries of employees from computers

Document Level	Document No.	Document Name	Description
Management Instruction		Instance Messaging Management	Use instance messaging in the right way to secure information safety
		File Server Space Usage Management	Control drive space to avoid waste of resources
		AD Management	Ensure the log-in accounts use correctly
		E-mail Management	Ensure the email accounts use correctly
		OA and PC Security Management	Avoid workplace from information safety events
		SAP Account Management	Ensure SAP accounts use correctly
		Information Record Retrieval Management	Follow the instructions to retrieve records and protect personal privacy
		VPN Management	Ensure secured external connection to retrieve the data of internal systems
		Database Management	Ensure important operation information and sustain

(2) Information Safety Protection：



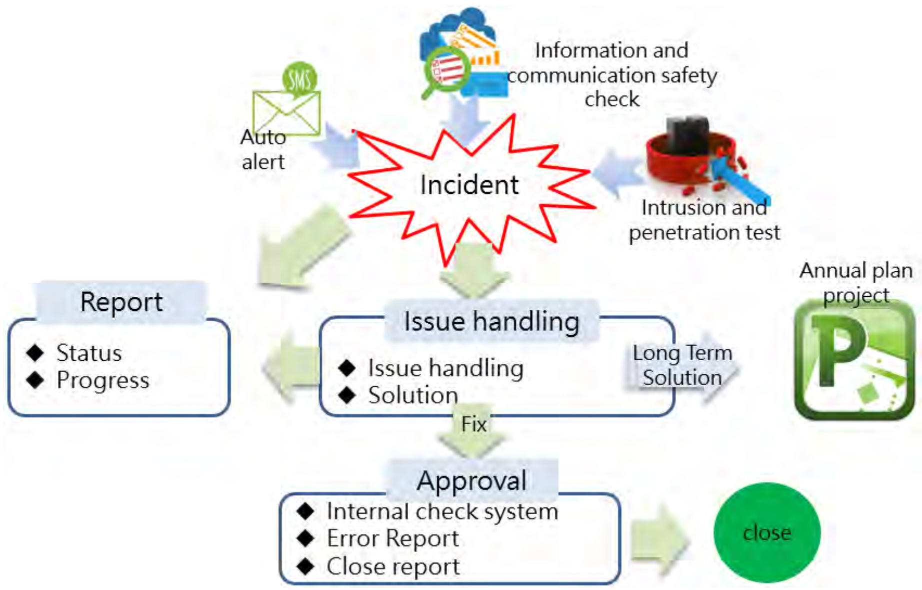
Information Safety Check：

By means of establishing all kinds of forms and plans, securing information safety checkpoint, in order to improve information security.

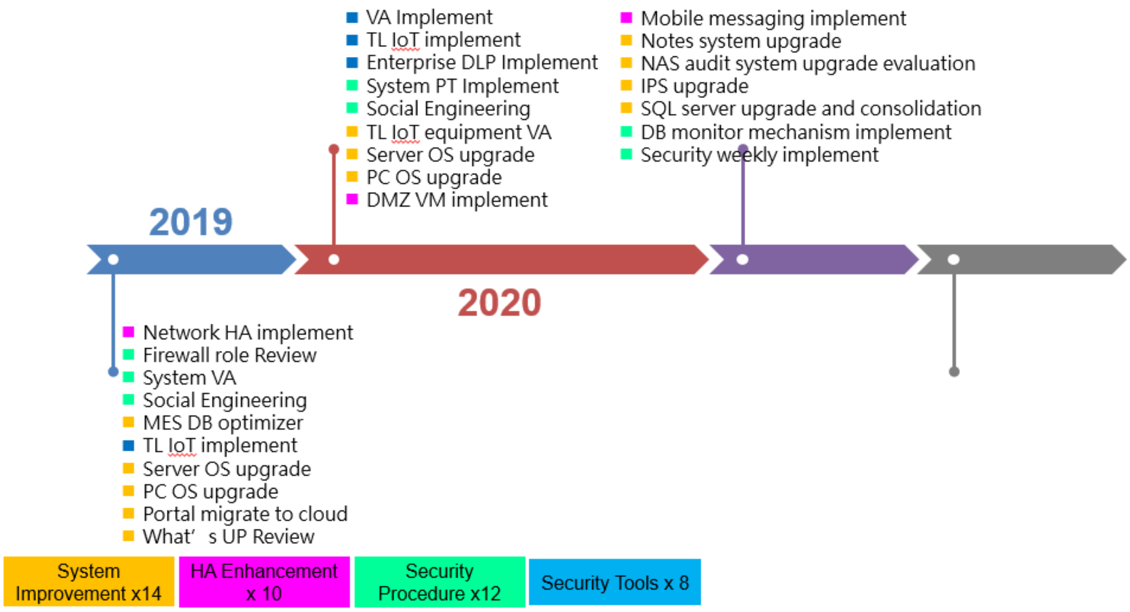
Information Safety Check

- IT service request
- SOP
- Employee Resignation Management
- System Permission Management
- IDC Safety
- Backup Operation
- Incident Records
- IT Division Short-term, Mid-term and Long-term Plans
- Others

Issue handling and Improvement：



2. Our lately actions



3. Supeior than benchmarks(TL IoT)：

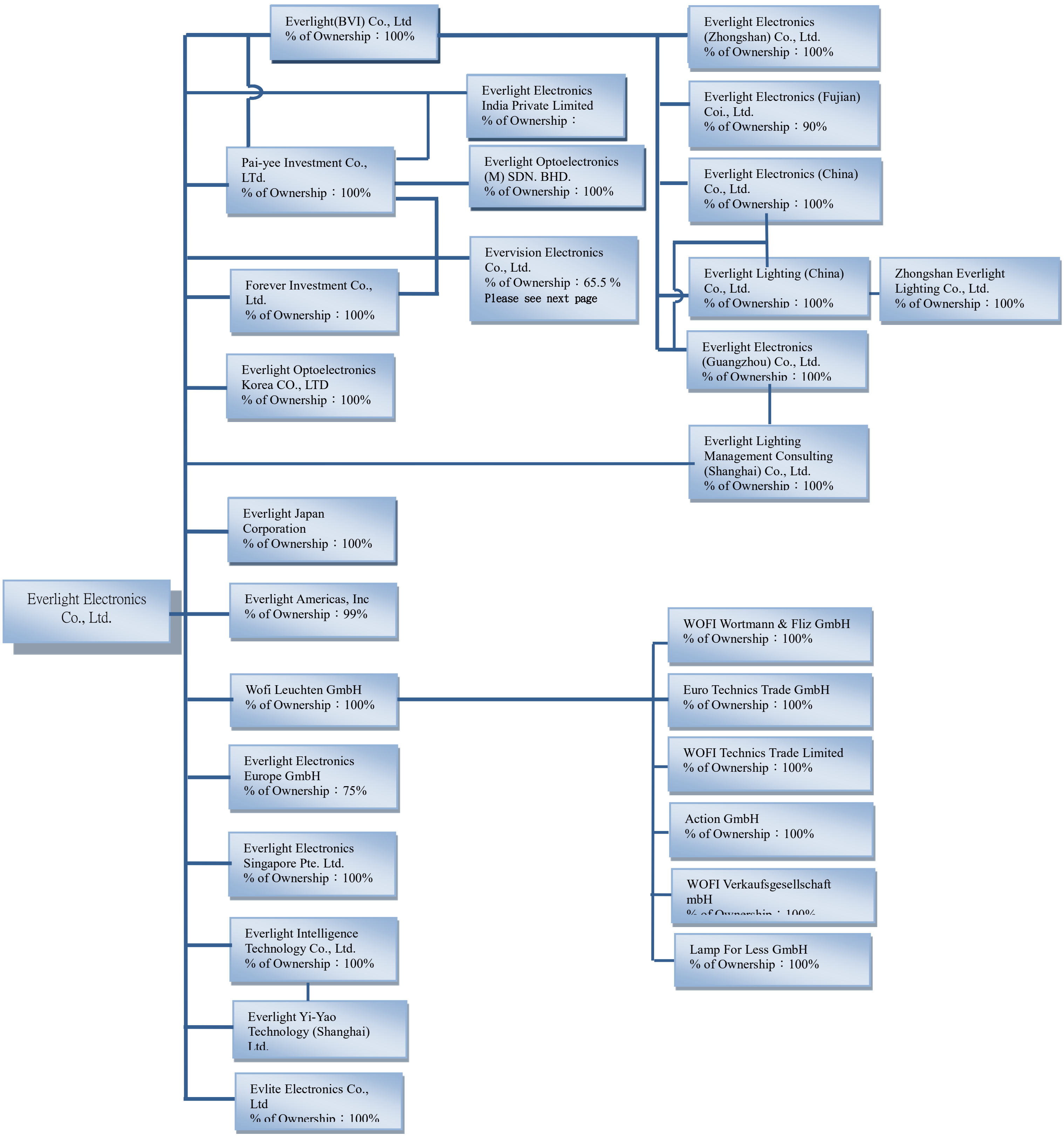
The Industrial Internet of Things (IIoT) is part of information system in intelligent manufacturing, which mainly refers to manage multiple monitoring systems of manufacturing sites and information equipments. IIoT has many specific functional requirements, such as real-time monitoring, high availability, predictability and distributed computing, which needs to incorporated with communication and information exchange techniques.

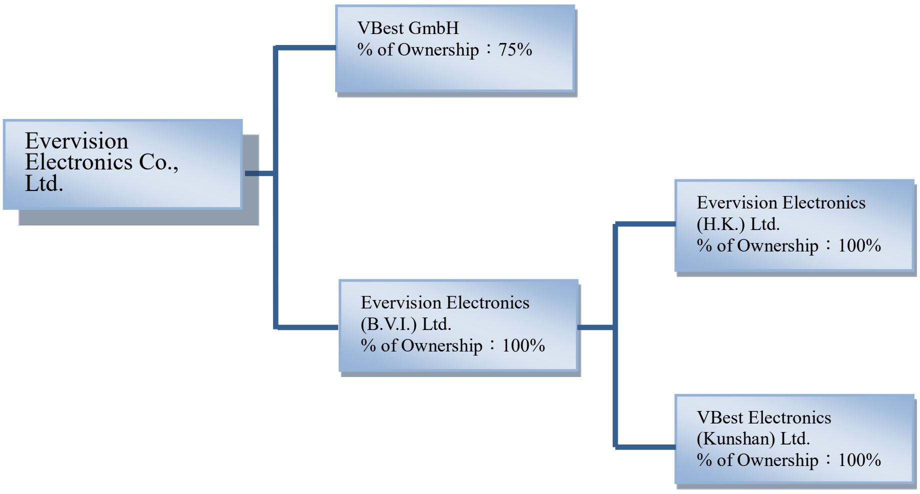
8. Special Disclosure

8.1 Summary of Affiliated Companies：

8.1.1 Organization Chart

2019/12/31




Evervision Electronics Co., Ltd.
VBest GmbH
% of Ownership：75%
Evervision Electronics (B.V.I.) Ltd.
% of Ownership：100%
Evervision Electronics (H.K.) Ltd.
% of Ownership：100%
VBest Electronics (Kunshan) Ltd.
% of Ownership：100%

8.1.2 Basic information of related companies

Company	Incorporate Date	Address	Capital ('000)	Business	Remark
Pai Yee Investment Co., Ltd.	1997.09.06	No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City	NTD239,400	Investment company	
Everlight (BVI) Co.,Ltd.	1995.10.06	Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands.	USD152,045	Holding company	
Everlight Americas, Inc.	2003.01.27	3220 Commander Drive, Suite 100, Carrollton, TX 75006	USD11,500	LED Sales	
Everlight Electronics Europe GmbH	2000.10.16	Siemensallee 84, Building 7302,5F,D-76187 KARLSRUHE GERMANY	EUR100	LED Sales	
Everlight Optoelectronics Korea Co.,Ltd.	2008.02.11	7F S706-1 Garden 5 Works Choongmin Rd52., Songpa-gu, Seoul , KOREA	USD200	LED Sales	
Forever Investment Co., Ltd.	2007.04.11	No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City	NTD424,875	Investment company	
Everlight Lighting Intellengence Technology Co., Ltd.	2011.3.31	No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City5 樓	NTD 200,000	LED Sales	
Evlite Electronics Co.,Ltd.	1996.01.04	Room 1606~10, Hong Fu Plaza, 6 Cheng Ye Street, Guan Tong, Kowloon, Hong Kong	HKD7,000	LED Sales	
Evervision Electronics Co., Ltd.	1998.04.15	6th Floor, No.186 Jianyi Road, Zhonghe District, New Taipei City	NTD184,442	Manufacture and sales of LCD and LED processing	
Everlight Electronics (China) Ltd.	2001.02.07	No. 2135, Zhongshan North Road, Yunxi District, Wujiang Economic Development Zone, Wujiang District, Suzhou City, Jiangsu Province	USD124,140	LED production	
Everlight Lighting (China) Ltd.	2002.09.28	Room 1327, No. 139, Futexi 1st Road, China (Shanghai) Pilot Free Trade Zone	USD8,000	LED Sales	
Everlight Electronics (Guangzhou) Ltd.	2007.06.08	Room 1510-1511, 15th Floor, No. 266 West Ring Road, Shatou Street, Panyu District, Guangzhou	RMB45,968	Business development and customer services	
Everlight Electronics (Zhongshan) Ltd.	2008.01.09	1-2 Floor, Factory Building, No. 8, Industrial Avenue South, Xiaolan Town, Zhongshan City, Guangdong Province	USD30,000	Manufacture of LED-related components	
Everlight Optoelectronics (M) SDN. BHD.	2011.1.01	B-04-20, Krystal Point, 303, Jalan Sultan Azlan Shah, 11900 Sungai Nibong, Penang	MYR254	Sales promotion and customer service	
Yi-Yao Techonology (Shanhai) Ltd.	2010.04.27	Room 301, Building 6, No. 88 Darwin Road, Zhangjiang Hi-Tech Park, Shanghai	RMB11,470	R&D of Electronic component	
Everlight Electronics (Fujian) Ltd.	2010.07.20	3rd Floor, Building 1, Qinghua Road, Rongshen Industrial Park, Rongqiao Economic and Technological	USD25,000	LED and related backlight component sales and production	

		Development Zone, Fuqing City			
Evervision Electronics (B.V.I.) Ltd.	1998.03.12	Mandar House, 3rd Floor, Suite 301, P.O. Box 3159, Road Town, Tortola, British Virgin Islands	USD20,567	Holding company	
VBest GmbH	2006.7.13	Siemensallee 84, Building 7302,5F,D-76187 KARLSRUHE GERMANY	EUR25	LCD display sales	
Evervision Electronics (H.K.) Ltd.	1998.09.23	Units 1606-1610 16/F Prosperity place 6 shing yip street kwun tong KL	HKD300	LCD display sales	
VBest Electronics (Kunshan) Ltd.	2001.05.25	No. 8, Chengbei Road, High-tech Industrial Park, Yushan Town Development Zone, Kunshan City, Jiangsu Province	USD18,000	LCD display production	
Everlight Electronics India Private Limited	2012.7.25	612, Surya Kiran Building, 19 Kasturba Gandhi Marg, Connaught Place, New Delhi-110001	INR4,410	LED Sales	
Everlight Lighting Management Consulting (Shanghai) Co., Ltd.	2013.3.01	Room 2201, Building 2, No. 320 Caobao Road, Xuhui District, Shanghai	RMB95,000	LED and lighting products R&D and Sales	
Everlight Electronics Singapore Pte. Ltd.	2013.5.21	66 TANNERY LANE #01-03M SINDO INDUSTRIAL BUILDING SINGAPORE 347805	USD200	LED Sales	
Everlight Japan Corporation	2013.10.21	2019-0073 13-35, 4th Floor, Sanda Sun Building, Sanda, Minato-ku, Tokyo	JPY50,000	LED Sales	
Zhongshan Everlight Lighting Ltd.	2015.10.9	3rd Floor, No. 8, Factory Building, Industrial Avenue South, Xiaolan Town, Zhongshan City, Guangdong Province, China	RMB20,000	LED and lighting products R&D and Sales	
WOFI Leuchten GmbH	2006.11.14	Im Langel 6, 59872 Meschede	EUR5,775	Lighting products and accessories sales	
WOFI Wortmann & Fliz GmbH	2012.8.13	Im Langel 6, 59872 Meschede	EUR100	Lighting products and accessories sales	
Euro Technics Trade GmbH	2004.816	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	
WOFI Technics Trade Limited	2006.3.1	12/F Fortis Bank Tower, 77 Gloucester Rd, Hong Kong	HKD100	Lighting products and accessories sales	
Action GmbH	2000.9.13	Im Langel 6, 59872 Meschede	EUR 26	Lighting products and accessories sales	
WOFI Verkaufsgesellschaft mbH (WOFI VG)	2017.10.11	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	
Lamp for Less GmbH	2018.7.27	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	

8.1.3 Industries covered by all of our related subsidiaries:

Industries covered by all of our related subsidiaries includes the manufacture and sale of visible and sensing components, the manufacture and sale of LED, the processing and manufacture and sale of LCD products, the development of lighting products and electronic components, and some of the subsidiaries are investment business related.

8.1.4 Director, Supervisors and Managers of Our Subsidiaries:

NT$, '000, shares, %

Company	Position	Name	representative	Ownership		Remark
				Shares	Ownership %	
Pai Yee Investment Co., Ltd.	Chairman Director Director Supervisor President	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Robert Yeh	Robert Yeh Wu-Yan Yeh Alice Fu Bo-Wen Zhou	23,939,525 0	100 0	
Everlight (BVI) Co., Ltd.	Director President	Everlight Electronics Co., Ltd. Robert Yeh	Robert Yeh	1,482,552	98	
Everlight Americas, Inc.	Director President	Everlight Electronics Co., Ltd. Bernd Kammerer	Robert Yeh	11,375,000 125,000	99 1	
Everlight Electronics Europe GmbH	Director President	Everlight Electronics Co., Ltd. Bernd Kammerer	Bernd Kammerer	75,000 25,000	75 25	
Everlight Optoelectronics Korea Co.,Ltd.	Director Director Director Supervisor President	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Ting-Wei Yeh	Robert Yeh Ting-Wei Yeh Chung-Wei Wang Li-Yu Huang	37,890	100	
Forever Investment Co., Ltd.	Chairman Director Director Supervisor President	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Robert Yeh	Robert Yeh Wu-Yan Yeh Alice Fu Bo-Wen Zhou	42,487,490	100	
Everlight Lighting Intellegence Technology Co., Ltd.	Chairman Director Director Supervisor	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd.	Robert Yeh Li-Yu Huang His-Chuan Hsu Alice Fu	20,000,000	100	
Evlite Electronics Co., Ltd.	Director Director	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd.	Robert Yeh Alice Fu	Note1	100	
Everlight Electronics (China) Ltd.	Chairman Director Director Supervisor	Everlight (BVI) Co., Ltd. Everlight (BVI) Co., Ltd. Everlight (BVI) Co., Ltd. Everlight (BVI) Co., Ltd.	Wu-Liu Tsai Robert Yeh Chih-Min Lin Alice Fu	Note1	100	
Everlight Lighting (China) Ltd.	Chairman Director Director Supervisor President	Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd. Everlight Electronics (China) Ltd. Everlight (BVI) Co.,Ltd. Chi-Hui Chen	Robert Yeh Chi-Hui Chen Wu-Liu Tsai Alice Fu	Note1	65 35	
Everlight Electronics (Guangzhou) Ltd.	Chairman Director Director Supervisor	Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd Everlight Electronics (China) Ltd.	Chi-Hui Chen Robert Yeh Alice Fu Li-Yu Huang	968,300 45,000,000	2.11 97.89	
Everlight Electronics (Zhongshan) Ltd.	Chairman Director Director Supervisor	Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd.	Wu-Liu Tsai Robert Yeh Alice Fu Li-Yu Huang	Note1	100	

Company	Position	Name	representative	Ownership		Remark
				Shares	Shares	
Everlight Electronics (Fujian) Ltd.	Chairman Director Director Supervisor President	Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd. Epistar JV Holding (BVI)Co.,Ltd. Everlight (BVI) Co.,Ltd. Chun-Yuan Chen	Robert Yeh Chun-Yuan Chen Chin-Yung Fan Alice Fu	Note1	90 10 90	
Everlight Optoelectronics (M) SDN. BHD.	Director Director	Pai Yee Investment Co., Ltd. Pai Yee Investment Co., Ltd.	Low Khee Poay Li-Yu Huang	253,649	100	
Yi-Yao Techonology (Shanhai) Ltd.	CEO Supervisor	Everlight Intelligence Technology Co., Ltd. Everlight Solid State Lighting (HK) Co., Ltd.	Robert Yeh Alice Fu	Note1	17.4 82.6	
Evervision Electronics Co., Ltd.	Director Supervisor President	Everlight Electronics Co., Ltd. Alice Fu Robert Yeh	Robert Yeh	12,082,065	65.50	
Evervision Electronics (BVI) Ltd.	Director	Evervision Electronics Co., Ltd.	Robert Yeh	20,566,735	100	
VBest GmbH	Director	Evervision Electronics Co., Ltd.	Robert Yeh	1	75	
Evervision Electronics (HK) Ltd.	Director	Evervision Electronics (BVI) Ltd.	Robert Yeh	300,000	100	
Vbest Kunshan Ltd.	Director Supervisor President	Evervision Electronics (BVI) Ltd. Evervision Electronics (BVI) Ltd. Liao Hongyi	Liao,Hung-I Chi-Jung Huang	Note1	100	
Everlight Electronics India Private Limited	Director Director Director Director	Pai Yee Investment Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd.	Robert Yeh Alice Fu Li-Yu Huang Anuradha Rajashekar	88,200 352,800	20 80	
Everlight Lighting Management Consulting (Shanghai) Co., Ltd.	Chairman Vice Chairman Director Supervisor President	Everlight Electronics Co., Ltd. Everlight Electronics (Guangzhou) Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Li-Yu Huang	Zong-de Zhang Chi-Hui Chen Li-Yu Huang Alice Fu	Note1	52.63 47.37	
Everlight Electronics Singapore Pte. Ltd.	Director Director	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd.	Li-Yu Huang Nicholas Choong	200,000	100	
Everlight Japan Corporation	Director Director Director Supervisor President	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Hideaki Yomo	Hideaki Yomo Alice Fu Chih-Min Lin Li-Yu Huang	5,000	100	
Zhongshan Everlight Lighting Ltd.	Execute Director Supervisor President	Everlight Lighting (China) Ltd. Everlight Lighting (China) Ltd. Li-Yu Huang	Li-Yu Huang Alice Fu	Note1	100	
WOFI Leuchten GmbH	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	5,775,000	100	
WOFI Wortmann & Fliz GmbH	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	100,000	100	

Euro Technics Trade GmbH	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	25,000	100	
WOFI Technics Trade Limited	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang(processing)	Robert Yeh	100,000	100	
Action GmbH	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	26,000	100	
WOFI Verkaufsgesellschaft mbH (WOFI VG)	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	25,000	100	
Lamp for less	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	25,000	100	

Note1:Limited

8.1.5 Operating overview of our subsidiaries:

NT$, '000

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Pai Yee Investment Co., Ltd.	239,400	482,242	4,588	477,654	-	(298)	11,807	0.49
Everlight (BVI) Co.,Ltd.	4,649,435	7,136,513	148,831	6,987,682	-	(499)	193,775	-
Everlight Americas,Inc.	346,219	184,434	273,105	(88,671)	389,716	(136,870)	(61,604)	-
Evlite Electronics Co., Ltd.	27,053	792,348	686,235	106,113	1,480,373	(74,356)	11,301	-
Everlight Electronics Europe GmbH	3,376	350,979	281,498	69,481	1,168,818	49,707	63,063	-
Everlight Electronics (China) Ltd.	3,762,645	8,331,735	2,855,342	5,476,393	9,235,171	174,708	200,357	-
Everlight Lighting (China) Ltd.	231,434	1,033,393	866,845	166,548	1,408,658	(8,804)	(12,973)	-
Forever Investment Co., Ltd.	424,875	425,607	101	425,506	-	(144)	(7,922)	(0.18)
Everlight Electronics (GuangZhou) Co., Ltd.	198,790	241,101	47,368	193,733	-	(36,462)	(328)	-
Everlight Electronics (Zhongshan) Ltd.	874,894	977,291	74,402	902,889	399,312	(30,490)	503	-
Everlight Optoelectronics Korea Co.,Ltd.	4,945	41,946	6,728	35,218	15	(58,847)	4,900	-

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Yi-Yao Techonology (Shanhai) Ltd.	49,603	-	-	-	-	-	-	-
Everlight Electronics (Fujian) Ltd.	721,691	655,972	1,497	654,475	(1,851)	1,774	12,865	-
Evervision Electronics Co., Ltd.	184,441	964,495	199,685	764,810	891,427	37,977	28,426	1.54
Evervision Electronics (B.V.I.) Ltd.	696,251	656,249	0	656,249	0	0	(12,598)	-
VBest GmbH	840	46,596	11,033	35,563	169,839	15,052	11,588	-
Evervision Electronics (H.K.) Ltd.	1,155	1,183	17	1,166	0	(91)	(89)	-
VBest Electronics (Kunshan)	636,413	741,130	85,844	655,286	441,810	(24,617)	(12,507)	-
Everlight Lighting Intellengence Technology Co., Ltd.	200,000	417,674	187,097	230,577	550,784	28,051	26,859	1.34
Everlight Optoelectronics (M) SDN. BHD.	1,868	1,849	1,091	758	-	(3,905)	69	-
Everlight Electronics India Private Limited	1,861	16,079	447	15,632	-	(7,324)	(2,269)	-
Everlight Lighting Management Consulting (Shanghai) Co., Ltd.	410,828	15,464	5,877	9,587	-	917	1,179	-
Everlight Electronics Singapore Pte. Ltd.	5,641	13,997	538	13,459	-	(12,538)	(3,898)	-

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Everlight Japan Corporation	13,850	26,383	13,500	12,883	-	(71,432)	(9,771)	-
WOFI Leuchten GmbH	389,737	1,068,366	1,185,723	(117,357)	1,119,050	(174,845)	(151,010)	-
Zhongshan Everlight Lighting Ltd.	86,490	19,817	70,055	(50,238)	27,502	(1,691)	(2,702)	-

Note: All subsidiaries need to be explored, and the exchange rates are NT$/US$-30.106, NT$/EUR-33.7639, NT$/HK$-3.8647NT$/RMB-4.3245, NT$/KOW-0.0261, NT$/INR-0.4219, NT$/JPY-0.2770, NT$/SIN-22.3886, and NT$/MYR-7.3627.

8.1.6 Relationship Report: None

8.1.7 Affiliates Consolidated Financial Statements: Please see 6.5 Latest Audited Cosolidated Fiancial Report

8.2 Private Placement Securities in the Most Recent Years: None

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the date of publication of the annual report: None

8.4 Other supplementary notes: None.

8.5 Any Events in 2018 the most recent year and up to the Date of publication of thise Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3, Paragraph 2 of Article 36 of Securities and Exchange Act of Taiwan: None.

Everlight Electronics Co., Ltd.

Chairman：