Stock Code:2393

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: No. 6-8, Zhonghua Road, Shulin Dist., New Taipei City
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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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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, 2018 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 and Separate 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 25, 2019

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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, 2018 and 2017, the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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 of December 31, 2018 and 2017, 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 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(i) 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(f) and note 6(g) 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 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: determining whether the evaluation policy of the Group 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(r) 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.

Other Matter

Everlight Electronics Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, 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 audit resulting in this independent auditors' report are Yiu-Kwan Au and Jui-Lan Lo.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial statements of financial position, financial performance and its 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' 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' 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, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 4,530,385	16	4,769,006	13
1110	Current financial assets at fair value through profit or loss (note 6(b))	1,327,790	5	638,276	2
1140	Current contract assets (note 6(z))	78,550	-	-	-
1170	Notes and accounts receivable, net (note 6(f))	6,699,339	23	8,424,725	23
1180	Accounts receivable due from related parties, net (notes 6(f) and 7)	97,465	-	120,553	-
1310	Inventories (note 6(i))	1,850,867	6	2,489,652	7
1470	Other current assets	505,270	2	476,456	1
1476	Other current financial assets (notes 6(f), 6(g), 6(o) and 8)	2,270,755	8	7,149,683	19
		17,360,421	60	24,068,351	65
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	41,467	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	331,056	1	-	-
1523	Non-current available-for-sale financial assets (note 6(d))	-	-	529,707	1
1543	Non-current financial assets at cost (note 6(e))	-	-	40,049	-
1550	Investments accounted for using equity method (note 6(j))	110,868	-	89,994	-
1600	Property, plant and equipment (note 6(n))	10,239,693	35	11,427,695	31
1780	Intangible assets	124,585	-	186,440	1
1840	Deferred tax assets (note 6(v))	427,294	2	324,828	1
1900	Other non-current assets (notes 6(f), 6(u) and 8)	448,759	2	507,784	1
		11,723,722	40	13,106,497	35
	Total assets	$ 29,084,143	100	37,174,848	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(p))	$ 3,111,970	11	2,181,411	6
2130	Current contract liabilities (note 6(z))	26,191	-	-	-
2170	Notes and accounts payable	3,467,355	12	3,914,346	11
2180	Accounts payable to related parties (note 7)	1,035,028	4	1,670,285	4
2213	Payable on machinery and equipment	417,193	1	630,289	2
2230	Current tax liabilities	173,007	1	129,541	-
2300	Other current liabilities (notes 6(b), 6(q) and 6(s))	1,718,218	6	2,370,856	6
2410	Bonds payable, current option (note 6(s))	-	-	7,453,249	20
2322	Long-term borrowings, current portion (note 6(r))	12,958	-	-	-
		9,961,920	35	18,349,977	49
	Non-Current liabilities:				
2530	Bonds payable (note 6(s))	1,102,525	4	-	-
2540	Long-term borrowings (note 6(r))	51,831	-	-	-
2570	Deferred tax liabilities (note 6(v))	261,798	1	232,329	1
2640	Non-current provisions for employee benefits (note 6(u))	137,484	-	162,022	-
2600	Other non-current liabilities	215,959	1	257,872	1
		1,769,597	6	652,223	2
	Total liabilities	11,731,517	41	19,002,200	51
	Equity:				
	Equity attributable to owners of parent (note 6(w)):				
3110	Ordinary share	4,429,996	15	4,404,486	12
3200	Capital surplus (note 6(s))	9,159,142	31	9,139,711	24
	Retained earnings:				
3310	Legal reserve	2,510,447	9	2,390,096	6
3320	Special reserve	830,794	3	1,419,253	4
3350	Unappropriated retained earnings	1,281,854	4	1,326,186	4
		4,623,095	16	5,135,535	14
3400	Other equity interests	(1,224,277)	(4)	(830,794)	(2)
		16,987,956	58	17,848,938	48
3610	**Non-controlling interests**	364,670	1	323,710	1
	Total equity	17,352,626	59	18,172,648	49
	Total liabilities and equity	$ 29,084,143	100	37,174,848	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, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(h), 6(z), 6(aa) and 7)	$ 24,089,291	100	27,310,581	100
5110	Cost of sales (notes 6(h), 6(i), 6(u), 7 and 12)	18,434,713	77	20,964,169	77
5900	Gross profit	5,654,578	23	6,346,412	23
	Operating expenses (notes 6(u) and 12):				
6100	Selling expenses	1,632,479	6	1,722,014	6
6200	Administrative expenses	2,265,057	9	2,097,940	8
6300	Research and development expenses	848,926	4	833,995	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(f))	19,048	-	-	-
		4,765,510	19	4,653,949	17
6900	Net operating income	889,068	4	1,692,463	6
	Non-operating income and expenses:				
7100	Interest income (note 6(ac))	74,533	-	106,718	-
7190	Other income	178,861	1	151,568	-
7225	Gains (losses) on disposals of investments, net (note 6(m))	(556)	-	(3,073)	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net (notes 6(d) and 6(s))	43,198	-	(63,546)	-
7050	Finance costs (notes 6(s) and 6(ac))	(123,237)	(1)	(130,958)	-
7590	Other expenses and losses (note 6(s))	(72,843)	-	(50,651)	-
7630	Foreign exchange gains (losses), net (note 6(ae))	144,010	1	(166,722)	-
7670	Impairment loss (note 6(e) and 6(n))	-	-	(21,140)	-
7770	Share of profit (loss) of associates accounted for using equity method (note 6(j))	(9,075)	-	(6,940)	-
		234,891	1	(184,744)	-
7900	Profit before tax	1,123,959	5	1,507,719	6
7950	Tax expense (note 6(v))	260,880	1	261,728	1
	Profit (loss)	863,079	4	1,245,991	5
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(u))	4,818	-	3,151	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(ad))	(194,768)	(1)	-	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(v))	(2,654)	-	535	-
		(187,296)	(1)	2,616	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	(205,082)	(1)	(95,739)	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets (note 6(ad))	-	-	683,473	2
8370	Share of other comprehensive income (loss) of associates accounted for using equity method(note 6(j))	(46)	-	(1,905)	-
8399	Less: income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss (note 6(v))	(4,150)	-	(1,276)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(200,978)	(1)	587,105	2
8300	Other comprehensive income, net	(388,274)	(2)	589,721	2
	Total comprehensive income	$ 474,805	2	1,835,712	7
	Profit, attributable to:				
	Owners of parent	$ 793,069	4	1,203,508	5
	Non-controlling interests	70,010	-	42,483	-
		$ 863,079	4	1,245,991	5
	Total comprehensive income attributable to:				
	Owners of parent	$ 410,915	2	1,794,762	7
	Non-controlling interests	63,890	-	40,950	-
		$ 474,805	2	1,835,712	7
	Earnings per share (note 6(y))				
9750	Basic earnings per share	$	1.80		2.74
9850	Diluted earnings per share	$	1.66		2.33

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, 2018 and 2017

(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) on available-for-sale financial assets	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, 2017	$ 4,390,357	9,108,900	2,209,534	609,032	2,433,051	(342,475)	(1,076,778)	-	(1,419,253)	17,331,621	339,722	17,671,343
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	180,562	-	(180,562)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	810,221	(810,221)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,322,385)	-	-	-	-	(1,322,385)	-	(1,322,385)
	-	-	180,562	810,221	(2,313,168)	-	-	-	-	(1,322,385)	-	(1,322,385)
Profit for the year	-	-	-	-	1,203,508	-	-	-	-	1,203,508	42,483	1,245,991
Other comprehensive income for the year	-	-	-	-	2,795	(95,014)	683,473	-	588,459	591,254	(1,533)	589,721
Total comprehensive income for the year	-	-	-	-	1,206,303	(95,014)	683,473	-	588,459	1,794,762	40,950	1,835,712
The convertible bonds of the parent company have been sold by the subsidiary	-	1,341	-	-	-	-	-	-	-	1,341	-	1,341
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	8,483	-	-	-	-	-	-	-	8,483	-	8,483
Share-based payments transactions	14,129	20,987	-	-	-	-	-	-	-	35,116	-	35,116
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(56,962)	(56,962)
Balance at December 31, 2017	4,404,486	9,139,711	2,390,096	1,419,253	1,326,186	(437,489)	(393,305)	-	(830,794)	17,848,938	323,710	18,172,648
Effects of retrospective application	-	-	-	-	-	-	393,305	(389,010)	4,295	4,295	-	4,295
Adjusted balance at January 1, 2018	4,404,486	9,139,711	2,390,096	1,419,253	1,326,186	(437,489)	-	(389,010)	(826,499)	17,853,233	323,710	18,176,943
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	120,351	-	(120,351)	-	-	-	-	-	-	-
Special reserve	-	-	-	(588,459)	588,459	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,321,133)	-	-	-	-	(1,321,133)	-	(1,321,133)
	-	-	120,351	(588,459)	(853,025)	-	-	-	-	(1,321,133)	-	(1,321,133)
Profit for the year	-	-	-	-	793,069	-	-	-	-	793,069	70,010	863,079
Other comprehensive income for the year	-	-	-	-	7,446	(194,832)	-	(194,768)	(389,600)	(382,154)	(6,120)	(388,274)
Total comprehensive income for the year	-	-	-	-	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)	-	-	-
Others	-	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

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, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,123,959	1,507,719
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	2,100,691	2,082,767
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	19,048	6,376
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(62,413)	25,693
Interest expense	123,237	130,958
Interest income	(74,533)	(106,718)
Share-based payments	(1,533)	(4,192)
Share of loss (profit) of associates and joint ventures accounted for using equity method	9,075	6,940
Loss (gain) on disposal of investments	556	3,073
Impairment loss of assets	-	21,140
Loss (gain) on bonds redemption	42,668	1,368
Others	2,216	37,101
Total adjustments to reconcile profit (loss)	2,159,012	2,204,506
Changes in operating assets and liabilities:		
Decrease in financial assets held for trading	-	187,519
Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value	(90,453)	-
Increase in contract assets	(78,550)	-
Decrease in notes and accounts receivable (including related parties)	1,693,138	728,124
Decrease (increase) in inventories	638,785	(8,518)
Decrease in other current assets	4,910	13,032
Decrease in notes and accounts payable (including related parties)	(1,082,248)	(1,573,625)
Decrease in provisions	(13,562)	(2,656)
Increase (decrease) in other current liabilities	(609,574)	244,252
Decrease in non-current provisions for employee benefits	(19,590)	(12,652)
Increase in current contract liability	18,122	-
Others	(29,270)	(55,526)
Total changes in operating assets and liabilities	431,708	(480,050)
Cash inflow generated from operations	3,714,679	3,232,175
Interest received	90,978	100,769
Interest paid	(45,569)	(29,014)
Income taxes paid	(223,956)	(548,620)
Net cash flows from operating activities	3,536,132	2,755,310
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	18,227	-
Proceeds from disposal of available-for-sale financial assets	-	608,926
Acquisition of investments accounted for using equity method	(30,000)	-
Acquisition of property, plant and equipment	(1,368,862)	(2,657,868)
Proceeds from disposal of property, plant and equipment	292,875	177,173
Decrease in refundable deposits	8,928	3,042
Acquisition of intangible assets	(46,359)	(64,238)
Decrease (increase) in other financial assets	4,452,044	(2,522,254)
Increase in restricted deposit	(104,463)	-
Increase in other non-current assets	-	(30,786)
Decrease (increase) in prepayments for business facilities	9,701	(11,268)
Others	1,190	(461)
Net cash flows from (used in) investing activities	3,233,281	(4,497,734)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	930,559	868,366
Proceeds from issuing bonds	-	140,973
Repayments of bonds	(6,528,800)	-
Repayments of long-term debt	-	(5,039)
Increase from long-term borrowings	64,789	-
Increase (decrease) in guarantee deposits received	(653)	13,393
Cash dividends paid	(1,321,133)	(1,322,385)
Exercise of employee share options	49,598	39,308
Change in non-controlling interests	(22,930)	(219,883)
Other financing activities	532	(34,069)
Net cash flows from (used in) financing activities	(6,828,038)	(519,336)
Effect of exchange rate changes on cash and cash equivalents	(179,996)	(65,662)
Net decrease in cash and cash equivalents	(238,621)	(2,327,422)
Cash and cash equivalents at beginning of period	4,769,006	7,096,428
Cash and cash equivalents at end of period	$ 4,530,385	4,769,006

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 comprise 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 25, 2019.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "*Classification and Measurement of Share-based Payment Transactions*"	January 1, 2018
Amendments to IFRS 4 "*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*"	January 1, 2018
IFRS 9 "*Financial Instruments*"	January 1, 2018
IFRS 15 "*Revenue from Contracts with Customers*"	January 1, 2018
Amendment to IAS 7 "*Statement of Cash Flows -Disclosure Initiative*"	January 1, 2017
Amendment to IAS 12 "*Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses*"	January 1, 2017
Amendments to IAS 40 "*Transfers of Investment Property*"	January 1, 2018

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"	January 1, 2018

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:

(i) IFRS 15 "*Revenue from Contracts with Customers*"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "*Revenue*" and IAS 11 "*Construction Contracts*". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 18, IAS 11 and the related Interpretations for comparative reporting period. The Group's recognizes the cumulative effect upon the initial Application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue was recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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3) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Contract assets-current	$ -	78,550	78,550	-	-	-
Notes and accounts receivable	6,768,072	(68,733)	6,699,339	8,424,725	32,151	8,456,876
Impact on assets		$ 9,817			32,151	
Contract liabilities-current	$ -	(26,191)	(26,191)	-	(8,069)	(8,069)
Other current liabilities	(1,734,592)	16,374	(1,718,218)	(2,370,856)	(24,082)	(2,394,938)
Impact on liabilities		$ (9,817)			(32,151)	

	For the year ended December 31, 2018		
Impacted line items on the consolidated statement of cash flows	**Before adjustments**	**Impact of changes in accounting polices**	**After adjustments**
Cash flows from (used in) operating activities:			
Adjustments:			
Decrease (increase) in contract assets	$ -	(78,550)	(78,550)
Decrease (increase) in notes and accounts receivable (including related parties)	1,592,254	100,884	1,693,138
Increase (decrease) in contract liabilities	-	18,122	18,122
Increase (decrease) in other current liabilities	(569,118)	(40,456)	(609,574)
Impact on cash inflow (outflow) generated from operations		$ -	

(ii) IFRS 9 "*Financial Instruments*"

IFRS 9 replaces IAS 39 "*Financial Instruments: Recognition and Measurement*" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "*Presentation of Financial Statements*" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

·Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

·The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

—The determination of the business model within which a financial asset is held.

—The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

—The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables (note 2)	4,769,006	Amortized cost	4,769,006
Derivative instruments	Held-for-trading	23,461	Mandatorily at FVTPL	23,461
Debt securities	Designated as at FVTPL	224,079	Mandatorily at FVTPL	224,079
Equity instruments	Available-for-sale (note 1)	569,756	FVOCI	574,051
	Held-for-trading (note 3)	390,736	FVTPL	390,736
Account receivables	Loans and receivables (note 2)	8,545,278	Amortized cost	8,545,278
Other financial assets (Structured deposits)	Loans and receivables (note 2)	568,862	Mandatorily at FVTPL	568,862
Other current financial assets	Loans and receivables (note 2)	6,580,821	Amortized cost	6,580,821
Other non-current financial assets	Loans and receivables(note 2)	81,959	Amortized cost	81,959
Guarantee deposits paid	Loans and receivables (note 2)	165,224	Amortized cost	165,224
Restricted deposits	Loans and receivables (note 2)	6,900	Amortized cost	6,900

Note1: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of $4,295 in those assets recognized, and an increase of $4,295 in the other equity interest were recognized on January 1, 2018.

Note2: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. There's no increasing in the allowance for impairment was recognized in opening retained earnings upon transition to IFRS 9 on January 1, 2018.

Note3: Under IAS 39, these equity securities were designated as at hold-to-trading because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

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The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	$ 638,276	-	-		-	-
Additions – debt instruments:						
From loans and receivables (structured deposits) – required reclassification based on classification criteria	-	568,862	-		-	-
Total	$ 638,276	568,862	-	1,207,138	-	-
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 569,756	(569,756)	-		-	-
Available for sale to FVOCI	-	569,756	4,295		-	4,295
Total	$ 569,756	-	4,295	574,051	-	4,295
Amortized cost						
Beginning balance of cash and cash equivalents, bond investment without an active market, accounts and other receivables, and other financial assets)	$ 20,718,050	-	-		-	-
Subtractions:						
To FVTPL – required reclassification based on classification criteria	-	(568,862)	-		-	-
Total	$ 20,718,050	(568,862)	-	20,149,188	-	-

There is no material impact on the Group's basic or diluted earnings per share for the years ended December 31, 2018 and 2017.

(iii) Amendments to IAS 7 "*Disclosure Initiative*"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ah).

(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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

(Continued)

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:

(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.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

· IFRS 16 definition of a lease to all its contracts; or

· a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

· retrospective approach; or

· modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

(Continued)

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Group estimated that the right-of-use assets and the lease liabilities to increase by $446,311 and $345,666 respectively, as well as the long-term prepaid rents (recorded as other non-current assets) to decrease by $100,645 on January 1, 2019.

(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.

So far, the Group does not expect the adoption of IFRIC 23 to have any significant impact on the income tax liabilities.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(Continued)

(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 3 “Definition of a Business”	January 1, 2020
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 and IAS 8 “Definition of Material”	January 1, 2020

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

(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 instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;

2) Fair value through other comperhensive income (Available-for-sale financial assets) are measured at fair value.

3) The defined benefit liabilities (asset) is recognized as the fair value of the plan assets less the present 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.

(Continued)

(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 that control commences until the date that 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.

(ii) List of subsidiaries in the consolidated financial statements

The list of subsidiaries in the consolidated financial statements are as follows:

			Percentage of ownership		
Investor	**Name of subsidiary**	**Nature of business**	**December 31, 2018**	**December 31, 2017**	**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	Zenaro Lighting GmbH (Zenaro GmbH)	Research, manufacture and sale of LED lighting products	- %	100 %	Note 3
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	Ever Power Investment Co., Ltd. (Ever Power)	Investment	- %	100 %	Note 4
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 %	100 %	
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 %	

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Investor	Name of subsidiary	Nature of business	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Description
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 %	Note 1
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, former name: Evertop Optoelectronics (Fujian Co., Ltd.))	Manufacture and sale of LED backlights and related components	90 %	90 %	
Everlight BVI	Eralite Optoelectronics (Jiangsu) Co., Ltd. (Eralite)	Manufacture and sale of LED backlights and related components	100 %	100 %	
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 %	
Zenaro TW	Zenaro Lighting Inc. (USA) (Zenaro USA)	Research, manufacture and sale of LED lighting products	- %	100 %	Note 5
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 %	Note 2
WOFI Holding	Lamp For Less GmbH (LFL)	Sale of lighting products, pendants and accessories	100 %	- %	Note 6

(Continued)

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Investor	Name of subsidiary	Nature of business	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Description
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 %	100 %	
Evervision	Blaze International Limited (Blaze)	Sale of LCDs	- %	100 %	Note 7

Note 1: The group has purchased 2.02% equity of Evervision TW from a third party in August 2017. As a result, its shareholding in Evervision TW increased from 63.48% to 65.50%.
Note 2: The subsidiary was incorporated in October 2017.
Note 3: The subsidiary completed liquidation procedure in January 2018.
Note 4: The subsidiary completed liquidation procedure in April 2018.
Note 5: The subsidiary completed liquidation procedure in December 2018.
Note 6: The subsidiary was incorporated in July 2018.
Note 7: The subsidiary completed business registration abolition procedure in June 2018.

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the fair value through other comprehensive income (available-for-sale) equity investments which are recognized in other comprehensive income arising on the retranslation.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income and presented in the foreign currency translation reserve (translation reserve) in equity.

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, the foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(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.

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

An entity shall classify a liability as current when:

(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) It 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

(i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, 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.

(Continued)

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments 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 of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

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 and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). 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.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest 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;

(Continued)

- 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 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 expected credit loss (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;
- 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 recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (applicable before January 1, 2018)

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than ones classified as held-for-trading, as fair value through profit or loss at initial recognition under one of the following situations:

a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b) Performance of the financial asset is evaluated on a fair value basis;

c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have any quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost, less, impairment loss, and are included in financial assets measured at cost.

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2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have any quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost, less, impairment loss, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Dividend income is included in non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and refundable deposits. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Interest income is recognized in profit or loss, and is included in non-operating income and expenses.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

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All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of accounts receivable are included in the operating expenses, others are included in the non-operating income and expenses.

5) Derecognition of financial asset

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group substantially transfers all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and included in non-operating income or expenses.

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in non-operating income or expenses.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially 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 subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and is included in non-operating income or expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income or expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than the insignificant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expenses.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments and hedge accounting (applicable from January 1, 2018)

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

(v) Derivative financial instruments, including hedge accounting (applicable before January 1, 2018)

Except for the following items the Group applies the same accounting policies as applicable from January 1, 2018.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured at fair value through 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) Construction contracts (applicable before January 1, 2018)

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost value plus profit recognized to date and less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on a normal operating capacity.

Construction contracts in progress is presented as the amount due from customers for contract work in the statements of financial position for all contracts in which costs incurred, plus, recognized profits exceed progress billings. If progress billings exceed costs incurred, plus, recognized profits, then the difference is presented as the amount due to customers for contract work in the statement of financial position.

(j) 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 equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses 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.

(k) Joint arrangements

A joint arrangement is an arrangement in 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 participants 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.

(l) 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, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, its depreciation is computed along with the depreciable amount. The depreciation methods, useful lives and residual values are the same as those of the property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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.

(m) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost value, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. In addition, cost also includes foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless, the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income or expenses on a net basis.

(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 when it is probable that the future economic benefits associated with the expenditure will flow to the Group, and the cost of expenditure can be measured reliably. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(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. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Leased assets are depreciated by the straight-line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

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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 reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(n) Lease

(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.

(o) Intangible assets

(i) Research and Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost, less, accumulated amortization and any accumulated impairment losses.

(ii) Other Intangible Assets

Other intangible assets that are acquired by the Group are measured at cost, less, accumulated amortization and any accumulated impairment losses.

(iii) 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.

(iv) Amortization

The amortizable amount is the cost of an asset or other amount substituted for cost, less, its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

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

2) ERP software system: 1~10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(Continued)

(p) Impairment – non-financial assets

Non-financial assets except for inventories, assets arising from construction contracts, deferred tax assets, and assets arising from employee benefits are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount of the individual asset, then the Group will have to determine the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less, costs to sell and its value in use. If, and only if, the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to its recoverable amount. That reduction is an impairment loss, and shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset or the cash-generating unit in prior years.

(q) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive 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.

(r) Revenue from contracts with customers (applicable from January 1, 2018)

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.

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.

(s) Revenue (applicable before January 1, 2018)

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract, plus, any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, the contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred, unless, they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion which the contract costs incurred for work performed to date bear the estimated total contract costs, survey of work performed, or completion of a physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(t) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. 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 return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the obligation of the Company and Evervision TW and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company and Evervision TW, the recognized asset is limited to the total of any unrecognized past service costs and 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company and Evervision TW. An economic benefit is available to the Company and Evervision TW if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the expense of the increased benefit relating to past service by the employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company and Evervision TW can reclassify the amounts recognized in other comprehensive income to retain its earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in the subsequent period.

The Company and Evervision TW recognize gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

(u) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense 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.

(v) Income taxes

Income tax expenses include both 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.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as the tax adjustments related to prior years.

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) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The Group has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) Levied by the same taxing authority; or

2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

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.

(w) Business combination

Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

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.

(Continued)

(x) 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.

(y) 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(i) 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(f).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash, checking accounts and demand deposits	$ 2,958,280	3,276,550
Time deposits	1,402,753	1,200,787
Bonds purchased under resale agreements	169,352	291,669
	$ 4,530,385	4,769,006

(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 $1,984,411 and $6,472,603 as of December 31, 2018 and 2017, 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 to $ 0 and $81,959 as of December 31, 2018 and 2017, respectively.

(i) Please refer to note 6(ae) 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, 2018	December 31, 2017
Financial assets designated as at fair value through profit or loss:		
Listed convertible bonds	$ -	33,814
Credit-Linked Note (CLN)	-	59,651
Foreign unlisted common shares	-	387,680
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging	64,238	
Listed convertible bonds	70,886	
Credit-Linked Note (CLN)	21,584	
Structured deposits	753,449	
Beneficiary certificate-Funds	30,585	
Stocks listed on domestic markets	9,306	
Unlisted common shares	419,209	
Financial assets held-for-trading		
Derivative instruments not used for hedging	-	23,461
Non-derivative financial assets	-	133,670
	$ 1,369,257	638,276

(Continued)

	December 31, 2018	December 31, 2017
Current	$ 1,327,790	638,276
Non-current	41,467	-
	$ 1,369,257	638,276

	December 31, 2018	December 31, 2017
Current financial liabilities held-for-trading:		
Derivative instruments not used for hedging	$ 427	23,883
Debt components of convertible bonds payable	-	46,988
	$ 427	70,871

(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 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 originally recorded as other current financial assets on December 31, 2017, were reclassified as financial assets mandatorily measured at fair value through profit or loss on January 1, 2018, because the interest was not based on the time value on principal amount outstanding.

(iv) In 2017, since the fair value of the equity of the investees, Kaistar Lighting (Xiamen) Co., Ltd. (Kaistar) and Country Lighting (BVI) Ltd., (Country Lighting) can be measured reliably, the Group has reclassified its non-current financial assets at cost to assets held for trading, please refer to note 6(e) for details.

(v) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net income pre-tax for 2018 and 2017 will be $22,955 and $26,068, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.

(vi) The Group uses derivative financial instruments to hedge certain foreign exchange and interest risk 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 on December 31, 2018 and financial assets held-for-trading on December 31, 2017:

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1) Forward exchange contracts

	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

	December 31, 2017			
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	EUR	689	EUR to USD	2018.02.27~2018.03.09
Forward exchange sold	USD	29,000	USD to RMB	2018.01.04~2018.03.15
Forward exchange sold	USD	31,500	USD to TWD	2018.01.04~2018.03.15
Financial liabilities:				
Forward exchange sold	EUR	4,238	EUR to USD	2018.01.05~2018.03.20

2) Swap contracts

	December 31, 2017			
	Contract amount (in thousands)		Currency	Maturity date
Financial liabilities:				
Currency Swap	EUR	541	EUR to USD	2018.01.05~2018.01.19

3) Cross currency swap

December 31, 2018					
Contract amount (in thousands)		Contract Period	Interest rate payable	Interest rate receivable	Swap period
Financial assets:					
USD	15,000	2018.01.04~2019.01.15	0.23%	0.50%+1LIBOR	2018.01.04~2019.01.15
USD	5,000	2018.03.09~2019.03.08	0.23%	0.70%+1LIBOR	2018.03.09~2019.03.08
USD	5,000	2018.03.09~2019.03.11	0.18%	0.50%+1LIBOR	2018.03.09~2019.03.11
USD	5,000	2018.03.23~2019.03.25	0.23%	0.70%+1LIBOR	2018.03.23~2019.03.25

(Continued)

December 31, 2018

Contract amount (in thousands)		Contract Period	Interest rate payable	Interest rate receivable	Swap period
USD	5,000	2018.03.28~2019.03.27	0.18%	0.52%+1LIBOR	2018.03.28~2019.03.27
USD	5,000	2018.05.23~2019.05.23	0.18%	0.56%+1LIBOR	2018.05.23~2019.05.23
USD	7,000	2018.05.25~2019.05.27	0.15%	0.55%+1LIBOR	2018.05.25~2019.05.27
USD	3,000	2018.05.25~2019.05.27	0.15%	0.55%+1LIBOR	2018.05.25~2019.05.27

December 31, 2017

Contract amount (in thousands)		Contract Period	Interest rate payable	Interest rate receivable	Swap period
Financial liabilities:					
USD	10,000	2017.03.09~2018.03.09	0.36%	0.50%+1LIBOR	2017.03.09~2018.03.09
USD	5,000	2017.03.23~2018.03.23	0.35%	0.60%+1LIBOR	2017.03.23~2018.03.23
USD	5,000	2017.03.30~2018.03.28	0.30%	0.50%+1LIBOR	2017.03.30~2018.03.28
USD	10,000	2017.05.25~2018.05.25	0.26%	0.50%+1LIBOR	2017.05.25~2018.05.25
USD	5,000	2017.05.25~2018.05.23	0.26%	0.55%+1LIBOR	2017.05.25~2018.05.23

4) 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
RMB	97,600	3.9%~4%	2019.02.25~2019.04.04

December 31, 2017

Contract amount (in thousands)		Rate	Maturity Period
Financial assets:			
TWD	59,300	2.50%~3.75%	2018.03.05~2018.08.18
RMB	124,000	3.30%~4.25%	2018.01.15~2018.02.13

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

(viii) As of December 31, 2018 and 2017, the Group did not provide any aforementioned financial assets as collateral for its loans.

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

		December 31, 2018
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	$	256,004
Stocks unlisted on domestic markets		75,052
	$	331,056

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

On January 1, 2018, the Group 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 Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets and financial assets measured at cost on December 31, 2017.

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) The Group's information of market risk, please refer to note 6(ae).

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

(d) Non-current available-for-sale financial assets

		December 31, 2017
Investments in listed securities:		
Stocks listed on domestic markets	$	451,507
Investments in unlisted securities:		
Stocks unlisted on domestic markets		78,200
	$	529,707

(i) In 2017, the Group disposed a portion of its shares recorded as available-for-sale financial assets for $608,926, and the realized revaluation gains and losses, which was recorded as gains (losses) on financial assets (liabilities) at fair value through profit or loss, was losses $99,614.

(ii) The aforementioned investments were classified as financial assets at fair value through other comprehensive income ~~on December~~ 31, 2018; please refer to note 6(c).

(iii) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net other comprehensive income pre-tax for 2017 will be $26,485.

(iv) The changes in fair value are recognized in other comprehensive income, please refer to note 6(ad) for details.

(v) As of December 31, 2017, the Group did not provide any aforementioned financial assets as collateral for its loans.

(vi) The Group's information of market risk, please refer to note 6(ae).

(e) Non-current financial assets at cost

	December 31, 2017
Domestic unlisted common shares	$ 30,000
Foreign unlisted common shares	10,049
	$ 40,049

(i) The aforementioned investments held by the Group were measured at cost value, less, accumulated impairment losses as of December 31, 2017, given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably. These investments were classified as non-current financial assets at fair value through other comprehensive income on December 31, 2018.

(ii) Since the value of some financial assets at cost had declined materially and permanently, the Group recognized impairment losses amounting to $7,619 for the year ended December 31, 2017, and recorded it as impairment losses on financial assets.

(iii) In 2017, since the fair value of the equity of the investees, Kaistar Lighting and Country Lighting can be measured reliably, the Group has reclassified its non-current financial assets at cost to assets held for trading. According to the accounting standards, the Group recognized the gain on financial assets (liabilities) at fair value through profit or loss amounting to $51,542 as the difference between the book value and the fair value. The Group therefore recognized it as the financial assets at fair value through profit or loss based on the fair value of $387,680.

(iv) As of December 31, 2017, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(v) The Group's information of market risk, please refer to note 6(ae).

(f) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable from operating activities	$ 11,416	28,368
Accounts receivable-measured as amortized cost	6,981,114	8,681,112
	6,992,530	8,709,480
Less: allowance for uncollectible accounts	(127,287)	(132,051)
allowance for sales discounts	-	(32,151)
	$ 6,865,243	8,545,278
Notes and accounts receivable, net	$ 6,699,339	8,424,725
Accounts receivable due from related parties, net	97,465	120,553
Long-term receivables (recorded as other non-current assets)	68,439	-
	$ 6,865,243	8,545,278

(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 on December 31, 2018. 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 in Taiwan region as of December 31, 2018 was determined as follows:

	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 as of December 31, 2018 was determined as follows:

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

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, were as follows:

	December 31, 2017
Not overdue	$ 7,843,735
Overdue 0-90 days	519,757
Overdue 91-180 days	175,788
Overdue 181-270 days	499
Overdue 271-365 days	1,930
Overdue over one year	3,569
	$ 8,545,278

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

		2018	2017
Balance on January 1	$	132,051	137,349
Impairment loss recognized (reversed impairment loss)		19,048	6,376
Amounts written off		(23,441)	(11,693)
Foreign exchange (gains) losses		(371)	19
Balance on December 31	$	127,287	132,051

(iii) The Group entered into accounts receivable factoring agreement with banks. Based on the term of agreement, the Group is not responsible for any inability of repayment by accounts receivable during the debt transfer and repayment period. From the factoring of AR, the Group will receive prepayment and pledged deposit amounts in accordance with the factoring agreement. The Group will pay interest to the bank, calculated based on the agreed interest rate for the repayment period made by the customer. Furthermore, the pledged deposit amount cannot be withdrawn prior to the repayment made by the customer, the remaining amount and pledged deposit will be received from banks upon the actual payment from customer and will be recorded under bank accounts. In addition, the Group has to pay the transaction fee with a certain percentage. As of December 31, 2018 and 2017, the pledged deposit amounted to $138,075 and $33,686, respectively, were recorded under other current financial assets.

As of December 31, 2018 and 2017, the details of the factored accounts receivable was as follows:

December 31, 2018				
Amount of sold A/R	**Limitation amount**	**Advance amount**	**Amount Derecognized**	**Interest rate**
$ 392,051	598,845	253,976	392,051	2.2%

December 31, 2017				
Amount of sold A/R	**Limitation amount**	**Advance amount**	**Amount Derecognized**	**Interest rate**
$ 336,656	554,988	302,970	336,656	1.5%

(iv) As of December 31, 2018 and 2017, 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.

(g) Other receivables (Record as other current financial assets)

		December 31, 2018	December 31, 2017
Other accounts receivable	$	153,247	79,510
Less: Loss allowance		(4,978)	(4,978)
	$	148,269	74,532

(Continued)

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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 on December 31, 2018:

	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 year ended December 31, 2018, the movement in the allowance for financial assets of other receivables were as follows:

	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
Balance on December 31, 2018 (Same as balance on January 1, 2018)	$ -	4,978	4,978

As of December 31, 2017, the aging analysis of other receivables, which were past due but not impaired, were as follows:

	December 31, 2017
Not overdue	$ 74,532

For the year ended December 31, 2017, the movement in the allowance for other receivables were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on December 31, 2017 (Same as balance on January 1, 2017)	$ 4,978	-	4,978

As of December 31, 2018 and 2017, the Group did not provide any other receivables as collateral for its loans.

(h) Construction contracts

Construction revenue recognized in profit or loss during the year ended December 31, 2017 was as follows:

	2017
Construction revenue recognized in current profit	$ 200,080

	December 31, 2017
Accumulated costs incurred	$ 672,628
Add: Accumulated profit and losses recognized arising from the construction	236,075
Accumulated costs and profit recognized (less losses recognized)	908,703
Less: progress billings	908,703
Amount due from (to) customers for contract work – presented as an asset (liability)	$ -

(i) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 213,365	426,023
Work in progress	312,082	418,989
Finished goods	1,325,420	1,644,640
	$ 1,850,867	2,489,652

In 2018 and 2017, inventory cost (excluding construction cost) recognized as cost of sales amounted to $18,208,931 and $20,787,858, respectively.

The Group reversed its allowance for inventory valuation and obsolescence loss amounting to $16,980 in 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.

The write-down of the inventories to net realizable value amounted to $5,600 which was recorded as cost of sales in the year ended December 31, 2017.

As of December 31, 2018 and 2017, the Group did not provide any inventories as collateral for its loans.

(j) Investments accounted for using equity method

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

	December 31, 2018	December 31, 2017
Associates	$ 110,868	89,994

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

		December 31, 2018	December 31, 2017
The carrying amount of individually insignificant associates equity	$	110,868	89,994

		2018	2017
Attributable to the Group:			
Profit (loss) from continuing operations	$	(9,075)	(6,940)
Other comprehensive income		(46)	(1,905)
	$	(9,121)	(8,845)

(iii) As of December 31, 2018 and 2017, the Group had 9.66% ownership of Tekcore. Since the Group 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 Group had acquired 31.58% ownership of Eleocom from third parties with the cash considerations of $30,000 in May, 2018. Since the Group is able to exercise significant influence over Eleocom's operations and financial policies, the long-term investment in Eleocom is accounted for using equity method.

(v) Pledges

As of December 31, 2018 and 2017, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

(k) Joint operation

The Group 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 Group 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 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.

(l) Changes in subsidiaries' equity

(i) Acquisitions of non-controlling Interests

The Group had acquired shares of Evervision from third parties with the cash considerations of $5,587, and its shareholding increased from 63.48% to 65.50% in August 2017.

(Continued)

The effects of the changes in shareholdings were as follows:

		2017
Carrying amount of non-controlling interest on acquisition	$	13,253
Consideration paid to non-controlling interests		(5,587)
Other equity		817
Capital surplus－differences between consideration and carrying amounts of subsidiaries acquired or disposed	$	**8,483**

(ii) The Group had invested in WOFI Verkaufsgesellschaft mbH (WOFI VG) through WOFI Leuchten GmbH (WOFI Holding) amounting to $895 in October 2017, with the main purpose of researching and selling of LED lighting products. The capital increase and the registration procedures had been completed.

(m) Loss control of subsidiaries

(i) LCC had completed its liquidation process in March 2017, and the Group received the liquidating dividend of $1,023. LCC is no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of LCC and recognized a gain on disposal of $144, and recorded it as net gains (losses) on disposal of investment.

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

Other current assets	$	1,113
Other current liabilities		48
Carrying amount of net assets	$	**1,065**
Other equity	$	**(186)**

(ii) Debao had completed its liquidation process in June 2017. Debao is no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Debao and recognized a loss on disposal of $654, and recorded it as net gains (losses) on disposal of investment.

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

Other current assets	$	-
Other current liabilities		-
Carrying amount of net assets	$	-
Other equity	$	**(654)**

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(iii) Everlight SSL (HK) had completed its liquidation process in July 2017, and the Group received the liquidating dividend of $4,781. Everlight SSL (HK) is no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Everlight SSL (HK) and recognized a loss on disposal of $2,563, and recorded it as net gains (losses) on disposal of investment.

The carrying amount of assets and liabilities of Everlight SSL (HK) on the date of liquidation is as follows:

Other current assets	$	4,798
Other current liabilities		-
Carrying amount of net assets	$	**4,798**
Other equity	$	**2,546**

(iv) 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 disposals of investments, net.

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

Other current assets	$	3,864
Other current liabilities		-
Carrying amount of net assets	$	**3,864**
Other equity	$	**(4,945)**

(v) 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 disposals of investments, net.

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

Other current assets	$	327,702
Other current liabilities		-
Carrying amount of net assets	$	**327,702**
Other equity	$	**(3,656)**

(vi) 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 disposals of investments, net.

(Continued)

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

Other current assets	$	6,073
Other current liabilities		-
Carrying amount of net assets	$	6,073
Other equity	$	3,932

(n) 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, 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 movements 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
Balance on January 1, 2017	$	648,882	7,735,911	14,676,783	1,520,663	1,072,384	290,038	25,944,661
Add: additions		-	199,253	874,723	249,732	123,680	637,187	2,084,575
Add: reclassification		-	159,953	682,313	617	29,461	(622,029)	250,315
Less: sales and retirement		-	(52,105)	(2,116,470)	(198,647)	(36,093)	(10,557)	(2,413,872)
Effect of movements in exchange rates		2,353	(26,172)	(53,745)	(8,163)	(7,605)	(449)	(93,781)
Balance on December 31, 2017	$	651,235	8,016,840	14,063,604	1,564,202	1,181,827	294,190	25,771,898
Depreciation and impairments loss:								
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

(Continued)

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		Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Balance on January 1, 2017	$	-	2,620,339	10,400,942	1,059,448	535,813	-	14,616,542
Add: depreciation for the year		-	422,990	1,293,794	182,947	86,080	-	1,985,811
Add: impairment loss (reversal)		-	10,363	3,158	-	-	-	13,521
Less: sales and retirement		-	(36,480)	(1,953,941)	(186,010)	(28,155)	-	(2,204,586)
Effect of movements in exchange rates		-	(5,050)	(52,806)	(6,190)	(3,039)	-	(67,085)
Balance on December 31, 2017	$	-	3,012,162	9,691,147	1,050,195	590,699	-	14,344,203
Carrying amounts:								
Balance on December 31, 2018	$	645,175	4,807,387	3,623,751	512,630	525,182	125,568	10,239,693
Balance on January 1, 2017	$	648,882	5,115,572	4,275,841	461,215	536,571	290,038	11,328,119
Balance on December 31, 2017	$	651,235	5,004,678	4,372,457	514,007	591,128	294,190	11,427,695

(i) There was an indication that parts of the buildings and construction, as well as machinery and equipment, of the LCD and LCM segment may be impaired in 2017. The Group regards the LCD and LCM segment as a cash generating unit to perform impairment tests. The recoverable amount was estimated based on the value in use through the discounted value of future cash flows from continuing use of the asset. According to the evaluation in 2017, the carrying amount of evaluated asset exceeded its recoverable amount; therefore, the Group recognized the impairment loss of $13,521. There was no indication that the property, plant and equipment may be impaired in 2018.

(ii) As of December 31, 2018 and 2017, the aforesaid property, plant and equipment were not pledged as collateral.

(o) Other current financial assets

		December 31, 2018	December 31, 2017
Time deposits with maturities over three months	$	1,984,411	6,472,603
Capital guarantee financial products		-	568,862
Restricted cash in bank		138,075	33,686
Other receivables		148,269	74,532
	$	2,270,755	7,149,683

(i) The Group purchased rate-related principal guarantee financial products and floating income principal guarantee financial products to optimize the use of its working Capital. These investments were classified as financial assets at fair value through profit or loss on December 31, 2018; please refer to note 6(b). The Group's capital guarantee financial products which have yet to mature on December 31, 2017, were as follows:

December 31, 2017					
Contract amount (in thousands)		Rate	Maturity period		Amount
RMB	124,000	3.30%~4.25%	2018.01~2018.02	$	568,862

(Continued)

The Group recognized the interest income of principal guarantee financial products for the years ended December 31, 2017, please refer to note 6(ac).

(ii) As of December 31, 2018 and December 31, 2017, 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.

(p) Short-term borrowings

The short-term loans were summarized as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 3,111,970	2,181,411
Unused short-term credit lines	$ 12,429,732	14,433,426
Annual interest rates	0.44%~3.6%	0.43%~2.75%

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

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

(q) Other current liabilities

	December 31, 2018	December 31, 2017
Refund liabilities	$ 9,817	-
Derivative instruments not used for hedging	427	23,883
Embedded derivative – put option	-	46,988
Wages and salaries payable	238,618	253,954
Other payables	1,018,568	1,529,986
Others	450,788	516,045
	$ 1,718,218	2,370,856

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

(r) Long-term loans

The details were as follows:

	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 Group's interest risk and liquidity risk, please refer to 6(ae) for details.

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

(s) 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, 2018	December 31, 2017
Total convertible bonds issued	$ 9,000,000	9,000,000
Unamortized discounted bonds payable	(22,200)	(198,304)
Cumulated converted amount	(184,600)	(184,600)
Cumulated repurchased and redeemed amount	(7,689,300)	(1,160,500)
	1,103,900	7,456,596
Unamortized amount of the cost of issuing convertible bonds	(1,375)	(3,347)
Bonds payable, current portion	-	(7,453,249)
Non-current	$ 1,102,525	-
Embedded derivative – put option (recognized as financial liabilities at fair value through profit or loss, and recorded as other current liabilities)	$ -	46,988
Equity components – conversion options (recognized as capital surplus – redemption rights)	$ 87,820	601,110

	2018	2017
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)	(8,293)
Interest expense	$ (74,370)	(101,335)

(Continued)

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.

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$61.0 (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) The Group classified the sixth convertible bonds and the related financial liabilities under current liabilities beginning May, 2017 based on a prudent basis since the bondholders could opt to request the Group to redeem the convertible bonds three years after the issuance date. However, it does not mean that the Group will redeem all convertible bonds within one year. After the expiration date of the put option, the Group reclassified the sixth convertible bonds under long-term liabilities according to their residual period.

(iv) In 2017, the Group sold its sixth domestic convertible bonds which have been bought back in the previous years from the public market, with a face value of \$141,000, amounting to \$140,973, and reversed its unamortized discount on bonds payable, other non-current assets (embedded derivative instrument – call option), as well as other non-current liabilities (embedded derivative instrument – put option). Therefore, the Group recognized a loss on the sale of the convertible bonds amounting to \$1,368, which was recorded under other expenses. In addition, the Group reversed its addition paid in capital – treasury stock of \$1,341 resulting from the sale of the convertible bonds.

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

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

(Continued)

(t) Operating lease

(i) The Group as leasee

1) Non-cancellable operating lease that are payable as follows:

		December 31, 2018	December 31, 2017
Less than one year	$	61,024	60,659
Between one and five years		92,597	104,979
More than five years		30,776	39,510
	$	184,397	205,148

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.

4) For the years ended December 31, 2018 and 2017, the expenses recognized in profit or loss in respect of the operating leases amounted to $117,380 and $99,129, respectively.

(ii) The Group as lessor

The Group leased out parking space and employee dormitory under operating lease. The rent income in 2018 and 2017 was $17,294 and $31,206, respectively.

(u) 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, 2018	December 31, 2017
Present value of defined benefit obligations	$ (221,733)	(246,384)
Fair value of plan assets	90,709	90,862
Net defined benefit obligations assets (liabilities)	$ (131,024)	(155,522)
Defined benefit assets	$ 6,460	6,500
Defined benefit liabilities	(137,484)	(162,022)
	$ (131,024)	(155,522)

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 $90,709 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.

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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:

		2018	2017
Defined benefit obligation at January 1	$	(246,384)	(251,457)
Benefits paid by the plan		27,673	6,798
Current service costs and interest		(5,743)	(5,213)
Remeasurement in net defined benefit assets (liability)		2,721	3,488
Defined benefit obligation at December 31	$	(221,733)	(246,384)

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:

		2018	2017
Fair value of plan assets at January 1	$	90,862	80,035
Contributions made		23,976	13,258
Benefits paid from the plan assets		(27,673)	(3,234)
Expected return on plan assets		1,447	1,139
Remeasurement in net defined benefit assets (liability)		2,097	(336)
Fair value of plan assets at December 31	$	90,709	90,862
Actual return on plan assets	$	3,544	803

4) Expenses recognized in profit or loss

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

		2018	2017
Service cost	$	1,781	1,884
Interest cost		3,962	3,329
Expected return on plan assets		(1,447)	(1,139)
	$	4,296	4,074

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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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:

		2018	2017
Cumulative amount at January 1	$	(35,294)	(38,445)
Recognized during the period		4,818	3,151
Cumulative amount at December 31	$	(30,476)	(35,294)

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, 2018	December 31, 2017
Discount rate	1.125%~1.375%	1.375%~1.625%
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 $3,897 and $0, respectively.

The weighted-average duration of the defined benefit obligation of the Company and Evervision TW are 16.60 years and 14.94 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, 2018			
Discount rate	$	(7,009)	7,345
Future salary increasing rate		7,080	(6,792)
December 31, 2017			
Discount rate		(7,990)	8,361
Future salary increasing rate		8,077	(7,767)

(Continued)

Evervision TW		Influences of defined benefit assets Increased 0.25%	Decreased 0.25%
December 31, 2018			
Discount rate	$	430	(450)
Future salary increasing rate		(435)	418
December 31, 2017			
Discount rate		423	(434)
Future salary increasing rate		(421)	404

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, 2018 and 2017 were $161,032 and $160,997, respectively.

(v) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20%, which is adopted with the Company and its subsidiaries in the ROC, is applicable upon filing the corporate income tax return commencing from 2018.

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(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2018 and 2017 was as follows:

		2018	2017
Current tax expense			
Recognized during the period	$	288,469	378,645
Adjustment for prior periods		(2,802)	(55,840)
10% surtax on unappropriated earnings		41,406	2,305
		327,073	325,110
Deferred tax expense			
Recognition and reversal of temporary differences		(26,464)	(63,382)
Adjustment in tax rate		(39,729)	-
		(66,193)	(63,382)
Income tax expense	$	260,880	261,728

2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2018 and 2017 was as follows:

		2018	2017
Exchange differences on translating foreign operations	$	(4,150)	(1,276)
Actuarial gains (losses) on defined benefit plans		(2,654)	535
	$	(6,804)	(741)

3) Reconciliation of income tax and profit before tax for 2018 and 2017 was as follows:

		2018	2017
Profit before income tax	$	1,123,959	1,507,719
Income tax using the Company's domestic tax rate	$	224,792	256,312
Adjustment in tax rates		(39,729)	-
Effect of tax rates in foreign jurisdiction		40,447	82,190
Non-deductible expenses		14,874	18,513
Exemption of investment disposal income		(2,509)	15,537
Increase in investment tax credits		(27,401)	(28,728)

(Continued)

	2018	2017
Realized investment gains or loss	(62,320)	7,543
Net gains or losses on domestic investments	(34,822)	(15,603)
Changes in unrecognized deferred tax assets and liabilities	(28,142)	(74,653)
Changes in unrecognized deferred tax assets arising from tax loss	84,396	49,940
10% surtax on unappropriated earnings	41,406	2,305
Adjustment for prior periods and others	49,888	(51,628)
	$ 260,880	261,728

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

Details of unrecognized deferred tax assets were as follow:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 85,522	101,603
Tax losses	642,367	557,971
	$ 727,889	659,574

Details of unrecognized deferred tax liabilities were as follow:

	December 31, 2018	December 31, 2017
Temporary differences related to investments in subsidiaries	$ 497,315	403,616

The consolidated entity is able to control the timing of the reversal of the part of temporary differences associated with investments in subsidiaries as at December 31, 2018 and 2017. 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.

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As of December 31, 2018, the Group had not recognized the prior 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	2011~2018	$ 507,541	101,507	2021~2028
Subsidiaries in the PRC	2011~2018	980,994	245,251	2016~2028
Subsidiaries in the United States	2008~2018	314,123	106,803	2028~2038
Subsidiaries in Germany	2014~2018	632,940	188,806	No expiry date
			$ 642,367	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 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, 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
Balance on January 1, 2017	$ 30,377	90,366	46,511	111,687	278,941
Recognized in profit or loss	(1,545)	35,602	6,084	7,066	47,207
Recognized in other comprehensive income	(630)	-	-	(690)	(1,320)
Balance on December 31, 2017	$ 28,202	125,968	52,595	118,063	324,828

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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		Defined benefit Plans	Difference between book and tax depreciation	Others	Total
Deferred tax liabilities:					
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
Balance on January 1, 2017		1,125	80,638	168,802	250,565
Recognized in profit or loss		28	10,080	(26,283)	(16,175)
Recognized in other comprehensive income		(95)	-	(1,966)	(2,061)
Balance on December 31, 2017	$	1,058	90,718	140,553	232,329

3) Assessment of tax

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

The income tax returns of the subsidiary entities in the ROC have been examined by the tax authorities through 2016.

(w) Capital and other equities

As of December 31, 2018 and 2017, 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 443,000 and 440,449 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2018 and 2017 were as follows:

(in thousands of shares)	2018	2017
Balance on January 1	440,449	439,036
Employee stock options exercised	2,551	1,413
Balance on December 31	443,000	440,449

(i) Ordinary shares

Based on a resolution at the annual shareholders' meeting held on June 12, 2015, the Company increased the authorized common stock to $10,000,000. As of March 25, 2019, the registration procedures related to the authorized common stock had not been completed.

(Continued)

The employee stock options exercised amounting to $25,510 in year ended December 31, 2018 which resulted in a capital surplus of $119,803 (including the stock options converted into addition paid-in capital arising from the ordinary shares of $95,718). The registration procedures of the employee stock options amounting to $860 had not been completed.

The employee stock options exercised amounting to $14,129 in year ended December 31, 2017 which resulted in capital surplus of $54,739 (including the stock options converted into addition paid-in capital arising from the ordinary shares of $29,560). 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, 2018	December 31, 2017
Additional paid-in capital	$ 7,798,771	7,678,969
Difference between consideration and carrying amount of subsidiaries disposed	147,087	150,743
Changes in equity of associates accounted for using equity method	6,489	6,489
Redemption rights resulting from issuance of convertible bonds	87,820	601,110
Treasury stock resulting from the redemption of convertible bonds	983,812	470,522
Share-based payment – employee stock options	134,587	231,834
Others	576	44
	$ 9,159,142	9,139,711

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

In accordance with the ROC Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to share capital. 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, 2018 and 2017, 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) 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 15, 2018 and June 16, 2017, the appropriations of dividends from the earnings distribution for 2017 and 2016 were as follows:

(Continued)

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		2017		2016	
		Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:					
Cash	$	3.00	1,321,133	3.00	1,322,385

(iv) Other equity (net of tax)

		Foreign exchange differences arising from foreign operation	Available-for-sale financial assets	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2018	$	(437,489)	(393,305)	-	(830,794)
Effect of retrospective application		-	393,305	(389,010)	4,295
Balance at January 1, 2018 after adjustments		(437,489)	-	(389,010)	(826,499)
Foreign exchange differences (net of taxes):					
The Group		(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)
Balance of January 1, 2017	$	(342,475)	(1,076,778)	-	(1,419,253)
Foreign exchange differences (net of taxes):					
The Group		(93,090)	-	-	(93,090)
Associates		(1,924)	-	-	(1,924)
Unrealized gains and losses from available-for-sale financial assets (net of taxes):					
The Group		-	683,473	-	683,473
Balance on December 31, 2017	$	(437,489)	(393,305)	-	(830,794)

(Continued)

(x) Share-based payment

(i) At a meeting of the board of directors held on August 6, 2014 (the sixth), March 25, 2013 (the fifth), December 9, 2011 (the fourth) and January 8, 2011 (the third), the Company's board of directors approved a resolution to issue 5,000,000 units, 10,000,000 units, 10,000,000 units and 5,000,000 units, respectively, of 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, July 18, 2013, August 30, 2012, and December 9, 2011, distributed 200,000 units, 4,800,000 units, 10,000,000 units, 10,000,000 units and 5,000,000 units, respectively.

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

	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	

	For the year ended December 31, 2017							
Date of issuance	**2017.1.1 Outstanding units**	**Current units granted**	**Current units exercised**	**Current units abandoned**	**Current units expired**	**2017.12.31 Outstanding units**	**2017.12.31 Exercisable units**	**Remaining duration**
August 6, 2015	70,000	-	-	10,000	-	60,000	39,000	2.6 years
April 2, 2015	4,192,000	-	-	998,000	-	3,194,000	2,076,100	2.4 years
July 18, 2013	1,440,300	-	833,250	117,450	-	489,600	489,100	0.6 years
June 4, 2012	972,650	-	532,150	440,500	-	-	-	- years
January 2, 2012	1,092,500	-	47,500	1,045,000	-	-	-	- years
	7,767,450	-	1,412,900	2,610,950	-	3,743,600	2,604,200	
Weighted-average exercise price (dollars)	$ 26.00	-	27.82	31.47	-	19.67	19.60	

The weighted-average fair price of the Company's stock amounted to NT$37.45 (dollars) and NT$47.36 (dollars) for the years ended December 31, 2018 and 2017, 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 third, fourth, fifth, the first phase of the sixth and the second phase of the sixth issued stock options were NT$40.4 (dollars), NT$40.4 (dollars), NT$18.6 (dollars), NT$18.3 (dollars) and NT$19.7 (dollars), respectively.

(Continued)

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 third and 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.

2) 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 and $4,192 for the years ended December 31, 2018 and 2017, respectively.

3) 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 third	The fourth	The fifth	The first phase of the sixth	The second phase of the sixth
Original exercise price (New Taiwan dollars)	$51.6	51.6	24	24	24
Fair value per share of the Company's stock at the measurement date (New Taiwan dollars)	$51.6	46.25	48	70.10	44
Expected volatility	35.49~46.81%	36.63~44.94%	35.02%	30.43~35.66%	30.43~35.66%
Risk-free interest rate	0.89~1.01%	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	five years
Weighted-average fair value (New Taiwan dollars/unit)	$10.60~19.26	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.

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(y) Earnings per share

The Group's basic and diluted earnings per share are calculated as follows:

		2018	2017
Basic earnings per share:			
Profit attributable to ordinary shareholders of the Company	$	793,069	1,203,508
Weighted-average number of outstanding ordinary shares (thousands)		441,787	439,955
Diluted earnings per share:			
Profit attributable to ordinary shareholders of the Company	$	793,069	1,203,508
Dilutive effect of potential ordinary shares:			
Convertible bonds (note)		86,448	109,628
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	$	879,517	1,313,136
Weighted-average number of outstanding ordinary shares (thousands)		441,787	439,955
Dilutive effect of potential ordinary shares:			
Employee stock bonus		1,746	1,719
Convertible bonds		86,849	120,004
Employee stock options		942	2,627
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)		531,324	564,305

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.

(z) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31, 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

(Continued)

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	For the years ended December 31, 2018				
	LED	**LCD**	**Illumination**	**Others**	**Total**
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, 2018	**January 1, 2018**
Notes receivable	$ 11,416	28,368
Accounts receivables	6,981,114	8,681,112
Less: allowance for impairment	(127,287)	(132,051)
	$ 6,865,243	8,577,429
Contract assets-illumination	$ 78,550	-
Contract liabilities	$ 26,191	8,069

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

For details on construction contracts as of December 31, 2017, please refer to note (6)(h).

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.

(aa) Net sales revenue

The details of sales revenue for the year ended December 31, 2017 was as follows:

Items	**2017**
Sales revenue:	
Luminous and sensing element	$ 23,917,237
Illumination	2,288,950
Others	904,314
	27,110,501
Construction revenue	200,080
Net sales revenue	$ 27,310,581

For details on sales revenue for the year ended December 31, 2018, please refer to note (6)(z).

(ab) Remuneration of employees, directors and supervisors

In accordance with the Company's articles, 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.

The remuneration to employees amounted to $59,098 and $84,213, and the remuneration to directors and supervisors amounted to $6,895 and $7,677, in 2018 and 2017, respectively. 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 consolidated financial statements are identical to those of the actual distributions for 2018 and 2017.

(ac) Non-operating income and expenses

The interest income and finance costs in 2018 and 2017 were as follows:

(i) Interest income

	2018	2017
Cash in banks	$ 66,025	70,194
Structured notes and deposits	-	33,426
Others	8,508	3,098
	$ 74,533	106,718

(ii) Finance costs – interest expenses

	2018	2017
Loans	$ 48,867	29,013
Convertible Bonds	74,370	101,335
Others	-	610
	$ 123,237	130,958

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(ad) Reclassification adjustments of the components of other comprehensive income

The reclassification adjustments of the components of other comprehensive income were as follows:

	2018	2017
Available-for-sale financial assets:		
Net change in fair value	$ -	583,859
Less: net change in fair value reclassified to profit or loss	-	(99,614)
Equity instruments at fair value through other comprehensive income:		
Net change in fair value	(194,768)	-
Net change in fair value recognized in other comprehensive income	$ (194,768)	683,473

(ae) 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(f).

For credit impairment of other receivable, please refer to note 6(g).

(ii) Liquidity Risk

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

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
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)	-	-
Payable 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)	-	-

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	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
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)	(10,189,551)	(12,958)	(170,242)
December 31, 2017					
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,181,411	(2,181,411)	(2,181,411)	-	-
Notes and accounts payable (including related parties)	5,584,631	(5,584,631)	(5,584,631)	-	-
Payable on construction and equipment	630,289	(630,289)	(630,289)	-	-
Other payables	1,529,986	(1,529,986)	(1,529,986)	-	-
Unsecured convertible bonds	7,456,596	(7,654,900)	(7,654,900)	-	-
Guaranteed deposits received	132,022	(132,022)	-	-	(132,022)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	3,242				
Outflow	-	(151,737)	(151,737)	-	-
Inflow	-	148,414	148,414	-	-
Swap contracts:	20,418				
Outflow	-	(1,063,350)	(1,063,350)	-	-
Inflow	-	1,044,680	1,044,680	-	-
Cross currency swap:	223				
Outflow	-	(19,380)	(19,380)	-	-
Inflow	-	19,189	19,189	-	-
Debt components of convertible bonds payable	46,988	-	-	-	-
	$ 17,585,806	(17,735,423)	(17,603,401)	-	(132,022)

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 follow:

	December 31, 2018			December 31, 2017		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 170,402	USD/TWD =30.733	5,236,965	187,502	USD/TWD =29.848	5,596,560
USD	50,631	USD/RMB =6.8754	1,556,043	77	USD/RMB =6.5062	2,298
RMB	342,128	RMB/TWD =4.4700	1,529,312	406,740	RMB/TWD =4.5876	1,865,960
HKD	371,986	HKD/TWD =3.9251	1,460,082	444,902	HKD/TWD =3.8205	1,699,748
Financial liabilities						
Monetary items						
USD	132,441	USD/TWD =30.733	4,070,309	107,063	USD/TWD =29.848	3,195,616
USD	49,426	USD/RMB =6.8754	1,519,009	59,615	USD/RMB =6.5062	1,779,389
RMB	684,620	RMB/TWD =4.4700	3,060,251	1,128,819	RMB/TWD =4.5876	5,178,570

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 (available-for-sale financial assets), 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, 2018 and 2017 would have increased (decreased) the net profit before tax by $83,587 for the year ended December 31, 2018, and decreased (increased) the net profit before tax by $26,564 for the year ended December 31, 2017. 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, 2018 and 2017, the foreign exchange gains or losses, including both realized and unrealized, amounted to gains $144,010 and losses $166,722, respectively.

4) Interest rate analysis

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

	Carrying amount	
	December 31, 2018	December 31, 2017
Variable rate instruments:		
Financial assets	$ 3,918,619	4,077,763
Financial liabilities	(2,858,795)	(2,181,411)
	$ 1,059,824	1,896,352

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 for the years ended December 31, 2018 and 2017, were as following, which would be mainly resulted from bank borrowings and cash in banks with variable interest rates.

	2018	2017
Increase by 0.25%	$ 2,650	4,741
Decrease by 0.25%	(2,650)	(4,741)

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.

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— 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 (Available-for-sale financial assets) 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, 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 cash in bank (recorded as other non-current assets)	6,974	-	-	-	-
	13,829,653				
	$ 15,529,966				

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	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	3,111,970	-	-	-	-
Notes and accounts payable (including related parties)	4,502,383	-	-	-	-
Payable on construction and equipment	417,193	-	-	-	-
Other current payables (recorded as other non-current liabilities)	1,018,568	-	-	-	-
Bonds payable (including current portion)	1,103,900	-	-	-	-
Long-term loans (including current portion)	64,789	-	-	-	-
Guaranteed deposits received	131,369	-	-	-	-
	10,350,172				
	$ 10,350,599				

	December 31, 2017				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	$ 23,461	-	23,461	-	23,461
Non-derivative financial assets held-for-trading	133,670	133,670	-	-	133,670
Designated at initial recognition	93,465	33,814	59,651	-	93,465
Stock unlisted on domestic markets	387,680	-	387,680	-	387,680
	638,276				
Available-for-sale financial assets:					
Stocks listed on domestic markets	451,507	451,507	-	-	451,507
Unquoted equity instruments	78,200	-	-	78,200	78,200
	529,707				
Financial assets at cost	40,049	-	-	-	-
Loans and receivables:					
Cash and cash equivalents	4,769,006	-	-	-	-
Notes and accounts receivable (including related parties)	8,545,278	-	-	-	-
Other current financial assets	7,149,683	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	81,959	-	-	-	-

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	December 31, 2017				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Refundable deposits (recorded as other non-current assets)	165,224	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	6,900	-	-	-	-
	20,718,050				
	$ 21,926,082				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	$ 23,883	-	23,883	-	23,883
Debt components of convertible bonds payable	46,988	-	-	46,988	46,988
	70,871				
Financial liabilities at amortized cost through profit or loss:					
Short-term borrowings	2,181,411	-	-	-	-
Notes and accounts payable (including related parties)	5,584,631	-	-	-	-
Payable on construction and equipment	630,289	-	-	-	-
Other current payables (recorded as other current liabilities)	1,529,986	-	-	-	-
Bonds payable (including current portion)	7,453,249	-	-	-	-
Guarantee deposits received	132,022	-	-	-	-
	17,511,588				
	$ 17,582,459				

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.

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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 was no transfers from one level to another of the Group for the years ended December 31, 2018 and 2017.

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 for the years ended December 31, 2018 and 2017:

	Current financial assets at fair value through other comprehensive income (Available-for-sale financial assets) – unquoted equity instruments	Financial assets at fair value through profit or loss – asset components of convertible bonds payable	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
Balance on January 1, 2017	$ 96,400	405	(38,211)	58,594
Sold by subsidiaries	-	-	(889)	(889)
Total gains and losses recognized:				
In profit (loss)	-	(405)	(7,888)	(8,293)
In other comprehensive income	(18,200)	-	-	(18,200)
Balance on December 31, 2017	$ 78,200	-	(46,988)	31,212

The above total gains and losses are included in "other gains and losses" and "unrealized gain (loss) on available-for-sale financial assets" 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, 2018 and 2017 were as follows:

(Continued)

		2018	2017
Total gains and losses recognized:			
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	$	(3,148)	(18,200)
In profit or loss (recorded as gains (losses) from financial assets (liabilities) at fair value through profit or loss)		(12,078)	(8,293)

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, derivative financial instrument and available-for-sale financial assets—equity securities.

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 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 (Available-for-sale financial assets- equity instrument without quoted price)	Guideline Public Company method - Price-Book Method	·Price-to-Book ratio (P/B Ratio) (0.53 and 0.67 on December 31, 2018 and 2017, respectively) ·Lack of marketability discount rate (20% on both December 31 2018 and 2017)	·The higher the P/B Ratio, the higher the fair value. ·The higher the lack of marketability discount, the lower the fair value.

(Continued)

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Financial liabilities at fair value through profit or loss- call and put options of convertible bonds	Binomial options pricing model for convertible bond	·Volatility (24.54% and 18.82% on December 31, 2018 and 2017, respectively)	·The higher the volatility, the higher 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 impact on other comprehensive income or loss were as follows:

			Impacts of fair value change on other comprehensive income		Impacts of fair value change on net income or loss	
	Input	Variation	Advantageous change	Disadvantageous change	Advantageous change	Disadvantageous change
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	-	-
Financial assets and liabilities at fair value through profit or loss	Volatility	5%	$ -	-	-	-
December 31, 2017						
Available-for-sale financial assets	P/B ratio	5%	$ 3,910	3,910	-	-
〃	Lack of marketability discount	5%	$ 3,910	3,910	-	-
Financial assets and liabilities at fair value through profit or loss	Volatility	5%	$ -	-	23,033	30,404

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.

(af) 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, 2018 and 2017.

(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 note 6(p) and 6(r) for the unused credit lines of short-term and long-term loans as of December 31, 2018 and 2017.

(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.

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.

(ag) 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, 2018	December 31, 2017
Total liabilities	$ 11,731,517	19,002,200
Total equity	17,352,626	18,172,648
Interest-bearing liabilities	4,280,659	9,638,007
Debt-to-equity ratio	68 %	105 %
Interest-bearing liabilities to equity ratio	25 %	53 %

As of December 31, 2018 debt-to-equity ratio and interest-bearing liabilities to equity ratio decreased resulting from the redeeming of convertible bonds during the current period.

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

The Group's investing and financing activities which did not affect the current cash flows in the years ended December 31, 2018 and 2017 were as follows:

Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flow	December 31, 2018
Short-term borrowings	$ 2,181,411	930,559	3,111,970
Long-term borrowings	-	64,789	64,789
Bonds payable	7,453,249	(6,350,724)	1,102,525
Guarantee deposits received	132,022	(653)	131,369
Total liabilities from financing activities	$ 9,766,682	(5,356,029)	4,410,653

(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 consolidated financial statements.

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

(b) Significant related party transactions

(i) Sales

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

	2018	2017
Associates	$ 75,209	89,886
Other related parties	112,162	114,476
	$ 187,371	204,362

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

(ii) Purchase

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

	2018	2017
Associates	$ 451,724	468,069
Other related parties-Epistar	1,798,787	2,683,463
	$ 2,250,511	3,151,532

Purchase prices from Epistar and Tekcore have no significant differences between other related party 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, 2018	December 31, 2017
Associates	$ 34,839	49,383
Other related parties	62,626	71,170
	$ 97,465	120,553

(iv) Payables to related parities

The payables to related parties were as follows:

Related party categories	December 31, 2018	December 31, 2017
Associates	$ 198,955	226,528
Other related parties-Epistar	836,073	1,443,757
	$ 1,035,028	1,670,285

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 31,907	50,799
Other	4,822	9,549
	$ 36,729	60,348

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

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(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

Assets	Objectives		December 31, 2018	December 31, 2017
Time deposits and restricted cash in bank (recorded as other financial assets – non-current)	Guarantee for contract grants	$	6,974	6,900
Restricted cash in bank (recorded as other financial assets-current)	Contracts of accounts receivable factoring		138,075	33,686
		$	145,049	40,586

(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 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.

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.

(Continued)

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 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 Company has evaluated the future final decision of the 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 contingent liability. Wofi appealed the case on August 4, 2017 in the Dusseldorf Higher Regional Court.

E69702929 had expired since July 29th, 2017, therefore they won't affect 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.

(b) The lawsuits between Seoul Semiconductor Corporation

On June 23, 2017, Seoul Semiconductor Corporation (Seoul Semi) filed a litigation in the UK High Court for England and Wales, alleging that the Company's patent EP(UK)1169735 being invalidated, and as a counterclaim, the Group sued Seoul Semi for infringing such patent. On February 14, 2018, the Group and Seoul Semi reached a settlement. The Group withdrawn the patent, and both parties withdrawn the related litigation. The decision has no influence on the validity of other counterpart patents in other countries. The Court has decided that the Group should undertake the legal cost. The Group has recognized the full amount in 2017. The related payables were recorded other current liabilities.

(c) 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 contingent liability.

(d) Significant commitments unrecognized:

(i) As of December 31, 2018 and 2017, the Group's signed significant commitments to purchase machinery and equipment not yet due amounted to $930,196 and $423,308, respectively.

(ii) As of December 31, 2018 and 2017, the unused balance of the Group's outstanding standby letters of credit amounted to $0 and $49,009, respectively.

(iii) Please refer to note(6)(t) for details of the rental payables for future years, which were the operating leases signed by the Group for leasing lands, offices and vehicles.

(10) Losses Due to Major Disasters: none

(11) Subsequent Events: none

(12) Other

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

By function	2018			2017		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,768,605	1,707,427	3,476,032	1,817,954	1,694,793	3,512,747
Labor and health insurance	92,368	155,188	247,556	81,083	155,979	237,062
Pension	102,922	62,406	165,328	92,430	72,641	165,071
Others	130,472	76,397	206,869	134,035	84,754	218,789
Depreciation	1,390,398	605,977	1,996,375	1,408,546	577,265	1,985,811
Amortization	62,272	42,044	104,316	51,914	45,042	96,956

(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, 2018:

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(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 5)	Ending balance (Note 5)	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	352,262 (EUR10,000)	352,262 (EUR10,000)	352,262	1.00%	Short-term financing	-	Business turnover	-		-	1,698,795	6,795,182
1	Everlight Zhongshan	Zhongshan Everlight Lighting	〃	Yes	60,211 (RMB13,470)	46,801 (RMB10,470)	46,801 (RMB10,470)	2.50%	Short-term financing	-	〃	-		-	373,106	373,106
2	Everlight BVI	WOFI Holding	Other receivables	Yes	70,452 (EUR2,000)	70,452 (EUR2,000)	70,452 (EUR2,000)	-%	Short-term financing	-	〃	-		-	2,908,620	2,908,620
3	Everlight Europe	WOFI Holding	〃	Yes	42,271 (EUR1,200)	-	-	2.20%	Short-term financing	-	〃	-		-	54,152	54,152

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: According to Everlight Europe "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of Everlight Europe; and to borrowers having business relationship with Everlight Europe, 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 Europe's net worth.

Note 5: 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, 2018 (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	347	$ 3,116	-%	3,116	347	- %	
〃	Cathay Financial Holding Co., Ltd. Preferred Stock B	〃	〃	100	6,190	-%	6,190	100	- %	
〃	Taiwan Mobile Co., Ltd. convertible bonds	〃	〃	170	17,518	-%	17,518	170	- %	
〃	Gigasolar Materials Corporation convertible bonds	〃	〃	200	15,800	-%	15,800	200	- %	
〃	China Airlines Ltd. convertible bonds	〃	〃	220	22,352	-%	22,352	220	- %	
〃	Global PMX Co., Ltd. convertible bonds	〃	〃	15	1,448	-%	1,448	15	- %	
〃	ShunSin Technology Holdings Limited convertible bonds	〃	〃	100	9,750	-%	9,750	100	- %	
〃	Taiwan Chinsan Electronic Industrial Co., Ltd. convertible bonds	〃	〃	41	4,018	-%	4,018	41	- %	
〃	Yuanta Fulgent Sun Third KY CLN	〃	〃	-	21,584	-%	21,584	-	- %	
					$ 101,776					
〃	Hua-chuang Automobile Information Technical Center Co., Ltd., Stocks	The Company is the corporate director of this company	Non-current financial assets at fair value through other comprehensive income	11,320	75,052	3.45%	75,052	-	4 %	
〃	Epistar Co., Ltd (Epistar) Stocks	The Company is the corporate director of this company	〃	10,000	256,004	0.92%	256,004	-	0.92 %	
					$ 331,056					
Pai-yee	Taishin Ta-Chong Money Market Fund	None	Current financial assets at fair value through profit or loss	2,156	30,585	-%	30,585	-	- %	
〃	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	41,467	10%	41,467	-	10 %	

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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 (%)	
Everlight Fujian	Kaistar Lighting (Xiamen) Co.,Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	357,600 (RMB80,000)	3.97%	357,600	(Note 2)	3.97 %	
〃	Country Lighting (B.V.I.) Ltd.	None	〃	(Note 2)	20,142 (RMB4,506)	8.21%	20,142	(Note 2)	8.21 %	
〃	Financial products	None	〃	-	286,657 (RMB64,129)	-%	286,657	-	- %	
					$ 736,451					
Eralite	Structured deposits	None	Current financial assets at fair value through profit or loss	-	134,673 (RMB30,128)	-%	134,673	-	- %	
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	89,797 (RMB20,089)	-%	89,797	-	- %	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	213,043 (RMB47,661)	-%	213,043	-	- %	

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)	$ (1,454,133)	(7)%	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	469,941	7 %	Note 2
〃	Everlight Europe	75% owned subsidiary	(Sales)	(1,190,638)	(6)%	OA 120	〃	〃	234,585	4 %	〃
〃	Everlight Lighting China	100% owned sub-subsidiary	(Sales)	(600,289)	(3)%	Depending on the credit conditions of the ultimate customers	〃	〃	624,160	9 %	〃
〃	ELA	99% owned subsidiary	(Sales)	(442,777)	(2)%	OA 140	〃	〃	194,702	3 %	〃
〃	Everlight China	100% owned sub-subsidiary	Purchases	9,678,700	71%	Depending on the demand for funding, OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(4,000,233)	(69)%	〃
〃	Everlight Zhongshan	100% owned sub-subsidiary	Purchases	542,107	4%	Depending on the demand for funding, OA 120	〃	〃	(214,851)	(4)%	〃
〃	Epistar	The Company is the corporate director of this company	Purchases	872,559	6%	OA 150	〃	〃	(360,512)	(6)%	-
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(615,787) (RMB(135,044))	(100)%	Depending on the demand for funding, OA 95	-	Depending on the funding demand of both sides	214,851 (RMB48,065)	100 %	Note 2
Everlight China	〃	〃	(Sales)	(10,051,483) (RMB(2,204,321))	(98)%	Depending on the demand for funding. OA 120	-	〃	4,000,427 (RMB894,950)	99 %	〃
〃	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(166,195) (RMB(36,447))	(2)%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	46,130 (RMB10,320)	1 %	〃
〃	Epistar	The Company is the corporate director of this company	Purchases	920,106 (RMB201,782)	15%	OA 150	Terms not comparable to other general trading price	General purchases payments in 90 days	(471,969) (RMB(105,586))	(20)%	-
〃	Tekcore	Equity-accounted investee by the Company	Purchases	366,420 (RMB80,357)	6%	OA 120	〃	〃	(169,297) (RMB(37,874))	(7)%	-

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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	648,356 (RMB142,187)	46%	Depending on the terms of the ultimate customer	-	Depending on the funding demand of both sides	(625,501) (RMB(139,933))	(66)%	Note 2
〃	Everlight China	With the same parent company	Outsourced manufacturing fee	166,081 (RMB36,422)	12%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	(49,644) (RMB(11,106))	(5)%	〃
ELA	The Company	Parent company	Purchases	452,414 (USD15,004)	100%	OA 140	-	-	(195,462) (USD(6,360))	(100)%	〃
Everlight Europe	The Company	Parent company	Purchases	1,202,815 (EUR33,769)	100%	OA 120	-	-	(237,495) (EUR(6,742))	(100)%	〃
Evlite	The Company	Parent company	Purchases	1,481,757 (HKD385,122)	100%	OA 90	-	Depending on the funding demand of both sides	(510,294) (HKD(130,008))	(100)%	〃
Evervision TW	Epistar	The Company is the corporate director of this company	(Sales)	(111,917)	(11)%	OA 150	No significant difference to the general customers	-	62,616	26 %	〃
〃	Vbest GmbH	Equity-accounted investee by Evervision TW	(Sales)	(135,663)	(13)%	OA 90	〃	-	15,396	6 %	〃
〃	Vbest Kunshan	〃	Purchases	535,285	60%	OA 60	Terms not comparable to other general trading price	-	(274,614)	(85)%	〃
Vbest GmbH	Evervision TW	65.5% owned subsidiary	Purchases	139,804 (EUR3,925)	100%	OA 90	Terms not comparable to other general trading price	-	(15,719) (EUR(446))	100 %	〃
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(535,274) (USD(17,752))	(99)%	OA 150	〃	-	274,753 (USD8,940)	100 %	〃

Note 1: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2018.
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 adjustments 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	234,585	4.51	-		167,876 (USD2,190、EUR2,855)	-
〃	ELA	99% owned subsidiary	194,702	2.55	-		104,892 (USD3,413)	-
〃	Evlite	100% owned subsidiary	469,941	2.75	-		240,681 (USD303、HKD58,946)	-
〃	Everlight Lighting China	100% owned sub-subsidiary	624,160	0.93	-		149,168 (RMB33,371)	-
〃	WOFI Holding	100% owned subsidiary	353,797 (Note 3)	-	-		-	-
〃	Everlight China	100% owned sub-subsidiary	270,348 (Note 4)	-	-		106,145 (RMB23,746)	-
Everlight China	The Company	Ultimate holding company	4,000,426	2.39	-		2,691,999 (RMB602,237)	-
Everlight Zhongshan	The Company	Ultimate holding company	214,851	2.65	-		143,704 (USD100、RMB31,461)	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	274,753 (USD8,940)	1.88	-		51,324 (USD1,670)	-

Note 1：Information as of March 23, 2019.
Note 2：The amounts were translated into New Taiwan dollars at the exchange rates at the reporting date.
Note 3：Lending funds (including interest)
Note 4：Sales and reimbursement for purchase of fixed assets.
Note 5：The aforementioned transactions had been eliminated in the consolidated financial statements

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(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	USD12,000	2018.10.25~ 2018.12.24	2019.01.08~ 2019.03.07	USD/RMB 6.8603~6.9962	3,538	3,538
〃	USD21,000	2018.10.22~ 2018.12.25	2019.01.08~ 2019.03.07	USD/NTD 30.5730~30.8020	907	907
〃	EUR2,500	2018.11.07~ 2018.12.28	2019.01.08~ 2019.03.14	EUR/USD 1.1462~1.1536	(24)	-
Cross currency swap	USD50,000	2018.01.04~ 2018.05.25	2019.01.15~ 2019.05.27	USD/NTD 29.162~29.95	59,263	59,263
Other derivative financial instrument contracts	TWD21,500	2018.05.03	2019.05.03	2.5%	84	84
ETT：						
Pre-sale forward exchange contract	EUR321	2018.10.04	2019.03.15	EUR/USD 1.1655	127	127
Everlight China:						
Other derivative financial instrument Contracts	RMB47,600	2018.12.18~ 2018.12.25	2019.02.25	3.9%	271	-
Everlight Zhongshan:						
Other derivative financial instrument contracts	RMB20,000	2018.11.21	2019.03.12	3.95%	397	-
Eralite:						
Other derivative financial instrument contracts	RMB30,000	2018.10.25~ 2018.12.06	2019.02.25~ 2019.04.04	4.00%	573	-

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Counter-party	Relationship (Note 2)	Intercompany transactions			
				Financial statements accounts	Amount	Terms	Percentage of consolidated net revenue or total assets
0	The Company	Everlight Europe	1	Sales revenue	1,190,638	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	5 %
			1	Accounts receivable	234,585	〃	1 %
0	The Company	ELA	1	Sales revenue	442,777	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	2 %
			1	Accounts receivable	194,702	〃	1 %
0	The Company	Evlite	1	Sales revenue	1,454,133	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	6 %
			1	Accounts receivable	469,941	〃	2 %
0	The Company	Everlight Lighting China	1	Sales revenue	600,289	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	624,160	〃	2 %
0	The Company	Everlight China	1	Other receivable due from related parties (Note 3)	270,348	Depending on the funding demand.	1 %
0	The Company	WOFI Holding	1	Other receivable due from related parties (Note 4)	353,797	Rate 1.0%	1 %
0	The Company	Evlite	1	Other receivable due from related parties	97,497		- %
1	Everlight China	The Company	2	Sales revenue	10,051,483	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 120 days.	42 %
			2	Accounts receivable	4,000,427	〃	14 %
2	Everlight Zhongshan	The Company	2	Sales revenue	615,787	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 95 days.	3 %
			2	Accounts receivable	214,851	〃	1 %
3	Vbest Kunshan	Evervision TW	3	Sales revenue	535,274	There is no significant difference on the price offered to general customers; and the credit period is OA 150 days.	2 %
			3	Accounts receivable	274,753	〃	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: Sales and reimbursement for purchase of fixed assets.
Note 4: lending funds (including interest)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (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 5)	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (In thousands)	Percentage of ownership	Carrying value	Shares	Percentage of ownership			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	4,947,563	4,947,563	1,603	98%	$ 7,126,119	1,603	98%	40,719	39,905	Subsidiaries (Note 6)
〃	Pai-yee	New Taipei City	Investment	580,253	580,253	23,940	100%	465,576	23,940	100%	31,157	31,157	Subsidiaries (Note 6)
〃	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(28,966)	11,375	98.91%	(57,540)	(57,540)	Subsidiaries (Note 6)

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

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 5)	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (In thousands)	Percentage of ownership	Carrying value	Shares	Percentage of ownership			
〃	Evervision TW and its subsidiaries	Zhonghe Dist., New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	213,813	4,477	24.27%	122,724	29,785	Subsidiaries (Note 6)
〃	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	101,535	75	75%	112,866	84,649	Subsidiaries (Note 6)
〃	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	32,276	38	100%	867	867	Subsidiaries (Note 6)
〃	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	471,366	42,488	100%	28,138	28,138	Subsidiaries (Note 6)
〃	Ever Power	New Taipei City	Investment	-	400,000	(Note 3)	-%	(Note 3)	34,612	100%	-	-	-
〃	Zenaro TW	New Taipei City	Sale of LED lighting products	380,100	380,100	20,062	100%	47,203	20,062	100%	(4,272)	(4,272)	Subsidiaries (Note 6)
〃	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	213,518	20,000	100%	56,335	56,335	Subsidiaries (Note 6)
〃	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	53,147	9,291	9.66%	(21,870)	(2,112)	(Note 1)
〃	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	96,531	7,000	100%	15,874	15,874	Subsidiaries (Note 6)
〃	Zenaro GmbH	Registered in Germany	Research, manufacture and sale of LED lighting products	-	181,884	(Note 2)	-%	(Note 2)	4,000	100%	-	-	-
〃	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	14,946	353	80%	2,567 (INR5,823)	2,053	Subsidiaries (Note 6)
〃	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	17,436	200	100%	(406)	(406)	Subsidiaries (Note 6)
〃	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	31,619	5,775	100%	(206,431)	(206,431)	Subsidiaries (Note 6)
〃	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	22,718	5	100%	(195)	(195)	Subsidiaries (Note 6)
Pai-yee	Everlight BVI	Registered in British Virgin Islands	Investment	124,508	124,508	38	2%	145,431	38	2%	40,719	814	Subsidiaries (Note 6)
〃	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	100,913	2,485	13.47%	122,724	16,531	Subsidiaries (Note 6)
〃	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	698	254	100%	1,149	1,149	Sub-subsidiaries (Note 6)
〃	ELI	India	Sale of LEDs	493	493	88	20%	3,734	88	20%	2,567 (INR5,823)	514	Subsidiaries (Note 6)
Zenaro TW	Zenaro USA	Registered in the USA	Research, manufacture and sale of LED lighting products	-	299,007	-	-%	(Note 4)	7,100	100%	-	-	Sub-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%	169,272	5,120	27.76%	122,724	34,068	Subsidiaries (Note 6)
〃	Elecom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	30,000	-	3,000	31.58%	23,038	1,458	7.90%	(30,897)	(6,962)	-

Note 1: The market price is $53,890 thousand dollars.
Note 2: The liquidation process had been completed in January, 2018.
Note 3: The liquidation process had been completed in April, 2018.
Note 4: The liquidation process had been completed in December, 2018.
Note 5: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2018.
Note 6: The transactions between companies mentioned in note 6 had been eliminated in the consolidated financial statements.

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

(c) Information on investment in Mainland China:

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

Unit: foreign currency in thousand dollars

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2018	Highest balance during the year: Shares/ Units (thousands)	Highest balance during the year: Percentage of ownership	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, 2018 (Note 6)	Accumulated remittance of earnings as of December 31, 2018
The Company and Pai-yee:														
Everlight China	Manufacture of LEDs	3,779,322 (US$113,500、RMB65,129) (Note 7)	(Note 1)	3,501,444 (US$110,360)	-	-	3,501,444 (US$110,360)	-	100%	149,471	100%	149,471	5,460,591	(Note 8)
Everlight Lighting China	Sale of LEDs	245,864 (US$8,000) (Note 11)	(Note 1)	168,714 (US$5,200)	-	-	168,714 (US$5,200)	-	100%	(61,507)	100%	(61,507) (Note 12)	185,105 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	205,084 (US$128、RMB45,000) (Note 20)	(Note 1)	4,142 (US$128)	-	-	4,142 (US$128)	-	100%	(448)	100%	(448) (Note 21)	200,579 (Note 21)	-
Everlight Zhongshan	Manufacture of LED related components	921,990 (US$30,000)	(Note 1)	930,868 (US$30,000)	-	-	930,868 (US$30,000)	-	100%	1,059	100%	1,059	932,765	-
Everlight Fujian	Manufacture and sale of LED backlights and related	768,325 (US$25,000)	(Note 1)	670,771 (US$16,250、RMB36,868)	-	-	670,771 (US$16,250、RMB36,868)	-	90%	(17,635)	90%	(15,872)	597,285	-
Eralite	Manufacture and sale of LED backlights and related components	614,660 (US$20,000)	(Note 1)	377,642 (US$12,000)	-	-	377,642 (US$12,000)	-	100%	5,628	100%	5,628	299,186	-
Shanghai Yaming Lighting Co., Ltd.(Yaming)	Assemble LED lighting products	89,400 (RMB20,000)	(Note 1)	49,462 (US$1,464)	-	-	49,462 (US$1,464)	-	50%	-	50%	-	34,684	-
ELMS	Research and sale of LED lighting products	424,650 (RMB95,000) (Note 23)	Direct investment	115,962 (US$1,294、RMB15,562)	-	-	115,962 (US$1,294、RMB15,562)	-	100%	(1,912)	100%	(1,912) (Note 22)	8,733 (Note 22)	-
Yi-Yao	Research of electronic components	51,271 (RMB11,470)	(Note 1)	33,054 (RMB6,462)	-	-	33,054 (RMB6,462)	-	100%	-	100%	-	-	-
Evervision TW:														
Vbest Kunshan	Post-assemble STN display and assemble module	553,194 (US$18,000)	(Note 2)	605,784 (US$18,000)	-	-	605,784 (US$18,000)	-	65.50%	69,283	65.50%	45,380	455,157	-
Everlight Lighting China:														
Zhongshan Everlight Lighting	Research and sale of LED lighting products	89,400 (RMB20,000)	(Note 3)	-	-	-	-	-	100%	(20,119)	100%	(20,119)	(49,231)	-

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Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2018 (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)	5,826,012 (US$181,003 thousand 、RMB58,892 thousand) (Notes 9 、10 、16 and 17)	6,165,046 (US$191,841 thousand 、RMB60,223 thousand)	10,192,774
ELIT	145,788 (US$2,723 thousand 、RMB13,893 thousand) (Notes 18 and 19)	145,788 (US$2,723 thousand 、RMB13,893 thousand)	128,110 (Note 13)
Evervision TW (Note 15)	649,573(Note 15and 24) (US$21,136 thousand)	649,573 (US$21,136 thousand)	453,294 (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 2018.

Note 5: Including the investment amount of US$ 3,851 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.

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, 2018.

(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 2018 and 2017.

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

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

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

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	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

	2017					
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	$23,917,237	797,227	2,489,030	107,087	-	27,310,581
Intersegment revenues	-	-	-	-	-	-
Total revenues	$23,917,237	797,227	2,489,030	107,087	-	27,310,581
Reportable segment profit (loss)	$ 1,943,911	20,036	(305,316)	33,832	-	1,692,463
Reportable segment assets	$ -	-	-	-	-	37,174,848

(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	2018	2017
Asia	$ 19,454,105	22,276,008
Europe	3,613,639	3,909,084
America	831,039	953,689
Others	190,508	171,800
	$ 24,089,291	27,310,581

(Continued)

(ii) Non-current assets:

Geographical information	December 31, 2018	December 31, 2017
Asia	$ 10,423,851	11,710,330
Europe	265,190	285,186
Others	117,536	119,903
	$ 10,806,577	12,115,419

Non-current assets include property, plant and equipment, 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 2018 and 2017.