

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2019 and 2018**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Everlight Electronics Co., Ltd. and its subsidiaries as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$6,350,303 thousand and \$6,327,790 thousand, constituting 23% and 17% of consolidated total assets as of March 31, 2019 and 2018, respectively, total liabilities amounting to \$1,472,448 thousand and \$2,227,176 thousand, constituting 15% and 11% of consolidated total liabilities as of March 31, 2019 and 2018, respectively, and the absolute value of total comprehensive income (loss) amounting to \$(103,829) thousand and \$(67,358) thousand, constituting 35% and 36% of consolidated total comprehensive income (loss) for the three months ended March 31, 2019 and 2018, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of Everlight Electronics Co., Ltd. and its subsidiaries in its investee companies of \$104,793 thousand and \$90,747 thousand as of March 31, 2019 and 2018, respectively, and its equity in net earnings on these investee companies of \$(6,075) thousand and \$480 thousand for the three months ended March 31, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Everlight Electronics Co., Ltd. and its subsidiaries as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Emphasis of Matter

As stated in Note 3(a), Everlight Electronics Co., Ltd. and its subsidiaries initially adopt the IFRS 16, “Leases” at January 1, 2019, and apply the modified retrospective approach, with no restatement of comparative period amounts. Our conclusion is not qualified in respect of this matter.

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

KPMG

Taipei, Taiwan (Republic of China)
May 13, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2019, December 31, 2018, and March 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	March 31, 2019		December 31, 2018		March 31, 2019		December 31, 2018		March 31, 2018							
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%						
1100	Current assets:																
1110	Cash and cash equivalents (note 6(a))	\$	3,816,886	14	4,530,385	16	6,828,775	18	2100	Short-term borrowings (note 6(m))	\$	1,777,103	7	3,111,970	11	3,687,671	10
	Total current financial assets at fair value through profit or loss (note 6(b))		1,862,642	7	1,327,790	5	1,631,201	4	2130	Current contract liabilities (note 6(x))		9,671	-	26,191	-	9,686	-
1140	Current contract assets (note 6(x))		2,069	-	78,550	-	-	-	2170	Notes and accounts payable		3,047,618	11	3,467,355	12	3,572,981	9
1170	Notes and accounts receivable, net (note 6(d))		5,959,553	22	6,699,339	23	7,580,980	20	2180	Accounts payable to related parties (note 7)		941,381	3	1,035,028	4	1,414,917	4
1180	Accounts receivable due from related parties, net (notes 6(d) and 7)		83,053	-	97,465	-	103,077	-	2213	Payable on machinery and equipment		292,503	1	417,193	1	443,476	1
1310	Inventories (note 6(f))		1,646,658	6	1,850,867	6	2,348,494	6	2230	Current tax liabilities		156,263	1	173,007	1	150,961	-
1470	Other current assets		578,912	2	505,270	2	523,854	2	2300	Current lease liabilities (note 6(q))		49,628	-	-	-	-	-
1476	Other current financial assets (notes 6(e), 6(f) and 8)		1,718,798	6	2,270,755	8	6,047,009	16	2380	Other current liabilities (notes 6(b), 6(n) and 6(p))		1,486,569	5	1,718,218	6	2,148,973	6
			15,668,571	57	17,360,421	60	25,063,390	66	2410	Bonds payable, current portion (note 6(p))		-	-	-	-	7,480,746	20
									2322	Long-term borrowings, current portion (note 6(o))		13,040	-	12,958	-	-	-
												7,773,776	28	9,961,920	35	18,909,411	50
1510	Non-current assets:									Non-Current liabilities:							
	Non-current financial assets at fair value through profit or loss (note 6(b))		38,548	-	41,467	-	-	-	2530	Bonds payable (note 6(p))		1,106,791	4	1,102,525	4	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))		323,056	1	331,056	1	547,256	2	2540	Long-term borrowings (note 6(o))		52,158	-	51,831	-	-	-
1550	Investments accounted for using equity method, net (note 6(g))		104,793	-	110,868	-	90,474	-	2570	Deferred tax liabilities		260,139	1	261,798	1	232,327	1
1600	Property, plant and equipment (note 6(j))		9,970,976	36	10,239,693	35	11,154,031	29	2580	Non-current lease liabilities (note 6(q))		287,077	1	-	-	-	-
1755	Right-of-use assets (note 6(k))		438,531	2	-	-	-	-	2640	Non-current provisions for employee benefit		139,811	1	137,484	-	144,482	-
1780	Intangible assets		101,624	-	124,585	-	178,106	-	2600	Other non-current liabilities		205,553	1	215,959	1	222,252	1
1840	Deferred tax assets		428,571	2	427,294	2	334,057	1		Total liabilities		2,051,529	8	1,769,597	6	599,061	2
1900	Other non-current assets (notes 6(d) and 8)		401,737	2	448,759	2	504,864	2		Equity:		9,825,305	36	11,731,517	41	19,508,472	52
			11,807,836	43	11,723,722	40	12,808,788	34	3110	Equity attributable to owners of parent (note 6(u)):		4,430,513	16	4,429,996	15	4,405,393	11
									3200	Ordinary share		9,160,328	34	9,159,142	31	9,136,655	24
										Retained earnings:							
									3310	Legal reserve		2,510,447	9	2,510,447	9	2,390,096	6
									3320	Special reserve		830,794	3	830,794	3	1,419,253	4
									3350	Unappropriated retained earnings		1,369,404	5	1,281,854	4	1,439,005	4
												4,710,645	17	4,623,095	16	5,248,354	14
									3400	Other equity interests		(1,024,758)	(4)	(1,224,277)	(4)	(764,500)	(2)
												17,276,728	63	16,987,956	58	18,025,902	47
									3610	Non-controlling interests		374,374	1	364,670	1	337,804	1
										Total equity		17,651,102	64	17,352,626	59	18,363,706	48
	Total assets	\$	27,476,407	100	29,084,143	100	37,872,178	100		Total liabilities and equity		27,476,407	100	29,084,143	100	37,872,178	100

See accompanying notes to consolidated financial statements.

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

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the three months ended March 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share, which is expressed in New Taiwan Dollars)**

		For the three months ended March 31			
		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(x) and 7)	\$ 5,129,190	100	6,280,188	100
5110	Cost of sales (notes 6(f), 6(s), 7 and 12)	<u>4,016,199</u>	<u>78</u>	<u>4,910,578</u>	<u>78</u>
5900	Gross profit	<u>1,112,991</u>	<u>22</u>	<u>1,369,610</u>	<u>22</u>
Operating expenses (notes 6(s) and 12):					
6100	Selling expenses	348,995	7	432,856	7
6200	Administrative expenses	481,018	9	530,546	9
6300	Research and development expenses	166,008	3	214,385	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	<u>1,972</u>	<u>-</u>	<u>(2,765)</u>	<u>-</u>
		<u>997,993</u>	<u>19</u>	<u>1,175,022</u>	<u>19</u>
6900	Net operating income	<u>114,998</u>	<u>3</u>	<u>194,588</u>	<u>3</u>
Non-operating income and expenses:					
7100	Interest income (note 6(z))	10,082	-	21,228	-
7190	Other income	35,209	1	25,115	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss, net (notes 6(b) and 6(p))	20,380	-	14,543	-
7050	Finance costs (notes 6(p), 6(q) and 6(z))	(15,361)	-	(38,887)	-
7590	Other expenses and losses	(3,016)	-	(3,585)	-
7630	Foreign exchange gains(losses), net (note 6(ab))	(25,385)	(1)	(36,318)	-
7770	Share of profit(loss) of associates accounted for using equity method (note 6(g))	<u>(6,075)</u>	<u>-</u>	<u>480</u>	<u>-</u>
		<u>15,834</u>	<u>-</u>	<u>(17,424)</u>	<u>-</u>
	Profit (loss) from continuing operations before tax	130,832	3	177,164	3
7950	Less: Income tax expenses	<u>40,062</u>	<u>1</u>	<u>58,418</u>	<u>1</u>
	Profit	<u>90,770</u>	<u>2</u>	<u>118,746</u>	<u>2</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(8,000)	-	(26,795)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>(3,569)</u>	<u>-</u>
		<u>(8,000)</u>	<u>-</u>	<u>(23,226)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	212,392	4	88,231	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(1,611)</u>	<u>-</u>	<u>(5,161)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>214,003</u>	<u>4</u>	<u>93,392</u>	<u>1</u>
8300	Other comprehensive income	<u>206,003</u>	<u>4</u>	<u>70,166</u>	<u>1</u>
	Total comprehensive income	<u>\$ 296,773</u>	<u>6</u>	<u>188,912</u>	<u>3</u>
Profit, attributable to:					
	Owners of parent	\$ 87,550	2	109,250	2
	Non-controlling interests	<u>3,220</u>	<u>-</u>	<u>9,496</u>	<u>-</u>
		<u>\$ 90,770</u>	<u>2</u>	<u>118,746</u>	<u>2</u>
Total comprehensive income attributable to:					
	Owners of parent	\$ 287,069	6	174,818	3
	Non-controlling interests	<u>9,704</u>	<u>-</u>	<u>14,094</u>	<u>-</u>
		<u>\$ 296,773</u>	<u>6</u>	<u>188,912</u>	<u>3</u>
Earnings per share (note 6(w))					
9750	Basic earnings per share	<u>\$ 0.20</u>		<u>0.25</u>	
9850	Diluted earnings per share	<u>\$ 0.20</u>		<u>0.24</u>	

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Other equity interest		Non-controlling interests	Total equity
	Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Total equity attributable to owners of parent				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			Total	Income					
Balance at January 1, 2018	\$ 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	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)	323,710	18,176,943			
Profit for the period	-	-	-	-	109,250	-	-	-	109,250	9,496	118,746			
Other comprehensive income for the period	-	-	-	-	3,569	88,794	-	(26,795)	61,999	4,598	70,166			
Total comprehensive income for the period	-	-	-	-	112,819	88,794	-	(26,795)	61,999	14,094	188,912			
Share-based payments transactions	907	(3,056)	-	-	-	-	-	-	(2,149)	-	(2,149)			
Balance at March 31, 2018	<u>\$ 4,405,393</u>	<u>9,136,655</u>	<u>2,390,096</u>	<u>1,419,253</u>	<u>1,439,005</u>	<u>(348,695)</u>	<u>-</u>	<u>(415,805)</u>	<u>(764,500)</u>	<u>337,804</u>	<u>18,363,706</u>			
Balance at January 1, 2019	\$ 4,429,996	9,159,142	2,510,447	830,794	1,281,854	(632,321)	-	(591,956)	(1,224,277)	364,670	17,352,626			
Profit for the period	-	-	-	-	87,550	-	-	-	87,550	3,220	90,770			
Other comprehensive income for the period	-	-	-	-	-	207,519	-	(8,000)	199,519	6,484	206,003			
Total comprehensive income for the period	-	-	-	-	87,550	207,519	-	(8,000)	199,519	9,704	296,773			
Share-based payments transactions	517	1,186	-	-	-	-	-	-	-	-	1,703			
Balance at March 31, 2019	<u>\$ 4,430,513</u>	<u>9,160,328</u>	<u>2,510,447</u>	<u>830,794</u>	<u>1,369,404</u>	<u>(424,802)</u>	<u>-</u>	<u>(599,956)</u>	<u>(1,024,758)</u>	<u>374,374</u>	<u>17,651,102</u>			

Balance at January 1, 2018

Effects of retrospective application

Adjusted balance at January 1, 2018

Profit for the period

Other comprehensive income for the period

Total comprehensive income for the period

Share-based payments transactions

Balance at March 31, 2018

Balance at January 1, 2019

Profit for the period

Other comprehensive income for the period

Total comprehensive income for the period

Share-based payments transactions

Balance at March 31, 2019

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 130,832	177,164
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	540,302	533,809
Expected credit loss (gain)	1,972	(2,765)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	46,608	19,283
Interest expense	15,361	38,887
Interest income	(10,082)	(21,228)
Share-based payments	758	(3,836)
Share of loss (profit) of associates and joint ventures accounted for using equity method	6,075	(480)
Others	2,040	1,536
Total adjustments to reconcile profit (loss)	603,034	565,206
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value	(567,335)	(428,543)
Decrease in contract assets	76,481	-
Decrease in notes and accounts receivable (including related parties)	706,224	864,401
Decrease in inventories	204,209	141,158
Increase in other current assets	(101,942)	(47,263)
Decrease in notes and accounts payable (including related parties)	(513,384)	(596,733)
Decrease in provisions	(15,221)	(16,824)
Decrease in other current liabilities	(229,301)	(257,493)
Increase (decrease) in non-current provisions for employee benefits	2,327	(17,540)
Increase (decrease) in current contract liability	(16,520)	1,617
Others	(18,059)	(22,595)
Total changes in operating assets and liabilities	(472,521)	(379,815)
Cash inflow generated from operations	261,345	362,555
Interest received	14,811	16,043
Interest paid	(14,488)	(9,957)
Income taxes paid	(41,807)	(37,133)
Net cash flows from operating activities	219,861	331,508
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(249,830)	(344,327)
Proceeds from disposal of property, plant and equipment	13,266	18,965
Increase in refundable deposits	(9,146)	(13,297)
Acquisition of intangible assets	(3,890)	(19,623)
Decrease in other financial assets	519,268	623,930
Decrease (increase) in restricted deposit	41,261	(86,932)
Decrease (increase) in prepayments for business facilities	(316)	8,877
Net cash flows from (used in) investing activities	310,613	187,593
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(1,334,867)	1,506,260
Increase in guarantee deposits received	4,815	870
Payment of lease liabilities	(12,284)	-
Exercise of employee share options	945	1,687
Net cash flows from (used in) financing activities	(1,341,391)	1,508,817
Effect of exchange rate changes on cash and cash equivalents	97,418	31,851
Net increase (decrease) in cash and cash equivalents	(713,499)	2,059,769
Cash and cash equivalents at beginning of period	4,530,385	4,769,006
Cash and cash equivalents at end of period	\$ 3,816,886	6,828,775

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(1) Company history

Everlight Electronics Co., Ltd. (the "Company") was incorporated in May 1983 as a company limited by shares under the Company Act of the Republic of China (ROC). The major business activities of the Company are the manufacture and sale of LEDs. The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in November 1999.

The consolidated financial statements 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 May 13, 2019.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

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

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

- (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.

(Continued)

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

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

1) Definition of a lease

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

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

2) As a lessee

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

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

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$347,210 thousand of both of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 1.85%. In addition, for the leases of land that were classified as long-term prepaid rents under IAS 17, they are reclassified as right-of-use asset in accordance with IFRS 16, amounting to \$100,645 thousand.

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

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 184,397
Recognition exemption for:	
short-term leases	(6,960)
leases of low-value assets	(3,022)
Extension and termination options reasonably certain to be exercised	<u>277,567</u>
	451,982
Discounted using the incremental borrowing rate at January 1, 2019	347,210
Finance lease liabilities recognized as at December 31, 2018	<u>-</u>
Lease liabilities recognized at January 1, 2019	<u><u>\$ 347,210</u></u>

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

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

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.

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

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

- (b) The impact of IFRS 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:

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

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "*Interim Financial Reporting*" which are endorsed and issued into effect by the FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018.

- (b) Basis of consolidation

Principles of preparation of the consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2018.

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

List of subsidiaries in the consolidated financial statements:

Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
The Company	Pai-yee Investment Co., Ltd. (Pai-yee)	Investment	100 %	100 %	100 %	
The Company and Pai-yee	Everlight (BVI) Co., Ltd. (Everlight BVI)	Investment	100 %	100 %	100 %	
The Company	Everlight Electronics (Europe) GmbH (Everlight Europe)	Sale of LEDs	75 %	75 %	75 %	Note 5
The Company	Everlight Americas, Inc. (ELA)	Sale of LEDs	99 %	99 %	99 %	Note 5
The Company	Everlight Optoelectronics Korea Co., Ltd. (ELK)	Sale of LEDs	100 %	100 %	100 %	Note 5
The Company	Ever Power Investment Co., Ltd. (Ever Power)	Investment	- %	- %	100 %	Note 1
The Company	Forever Investment Co., Ltd. (Forever)	Investment	100 %	100 %	100 %	Note 5
The Company	Everlight Intelligence Technology Co., Ltd. (ELIT, former name: Everlight Lighting Co., Ltd.)	Sale of LED lighting products	100 %	100 %	100 %	Note 5
The Company	Zenaro Lighting Co., Ltd. (Zenaro TW)	Sale of LED lighting products and investment	100 %	100 %	100 %	Note 5
The Company	WOFI Leuchten GmbH (WOFI Holding)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 5
The Company and Pai-yee	Everlight Electronic India Private Limited (ELI)	Sale of LEDs	100 %	100 %	100 %	Note 5
The Company	Evlite Electronics Co., Ltd. (Evlite)	Sale of LEDs	100 %	100 %	100 %	Note 5
The Company	Everlight Electronics Singapore Pte. Ltd. (ELS)	Sale of LEDs	100 %	100 %	100 %	Note 5
The Company	Everlight Japan Corporation (ELJ)	Sale of LEDs	100 %	100 %	100 %	Note 5
The Company 、Pai- yee and Forever	Evervision Electronics Co., Ltd. (Evervision TW)	Manufacture and sales of liquid crystal displays and LED processing	65.50 %	65.50 %	65.50 %	Note 5
Pai-yee	Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia)	Business development and customer services	100 %	100 %	100 %	Note 5
Everlight BVI	Everlight Electronics (China) Co., Ltd. (Everlight China)	Manufacture of LEDs	100 %	100 %	100 %	
Everlight BVI and Everlight China	Everlight Lighting (China) Co., Ltd. (Everlight Lighting China)	Sale of LEDs	100 %	100 %	100 %	Note 5

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
Everlight BVI and Everlight China	Everlight Electronic (Guangzhou) Co., Ltd. (Everlight Electronic (Guangzhou), former name: Guangzhou Yi-Liang Trading Co., Ltd.)	Business development and customer services	100 %	100 %	100 %	Note 5
Everlight BVI	Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	Manufacture of LED-related components	100 %	100 %	100 %	
Everlight BVI	Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	Manufacture and sale of LED backlights and related components	90 %	90 %	90 %	Note 5
Everlight BVI	Eralite Optoelectronics (Jiangsu) Co., Ltd. (Eralite)	Manufacture and sale of LED backlights and related components	100 %	100 %	100 %	Note 5
The Company and Everlight Electronic (Guangzhou)	Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	Research and sale of LED lighting products	100 %	100 %	100 %	Note 5
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	100 %	Note 5
The Company and ELIT	Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	Research of electronic components	100 %	100 %	100 %	Note 5
Zenaro TW	Zenaro Lighting Inc. (USA) (Zenaro USA)	Research, manufacture and sale of LED lighting products	- %	- %	100 %	Note 2
WOFI Holding	WOFI Wortmann & Fliz GmbH (WOFI W&F GmbH)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 5
WOFI Holding	Euro Technics Trade GmbH (ETT)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 5
WOFI Holding	WOFI Technics Trade Limited (WTT)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 5
WOFI Holding	Action GmbH (Action)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 5
WOFI Holding	WOFI Verkaufsgesellschaft mbH (WOFI VG)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 5
WOFI Holding	Lamp For Less GmbH (LFL)	Sale of lighting products, pendants and accessories	100 %	100 %	- %	Note 3 and Note 5
Evervision TW	Evervision Electronics (B.V.I.) Limited (Evervision BVI)	Investment	100 %	100 %	100 %	Note 5

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
Evervision TW	VBEST GmbH (VBEST)	Sale of LCDs	75 %	75 %	75 %	Note 5
Evervision	VBEST Electronics (Kunshan) Ltd. (VBEST Kunshan)	Manufacture of LCDs	100 %	100 %	100 %	Note 5
Evervision	Evervision Electronics (H.K.) Limited (Evervision HK)	Sale of LCDs	100 %	100 %	100 %	Note 5
Evervision	Topbest Holding (Samoa) Limited (Topbest)	Sale of LCDs	100 %	100 %	100 %	Note 5
Evervision	Blaze International Limited (Blaze)	Sale of LCDs	- %	- %	100 %	Note 4 and Note 5

Note 1: The subsidiary completed liquidation procedure in April 2018.

Note 2: The subsidiary completed liquidation procedure in December 2018.

Note 3: The subsidiary was incorporated in July 2018.

Note 4: The subsidiary completed business registration abolition procedure in June 2018.

Note 5: Non-significant subsidiaries, their financial statements, have not been reviewed.

(c) Leases (applicable from January 1, 2019)

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

(ii) As a lessee

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

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

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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

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

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

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

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group will continue to recognize the transferred asset and shall recognize the financial liability equal to the transfer proceeds.

(iii) As a lessor

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

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

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

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

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

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change immediately should be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost under defined benefit plans in the interim period was calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, the significant market fluctuation, significant curtailment, settlement and others, subsequent to the reporting date and was adjusted together with.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "*Interim Financial Reporting*" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2018.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 6 of the 2018 annual consolidated financial statements.

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

(a) Cash and cash equivalents

	March 31, 2019	December 31, 2018	March 31, 2018
Cash, checking accounts and demand deposits	\$ 2,423,498	2,958,280	3,308,835
Time deposits	1,231,995	1,402,753	2,844,065
Bonds purchased under resale agreements	161,393	169,352	675,875
	<u>\$ 3,816,886</u>	<u>4,530,385</u>	<u>6,828,775</u>

(i) The time deposits with maturities within three months or less from the acquisition date that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Therefore, the time deposits are classified as cash and cash equivalents. Please refer to note 6(I) for the time deposits with maturities over three months from the acquisition date are recorded as other current financial assets.

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

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

	March 31, 2019	December 31, 2018	March 31, 2018
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging	\$ 15,183	64,238	9,212
Listed convertible bonds	71,740	70,886	73,172
Credit-Linked Note (CLN)	-	21,584	71,245
Structured deposits	1,300,529	753,449	951,465
Beneficiary certificate-Funds	77,632	30,585	130,556
Stocks listed on domestic markets	9,405	9,306	3,232
Unlisted common shares	426,701	419,209	392,319
	<u>\$ 1,901,190</u>	<u>1,369,257</u>	<u>1,631,201</u>
Current	\$ 1,862,642	1,327,790	1,631,201
Non-current	38,548	41,467	-
	<u>\$ 1,901,190</u>	<u>1,369,257</u>	<u>1,631,201</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	March 31, 2019	December 31, 2018	March 31, 2018
Current financial liabilities held-for-trading:			
Derivative instruments not used for hedging	\$ 1,222	427	27,030
Debt components of convertible bonds payable	-	-	53,436
	\$ 1,222	427	80,466

- (i) 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 and held-for-trading financial liabilities:

1) Forward exchange contracts

March 31, 2019				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD 4,000		USD to TWD	2019.04.16~2019.05.24
Forward exchange sold	USD 3,000		USD to RMB	2019.04.09~2019.04.25
Forward exchange sold	EUR 1,750		EUR to USD	2019.04.09~2019.05.21
Financial liabilities:				
Forward exchange sold	USD 11,000		USD to TWD	2019.04.09~2019.05.21
Forward exchange sold	USD 6,000		USD to RMB	2019.04.18~2019.05.21
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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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March 31, 2018				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	EUR	11,000	EUR to USD	2018.04.17~2018.05.24
Forward exchange sold	USD	17,500	USD to RMB	2018.04.10~2018.06.07
Forward exchange sold	USD	4,003	USD to TWD	2018.04.17~2018.09.21
Financial liabilities:				
Forward exchange sold	EUR	2,885	EUR to USD	2018.04.10~2018.10.12
Forward exchange sold	USD	5,000	USD to TWD	2018.04.10~2018.05.17
Forward exchange sold	USD	500	USD to RMB	2018.06.12

2) Swap contracts

March 31, 2018				
	Contract amount (in thousands)		Currency	Maturity date
Financial liabilities:				
Currency Swap	EUR	245	EUR to USD	2018.04.06

3) Cross currency swap

March 31, 2019					
Contract amount (in thousands)		Contract Period	Interest rate payable	Interest rate receivable	Swap period
Financial assets:					
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, 2018					
Contract amount (in thousands)		Contract Period	Interest rate payable	Interest rate receivable	Swap period
Financial assets:					
USD	15,000	2018.01.04~2019.01.15	0.23%	0.50%+1LIBOR	2018.01.04~2019.01.15
USD	5,000	2018.03.09~2019.03.08	0.23%	0.70%+1LIBOR	2018.03.09~2019.03.08
USD	5,000	2018.03.09~2019.03.11	0.18%	0.50%+1LIBOR	2018.03.09~2019.03.11
USD	5,000	2018.03.23~2019.03.25	0.23%	0.70%+1LIBOR	2018.03.23~2019.03.25
USD	5,000	2018.03.28~2019.03.27	0.18%	0.52%+1LIBOR	2018.03.28~2019.03.27
USD	5,000	2018.05.23~2019.05.23	0.18%	0.56%+1LIBOR	2018.05.23~2019.05.23
USD	7,000	2018.05.25~2019.05.27	0.15%	0.55%+1LIBOR	2018.05.25~2019.05.27
USD	3,000	2018.05.25~2019.05.27	0.15%	0.55%+1LIBOR	2018.05.25~2019.05.27

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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March 31, 2018					
Contract amount (in thousands)		Contract Period	Interest rate payable	Interest rate receivable	Swap period
Financial liabilities:					
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
USD	15,000	2018.01.04~2019.01.15	0.23%	0.50%+1LIBOR	2018.01.04~2019.01.15
USD	5,000	2018.03.09~2019.03.08	0.23%	0.70%+1LIBOR	2018.03.09~2019.03.08
USD	5,000	2018.03.09~2019.03.11	0.18%	0.50%+1LIBOR	2018.03.09~2019.03.11
USD	5,000	2018.03.23~2019.03.25	0.23%	0.70%+1LIBOR	2018.03.23~2019.03.25
USD	5,000	2018.03.28~2019.03.27	0.18%	0.52%+1LIBOR	2018.03.28~2019.03.27

4) Other derivative financial instrument contracts

March 31, 2019		
Contract amount (in thousands)	Rate	Maturity Period
Financial assets:		
RMB 118,460	3.84%~4%	2019.04.04~2019.05.28

December 31, 2018		
Contract amount (in thousands)	Rate	Maturity Period
Financial assets:		
TWD 21,500	2.50%	2019.05.03
RMB 97,600	3.9%~4%	2019.02.25~2019.04.04

March 31, 2018		
Contract amount (in thousands)	Rate	Maturity Period
Financial assets:		
TWD 70,900	2.50%~3.75%	2018.05.03~2019.05.03
RMB 62,000	3.30%~4.22%	2018.04.09~2018.06.11

- (ii) Please refer to note 6(p) for asset and debt components of convertible bonds payable.
- (iii) As of March 31, 2019, December 31 and March 31, 2018, the Group did not provide any aforementioned financial assets as collateral for its loans.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	March 31, 2019	December 31, 2018	March 31, 2018
Equity investments at fair value through other comprehensive income			
Stocks listed on domestic markets	\$ 248,004	256,004	427,007
Stocks unlisted on domestic markets	75,052	75,052	110,200
Stocks unlisted on foreign markets	<u>-</u>	<u>-</u>	<u>10,049</u>
	<u>\$ 323,056</u>	<u>331,056</u>	<u>547,256</u>

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

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

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the three months ended March 31, 2019.

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

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

(d) Notes and accounts receivable

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable from operating activities	\$ 17,048	11,416	27,133
Accounts receivable-measured as amortized cost	<u>6,269,204</u>	<u>6,981,114</u>	<u>7,815,241</u>
	6,286,252	6,992,530	7,842,374
Less: allowance for uncollectible accounts	<u>(129,205)</u>	<u>(127,287)</u>	<u>(126,581)</u>
	<u>\$ 6,157,047</u>	<u>6,865,243</u>	<u>7,715,793</u>
Notes and accounts receivable, net	\$ 5,959,553	6,699,339	7,580,980
Accounts receivable due from related parties, net	83,053	97,465	103,077
Long-term receivables (recorded as other non-current assets)	<u>114,441</u>	<u>68,439</u>	<u>31,736</u>
	<u>\$ 6,157,047</u>	<u>6,865,243</u>	<u>7,715,793</u>

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

(i) Impairment loss on notes and accounts receivables

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including the reasonable prediction of historical credit loss experience and future economic situation.

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

March 31, 2019			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 4,517,342	0.160%	7,219
Overdue 0-90 days	149,958	0.474%	711
Overdue 91-180 days	90,786	5.054%	4,588
Overdue 181-270 days	16,370	10.000%	1,637
Overdue 271-365 days	25,572	49.996%	12,785
Overdue over one year	95,455	77.743%	74,210
	\$ 4,895,483		101,150
December 31, 2018			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 5,240,149	0.129%	6,764
Overdue 0-90 days	200,835	0.953%	1,913
Overdue 91-180 days	30,028	5.009%	1,504
Overdue 181-270 days	37,871	16.701%	6,325
Overdue 271-365 days	42,754	50%	21,377
Overdue over one year	61,465	100%	61,465
	\$ 5,613,102		99,348
March 31, 2018			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 5,552,746	0.128%	7,115
Overdue 0-90 days	210,972	0.916%	1,931
Overdue 91-180 days	154,144	5.177%	7,980
Overdue 181-270 days	183,810	10.083%	18,534
Overdue 271-365 days	640	65%	416
Overdue over one year	57,045	100%	57,045
	\$ 6,159,357		93,021

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

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

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

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

December 31, 2018			
Credit Rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Rating A	\$ 1,348,504	0.185%	2,489
Rating B	30,924	82.299%	25,450
	<u>\$ 1,379,428</u>		<u>27,939</u>

	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
	<u>\$ 1,379,428</u>

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

Credit Rating	March 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Rating A	\$ 1,656,065	0.399%	6,608
Rating B	26,952	100%	26,952
	<u>\$ 1,683,017</u>		<u>33,560</u>

	Gross carrying amount
Not overdue	\$ 1,552,232
Overdue 0-90 days	100,504
Overdue 91-180 days	2,969
Overdue 181-270 days	360
Overdue 271-365 days	11,242
Overdue over one year	15,710
	<u>\$ 1,683,017</u>

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

	2019	2018
Balance on January 1	\$ 127,287	132,051
Impairment loss recognized (reversed impairment loss)	1,972	(2,765)
Amounts written off	-	(2,840)
Foreign exchange (gains) losses	(54)	135
Balance on March 31	<u>\$ 129,205</u>	<u>126,581</u>

- (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 March 31, 2019, December 31 and March 31, 2018, the pledged deposit amounted to \$96,814, \$138,075 and \$120,544, respectively, were recorded under other current financial assets.

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

As of March 31, 2019, December 31 and March 31, 2018, the details of the factored accounts receivable was as follows:

March 31, 2019				
Amount of sold A/R	Limitation amount	Advance amount	Amount Derecognized	Interest rate
\$ 246,179	587,799	149,365	246,179	2.2%
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%
March 31, 2018				
Amount of sold A/R	Limitation amount	Advance amount	Amount Derecognized	Interest rate
\$ 529,885	556,301	409,341	529,885	1.5%

(iv) As of March 31, 2019, December 31 and March 31, 2018, the Group did not provide any notes and accounts receivable as collateral for its loans. Furthermore, the Group provided part of its bank deposits (recorded as other financial assets) as collateral for the factoring of accounts receivable. Please refer to note 8 for details.

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

	March 31, 2019	December 31, 2018	March 31, 2018
Other accounts receivable	\$ 124,155	153,247	56,794
Less: Loss allowance	(4,978)	(4,978)	(4,978)
	\$ 119,177	148,269	51,816

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

	March 31, 2019	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 119,177	-
Overdue	-	4,978
Gross carrying amount	119,177	4,978
Impairment losses	-	(4,978)
Carrying amount	\$ 119,177	-

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

	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	<u>\$ 148,269</u>	<u>-</u>

	March 31, 2018	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 51,816	-
Overdue	-	4,978
Gross carrying amount	51,816	4,978
Impairment losses	-	(4,978)
Carrying amount	<u>\$ 51,816</u>	<u>-</u>

For the three months ended March 31, 2019 and 2018, the allowance for financial assets of other receivables had no change.

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

(f) Inventories

	March 31, 2019	December 31, 2018	March 31, 2018
Raw materials	\$ 289,636	213,365	604,968
Work in progress	308,305	312,082	375,913
Finished goods	<u>1,048,717</u>	<u>1,325,420</u>	<u>1,367,613</u>
	<u>\$ 1,646,658</u>	<u>1,850,867</u>	<u>2,348,494</u>

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

The write-down of the inventories to net realizable value amounted to \$12,667 which was recorded as cost of sales in the three months ended March 31, 2018.

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

As of March 31, 2019, December 31 and March 31, 2018, the Group did not provide any inventories as collateral for its loans.

(g) Investments accounted for using equity method

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

	March 31, 2019	December 31, 2018	March 31, 2018
Associates	<u>\$ 104,793</u>	<u>110,868</u>	<u>90,474</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
The carrying amount of individually insignificant associates equity	<u>\$ 104,793</u>	<u>110,868</u>	<u>90,474</u>

	For the three months ended March 31,	
	2019	2018
Attributable to the Group:		
Profit (loss) from continuing operations	<u>\$ (6,075)</u>	<u>480</u>

- (iii) There were no significant changes in the investments accounted for using equity method of the Group for the three months ended March 31, 2019 and 2018. For related information, please refer to note 6(j) of the 2018 annual consolidated financial statements.

(iv) Pledges

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

(h) Joint operation

There were no significant changes in joint operation of the Group for the three months ended March 31, 2019. For related information, please refer to note 6(k) of the 2018 annual consolidated financial statements.

(i) Loss control of subsidiaries

There were no significant changes in loss control of subsidiaries of the Group for the three months ended March 31, 2019. For related information, please refer to note 6(m) of the 2018 annual consolidated financial statements.

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

(j) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Cost or deemed cost:							
Balance on January 1, 2019	\$ 645,175	8,209,170	13,707,628	1,706,878	1,163,726	125,568	25,558,145
Add: additions	-	4,871	83,024	26,964	8,114	2,167	125,140
Add: reclassification	-	20,572	10,080	234	(25)	(10,965)	19,896
Less: sales	-	-	(28,503)	(31,232)	(823)	(430)	(60,988)
Less: retirement	-	-	(52,663)	(41,468)	(1,440)	-	(95,571)
Effect of movements in exchange rates	(841)	72,103	160,481	15,771	16,237	-	263,751
Balance on March 31, 2019	<u>\$ 644,334</u>	<u>8,306,716</u>	<u>13,880,047</u>	<u>1,677,147</u>	<u>1,185,789</u>	<u>116,340</u>	<u>25,810,373</u>
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	-	17,861	57,633	26,852	19,760	35,408	157,514
Add: reclassification	-	46,441	35,612	118	(19,596)	(18,581)	43,994
Less: sales and retirement	-	-	(29,143)	(10,257)	(19,399)	(950)	(59,749)
Effect of movements in exchange rates	110	34,226	78,223	6,178	6,745	-	125,482
Balance on March 31, 2018	<u>\$ 651,345</u>	<u>8,115,368</u>	<u>14,205,929</u>	<u>1,587,093</u>	<u>1,169,337</u>	<u>310,067</u>	<u>26,039,139</u>
Depreciation and impairments loss:							
Balance on January 1, 2019	\$ -	3,401,783	10,083,877	1,194,248	638,544	-	15,318,452
Add: depreciation for the year	-	111,068	319,424	48,263	24,772	-	503,527
Add: reclassification	-	-	-	-	(4)	-	(4)
Less: sales	-	-	(19,897)	(29,545)	(801)	-	(50,243)
Less: retirement	-	-	(52,604)	(41,428)	(1,395)	-	(95,427)
Effect of movements in exchange rates	-	41,782	106,895	8,371	6,044	-	163,092
Balance on March 31, 2019	<u>\$ -</u>	<u>3,554,633</u>	<u>10,437,695</u>	<u>1,179,909</u>	<u>667,160</u>	<u>-</u>	<u>15,839,397</u>
Balance on January 1, 2018	\$ -	3,012,162	9,691,147	1,050,195	590,699	-	14,344,203
Add: depreciation for the year	-	110,394	324,928	47,191	24,170	-	506,683
Less: sales and retirement	-	-	(22,574)	(10,196)	(7,742)	-	(40,512)
Effect of movements in exchange rates	-	21,260	48,263	2,994	2,217	-	74,734
Balance on March 31, 2018	<u>\$ -</u>	<u>3,143,816</u>	<u>10,041,764</u>	<u>1,090,184</u>	<u>609,344</u>	<u>-</u>	<u>14,885,108</u>
Carrying amounts:							
Balance on January 1, 2019	<u>\$ 645,175</u>	<u>4,807,387</u>	<u>3,623,751</u>	<u>512,630</u>	<u>525,182</u>	<u>125,568</u>	<u>10,239,693</u>
Balance on March 31, 2019	<u>\$ 644,334</u>	<u>4,752,083</u>	<u>3,442,352</u>	<u>497,238</u>	<u>518,629</u>	<u>116,340</u>	<u>9,970,976</u>
Balance on January 1, 2018	<u>\$ 651,235</u>	<u>5,004,678</u>	<u>4,372,457</u>	<u>514,007</u>	<u>591,128</u>	<u>294,190</u>	<u>11,427,695</u>
Balance on March 31, 2018	<u>\$ 651,345</u>	<u>4,971,552</u>	<u>4,164,165</u>	<u>496,909</u>	<u>559,993</u>	<u>310,067</u>	<u>11,154,031</u>

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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As of March 31, 2019, December 31 and March 31, 2018, the aforesaid property, plant and equipment were not pledged as collateral.

(k) Right-of-use assets

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Office and other equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2019	\$ -	-	-	-
Effect of retrospective application	<u>357,906</u>	<u>65,058</u>	<u>24,891</u>	<u>447,855</u>
Adjusted balance at January 1, 2019	357,906	65,058	24,891	447,855
Acquisitions	-	-	2,111	2,111
Effect of changes in foreign exchange rates	<u>2,717</u>	<u>(159)</u>	<u>(219)</u>	<u>2,339</u>
Balance on March 31, 2019	<u><u>\$ 360,623</u></u>	<u><u>64,899</u></u>	<u><u>26,783</u></u>	<u><u>452,305</u></u>
Accumulated depreciation and impairment losses:				
Balance on January 1, 2019	\$ -	-	-	-
Effect of retrospective application	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted balance on January 1, 2019	-	-	-	-
Depreciation for the year	2,865	7,690	3,263	13,818
Effect of changes in foreign exchange rates	<u>2</u>	<u>(27)</u>	<u>(19)</u>	<u>(44)</u>
Balance on March 31, 2019	<u><u>\$ 2,867</u></u>	<u><u>7,663</u></u>	<u><u>3,244</u></u>	<u><u>13,774</u></u>
Carrying amount:				
Balance on March 31, 2019	<u><u>\$ 357,756</u></u>	<u><u>57,236</u></u>	<u><u>23,539</u></u>	<u><u>438,531</u></u>

The Group leases offices, warehouses and factory facilities under the operating leases for three months ended March 31, 2018, please refer to note 6(r).

(l) Other current financial assets

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Time deposits with maturities over three months	\$ 1,502,807	1,984,411	5,874,649
Restricted cash in bank	96,814	138,075	120,544
Other receivables	<u>119,177</u>	<u>148,269</u>	<u>51,816</u>
	<u><u>\$ 1,718,798</u></u>	<u><u>2,270,755</u></u>	<u><u>6,047,009</u></u>

- (i) As of March 31, 2019, December 31 and March 31, 2018, the Group had provided parts of financial assets as collateral for the factoring of accounts receivable and guarantee for contract grant; please refer to note 8.

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

(m) Short-term borrowings

The short-term loans were summarized as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured bank loans	<u>\$ 1,777,103</u>	<u>3,111,970</u>	<u>3,687,671</u>
Unused short-term credit lines	<u>\$ 13,882,421</u>	<u>12,429,732</u>	<u>12,583,819</u>
Annual interest rates	<u>0.42%~3.23%</u>	<u>0.44%~3.6%</u>	<u>0.43%~2.8%</u>

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

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

(n) Other current liabilities

	March 31, 2019	December 31, 2018	March 31, 2018
Refund liabilities	\$ 9,617	9,817	29,845
Derivative instruments not used for hedging	1,222	427	27,030
Embedded derivative – put option	-	-	53,436
Wages and salaries payable	255,201	238,618	259,310
Other payables	945,998	1,018,568	1,478,562
Others	<u>274,531</u>	<u>450,788</u>	<u>300,790</u>
	<u>\$ 1,486,569</u>	<u>1,718,218</u>	<u>2,148,973</u>

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

(o) Long-term loans

The details were as follows:

	March 31, 2019	December 31, 2018
Unsecured bank loans	\$ 65,198	64,789
Less: current portion	<u>(13,040)</u>	<u>(12,958)</u>
	<u>\$ 52,158</u>	<u>51,831</u>
Unused long-term credit lines	<u>\$ -</u>	<u>-</u>
Range of interest rates	<u>6.96%~7.81%</u>	<u>6.96%~7.81%</u>

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

- (i) For information on the Group's interest risk and liquidity risk, please refer to 6(aa) for details.
- (ii) The Group did not provide any assets as collateral for its loans.
- (iii) There were no significant issues, repurchases and repayments of long-term borrowings for the three months ended March 31, 2019. Information on interest expense for the period is discussed in Note 6(z). Please refer to Note 6(r) of the 2018 annual consolidated financial statements for other related information.

(p) **Convertible bonds payable**

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

	March 31, 2019	December 31, 2018	March 31, 2018
Total convertible bonds issued	\$ 5,000,000	9,000,000	9,000,000
Unamortized discounted bonds payable	(18,184)	(22,200)	(171,307)
Cumulated converted amount	-	(184,600)	(184,600)
Cumulated repurchased and redeemed amount	<u>(3,873,900)</u>	<u>(7,689,300)</u>	<u>(1,160,500)</u>
	1,107,916	1,103,900	7,483,593
Unamortized amount of the cost of issuing convertible bonds	(1,125)	(1,375)	(2,847)
Bonds payable, current portion	<u>-</u>	<u>-</u>	<u>(7,480,746)</u>
Non-current	<u><u>\$ 1,106,791</u></u>	<u><u>1,102,525</u></u>	<u><u>-</u></u>
Embedded derivative – put option (recognized as financial liabilities at fair value through profit or loss, and recorded as other current liabilities)	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>53,436</u></u>
Equity components – conversion options (recognized as capital surplus – redemption rights)	<u><u>\$ 87,820</u></u>	<u><u>87,820</u></u>	<u><u>601,110</u></u>
		For the three months ended March 31,	
		2019	2018
Embedded derivative – gains or losses resulting from put options at fair value (recorded as gains (losses) on financial assets (liabilities) at fair value through profit or loss)		<u><u>\$ -</u></u>	<u><u>(6,448)</u></u>
Interest expense		<u><u>\$ (4,016)</u></u>	<u><u>(26,997)</u></u>

There were no significant changes in the convertible bonds payable of the Group for the three months ended March 31, 2019 and 2018. For related information, please refer to note 6(s) of the 2018 annual consolidated financial statements.

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(q) Lease liabilities

	March 31, 2019		
	Future minimum lease payments	Interest	Present value of minimum lease payment
Less than one year	\$ 55,337	5,709	49,628
Between one and five years	79,797	16,683	63,114
More than five years	303,819	79,856	223,963
	<u>\$ 438,953</u>	<u>102,248</u>	<u>336,705</u>
Current	<u>\$ 55,337</u>	<u>5,709</u>	<u>49,628</u>
Non-current	<u>\$ 383,616</u>	<u>96,539</u>	<u>287,077</u>

There were no significant issues, repurchases and repayments of lease liabilities for the three months ended March 31, 2019.

The amounts recognized in profit or loss were as follows:

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

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

	2019
Total cash outflow for leases	<u>\$ 26,596</u>

(i) Real estate leases

As of March 31, 2019, the Group leases land and buildings for its office space and factory. The leases of land typically run for a period for 5 years to 50 years, of office space for 1 to 5 years, and of factory for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of land and equipment contain extension or cancellation options. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(Continued)

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

(ii) Other leases

The Group leases vehicles and other equipment, with lease terms of 3 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group also leases office, vehicles and IT equipment with contract terms of 1 to 3 years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(r) Operating lease

There were no significant differences between the new lease contracts and the long-term prepaid rents of the Group for the three months ended March 31, 2018. For related information, please refer to note 6(t) of the 2018 annual consolidated financial statements.

(s) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year, the pension cost of the Company and Evervision TW in the interim consolidated financial statements shall be measured and disclosed in accordance with the actuarial report measured on December 31, 2018 and 2017.

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

	For the three months ended March 31,	
	2019	2018
Cost of sales and operating expenses	<u>\$ 832</u>	<u>1,039</u>

(ii) Defined contribution plans

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

	For the three months ended March 31,	
	2019	2018
Cost of sales and operating expenses	<u>\$ 35,241</u>	<u>37,439</u>

(t) Income taxes

The Group entities are subject to income tax rates, according to the profit before tax of the interim reporting period, multiply by the best estimated measurement of the expected effective tax rate by the managers in all the year.

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

- (i) The amount of income tax was as follows:

	For the three months ended March 31,	
	2019	2018
Current tax expense	<u>\$ 40,062</u>	<u>58,418</u>

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

	For the three months ended March 31,	
	2019	2018
Exchange differences on translating foreign operations	\$ (1,611)	(5,161)
Actuarial gains (losses) on defined benefit plans	<u>-</u>	<u>(3,569)</u>
	<u>\$ (1,611)</u>	<u>(8,730)</u>

- (iii) The tax authorities have examined the Company's income tax returns through 2017. The income tax returns of the subsidiaries in the ROC have been assessed by the tax authorities through 2016 and 2017.

- (u) Capital and other equities

Except as described below, there were no significant change in the capital and other equity for the three months ended March 31, 2019 and 2018. For related information, please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2018.

As of March 31, 2019 and 2018, the authorized common stocks amounted to \$10,000,000 (of which \$400,000 were reserved for the exercising of employee share options); face value of each share is \$10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,051 and 440,539 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the three months ended March 31, 2019 and 2018 were as follows:

(in thousands of shares)	For the three months ended March 31	
	2019	2018
Balance on January 1	443,000	440,449
Employee stock options exercised	<u>51</u>	<u>90</u>
Balance on March 31	<u>443,051</u>	<u>440,539</u>

- (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 May 13, 2019, the registration procedures related to the authorized common stock had not been completed.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The employee stock options exercised amounting to \$517 in three months ended March 31, 2019 which resulted in a capital surplus of \$2,442 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$2,014). The registration procedures of the employee stock options amounting to \$1,377 had not been completed.

The employee stock options exercised amounting to \$907 in three months ended March 31, 2018 which resulted in capital surplus of \$3,118 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$2,338). 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:

	March 31, 2019	December 31, 2018	March 31, 2018
Additional paid-in capital	\$ 7,801,213	7,798,771	7,682,087
Difference between consideration and carrying amount of subsidiaries disposed	147,087	147,087	150,743
Changes in equity of associates accounted for using equity method	6,489	6,489	6,489
Redemption rights resulting from issuance of convertible bonds	87,820	87,820	601,110
Treasury stock resulting from the redemption of convertible bonds	983,812	983,812	470,522
Share-based payment – employee stock options	133,331	134,587	225,660
Others	576	576	44
	<u>\$ 9,160,328</u>	<u>9,159,142</u>	<u>9,136,655</u>

(iii) Retained earnings

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

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

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

1) Earnings distribution

The Company proposal the 2018 earning distribution in the board of directors' meeting on March 25, 2019; where as 2017 earning distribution had been approved in the shareholders' meeting on June 15, 2018. Information related to dividends distributed were as follows:

	2018		2017	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ <u>1.50</u>	<u>664,555</u>	<u>3.00</u>	<u>1,321,133</u>

(iv) Other equity (net of tax)

	Foreign exchange differences arising from foreign operation	Available- for-sale financial assets	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2019	\$ (632,321)	-	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):				
The Group	207,519	-	-	207,519
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
The Group	-	-	(8,000)	(8,000)
Balance on March 31, 2019	\$ <u>(424,802)</u>	<u>-</u>	<u>(599,956)</u>	<u>(1,024,758)</u>
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	88,794	-	-	88,794
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:				
The Group	-	-	(26,795)	(26,795)
Balance on March 31, 2018	\$ <u>(348,695)</u>	<u>-</u>	<u>(415,805)</u>	<u>(764,500)</u>

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

(v) Share-based payment

Except as described below, there were no significant changes in the share-based payment of the Group for the three months ended March 31, 2019 and 2018. For related information, please refer to note 6(x) of the 2018 annual consolidated financial statements.

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

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

Three months ended March 31, 2018								
Date of issuance	2018.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2018.3.31 Outstanding units	2018.3.31 Exercisable units	Remaining duration
August 6, 2015	60,000	-	-	-	-	60,000	39,000	2.3 years
April 2, 2015	3,194,000	-	-	-	-	3,194,000	2,076,100	2.0 years
July 18, 2013	489,600	-	90,700	16,900	-	382,000	382,000	0.3 years
	<u>3,743,600</u>	<u>-</u>	<u>90,700</u>	<u>16,900</u>	<u>-</u>	<u>3,636,000</u>	<u>2,497,100</u>	
Weighted-average exercise price (dollars)	\$ <u>19.67</u>	<u>-</u>	<u>18.60</u>	<u>18.60</u>	<u>-</u>	<u>19.70</u>	<u>19.63</u>	

The compensation cost of the stock options amounted to \$758 for the three months ended March 31, 2019. The compensation cost of the stock options, which were overestimated, have been reversed in the previous years due to the abandonment of resigned employees amounted to \$3,836 for the three months ended March 31, 2018.

(w) Earnings per share

For the three months ended March 31, 2019 and 2018, the Group's basic and diluted earnings per share are calculated as follows:

		For the three months ended March 31,	
		2019	2018
Basic earnings per share:			
Profit attributable to ordinary shareholders of the Company		\$ <u>87,550</u>	<u>109,250</u>
Weighted-average number of outstanding ordinary shares (thousands)		<u>443,040</u>	<u>440,502</u>

(Continued)

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

	<u>2019</u>	<u>2018</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ 87,550	109,250
Dilutive effect of potential ordinary shares:		
Convertible bonds (note)	<u>-</u>	<u>10,807</u>
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u>\$ 87,550</u>	<u>120,057</u>
Weighted-average number of outstanding ordinary shares (thousands)	443,040	440,502
Dilutive effect of potential ordinary shares:		
Employee stock bonus	279	699
Convertible bonds	-	54,726
Employee stock options	<u>828</u>	<u>1,950</u>
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)	<u>444,147</u>	<u>497,877</u>

The average market value of the Company's shares for purpose of calculating the dilutive effect of stock options was based on the quoted market price for the period during which the options were outstanding. The Company's convertible bonds did not have dilutive effect on EPS for the three months ended March 31, 2019, so they are not included in the diluted earnings per share.

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

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

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

For the three months ended March 31, 2018					
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 4,657,176	91,152	152,941	22,627	4,923,896
Europe	491,660	38,100	571,978	-	1,101,738
Others	201,945	34,553	18,056	-	254,554
Total	<u>\$ 5,350,781</u>	<u>163,805</u>	<u>742,975</u>	<u>22,627</u>	<u>6,280,188</u>
Major products					
Construction revenue	\$ -	-	12,407	-	12,407
Sales revenue	5,350,781	163,805	730,568	22,627	6,267,781
	<u>\$ 5,350,781</u>	<u>163,805</u>	<u>742,975</u>	<u>22,627</u>	<u>6,280,188</u>

(ii) Contract balance

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable	\$ 17,048	11,416	27,133
Accounts receivables	6,269,204	6,981,114	7,815,241
Less: allowance for impairment	(129,205)	(127,287)	(126,581)
	<u>\$ 6,157,047</u>	<u>6,865,243</u>	<u>7,715,793</u>
Contract assets-illumination	<u>\$ 2,069</u>	<u>78,550</u>	<u>-</u>
Contract liabilities	<u>\$ 9,671</u>	<u>26,191</u>	<u>9,686</u>

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

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(y) Remuneration of employees, directors and supervisors

In accordance with the 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.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The remuneration to employees amounted to \$12,048 and \$8,087, and the remuneration to directors and supervisors amounted to \$1,205 and \$943 for the three months ended March 31, 2019 and 2018, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees, directors and supervisors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These remunerations are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting.

The remuneration to employees amounted to \$59,098 and \$84,213, and the remuneration to directors and supervisors amounted to \$6,895 and \$7,677, in 2018 and 2017, respectively. The related information can be accessed from the Market Observation Post System website. There had no differences between the actual amounts and the estimation of employee compensation in 2018 and 2017.

(z) Non-operating income and expenses

For the three months ended March 31, 2019 and 2018, the interest income and finance costs were as follows:

(i) Interest income

	For the three months ended March 31,	
	2019	2018
Cash in banks	\$ 9,396	18,455
Other	686	2,773
	\$ 10,082	21,228

(ii) Finance costs – interest expenses

	For the three months ended March 31,	
	2019	2018
Loans	\$ 9,750	11,890
Lease liabilities	1,595	-
Convertible Bonds	4,016	26,997
	\$ 15,361	38,887

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

(aa) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(ae) of the 2018 annual consolidated financial statement.

(i) Credit risk

1) Exposure to credit risk

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

2) Credit risk of receivables

For credit risk and credit impairment of note and accounts receivable, please refer to note 6(d).

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

(ii) Liquidity Risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
March 31, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,777,103	(1,777,103)	(1,777,103)	-	-
Notes and accounts payable (including related parties)	3,988,999	(3,988,999)	(3,988,999)	-	-
Payable on construction and equipment	292,503	(292,503)	(292,503)	-	-
Other payables	945,998	(945,998)	(945,998)	-	-
Lease liabilities (including current and non-current)	336,705	(438,962)	(55,343)	(41,812)	(341,807)
Unsecured convertible bonds	1,107,916	(1,126,100)	-	(1,126,100)	-
Long-term loans (including current portion)	65,198	(65,198)	(13,040)	(13,040)	(39,118)
Guaranteed deposits received	136,184	(136,184)	-	-	(136,184)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	(1,222)				
Outflow	-	(524,025)	(524,025)	-	-
Inflow	-	522,786	522,786	-	-
	<u>\$ 8,649,384</u>	<u>(8,772,286)</u>	<u>(7,074,225)</u>	<u>(1,180,952)</u>	<u>(517,109)</u>

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
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)	-
Long-term loans (including current portion)	64,789	(64,789)	(12,958)	(12,958)	(38,873)
Guaranteed deposits received	131,369	(131,369)	-	-	(131,369)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	427				
Outflow	-	(184,578)	(184,578)	-	-
Inflow	-	184,199	184,199	-	-
	<u>\$ 10,350,599</u>	<u>(10,372,751)</u>	<u>(9,063,451)</u>	<u>(1,139,058)</u>	<u>(170,242)</u>
March 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 3,687,671	(3,687,671)	(3,687,671)	-	-
Notes and accounts payable (including related parties)	4,987,898	(4,987,898)	(4,987,898)	-	-
Payable on construction and equipment	443,476	(443,476)	(443,476)	-	-
Other payables	1,478,562	(1,478,562)	(1,478,562)	-	-
Unsecured convertible bonds	7,483,593	(7,654,900)	(7,654,900)	-	-
Guaranteed deposits received	132,892	(132,892)	-	-	(132,892)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	1,115				
Outflow	-	(263,695)	(263,695)	-	-
Inflow	-	263,463	263,463	-	-
Swap contracts:	25,915				
Outflow	-	(1,479,460)	(1,479,460)	-	-
Inflow	-	1,456,000	1,456,000	-	-
Debt components of convertible bonds payable	53,436	-	-	-	-
	<u>\$ 18,294,558</u>	<u>(18,409,091)</u>	<u>(18,276,199)</u>	<u>-</u>	<u>(132,892)</u>

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

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:

			March 31, 2019			December 31, 2018			March 31, 2018		
			Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets											
Monetary items											
USD	\$	130,917	USD/TWD =30.825	4,035,517		170,402	USD/TWD =30.733	5,236,965	169,594	USD/TWD =29.120	4,938,577
USD		40,880	USD/RMB =6.7110	1,260,126		50,631	USD/RMB =6.8754	1,556,043	1,832	USD/RMB =6.2725	53,348
RMB		446,200	RMB/TWD =4.5932	2,049,486		342,128	RMB/TWD =4.4700	1,529,312	413,503	RMB/TWD =4.6425	1,919,688
HKD		307,761	HKD/TWD =3.9269	1,208,547		371,986	HKD/TWD =3.8625	1,460,082	403,708	HKD/TWD =3.7102	1,497,837
Financial liabilities											
Monetary items											
USD		87,511	USD/TWD =30.825	2,697,527		132,441	USD/TWD =30.733	4,070,309	137,043	USD/TWD =29.120	3,990,692
USD		40,433	USD/RMB =6.7110	1,246,347		49,426	USD/RMB =6.875	1,519,009	53,676	USD/RMB =6.2725	1,563,045
RMB		613,791	RMB/TWD =4.5932	2,819,265		684,620	RMB/TWD =4.4700	3,060,251	989,298	RMB/TWD =4.6425	4,592,816

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 March 31, 2019 and 2018 would have increased (decreased) the net profit before tax by \$121,137 for the three months ended March 31, 2019, and decreased (increased) the net profit before tax by \$81,634 for the three months ended March 31, 2018. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2019 and 2018, the foreign exchange gains or losses, including both realized and unrealized, amounted to losses \$25,385 and losses \$36,318, respectively.

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

4) Interest rate analysis

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

	Carrying amount		
	March 31, 2019	December 31, 2018	March 31, 2018
Variable rate instruments:			
Financial assets	\$ 3,828,017	3,918,619	4,423,043
Financial liabilities	<u>(1,312,237)</u>	<u>(2,858,795)</u>	<u>(3,687,671)</u>
	<u>\$ 2,515,780</u>	<u>1,059,824</u>	<u>735,372</u>

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

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax for the three months ended March 31, 2019 and 2018, were as following, which would be mainly resulted from bank borrowings and cash in banks with variable interest rates.

	For the three months ended March 31,	
	2019	2018
Increase by 0.25%	\$ 1,572	460
Decrease by 0.25%	(1,572)	(460)

5) Fair value

a) The kinds of financial instruments and fair value

The fair value of the Group's financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and financial assets at fair value through other comprehensive income (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.

(Continued)

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

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

(Continued)

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

December 31, 2018					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
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	<u>1,305,019</u>	110,777	1,194,242	-	1,305,019
	<u>1,369,257</u>				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	256,004	256,004	-	-	256,004
Unquoted equity instruments	<u>75,052</u>	-	-	75,052	75,052
	<u>331,056</u>				
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	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	156,296	-	-	-	-
Refundable deposits (recorded as other non-current assets)	68,439	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	<u>6,974</u>	-	-	-	-
	<u>13,829,653</u>				
	<u>\$ 15,529,966</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	<u>\$ 427</u>	-	427	-	427
	<u>427</u>				
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 current liabilities)	1,018,568	-	-	-	-
Bonds payable (including current portion)	1,103,900	-	-	-	-
Long-term loans (including current portion)	64,789	-	-	-	-
Guaranteed deposits received	<u>131,369</u>	-	-	-	-
	<u>10,350,172</u>				
	<u>\$ 10,350,599</u>				

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

March 31, 2018					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 9,212	-	9,212	-	9,212
Non-derivative financial assets mandatorily measured at fair value through profit or loss	1,226,438	203,728	1,022,710	-	1,226,438
Financial assets at fair value through profit or loss	<u>395,551</u>	3,232	392,319	-	395,551
	<u>1,631,201</u>				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	427,007	427,007	-	-	427,007
Unquoted equity instruments	<u>120,249</u>	-	-	120,249	120,249
	<u>547,256</u>				
Financial assets measured at amortized cost:					
Cash and cash equivalents	6,828,775	-	-	-	-
Notes and accounts receivable (including related parties)	7,684,057	-	-	-	-
Other current financial assets	6,047,009	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	115,051	-	-	-	-
Refundable deposits (recorded as other non-current assets)	178,521	-	-	-	-
Long-term accounts receivable (recorded as other non-current assets)	31,736	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	<u>6,974</u>	-	-	-	-
	<u>20,892,123</u>				
	<u>\$ 23,070,580</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ 27,030	-	27,030	-	27,030
Debt components of convertible bonds payable	<u>53,436</u>	-	-	53,436	53,436
	<u>80,466</u>				
Financial liabilities measured at amortized cost:					
Short-term borrowings	3,687,671	-	-	-	-
Notes and accounts payable (including related parties)	4,987,898	-	-	-	-
Payable on construction and equipment	443,476	-	-	-	-
Other current payables (recorded as other current liabilities)	1,478,562	-	-	-	-
Bonds payable (including current portion)	7,483,593	-	-	-	-
Guarantee deposits received	<u>132,892</u>	-	-	-	-
	<u>18,214,092</u>				
	<u>\$ 18,294,558</u>				

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

- b) Fair value valuation technique of financial instruments not measured at fair value
 The Group estimates instruments that are not measured at fair value by method and presumption as follows:
 - i) The book value of financial assets and liabilities at amortized cost are similar to their fair value.
- c) Fair value valuation technique of financial instruments measured at fair value
 - i) The fair value of financial assets and liabilities traded in active markets, including listed stocks, fund beneficiary certificates, emerging stocks and listed convertible bonds, etc., is based on quoted market prices.
 - ii) The fair value of unlisted shares without an active market is assessed by using the net asset value per share approach, P/E ratio approach, and P/B ratio approach.
 - iii) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated by adapting a valuation technique using the estimates and hypothesis referred from those used by financial instruments, or the binomial options pricing model which is generally accepted by the market participants.
 - iv) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.
- d) There was no transfers from one level to another of the Group for the for the three months ended March 31, 2019 and 2018.
- e) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Group for the three months ended March 31, 2019 and 2018:

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

	Current financial assets at fair value through other comprehensive income (Available-for- sale financial assets) – unquoted equity instruments	Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable	Total
Balance on January 1, 2019	\$ 75,052	-	75,052
Total gains and losses recognized:			
In profit (loss)	-	-	-
In other comprehensive income	-	-	-
Balance on March 31, 2019	<u>\$ 75,052</u>	<u>-</u>	<u>75,052</u>
Balance on January 1, 2018	\$ 122,544	(46,988)	75,556
Total gains and losses recognized:			
In profit (loss)	-	(6,448)	(6,448)
In other comprehensive income	(2,295)	-	(2,295)
Balance on March 31, 2018	<u>\$ 120,249</u>	<u>(53,436)</u>	<u>66,813</u>

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 March 31, 2019 and 2018 were as follows:

	For the three months ended March 31, 2019	2018
Total gains and losses recognized:		
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	\$ -	(2,295)
In profit or loss (recorded as gains (losses) from financial assets (liabilities) at fair value through profit or loss)	-	(6,448)

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- f) The quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use level 3 inputs to measure the fair values include current financial assets at fair value through other comprehensive income—equity securities, 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	<ul style="list-style-type: none"> Price-to-Book ratio (P/B Ratio) (0.53, 0.53 and 0.67 on March 31, 2019, December 31 and March 31, 2018, respectively) Lack of marketability discount rate (20% on March 31, 2019, December 31 and March 31, 2018) 	<ul style="list-style-type: none"> The higher the P/B Ratio, the higher the fair value. The higher the lack of marketability discount, the lower the fair value.
Financial liabilities at fair value through profit or loss- call and put options of convertible bonds	Binomial options pricing model for convertible bond	<ul style="list-style-type: none"> Volatility (24.8%, 24.54% and 18.61% on March 31, 2019, December 31 and March 31, 2018, respectively) 	<ul style="list-style-type: none"> The higher the volatility, the higher the fair value.

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

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

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the 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
March 31, 2019						
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ 3,000	3,000	-	-
"	Lack of marketability discount	5%	\$ 3,000	3,000	-	-
Financial assets and liabilities at fair value through profit or loss	Volatility	5%	\$ -	-	-	-
March 31, 2018						
Current financial assets at fair value through other comprehensive income	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%	\$ -	-	33,628	32,246

The favorable and unfavorable impacts reflect the movement of the fair value, in which the fair value is calculated by using the significant unobservable inputs in the valuation technique. The table above shows the effects of one unobservable input, without considering the inter-relationships with another unobservable input for financial instrument, if there are one or more unobservable inputs.

(ab) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(af) of the 2018 annual consolidated financial statements.

(ac) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in note 6(ag) of the 2018 annual consolidated financial statements. Also, management believes that there were no significant changes in the Group's capital management information as disclosed in the 2018 annual financial statements.

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

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

The Group's investing and financing activities which did not affect the current cash flow in the three months ended March 31, 2019, were acquisition of right-of-use assets by lease; please refer to note 6(k). There were no non-cash investing and financing activities in the three months ended March 31, 2018. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Acquisition	Non-cash changes		March 31, 2019
				Amortization of interest and issuance costs	Foreign exchange movement	
Short-term borrowings	\$ 3,111,970	(1,334,867)	-	-	-	1,777,103
Long-term borrowings	64,789	-	-	-	409	65,198
Lease liabilities	347,210	(12,284)	2,111	-	(332)	336,705
Bonds payable	1,102,525	-	-	4,266	-	1,106,791
Guarantee deposits received	131,369	4,815	-	-	-	136,184
Total liabilities from financing activities	<u>\$ 4,757,863</u>	<u>(1,342,336)</u>	<u>2,111</u>	<u>4,266</u>	<u>77</u>	<u>3,421,981</u>

	January 1, 2018	Cash flow	Non-cash changes		March 31, 2018
			Amortization of interest and issuance costs		
Short-term borrowings	\$ 2,181,411	1,506,260	-		3,687,671
Bonds payable	7,453,249	-	27,497		7,480,746
Guarantee deposits received	132,022	870	-		132,892
Total liabilities from financing activities	<u>\$ 9,766,682</u>	<u>1,507,130</u>	<u>27,497</u>		<u>11,301,309</u>

(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

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

(b) Significant related party transactions

(i) Sales

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

	For the three months ended March 31,	
	2019	2018
Associates	\$ 12,466	22,809
Other related parties	21,610	26,002
	\$ 34,076	48,811

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:

	For the three months ended March 31,	
	2019	2018
Associates	\$ 105,765	121,300
Other related parties-Epistar	343,483	527,701
	\$ 449,248	649,001

Purchase prices from Tekcore and Epistar 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	March 31, 2019	December 31, 2018	March 31, 2018
Associates	\$ 30,486	34,839	49,913
Other related parties	52,567	62,626	53,164
	\$ 83,053	97,465	103,077

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

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Related party categories</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Associates	\$ 174,772	198,955	199,538
Other related parties-Epistar	766,609	836,073	1,215,379
	<u>\$ 941,381</u>	<u>1,035,028</u>	<u>1,414,917</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 8,247	7,183
Other	1,197	1,217
	<u>\$ 9,444</u>	<u>8,400</u>

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

(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

<u>Assets</u>	<u>Objectives</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Time deposits and restricted cash in bank (recorded as other financial assets – non-current)	Guarantee for contract grant	\$ 6,974	6,974	6,974
Restricted cash in bank (recorded as other financial assets-current)	Contract of accounts receivable factoring	96,814	138,075	120,544
		<u>\$ 103,788</u>	<u>145,049</u>	<u>127,518</u>

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

(9) Commitments and contingencies

- (a) Except as described below, there were no significant differences between the commitments and the contingencies of the Group. For related information, please refer to note 9 of the 2018 annual consolidated financial statements.
- (b) Significant commitments unrecognized:
- (i) As of March 31, 2019, December 31 and March 31, 2018, the Group's signed significant commitments to purchase machinery and equipment not yet due amounted to \$647,255, \$930,196 and \$499,061, respectively.
- (ii) As of March 31, 2019, December 31 and March 31, 2018, the unused balance of the Group's outstanding standby letters of credit amounted to \$0, \$0 and \$38,135, respectively.

(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 By item	Three months ended March 31, 2019			Three months ended March 31, 2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	376,010	395,865	771,875	448,955	430,456	879,411
Labor and health insurance	20,927	39,707	60,634	22,769	37,416	60,185
Pension	21,623	14,450	36,073	23,118	15,360	38,478
Others	27,047	16,476	43,523	32,358	20,497	52,855
Depreciation	350,587	166,758	517,345	355,267	151,416	506,683
Amortization	12,677	10,280	22,957	16,174	10,952	27,126

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

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2019:

(i) Loans to other parties:

Unit: foreign currency in thousand dollars

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	WOFI Holding	Other current financial assets	Yes	345,764 (EUR10,000)	345,764 (EUR10,000)	345,764	1.0%	Short-term financing	-	Business turnover	-		-	1,727,672	6,910,691
1	Everlight Zhongshan	Zhongshan Everlight Lighting	"	Yes	68,760 (RMB14,970)	68,760 (RMB14,970)	48,091 (RMB10,470)	2.5%	Short-term financing	-	"	-		-	383,064	383,064
2	Everlight BVI	WOFI Holding	Other receivables	Yes	69,153 (EUR2,000)	69,153 (EUR2,000)	69,153 (EUR2,000)	-%	Short-term financing	-	"	-		-	2,980,887	2,980,887

Note 1: According to the Company's "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of the Company; and to borrowers having business relationship with the Company, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of each fund financing cannot exceed 10% of the Company's net worth.

Note 2: According to Everlight Zhongshan "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of Everlight Zhongshan; and to borrowers having business relationship with Everlight Zhongshan, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of cash fund financing cannot exceed 40% of Everlight Zhongshan's net worth.

Note 3: According to Everlight BVI's "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of Everlight BVI; and to borrowers having business relationship with Everlight BVI, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of each fund financing cannot exceed 40% of Everlight BVI's net worth.

Note 4: The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of March 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: foreign currency in thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	
The Company	Shin Kong Financial Holding Co., Ltd.	None	Current financial assets at fair value through profit or loss	347	\$ 3,155	-%	3,155	
"	SinoPac TWD Money Market Fund	"	"	3,377	47,006	-%	47,006	
"	Cathay Financial Holding Co., Ltd. Preferred Stock B	"	"	100	6,250	-%	6,250	
"	Taiwan Mobile Co., Ltd. convertible bonds	"	"	170	18,019	-%	18,019	
"	Gigasolar Materials Corporation convertible bonds	"	"	200	15,920	-%	15,920	
"	China Airlines Ltd. convertible bonds	"	"	220	22,066	-%	22,066	
"	Global PMX Co., Ltd. convertible bonds	"	"	15	1,505	-%	1,505	
"	ShunSin Technology Holdings Limited convertible bonds	"	"	100	10,285	-%	10,285	
"	Taiwan Chinsan Electronic Industrial Co., Ltd. convertible bonds	"	"	41	3,945	-%	3,945	
					<u>\$ 128,151</u>			
The Company	Hua-chuang Automobile Information Technical Center Co., Ltd. Stocks	The Company is the corporate director of this company	Non-current financial assets at fair value through other comprehensive income	11,320	75,052	3.45%	75,052	
"	Epistar Co., Ltd (Epistar) Stocks	The Company is the corporate director of this company	"	10,000	248,004	0.92%	248,004	
					<u>\$ 323,056</u>			

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

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	
Pai-ye	Taishin Ta-Chong Money Market Fund	None	Current financial assets at fair value through profit or loss	2,156	30,626	-%	30,626	
"	Taipei Tech innovfund Stocks	Pai-ye is the corporate director of this company	Non-current financial assets at fair value through profit or loss	3,000	38,548	10%	38,548	
Everlight Fujian	Kaistar Lighting (Xiamen) Co., Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	367,456 (RMB80,000)	3.97%	367,456	
"	Country Lighting (B.V.I.) Ltd.	None	"	(Note 2)	20,697 (RMB4,506)	8.21%	20,697	
"	Financial products	None	"	-	301,227 (RMB65,581)	-%	301,227	
					<u>\$ 758,554</u>			
Eralite	Structured deposits	None	Current financial assets at fair value through profit or loss	-	93,022 (RMB20,252)	-%	93,022	
"	Financial products	None	"	-	138,577 (RMB30,170)	-%	138,577	
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	69,288 (RMB15,085)	-%	69,288	
"	Financial products	None	"	-	313,422 (RMB68,236)	-%	313,422	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	384,993 (RMB83,818)	-%	384,993	

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	Evltite	100% owned subsidiary	(Sales)	\$ (365,304)	(9)%	OA 120	No significant difference to the general customers	General export receivables in 30-120 days	465,944	8 %	Note 2
"	Everlight Europe	75% owned subsidiary	(Sales)	(277,587)	(7)%	OA 120	"	"	248,269	4 %	"
"	Everlight Lighting China	100% owned sub-subsiary	(Sales)	(158,856)	(4)%	Depending on the credit conditions of the ultimate customers	"	"	573,293	10 %	"
"	Everlight China	100% owned sub-subsiary	Purchases	2,133,862	74%	Depending on the demand for funding, OA 120	Terms not comparable to other general trading price	General purchases payments in 90-120 days	(3,564,844)	(69)%	"
"	Epistar	The Company is the corporate director of this company	Purchases	137,337	5%	OA 150	"	"	(325,711)	(6)%	-
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(107,124) (RMB(23,433))	(100)%	Depending on the demand for funding, OA 95	-	Depending on the funding demand of both sides	176,857 (RMB38,504)	100 %	Note 2
Everlight China	The Company	Ultimate holding company	(Sales)	(2,221,328) (RMB(485,908))	(98)%	Depending on the demand for funding, OA 120	-	"	3,566,414 (RMB776,455)	99 %	"
"	Epistar	The Company is the corporate director of this company	Purchases	204,287 (RMB44,687)	14%	OA 150	Terms not comparable to other general trading price	General purchases payments in 90 days	(437,502) (RMB(95,250))	(21)%	-
Everlight Lighting China	The Company	Ultimate holding company	Purchases	185,283 (RMB40,530)	46%	Depending on the terms of the ultimate customer	-	Depending on the funding demand of both sides	(575,411) (RMB(125,275))	(64)%	Note 2
Everlight Europe	The Company	Ultimate holding company	Purchases	267,658 (EUR7,650)	100%	OA 120	-	-	(259,712) (EUR(7,511))	(100)%	"

(Continued)

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

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)	
Ev-lite	The Company	Ultimate holding company	Purchases	368,358 (HKD93,744)	100%	OA 90	-	Depending on the funding demand of both sides	(463,864) (HKD(118,634))	(100)%	Note 2
Evervision TW	Vbest Kunshan	Equity-accounted investee by Evervision TW	Purchases	116,623	76%	OA 150	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(261,041)	(86)%	"
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(116,942) (USD(3,793))	(99)%	OA 150	"	General export receivables in 90~120 days	261,088 (USD8,470))	99 %	"

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

Note 2: The transaction amounts of the subsidiaries are inconsistent with the Company since the financial statements of the subsidiaries did not consider the adjustments made by the Company for processing trade and in-transit inventory. Furthermore, all transactions between companies mentioned in note 2 had been eliminated in the interim consolidated financial statements.

Note 3: The accounts were translated into New Taiwan dollars at the exchange rate at the ended date of the reporting period.

- (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	248,269	4.60	-	-	98,860 (USD1,099、EUR1,869)	-
"	ELA	99% owned subsidiary	169,885	1.73	-	-	13,507 (USD442)	-
"	Ev-lite	100% owned subsidiary	465,944	3.12	-	-	107,835 (USD90、HKD26,866)	-
"	Everlight Lighting China	100% owned sub-subsidiary	573,293	1.06	-	-	31,363 (RMB6,935)	-
"	WOFI Holding	100% owned subsidiary	348,123 (Note 3)	-	-	-	-	-
"	Everlight China	100% owned sub-subsidiary	168,365 (Note 4)	-	-	-	65,115 (USD1,292、RMB5,239)	-
Everlight China	The Company	Ultimate holding company	3,566,414	2.35	-	-	1,103,825 (RMB240,317)	-
Everlight Zhongshan	The Company	Ultimate holding company	176,857	2.19	-	-	38,004 (RMB8,274)	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	261,088 (USD8,470)	1.75	-	-	49,586 (USD1,609)	-

Note 1 : Information as of May 13, 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

- (ix) Information derivative financial instruments transaction: Please refer to note 6(b).

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

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Counter- party	Relationship (Note 2)	Intercompany transactions			Percentage of consolidated net revenue or total assets
				Financial statements accounts	Amount	Terms	
0	The Company	Everlight Europe	1	Sales revenue	277,587	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	5 %
			1	Accounts receivable	248,269	"	1 %
0	The Company	ELA	1	Accounts receivable	169,885	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	1 %
0	The Company	Evlite	1	Sales revenue	365,304	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	7 %
			1	Accounts receivable	465,944	"	2 %
0	The Company	Everlight Lighting China	1	Sales revenue	158,856	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	3 %
			1	Accounts receivable	573,293	"	2 %
0	The Company	Everlight China	1	Other receivable due from related parties (Note 3)	168,365	Depending on the funding demand.	1 %
0	The Company	WOFI Holding	1	Other receivable due from related parties (Note 4)	348,123	Rate 1.0%	1 %
1	Everlight China	The Company	2	Sales revenue	2,221,328	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 120 days.	43 %
			2	Accounts receivable	3,566,414	"	13 %
2	Everlight Zhongshan	The Company	2	Sales revenue	107,124	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 95 days.	2 %
			2	Accounts receivable	176,857	"	1 %
3	Vbest Kunshan	Evervision TW	3	Sales revenue	116,942	There is no significant difference on the price offered to general customers; and the credit period is OA 150 days.	2 %
			3	Accounts receivable	261,088	"	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 three months ended March 31, 2019 (excluding information on investees in Mainland China):

Unit: foreign currency in thousand dollars

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Ending balance			Net income (Losses) of the Investee (Note 5)	Share of profits/losses of investee	Note
				March 31, 2019	December 31, 2018	Shares (In thousands)	Percentage of ownership	Carrying value			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	4,947,563	4,947,563	1,603	98%	\$ 7,307,249	(23,087)	(22,625)	Subsidiaries (Note 3)
"	Pai-ye	New Taipei City	Investment	580,253	580,253	23,940	100%	462,185	(3,391)	(3,391)	Subsidiaries (Note 3)
"	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(49,384)	(20,335)	(20,335)	Subsidiaries (Note 3)

(Continued)

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			Net income (Losses) of the Investee (Note 5)	Share of profits/losses of investee	Note
				March 31, 2019	December 31, 2018	Shares (In thousands)	Percentage of ownership	Carrying value			
The Company	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	191,785	(1,022)	(248)	Subsidiaries (Note 3)
"	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	108,463	11,874	8,906	Subsidiaries (Note 3)
"	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	34,987	3,449	3,449	Subsidiaries (Note 3)
"	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	467,822	(3,544)	(3,544)	Subsidiaries (Note 3)
"	Zenaro TW	New Taipei City	Sale of LED lighting products	380,100	380,100	20,062	100%	47,232	29	29	Subsidiaries (Note 3)
"	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	222,209	8,672	8,691	Subsidiaries (Note 3)
"	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	50,659	(25,763)	(2,488)	(Note 1)
"	Evilite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	99,610	3,036	3,036	Subsidiaries (Note 3)
"	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	15,078	3 (INR6)	2	Subsidiaries (Note 3)
"	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	16,996	(589)	(589)	Subsidiaries (Note 3)
"	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	18,630	(12,901)	(12,901)	Subsidiaries (Note 3)
"	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	20,550	(1,983)	(1,983)	Subsidiaries (Note 3)
Pai-ye	Everlight BVI	Registered in British Virgin Islands	Investment	124,508	124,508	38	2%	144,969	(23,087)	(462)	Subsidiaries (Note 3)
"	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	100,776	(1,022)	(138)	Subsidiaries (Note 3)
"	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	698	-	-	Sub-subsidiaries (Note 3)
"	ELI	India	Sale of LEDs	493	493	88	20%	3,735	3 (INR6)	1	Subsidiaries (Note 3)
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%	175,699	(1,022)	(284)	Subsidiaries (Note 3)
"	Eleocom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	30,000	30,000	3,000	31.58%	19,450	(11,361)	(3,587)	-

Note 1: The market price is \$50,264 thousand dollars.

Note 2: The amounts were translated into New Taiwan dollars at the three months ended March 31, 2019 average exchange rate.

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

(c) Information on investment in Mainland China:

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

Unit: foreign currency in thousand dollars

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2019	Net income (losses) of the investee	Percentage of ownership owned directly or indirectly by the company	Investment Income (losses) (Note 4)	Carrying amount as of March 31, 2019 (Note 6)	Accumulated remittance of earnings as of March 31, 2019
					Outflow	Inflow						
The Company and Pai-ye:												
Everlight China	Manufacture of LEDs	3,797,788 (US\$113,500 + RMB65,129) (Note 7)	(Note 1)	3,501,444 (US\$110,360)	-	-	3,501,444 (US\$110,360)	19,700	100%	19,700	5,630,887	(Note 8)
Everlight Lighting China	Sale of LEDs	246,600 (US\$8,000) (Note 11)	(Note 1)	168,714 (US\$5,200)	-	-	168,714 (US\$5,200)	(35,964)	100%	(35,964) (Note 12)	154,072 (Note 12)	-

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Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2019	Net income (losses) of the investee	Percentage of ownership owned directly or indirectly by the company	Investment Income (losses) (Note 4)	Carrying amount as of March 31, 2019 (Note 6)	Accumulated remittance of earnings as of March 31, 2019
					Outflow	Inflow						
Everlight Electronic (Guangzhou)	Business development and customer services	210,640 (US\$128,000) RMB45,000 (Note 20)	(Note 1)	4,142 (US\$128)	-	-	4,142 (US\$128)	(112)	100%	(112) (Note 21)	205,995 (Note 21)	-
Everlight Zhongshan	Manufacture of LED related components	924,750 (US\$30,000)	(Note 1)	930,868 (US\$30,000)	-	-	930,868 (US\$30,000)	(809)	100%	(809)	957,660	-
Everlight Fujian	Manufacture and sale of LED backlights and related	770,625 (US\$25,000)	(Note 1)	670,771 (US\$16,250) RMB36,868	-	-	670,771 (US\$16,250) RMB36,868	1,546	90%	1,392	615,145	-
Everlight	Manufacture and sale of LED backlights and related components	616,500 (US\$20,000)	(Note 1)	377,642 (US\$12,000)	-	-	377,642 (US\$12,000)	1,803	100%	1,803	309,245	-
Shanghai Yaming Lighting Co., Ltd.(Yaming)	Assemble LED lighting products	91,864 (RMB20,000)	(Note 1)	49,462 (US\$1,464)	-	-	49,462 (US\$1,464)	-	50%	-	34,684	-
ELMS	Research and sale of LED lighting products	436,354 (RMB95,000) (Note 23)	Direct investment	115,962 (US\$1,294) RMB15,562	-	-	115,962 (US\$1,294) RMB15,562	(39)	100%	(39) (Note 22)	8,934 (Note 22)	-
Yi-Yao	Research of electronic components	52,684 (RMB11,470)	(Note 1)	33,054 (RMB6,462)	-	-	33,054 (RMB6,462)	-	100%	-	-	-
Evervision TW: Vest Kunshan	Post-assemble STN display and assemble module	554,850 (US\$18,000)	(Note 2)	605,784 (US\$18,000)	-	-	605,784 (US\$18,000)	(11,130)	65.50%	(7,290)	458,281	-
Everlight Lighting China: Zhongshan	Research and sale of LED lighting products	91,864 (RMB20,000)	(Note 3)	-	-	-	-	(479)	100%	(479)	(51,069)	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of March 31, 2019 (Note 6)	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (Note 6)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company and Pai-ye (Note 5)	5,849,920 (US\$181,003 thousand) RMB58,892 thousand (Notes 9、10、16 and 17)	6,190,115 (US\$191,841 thousand) RMB60,223 thousand	10,366,036
ELIT	147,750 (US\$2,723 thousand) RMB13,893 thousand (Notes 18 and 19)	147,750 (US\$2,723 thousand) RMB13,893 thousand	133,314 (Note 13)
Evervision TW (Note 15)	651,517 (Note 15 and 24) (US\$21,136 thousand)	651,517 (US\$21,136 thousand)	462,398 (Note 14)

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Note 1: Indirect investment in Mainland China through companies registered in a third region.
- Note 2: Indirect investment in Mainland China through an existing company registered in a third region.
- Note 3: Indirect investment in Mainland China through an existing company in Mainland China.
- Note 4: Except for Everlight China and Everlight Zhongshan, which recognized their gains and losses on investment in accordance with interim financial statements of investees, the gains and losses on investment of the remaining companies were recognized according to the investees' self-reported financial statements and the amounts were translated into New Taiwan dollars at the three months ended March 31 average exchange rates in 2019.
- Note 5: Including the investment amount of US\$ 3,851 thousand approved by Pai-ye.
- Note 6: The amounts were translated into New Taiwan dollars at the exchange rates at the end of the reporting period.
- Note 7: The difference from the Company's outflow of investment was due to the retained earnings transferred to the capital of Everlight China amounting to US\$ 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.
- Note 8: Including the remittance amounting to US\$ 10,140 thousand from Guangzhou Everlight to Everlight BVI to be invested in Everlight China by Everlight BVI in 2007.
- Note 9: In January 2011, the Company sold its subsidiary (Yi-Yao) in Mainland China, through Evlite, to its domestic subsidiary, ELIT, at US\$ 245 thousand, and the Company had applied to eliminate its sales price. In addition, the aforesaid investment amount included its accumulated remittance for investment amounting to US\$ 48 thousand.
- Note 10: The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to US\$ 3,750 thousand was included in the Company's accumulated outflow of investment from Taiwan.
- Note 11: The difference from the Company's outflow of investment was due to the amount of US\$ 2,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.
- Note 12: Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.
- 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 three months ended March 31, 2019.

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

(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 for the three months ended March 31, 2019 and 2018.

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

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

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

For the three months ended March 31, 2019						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 4,436,562	176,904	499,964	15,760	-	5,129,190
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 4,436,562</u>	<u>176,904</u>	<u>499,964</u>	<u>15,760</u>	<u>-</u>	<u>5,129,190</u>
Reportable segment profit (loss)	<u>\$ 138,797</u>	<u>4,039</u>	<u>(29,426)</u>	<u>1,588</u>	<u>-</u>	<u>114,998</u>
For the three months ended March 31, 2018						
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$ 5,350,781	163,805	742,975	22,627	-	6,280,188
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 5,350,781</u>	<u>163,805</u>	<u>742,975</u>	<u>22,627</u>	<u>-</u>	<u>6,280,188</u>
Reportable segment profit (loss)	<u>\$ 233,584</u>	<u>(2,306)</u>	<u>(42,901)</u>	<u>6,211</u>	<u>-</u>	<u>194,588</u>