Stock Code:2393

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

Address: No. 6-8, Zhonghua Road, Shulin Dist., New Taipei City
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Everlight Electronics Co., Ltd. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Everlight Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Everlight Electronics Co., Ltd.
Chairman: Robert Yeh
Date: March 24, 2020

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Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Inventory valuation

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

Description of key audit matters:

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

Audit procedures:

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

2. Accounts receivable valuation

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

   Description of key audit matters:

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

   Audit procedures:

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

3. Revenue recognition

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

   Description of key audit matters:

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

   Audit Procedures:

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

Other Matter

Everlight Electronics Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 4,982,698	18	4,530,385	16
1110	Current financial assets at fair value through profit or loss (note 6(b))	596,882	2	1,327,790	5
1140	Current contract assets (note 6(z))	106,363	-	78,550	-
1170	Notes and accounts receivable, net (note 6(d))	6,027,709	21	6,699,339	23
1180	Accounts receivable due from related parties, net (notes 6(d) and 7)	34,684	-	97,465	-
1310	Inventories (note 6(f))	1,785,349	6	1,850,867	6
1470	Other current assets	423,006	2	505,270	2
1476	Other current financial assets (notes 6(a),6(d), 6(e), 6(l) and 8)	3,429,945	12	2,270,755	8
		17,386,636	61	17,360,421	60
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	41,201	-	41,467	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	325,758	1	331,056	1
1550	Investments accounted for using equity method, net (note 6(g))	79,013	-	110,868	-
1600	Property, plant and equipment (note 6(j))	8,909,437	32	10,239,693	35
1755	Right-of-use assets (note 6(k))	404,510	2	-	-
1780	Intangible assets	82,650	-	124,585	-
1840	Deferred tax assets (note 6(t))	457,663	2	427,294	2
1900	Other non-current assets (notes 6(a), 6(d), 6(s), 6(x) and 8)	662,204	2	448,759	2
		10,962,436	39	11,723,722	40
	Total assets	$ 28,349,072	100	29,084,143	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(m))	$ 2,582,152	9	3,111,970	11
2130	Current contract liabilities (note 6(x))	23,752	-	26,191	-
2170	Notes and accounts payable	4,199,131	15	3,467,355	12
2180	Accounts payable to related parties (note 7)	168,285	-	1,035,028	4
2213	Payable on machinery and equipment	298,852	1	417,193	1
2230	Current tax liabilities	201,077	1	173,007	1
2280	Current lease liabilities (note 6(q))	49,958	-	-	-
2300	Other current liabilities (notes 6(b) and 6(n))	1,621,844	6	1,718,218	6
2410	Bonds payable, current portion (note 6(p))	1,119,659	4	-	-
2322	Long-term borrowings, current portion (note 6(o))	15,778	-	12,958	-
		10,280,488	36	9,961,920	35
	Non-Current liabilities:				
2530	Bonds payable (note 6(p))	-	-	1,102,525	4
2540	Long-term borrowings (note 6(o))	37,866	-	51,831	-
2570	Deferred tax liabilities (note 6(t))	183,169	1	261,798	1
2580	Non-current lease liabilities (note 6(q))	262,852	1	-	-
2640	Non-current provisions for employee benefits (note 6(s))	124,282	-	137,484	-
2600	Other non-current liabilities	265,987	1	215,959	1
		874,156	3	1,769,597	6
	Total liabilities	11,154,644	39	11,731,517	41
	Equity:				
	Equity attributable to owners of parent (note 6(u)):				
3110	Ordinary shares	4,432,457	16	4,429,996	15
3200	Capital surplus (notes 6(i) and 6(p))	9,089,121	32	9,159,142	31
	Retained earnings:				
3310	Legal reserve	2,589,754	9	2,510,447	9
3320	Special reserve	1,224,277	4	830,794	3
3350	Unappropriated retained earnings (note 6(g))	968,323	4	1,281,854	4
		4,782,354	17	4,623,095	16
3400	Other equity interests	(1,461,039)	(5)	(1,224,277)	(4)
		16,842,893	60	16,987,956	58
3610	**Non-controlling interests**	351,535	1	364,670	1
	Total equity	17,194,428	61	17,352,626	59
	Total liabilities and equity	$ 28,349,072	100	29,084,143	100

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019 Amount	%	2018 Amount	%
4000	**Operating revenue (notes 6(x) and 7)**	$ 20,966,541	100	24,089,291	100
5110	**Cost of sales (notes 6(f), 6(s), 7 and 12)**	15,838,093	76	18,434,713	77
5900	**Gross profit**	5,128,448	24	5,654,578	23
	Operating expenses (notes 6(s) and 12):				
6100	Selling expenses	1,524,014	7	1,632,479	6
6200	Administrative expenses	1,981,921	9	2,265,057	9
6300	Research and development expenses	750,665	4	848,926	4
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	36,655	-	19,048	-
		4,293,255	20	4,765,510	19
6900	**Net operating income**	835,193	4	889,068	4
	Non-operating income and expenses:				
7100	Interest income (note 6(z))	47,956	-	74,533	-
7190	Other income (note 6(g))	144,259	1	175,674	1
7210	Gains (loss) on disposals of property, plant and equipment	92,912	-	3,187	-
7225	Gains on disposals of investments (note 6(i))	37,038	-	(556)	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss, net (note 6(p))	17,018	-	43,198	-
7050	Finance costs (notes 6(p), 6(q) and 6(z))	(70,034)	-	(123,237)	(1)
7590	Other expenses and losses (note 6(p))	(35,877)	-	(72,843)	-
7630	Foreign exchange gains (losses), net (note 6(aa))	73,131	-	144,010	1
7670	Impairment loss (note 6(g))	(45,657)	-	-	-
7770	Share of profit (loss) of associates accounted for using equity method (note 6(g))	(30,231)	-	(9,075)	-
		230,515	1	234,891	1
7900	**Profit before tax**	1,065,708	5	1,123,959	5
7950	Less: Income tax expenses (note 6(t))	214,379	1	260,880	1
	Profit	851,329	4	863,079	4
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(s))	10,401	-	4,818	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,298)	-	(194,768)	(1)
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss (note 6(g))	4	-	(46)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(t))	2,080	-	(2,654)	-
		3,027	-	(187,342)	(1)
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(249,426)	(1)	(205,082)	(1)
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(t))	(5,676)	-	(4,150)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(243,750)	(1)	(200,932)	(1)
8300	**Other comprehensive income**	(240,723)	(1)	(388,274)	(2)
	Total comprehensive income	$ 610,606	3	474,805	2
	Profit, attributable to:				
	Owners of parent	$ 822,244	4	793,069	4
	Non-controlling interests	29,085	-	70,010	-
		$ 851,329	4	863,079	4
	Total comprehensive income attributable to:				
	Owners of parent	$ 593,478	3	410,915	2
	Non-controlling interests	17,128	-	63,890	-
		$ 610,606	3	474,805	2
	Earnings per share (note 6(w))				
9750	**Basic earnings per share**	$	1.86		1.80
9850	**Diluted earnings per share**	$	1.80		1.66

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
			Retained earnings			Other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 4,404,486	9,139,711	2,390,096	1,419,253	1,326,186	(437,489)	(389,010)	(826,499)	17,853,233	323,710	18,176,943
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	120,351	-	(120,351)	-	-	-	-	-	-
Special reserve	-	-	-	(588,459)	588,459	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,321,133)	-	-	-	(1,321,133)	-	(1,321,133)
	-	-	120,351	(588,459)	(853,025)	-	-	-	(1,321,133)	-	(1,321,133)
Profit for the period	-	-	-	-	793,069	-	-	-	793,069	70,010	863,079
Other comprehensive income for the period	-	-	-	-	7,446	(194,832)	(194,768)	(389,600)	(382,154)	(6,120)	(388,274)
Total comprehensive income for the period	-	-	-	-	800,515	(194,832)	(194,768)	(389,600)	410,915	63,890	474,805
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(3,656)	-	-	-	-	-	-	(3,656)	-	(3,656)
Share-based payments transactions	25,510	22,555	-	-	-	-	-	-	48,065	-	48,065
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(22,930)	(22,930)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	8,178	-	(8,178)	(8,178)	-	-	-
Other	-	532	-	-	-	-	-	-	532	-	532
Balance at December 31, 2018	4,429,996	9,159,142	2,510,447	830,794	1,281,854	(632,321)	(591,956)	(1,224,277)	16,987,956	364,670	17,352,626
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	79,307	-	(79,307)	-	-	-	-	-	-
Special reserve	-	-	-	393,483	(393,483)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(664,555)	-	-	-	(664,555)	-	(664,555)
	-	-	79,307	393,483	(1,137,345)	-	-	-	(664,555)	-	(664,555)
Profit for the period	-	-	-	-	822,244	-	-	-	822,244	29,085	851,329
Other comprehensive income for the period	-	-	-	-	7,996	(231,464)	(5,298)	(236,762)	(228,766)	(11,957)	(240,723)
Total comprehensive income for the period	-	-	-	-	830,240	(231,464)	(5,298)	(236,762)	593,478	17,128	610,606
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(72,690)	-	-	-	-	-	-	(72,690)	-	(72,690)
Changes in ownership interests in investee companies	-	-	-	-	(6,426)	-	-	-	(6,426)	-	(6,426)
Share-based payments transactions	2,461	2,669	-	-	-	-	-	-	5,130	-	5,130
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(30,263)	(30,263)
Balance at December 31, 2019	$ 4,432,457	9,089,121	2,589,754	1,224,277	968,323	(863,785)	(597,254)	(1,461,039)	16,842,893	351,535	17,194,428

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,065,708	1,123,959
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	2,089,477	2,100,691
Expected credit loss	36,655	19,048
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	82,487	(62,413)
Interest expense	70,034	123,237
Interest income	(47,956)	(74,533)
Share-based payments compensation cost (gain)	748	(1,533)
Share of loss of associates and joint ventures accounted for using equity method	30,231	9,075
Loss (gain) on disposal of investments	(37,038)	556
Gain on disposal of property, plan and equipment	(92,912)	(3,187)
Impairment loss	45,657	-
Loss on bonds redemption	-	42,668
Others	5,094	5,403
Total adjustments to reconcile profit (loss)	2,182,477	2,159,012
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	675,405	(90,453)
Increase in contract assets	(27,813)	(78,550)
Decrease in notes and accounts receivable (including related parties)	637,801	1,693,138
Decrease in inventories	65,518	638,785
Decrease in other current assets	46,244	4,910
Decrease in notes and accounts payable (including related parties)	(134,967)	(1,082,248)
Decrease in provisions	(16,764)	(13,562)
Decrease in other current liabilities	(133,846)	(609,574)
Decrease in non-current provisions for employee benefits	(3,992)	(19,590)
Increase (decrease) in current contract liability	(2,439)	18,122
Others	39,871	(29,270)
Total changes in operating assets and liabilities	1,145,018	431,708
Cash inflow generated from operations	4,393,203	3,714,679
Interest received	46,963	90,978
Interest paid	(55,441)	(45,569)
Income taxes paid	(283,047)	(223,956)
Net cash flows from operating activities	4,101,678	3,536,132
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	18,227
Acquisition of investments accounted for using equity method	(50,465)	(30,000)
Acquisition of property, plant and equipment	(898,237)	(1,368,862)
Proceeds from disposal of property, plant and equipment	171,183	292,875
Decrease in refundable deposits	18,572	8,928
Acquisition of intangible assets	(48,423)	(46,359)
Decrease (increase) in other financial assets	(1,224,833)	4,452,044
Increase in restricted deposits	(198,448)	(104,463)
Decrease (increase) in prepayments for business facilities	(46,796)	9,701
Others	-	1,190
Net cash flows from (used in) investing activities	(2,277,447)	3,233,281
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(529,818)	930,559
Repayments of bonds	-	(6,528,800)
Repayments of long-term borrowings	(9,467)	-
Proceeds from long-term borrowings	-	64,789
Increase (decrease) in guarantee deposits received	66,883	(653)
Payment of lease liabilities	(51,947)	-
Cash dividends paid	(664,555)	(1,321,133)
Exercise of employee stock options	4,382	49,598
Change in non-controlling interests	(30,263)	(22,930)
Other financing activities	-	532
Net cash flows used in financing activities	(1,214,785)	(6,828,038)
Effect of exchange rate changes on cash and cash equivalents	(157,133)	(179,996)
Net decrease in cash and cash equivalents	452,313	(238,621)
Cash and cash equivalents at beginning of period	4,530,385	4,769,006
Cash and cash equivalents at end of period	$ 4,982,698	4,530,385

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 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 are comprised of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Please refer to note 4(c) for related information of the Group entities main business activities.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the board of directors on March 24, 2020.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

(i) IFRS 16"Leases"

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

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

1) Definition of a lease

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

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

2) As a lessee

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

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

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

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

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

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Summary of significant accounting policies

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

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

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

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from Intra-group transactions are eliminated in preparing the consolidated financial statements.

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

(Continued)

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

(ii) List of subsidiaries in the consolidated financial statements

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

			Percentage of ownership		
Investor	**Name of subsidiary**	**Nature of business**	**December 31, 2019**	**December 31, 2018**	**Description**
The Company	Pai-yee Investment Co., Ltd. (Pai-yee)	Investment	100 %	100 %	
The Company and Pai-yee	Everlight (BVI) Co., Ltd. (Everlight BVI)	Investment	100 %	100 %	
The Company	Everlight Electronics (Europe) GmbH (Everlight Europe)	Sale of LEDs	75 %	75 %	
The Company	Everlight Americas, Inc. (ELA)	Sale of LEDs	99 %	99 %	
The Company	Everlight Optoelectronics Korea Co., Ltd. (ELK)	Sale of LEDs	100 %	100 %	
The Company	Forever Investment Co., Ltd. (Forever)	Investment	100 %	100 %	
The Company	Everlight Intelligence Technology Co., Ltd. (ELIT, former name: Everlight Lighting Co., Ltd.)	Sale of LED lighting products	100 %	100 %	
The Company	Zenaro Lighting Co., Ltd. (Zenaro TW)	Sale of LED lighting products and investment	- %	100 %	Note 4
The Company	WOFI Leuchten GmbH (WOFI Holding)	Sale of lighting products, pendants and accessories	100 %	100 %	
The Company and Pai-yee	Everlight Electronic India Private Limited (ELI)	Sale of LEDs	100 %	100 %	
The Company	Evlite Electronics Co., Ltd. (Evlite)	Sale of LEDs	100 %	100 %	
The Company	Everlight Electronics Singapore Pte. Ltd. (ELS)	Sale of LEDs	100 %	100 %	
The Company	Everlight Japan Corporation (ELJ)	Sale of LEDs	100 %	100 %	
The Company 、 Pai-yee and Forever	Evervision Electronics Co., Ltd. (Evervision TW)	Manufacture and sales of liquid crystal displays and LED processing	65.50 %	65.50 %	
Pai-yee	Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia)	Business development and customer services	100 %	100 %	
Everlight BVI	Everlight Electronics (China) Co., Ltd. (Everlight China)	Manufacture of LEDs	100 %	100 %	
Everlight BVI and Everlight China	Everlight Lighting (China) Co., Ltd. (Everlight Lighting China)	Sale of LEDs	100 %	100 %	
Everlight BVI and Everlight China	Everlight Electronic (Guangzhou) Co., Ltd. (Everlight Electronic (Guangzhou), former name: Guangzhou Yi-Liang Trading Co., Ltd.)	Business development and customer services	100 %	100 %	
Everlight BVI	Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	Manufacture of LED-related components	100 %	100 %	
Everlight BVI	Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	Manufacture and sale of LED backlights and related components	90 %	90 %	

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

Investor	Name of subsidiary	Nature of business	Percentage of ownership December 31, 2019	Percentage of ownership December 31, 2018	Description
Everlight BVI	Eralite Optoelectronics (Jiangsu) Co., Ltd. (Eralite)	Manufacture and sale of LED backlights and related components	- %	100 %	Note 3
The Company and Everlight Electronic (Guangzhou)	Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	Research and sale of LED lighting products	100 %	100 %	
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	
The Company and ELIT	Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	Research of electronic components	100 %	100 %	
WOFI Holding	WOFI Wortmann & Fliz GmbH (WOFI W&F GmbH)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	Euro Technics Trade GmbH (ETT)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	WOFI Technics Trade Limited (WTT)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	Action GmbH (Action)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	WOFI Verkaufsgesellschaft mbH (WOFI VG)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	Lamp For Less GmbH (LFL)	Sale of lighting products, pendants and accessories	100 %	100 %	Note 1
Evervision TW	Evervision Electronics (B.V.I.) Limited (Evervision BVI)	Investment	100 %	100 %	
Evervision TW	VBest GmbH (VBest)	Sale of LCDs	75 %	75 %	
Evervision	VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	Manufacture of LCDs	100 %	100 %	
Evervision	Evervision Electronics (H.K.) Limited (Evervision HK)	Sale of LCDs	100 %	100 %	
Evervision	Topbest Holding (Samoa) Limited (Topbest)	Sale of LCDs	- %	100 %	Note 2

Note 1: The subsidiary was incorporated in July 2018.
Note 2: The subsidiary completed the liquidation procedure in May 2019.
Note 3: The subsidiary completed the liquidation procedure in August 2019.
Note 4: The subsidiary completed the liquidation procedure in October 2019.

(d) Foreign currencies

(i) Foreign currency transaction

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

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss, except for those differences relating to an investment in equity securities designated as at fair value through other comprehensive income, which is recognized in other comprehensive income.

(ii) Foreign operations

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

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

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

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

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

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

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

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

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

(Continued)

3) Fair value through profit or loss (FVTPL)

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

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

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

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

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

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

5) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 365 days past due;

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for a security because of financial difficulties.

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

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

6) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Compound financial instrument

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

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

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

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

(Continued)

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

(h) Inventories

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

(i) Investment in associates

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

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

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

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

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

(Continued)

(j) Joint arrangements

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

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

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

(k) Investment property

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

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

Land is not depreciated.

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

1) Buildings: 20~60 years

2) Building improvements: 2~16 years

3) Machinery and equipment: 1~10 years

4) Modeling equipment: 2~6 years

5) Office and other equipment: 1~11 years

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

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

(m) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

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

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

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

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

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

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

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

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

(ii) As a leasee

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

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

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

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

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

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

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

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

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

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

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

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

(iii) As a leasor

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

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

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

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

Applicable before January 1, 2019

(i) The Group as lessor

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

(ii) The Group as lessee

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

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

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

The expenditures for obtaining land leasehold rights are recognized as long-term prepaid rents and are recognized in expenses periodically on a straight-line basis over the contract periods of 45 to 50 years.

(n) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent Expenditure

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

(Continued)

(iii) Amortization

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

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

2) ERP software system: 1~10 years

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

(o) Impairment – non financial assets

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

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

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

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

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

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

(p) Provisions

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

(Continued)

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

(q) Revenue from contracts with customers

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

(i) Sale of goods–electronic components

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

The Group often offers volume discounts to its customers based on aggregate sales of goods. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of goods are made with a credit term, which is consistent with the market practice.

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

(ii) Construction contracts

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

(Continued)

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

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

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

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

(iii) Financing components

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

The Group's subsidiaries located in China provided their employees the social insurance and housing fund by using the minimum wage as the base calculation which is in accordance with the request of the bureau of labor and social security.

(s) Share-based payment

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

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

(t) Income taxes

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

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

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

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

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

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

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

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

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

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

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

   1) the same taxable entity; or

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

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

The surtax on unappropriated earnings of the Company and the consolidated subsidiaries in the ROC is recognized as current tax expense in the following year after the resolution of appropriate retained earnings is approved in the shareholders' meeting.

(u) Business combination

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

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

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

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

(v) Earnings per share

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

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

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

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

(a) Valuation of receivables

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

(b) The loss allowance of trade receivable

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash, checking accounts, and demand deposits	$ 4,040,872	2,958,280
Time deposits	765,619	1,402,753
Bonds purchased under resale agreements	176,207	169,352
	$ 4,982,698	4,530,385

(i) The time deposits with maturities within three months or less from the acquisition date that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Therefore, the time deposits are classified as cash and cash equivalents. The time deposits with maturities over three months from the acquisition date are recorded as other current financial assets amounting to $3,207,851 and $1,984,411 as of December 31, 2019 and 2018, respectively. The non-current portion of the time deposits with maturities over three months from the acquisition date as recorded as other non-current financial assets amounting $77,331 and $0 as of December 31, 2019 and 2018, respectively.

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

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

		December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging	$	15,393	64,238
Listed convertible bonds		47,093	70,886
Credit-Linked Note (CLN)		-	21,584
Structured deposits		86,499	753,449
Beneficiary certificate-funds		75,937	30,585
Stocks listed on domestic markets		6,514	9,306
Unlisted common shares		406,647	419,209
	$	638,083	1,369,257
Current	$	596,882	1,327,790
Non-current		41,201	41,467
	$	638,083	1,369,257

		December 31, 2019	December 31, 2018
Current financial liabilities held-for-trading (recorded as other current liabilities):			
Derivative instruments not used for hedging	$	39,440	427
	$	39,440	427

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

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

(iii) Capital guarantee financial products (Structured deposits) held by the Group, which were recognized as financial assets mandatorily measured at fair value through profit or loss, because the interest was not based on the time value on principal amount outstanding.

(iv) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net income pre-tax for 2019 and 2018 will be $24,455 and $22,955, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.

(v) The Group uses derivative financial instruments to hedge certain foreign exchange and interest risks the Group is exposed to, arising from its operating and financing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

1) Forward exchange contracts

	December 31, 2019			
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	26,000	USD to TWD	2020.01.07~2020.03.17
Forward exchange sold	EUR	250	EUR to USD	2020.02.25
Forward exchange sold	USD	23,000	USD to RMB	2020.01.07~2020.03.26
Financial liabilities:				
Forward exchange sold	EUR	3,500	EUR to USD	2020.01.07~2020.04.23

	December 31, 2018			
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	18,000	USD to TWD	2019.01.08~2019.03.07
Forward exchange sold	USD	11,000	USD to RMB	2019.01.08~2019.03.07
Forward exchange sold	EUR	1,071	EUR to USD	2019.01.08~2019.03.15
Financial liabilities:				
Forward exchange sold	USD	3,000	USD to TWD	2019.01.17~2019.02.21
Forward exchange sold	USD	1,000	USD to RMB	2019.02.19
Forward exchange sold	EUR	1,750	EUR to USD	2019.01.17~2019.03.14

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2) Cross currency swap

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

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

3) Other derivative financial instrument contracts

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

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

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

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

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

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

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

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

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 31, 2019. For the year ended December 31, 2018, the Group disposed parts of its financial assets at fair value through other comprehensive income, with the fair value of $18,227, and recognized a gain of $8,178, which was accounted for as other comprehensive income. The gain had been transferred to retained earnings.

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

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

(d) Notes and accounts receivable

		December 31, 2019	December 31, 2018
Notes receivable from operating activities	$	27,542	11,416
Accounts receivable-measured as amortized cost		6,310,794	6,981,114
		6,338,336	6,992,530
Less: Allowance for uncollectible accounts		(147,549)	(127,287)
	$	6,190,787	6,865,243
Notes and accounts receivable, net	$	6,027,709	6,699,339
Accounts receivable due from related parties, net		34,684	97,465
Long-term receivables (recorded as other non-current assets)		128,394	68,439
	$	6,190,787	6,865,243

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(i) Impairment loss on notes and accounts receivables

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

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

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

	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not overdue	$ 5,240,149	0.129%	6,764
Overdue 0-90 days	200,835	0.953%	1,913
Overdue 91-180 days	30,028	5.009%	1,504
Overdue 181-270 days	37,871	16.701%	6,325
Overdue 271-365 days	42,754	50%	21,377
Overdue over one year	61,465	100%	61,465
	$ 5,613,102		99,348

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

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

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

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

	Gross carrying amount
Not overdue	$ 1,267,454
Overdue 0-90 days	78,802
Overdue 91-180 days	903
Overdue 181-270 days	1,345
Overdue 271-365 days	-
Overdue over one year	30,924
	$ 1,379,428

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

	2019	2018
Balance on January 1	$ 127,287	132,051
Impairment loss recognized	36,655	19,048
Amounts written off	(15,823)	(23,441)
Foreign exchange (gains) losses	(570)	(371)
Balance on December 31	$ 147,549	127,287

(iii) The Group entered into an accounts receivable factoring agreement with banks. Based on the terms of agreement, the Group is not responsible for any inability of repayment by accounts receivable during the debt transfer and repayment period. From the factoring of AR, the Group will receive prepayment and pledged deposit amounts in accordance with the factoring agreement. The Group will pay interest to the bank, calculated based on the agreed interest rate for the repayment period made by the customer. Furthermore, the pledged deposit amount cannot be withdrawn prior to the repayment made by the customer, the remaining amount and pledged deposit will be received from banks upon the actual payment from customer and will

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be recorded under bank accounts. In addition, the Group has to pay the transaction fee with a certain percentage. As of December 31, 2019, and 2018, the pledged deposits amounted to $121,414 and $138,075, respectively, were recorded under other current financial assets.

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

December 31, 2019					
Amount of sold A/R	Limitation amount	Amount advanced unpaid	Advance amount paid	Amount derecognized	Interest rate
$ 217,728	337,639	-	217,728	217,728	2.2%

December 31, 2018					
Amount of sold A/R	Limitation amount	Amount advanced unpaid	Advance amount paid	Amount derecognized	Interest rate
$ 392,051	598,845	-	392,051	392,051	2.2%

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

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

	December 31, 2019	December 31, 2018
Other accounts receivable	$ 105,658	153,247
Less: Loss allowance	(4,978)	(4,978)
	$ 100,680	148,269

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

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

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	December 31, 2018	
	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired
Not overdue	$ 148,269	-
Overdue	-	4,978
Gross carrying amount	148,269	4,978
Impairment losses	-	(4,978)
Carrying amount	$ 148,269	-

For the years ended December 31, 2019 and 2018, the allowance for financial assets of other receivables had no change.

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

(f) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 233,262	213,365
Work in progress	301,293	312,082
Finished goods	1,250,794	1,325,420
	$ 1,785,349	1,850,867

In 2019 and 2018, inventory cost (excluding construction cost) recognized as cost of sales amounted to $15,786,377 and $18,208,931, respectively.

The Group reversed its allowance for inventory valuation and obsolescence loss amounting to $102,145 and $16,980 in the years ended December 31, 2019 and 2018, respectively, and recorded them as reduction of cost of sales, because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

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

(g) Investments accounted for using equity method

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

	December 31, 2019	December 31, 2018
Associates	$ 79,013	110,868

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

		December 31, 2019	December 31, 2018
The carrying amount of equity of the individually insignificant associates	$	79,013	110,868

		2019	2018
Attributable to the Group:			
Profit (loss) from continuing operations	$	(30,231)	(9,075)
Other comprehensive income		4	(46)
	$	(30,227)	(9,121)

(iii) The Group had acquired 31.58% ownership of EleOcom Inc. (EleOcom) from third parties with the cash considerations of $30,000 in 2018. The additional cash of $15,000 invested by the Group in EleOcom in 2019 was not in proportion to the percentage of ownership in investment; therefore, the ownership of equity in EleOcom were changed in 2019. The difference resulting from the change in percentage of ownership was reflected by decreasing the retained earnings by $6,426. The percentage of ownership in EleOcom increased from 31.58% to 32.14%. Since the Group is able to exercise significant influence over EleOcom's operations and financial policies, the long-term investment in EleOcom was accounted for using the equity method.

(iv) The Group had acquired 20% ownership of Well Service Company Ltd. (Well) from third parties, with the cash considerations of $14,000 in 2019. Since the Group is able to exercise significant influence over Well's operations and financial policies, the long-term investment in Well was accounted for using the equity method.

(v) As of December 31, 2018, the Group had 9.66% ownership of Tekcore Co., Ltd. (Tekcore). In addition, the Group had acquired 4.27% ownership of Tekcore from the third parties, with the cash considerations of $21,465 in 2019. The Group transferred the amount of $2,598, less, the net amount of the identifiable assets acquired and liabilities assumed, which was recognized as gain on a bargain purchase in other income. The percentage of ownership in Tekcore increased from 9.66% to 13.93%. Since the Group is able to exercise significant influence over Tekcore's operations and financial policies, the long-term investment in Tekcore was accounted for using the equity method.

(vi) As of December 31, 2019, the Group evaluated the carrying amount of part of associates in exceed of its recoverable amount. The Group recognized an impairment loss of $45,657, and recorded it as impairment loss.

(vii) Pledges

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

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(h) Joint operation

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

The joint operation ratio between the Group and the joint operators is 53.6%, 36.4% and 10%. The joint operators account for the input costs incurred in proportion, and share the income incurred by the project settlement and the expenses incurred jointly.

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

(i) Loss control of subsidiaries

(i) Zenaro GmbH had completed its liquidation process in January 2018. It is no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Zenaro GmbH and recognized a gain on disposal of $1,081, and recorded it as gains (losses) on disposal of investments, net.

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

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

(ii) Ever Power had completed its liquidation process in April, 2018. The Group reversed capital surplus of $3,656 which was not recognized at the shareholding percentage. It is no longer included in the consolidated since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Ever Power, and recognized a gain on disposal of $2,727, and recorded it as gains (losses) on disposal of investments, net.

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

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

(iii) Zenaro USA had completed its liquidation process in December 2018. It is no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Zenaro USA and recognized a loss on disposal of $4,364, and recorded it as gains (losses) on disposal of investments, net.

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

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

(iv) Eralite had completed its liquidation process in August 2019, and the Group received the liquidating dividend of $284,710. The Group reversed the capital surplus of $72,690, which was recognized due to the change in its shareholding percentage. Eralite was no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Eralite and recognized a gain on disposal of $37,024, which was recorded as net gains (losses) on disposal of investment.

The carrying amount of assets and liabilities of Eralite on the date of liquidation was as follows:

Other current assets	$ 299,705
Other current liabilities	518
Carrying amount of net assets	$ 299,187
Other equity	$ (51,501)

(v) Zenaro had completed its liquidation process in October 2019, and the Group received the liquidating dividend of $47,246. Zenaro is no longer included in the consolidation since the liquidation date. The Group derecognized the assets, liabilities and the related equity components of Zenaro and recognized a gain on disposal of $14, and recorded it as net gains (losses) on disposal of investment.

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

Other current assets	$ 47,302
Other current liabilities	70
Carrying amount of net assets	$ 47,232

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(j) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Cost or deemed cost:							
Balance on January 1, 2019	$ 645,175	8,209,170	13,707,628	1,706,878	1,163,726	125,568	25,558,145
Add: additions	-	81,467	511,730	97,995	26,649	62,055	779,896
Add: reclassification	-	31,830	27,543	1,274	716	(33,609)	27,754
Less: sales	-	-	(603,431)	(56,508)	(1,855)	(4,710)	(666,504)
Less: retirement	-	(134)	(39,225)	(156,507)	(15,551)	-	(211,417)
Effect of movements in exchange rates	(1,892)	(116,327)	(198,814)	(19,399)	(21,341)	-	(357,773)
Balance on December 31, 2019	$ 643,283	8,206,006	13,405,431	1,573,733	1,152,344	149,304	25,130,101
Balance on January 1, 2018	$ 651,235	8,016,840	14,063,604	1,564,202	1,181,827	294,190	25,771,898
Add: additions	-	55,771	660,100	203,872	108,328	127,695	1,155,766
Add: reclassification	-	259,558	82,722	116	(31,125)	(288,464)	22,807
Less: sales	(5,311)	(46,037)	(827,859)	(23,367)	(57,890)	(7,853)	(968,317)
Less: retirement	-	(151)	(141,227)	(23,393)	(22,371)	-	(187,142)
Effect of movement in exchange rates	(749)	(76,811)	(129,712)	(14,552)	(15,043)	-	(236,867)
Balance on December 31, 2018	$ 645,175	8,209,170	13,707,628	1,706,878	1,163,726	125,568	25,558,145
Depreciation and impairments loss:							
Balance on January 1, 2019	$ -	3,401,783	10,083,877	1,194,248	638,544	-	15,318,452
Add: depreciation for the year	-	431,794	1,231,304	186,436	97,078	-	1,946,612
Add: reclassification	-	-	-	-	(4)	-	(4)
Less: sales	-	-	(534,280)	(53,194)	(1,088)	-	(588,562)
Less: retirement	-	(134)	(39,144)	(156,389)	(15,421)	-	(211,088)
Effect of movements in exchange rates	-	(73,519)	(149,783)	(12,222)	(9,222)	-	(244,746)
Balance on December 31, 2019	$ -	3,759,924	10,591,974	1,158,879	709,887	-	16,220,664
Balance on January 1, 2018	$ -	3,012,162	9,691,147	1,050,195	590,699	-	14,344,203
Add: depreciation for the year	-	441,987	1,270,228	190,960	93,200	-	1,996,375
Add: reclassification	-	1,027	-	8,693	100	-	9,820
Less: sales	-	(7,589)	(643,729)	(16,025)	(21,572)	-	(688,915)
Less: retirement	-	(151)	(134,184)	(23,384)	(19,137)	-	(176,856)
Less: reclassification	-	-	(1,127)	(8,693)	-	-	(9,820)
Effect of movements in exchange rates	-	(45,653)	(98,458)	(7,498)	(4,746)	-	(156,355)
Balance on December 31, 2018	$ -	3,401,783	10,083,877	1,194,248	638,544	-	15,318,452
Carrying amounts:							
Balance on December 31, 2019	$ 643,283	4,446,082	2,813,457	414,854	442,457	149,304	8,909,437
Balance on January 1, 2018	$ 651,235	5,004,678	4,372,457	514,007	591,128	294,190	11,427,695
Balance on December 31, 2018	$ 645,175	4,807,387	3,623,751	512,630	525,182	125,568	10,239,693

(i) There was no indication that the property and equipment may be impaired in 2019 and 2018.

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

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(k) Right-of-use assets

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

	Land	Buildings and construction	Office and other equipment	Total
Cost:				
Balance on January 1, 2019	$ -	-	-	-
Effect of retrospective application	357,906	65,058	24,891	447,855
Adjusted balance at January 1, 2019	357,906	65,058	24,891	447,855
Acquisitions	-	8,913	10,409	19,322
Effect of changes in foreign exchange rates	(3,364)	(1,764)	(943)	(6,071)
Balance on December 31, 2019	$ 354,542	72,207	34,357	461,106
Accumulated depreciation and impairment losses:				
Balance on January 1, 2019	$ -	-	-	-
Effect of retrospective application	-	-	-	-
Adjusted balance on January 1, 2019	-	-	-	-
Depreciation for the year	11,398	31,952	14,301	57,651
Effect of changes in foreign exchange rates	(103)	(684)	(268)	(1,055)
Balance on December 31, 2019	$ 11,295	31,268	14,033	56,596
Carrying amount:				
Balance on December 31, 2019	$ 343,247	40,939	20,324	404,510

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

(l) Other current financial assets

	December 31, 2019	December 31, 2018
Time deposits with maturities over three months	$ 3,207,851	1,984,411
Restricted deposits	121,414	138,075
Other receivables	100,680	148,269
	$ 3,429,945	2,270,755

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

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(m) Short-term borrowings

The short-term loans were summarized as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 2,582,152	3,111,970
Unused short-term credit lines	$ 15,356,175	12,429,732
Annual interest rates	0.43%~3.28%	0.44%~3.6%

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

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

(n) Other current liabilities

	December 31, 2019	December 31, 2018
Refund liabilities – current	$ 7,308	9,817
Derivative instruments not used for hedging	39,440	427
Wages and salaries payable	228,081	238,618
Other payables	896,328	1,018,568
Others	450,687	450,788
	$ 1,621,844	1,718,218

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

(o) Long-term loans

The details were as follows:

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

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

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

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

(p) Convertible bonds payable

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

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

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

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(i) The significant terms of the aforementioned convertible bonds were as follows:

1) Interest rate: 0%

2) Duration:

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

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

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

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

4) Redemption at the option of bondholders:

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

5) Terms of conversion:

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

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

b) Conversion price:

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

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

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

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

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

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

(q) Lease liabilities

The carrying amount of lease liabilities were as follows:

		December 31, 2019
Current	$	**49,958**
Non-current	$	**262,852**

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

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The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 6,097
Variable lease payments not included in the measurement of lease liabilities	$ 7,039
Expenses relating to short-term leases	$ 35,579
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 257

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

	2019
Total cash outflow for leases	$ 100,919

(i) Real estate leases

As of December 31, 2019, the Group leases land and buildings for its office space and factory. The leases of land typically run for a period for 4 years to 50 years, of office space for 1 to 5 years, and of factory for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(ii) Other leases

The Group leases vehicles and other equipment, with lease terms of 2 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

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

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(r) Operating lease

(i) The Group as leasee

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

		December 31, 2018
Less than one year	$	61,024
Between one and five years		92,597
More than five years		30,776
	$	184,397

The Group leased several offices, warehouses and factory facilities under operating leases with lease terms of 1 to 5 years and had an option to renew the leases. Lease payments are adjusted annually to reflect the market rentals.

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

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

3) Long-term prepaid rents (recorded as other non-current assets)

During the period from 2000 to 2008, the Group acquired the land leasehold rights in Jiangsu Province and Guangdong Province, PRC, to construct plants. The total land leasehold rights amounted to RMB32,198 thousands. The useful life was 45 years to 50 years and will expire from 2049 to 2053. The abovementioned amount of land leasehold rights had been transferred from long-term prepaid rents to right-of-use assets upon the initial application of IFRS16 on January 1, 2019.

4) For the year ended December 31, 2018, the expenses recognized in profit or loss in respect of the operating leases amounted to $117,380.

(ii) The Group as lessor

The Group leased out parking space and employee dormitory under operating lease. The rent income in 2019 and 2018 was $6,899 and $17,294, respectively.

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(s) Employee benefits

(i) Defined benefit plans

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

		December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$	(211,548)	(221,733)
Fair value of plan assets		94,690	90,709
Net defined benefit obligations assets (liabilities)	$	**(116,858)**	**(131,024)**
Defined benefit assets	$	7,424	6,460
Defined benefit liabilities		(124,282)	(137,484)
	$	**(116,858)**	**(131,024)**

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

1) Composition of plan assets

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

The labor pension reserve account balance of the Company and Evervision TW with Bank of Taiwan amounted to $94,690 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

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2) Movements in present value of the defined benefit obligations

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

		2019	2018
Defined benefit obligation at January 1	$	(221,733)	(246,384)
Benefits paid by the plan		7,200	27,673
Current service costs and interest		(4,513)	(5,743)
Remeasurement in net defined benefit assets (liability)		7,498	2,721
Defined benefit obligation at December 31	$	**(211,548)**	**(221,733)**

3) Movements of defined benefit plan assets

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

		2019	2018
Fair value of plan assets at January 1	$	90,709	90,862
Contributions made		3,136	23,976
Benefits paid from the plan assets		(3,281)	(27,673)
Expected return on plan assets		1,223	1,447
Remeasurement in net defined benefit assets (liability)		2,903	2,097
Fair value of plan assets at December 31	$	**94,690**	**90,709**
Actual return on plan assets	$	**4,126**	**3,544**

4) Expenses recognized in profit or loss

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

		2019	2018
Service cost	$	1,539	1,781
Interest cost		2,974	3,962
Expected return on plan assets		(1,223)	(1,447)
	$	**3,290**	**4,296**

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

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

		2019	2018
Cumulative amount at January 1	$	(30,476)	(35,294)
Recognized during the period		10,401	4,818
Cumulative amount at December 31	$	(20,075)	(30,476)

6) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
Discount rate	1.000%~1.125%	1.125%~1.375%
Future salary increasing rate	3.00%~3.50%	3.00%~3.50%

The expected allocation payment made by the Company and Evervision TW to the defined benefit plans for the one year period after the reporting date was $6,452 and $0, respectively.

The weighted-average duration of the defined benefit obligation of the Company and Evervision TW are 16.07 years and 14.23 years, respectively.

7) Sensitivity analysis

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

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

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Evervision TW		Influences of defined benefit assets Increased 0.25%	Decreased 0.25%
December 31, 2019			
Discount rate	$	401	(419)
Future salary increasing rate		(405)	390
December 31, 2018			
Discount rate		430	(450)
Future salary increasing rate		(435)	418

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

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

(ii) Defined contribution plans

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

The pension costs under the defined contribution method of the Company and the consolidated subsidiaries in the ROC have been allocated to the Bureau of the Labor Insurance and provision of life insurance account. The subsidiaries other than the aforementioned entities recognized their pension expense, endowment insurance expense and social security expense. The total pension expenses recognized under the defined contribution plans for the years ended December 31, 2019 and 2018 were $129,951 and $161,032, respectively.

(t) Income taxes

(i) Income tax expenses

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

		2019	2018
Current tax expense			
Recognized during the period	$	325,943	288,469
Adjustment for prior periods		(11,255)	(2,802)
Surtax on unappropriated earnings		5,093	41,406
		319,781	327,073

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	2019	2018
Deferred tax expense		
Recognition and reversal of temporary differences	(105,402)	(26,464)
Adjustment in tax rate	-	(39,729)
	(105,402)	(66,193)
Income tax expense	$ 214,379	260,880

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

	2019	2018
Exchange differences on translating foreign operations	$ (5,676)	(4,150)
Actuarial gains (losses) on defined benefit plans	2,080	(2,654)
	$ (3,596)	(6,804)

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

	2019	2018
Profit before income tax	$ 1,065,708	1,123,959
Income tax using the Company's domestic tax rate	$ 213,142	224,792
Adjustment in tax rates	-	(39,729)
Effect of tax rates in foreign jurisdiction	36,295	40,447
Non-deductible expenses	14,967	14,874
Exemption of investment disposal income	(801)	(2,509)
Increase in investment tax credits	(24,183)	(27,401)
Realized investment gains or loss	(30,678)	(62,320)
Net gains or losses on domestic investments	(3,598)	(34,822)
Changes in unrecognized deferred tax assets and liabilities	(42,727)	(28,142)
Changes in unrecognized deferred tax assets arising from tax loss	40,947	84,396
Surtax on unappropriated earnings	5,093	41,406
Adjustment for prior periods and others	5,922	49,888
	$ 214,379	260,880

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

Details of unrecognized deferred tax assets were as follow:

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 81,550	85,522
Tax losses	539,209	642,367
	$ 620,759	727,889

Details of unrecognized deferred tax liabilities were as follow:

	December 31, 2019	December 31, 2018
Temporary differences related to investments in subsidiaries	$ 536,070	497,315

The Group is able to control the timing of the reversal of the part of temporary differences associated with investments in subsidiaries as at December 31, 2019 and 2018. Also, the management of the Group considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities.

Deferred tax assets are not recognized when the Group has considered that the future taxable profit will not be available against which the unused tax credits and deductible temporary differences can be utilized. Furthermore, each Group entity is subject to its income tax act, and these income tax acts allow net losses, as assessed by their tax authorities, to offset taxable income for local tax reporting purposes. The above deferred tax assets were not recognized because it is not probable that the Group will have any sufficient taxable profit in the future periods to benefit from the reduction in tax payments.

As of December 31, 2019, the Group had not recognized the perior years' loss carry-forwards as deferred tax assets, and their expiry years thereof were as follows:

	Year of occurrence	Deductible amount	Tax credit amount	Expiry year
Subsidiaries in the ROC	2011~2019	$ 180,189	36,038	2021~2029
Subsidiaries in the PRC	2011~2019	609,893	152,474	2016~2029
Subsidiaries in the United States	2008~2017	237,958	80,907	2028~2037
Subsidiaries in the United States	2018~2019	148,784	50,587	-
Subsidiaries in Germany	2014~2019	734,838	219,203	-
			$ 539,209	

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2) Recognized deferred tax assets and liabilities

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

	Defined benefit Plans	Investment loss accounted for using equity method	Loss for market price decline and obsolete inventories	Others	Total
Deferred tax assets:					
Balance on January 1, 2019	$ 27,559	220,775	56,691	122,269	427,294
Recognized in profit or loss	(799)	28,251	(3,391)	7,399	31,460
Recognized in other comprehensive income	(1,842)	-	-	751	(1,091)
Balance on December 31, 2019	$ 24,918	249,026	53,300	130,419	457,663
Balance on January 1, 2018	$ 28,202	125,968	52,595	118,063	324,828
Recognized in profit or loss	(3,222)	94,807	4,096	1,357	97,038
Recognized in other comprehensive income	2,579	-	-	2,849	5,428
Balance on December 31, 2018	$ 27,559	220,775	56,691	122,269	427,294

	Defined benefit Plans	Difference between book and tax depreciation	Others	Total
Deferred tax liabilities:				
Balance on January 1, 2019	$ 1,244	96,253	164,301	261,798
Recognized in profit or loss	(45)	(53,161)	(20,736)	(73,942)
Recognized in other comprehensive income	238	-	(4,925)	(4,687)
Balance on December 31, 2019	$ 1,437	43,092	138,640	183,169
Balance on January 1, 2018	1,058	90,718	140,553	232,329
Recognized in profit or loss	261	5,535	25,049	30,845
Recognized in other comprehensive income	(75)	-	(1,301)	(1,376)
Balance on December 31, 2018	$ 1,244	96,253	164,301	261,798

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3) Uncertain tax treatment

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

4) The tax authorities have examinated the Company's income tax returns through 2017.

The income tax returns of the Group and other consolidated entities in the ROC have been examined by the tax authorities through 2017.

(u) Capital and other equities

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

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

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

(i) Ordinary shares

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

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

(Continued)

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(ii) Capital surplus

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

	December 31, 2019	December 31, 2018
Additional paid-in capital	$ 7,810,277	7,798,771
Difference between consideration and carrying amount of subsidiaries disposed	74,397	147,087
Changes in equity of associates accounted for using equity method	6,489	6,489
Redemption rights resulting from issuance of convertible bonds	87,820	87,820
Treasury stock resulting from the redemption of convertible bonds	983,812	983,812
Share-based payment – employee stock options	125,750	134,587
Others	576	576
	$ 9,089,121	9,159,142

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

(iii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

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

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

3) Earnings distribution

Based on a resolution of the annual shareholder's meeting held on June 14, 2019 and June 15, 2018, the appropriations of dividends from the earnings distribution for 2018 and 2017 were as follows:

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

On March 24, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Amount per share (dollars)	**Total amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 1.40	620,563

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(iv) Other equity (net of tax)

	Foreign exchange differences arising from foreign operation	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2019	$ (632,321)	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):			
The Group	(231,458)	-	(231,458)
Associates	(6)	-	(6)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Group	-	(5,298)	(5,298)
Balance on December 31, 2019	$ **(863,785)**	**(597,254)**	**(1,461,039)**
Balance of January 1, 2018	$ (437,489)	(389,010)	(826,499)
Foreign exchange differences (net of taxes):			
The Group	(194,827)	-	(194,827)
Associates	(5)	-	(5)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(194,768)	(194,768)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(8,178)	(8,178)
Balance on December 31, 2018	$ **(632,321)**	**(591,956)**	**(1,224,277)**

(v) Share-based payment

(i) Employee stock options

1) At a meeting of the board of directors held on August 6, 2014 (the sixth), March 25, 2013 (the fifth) and December 9, 2011 (the fourth), the Company's board of directors approved a resolution to issue 5,000,000 units, 10,000,000 units and 10,000,000 units, respectively, of five-year employee stock options, with an exercisable right of one share of the Company's common stock per unit. The issuance of the stock options was approved at a meeting of the board of directors held on August 6, 2015, April 2, 2015 and July 18, 2013, distributed 200,000 units, 4,800,000 units and 10,000,000 units, respectively.

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

	For the year ended December 31, 2019							
Date of issuance	2019.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2019.12.31 Outstanding units	2019.12.31 Exercisable units	Remaining duration
August 6, 2015	17,500	-	6,500	10,000	-	1,000	1,000	0.6 years
April 2, 2015	712,850	-	239,600	53,800	-	419,450	419,450	0.4 years
	730,350	-	246,100	63,800	-	420,450	420,450	
Weighted-average exercise price (dollars)	$ 18.33	-	17.81	17.60	-	17.40	17.40	

	For the year ended December 31, 2018							
Date of issuance	2018.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2018.12.31 Outstanding units	2018.12.31 Exercisable units	Remaining duration
August 6, 2015	60,000	-	42,500	-	-	17,500	11,500	1.6 years
April 2, 2015	3,194,000	-	2,290,150	191,000	-	712,850	412,550	1.4 years
July 18, 2013	489,600	-	218,350	51,900	219,350	-	-	- years
	3,743,600	-	2,551,000	242,900	219,350	730,350	424,050	
Weighted-average exercise price (dollars)	$ 19.67	-	19.44	18.36	18.60	18.33	18.34	

The weighted-average fair price of the Company's stock amounted to NT$29.96 (dollars) and NT$37.45 (dollars) for the years ended December 31, 2019 and 2018, respectively.

The issuance terms of the stock options are as follows:

a) Exercise price: After the adjustment for stock dividends over the years, the exercise prices of the fourth, fifth, the first phase of the sixth and the second phase of the sixth issued stock options were NT$40.4 (dollars), NT$18.6 (dollars), NT$17.4 (dollars) and NT$18.7 (dollars), respectively.

b) Exercisable duration: The employees who received the stock options can exercise a specific percentage in each period as below. The exercisable duration of the options is five years. No transference, pledge or donation is allowed except for inheritance. After the expiration of the exercisable duration, the Company will retire the unexercised options and not re-issue the options.

Option holding period	Exercisable percentage (cumulative) — the fourth	Exercisable percentage (cumulative) — the fifth	Exercisable percentage (cumulative) — the sixth
More than 2 years	50%	65%	65%
More than 3 years	75%	90%	90%
More than 4 years	100%	100%	100%

c) Exercise method: The Company would issue new shares as the options are exercised.

d) Exercise procedure: In accordance with the Company's issuance and exercise rules, the employees who received the stock options can apply to exercise the options during a certain period. In addition, the entitlement certification of stock options exercised is registered as common stock after every quarter.

(ii) The compensation cost of the stock options amounted to $748 for the year ended December 31, 2019. The compensation cost of the stock options, which were overestimated, have been reversed in the previous years due to the abandonment of resigned employees amounted to $1,533 in the year ended December 31, 2018.

(iii) The Company adopted the Black-Scholes model to compute the fair value of the stock options on the grant date, and the assumptions are summarized as follows:

	The fourth	**The fifth**	**The first phase of the sixth**	**The second phase of the sixth**
Original exercise price (New Taiwan dollars)	$51.6	24	24	24
Fair value per share of the Company's stock at the measurement date (New Taiwan dollars)	$46.25	48	70.10	44
Expected volatility	36.63~44.94%	35.02%	30.43~35.66%	30.43~35.66%
Risk-free interest rate	0.91~0.95%	0.73~1.02%	0.61~1.04%	0.61~1.04%
Expected life of the option	five years	five years	five years	five years
Weighted-average fair value (New Taiwan dollars/unit)	7.80~14.90	24.911~26.663	46.40~47.70	20.70~23.10

Expected volatility is based on the weighted average of historical volatility, and it is adjusted when there is an additional market information about the volatility. The Group determined the risk-free interest rate based on government bonds during the life of the option. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

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(w) Earnings per share

For the years ended December 31, 2019 and 2018, the Group's basic and diluted earnings per share were calculated as follows:

	2019	2018
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ **822,244**	**793,069**
Weighted-average number of outstanding ordinary shares (thousands)	**443,120**	**441,787**
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 822,244	793,069
Dilutive effect of potential ordinary shares:		
Convertible bonds	16,134	86,448
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	$ **838,378**	**879,517**
Weighted-average number of outstanding ordinary shares (thousands)	443,120	441,787
Dilutive effect of potential ordinary shares:		
Employee stock bonus	2,979	1,746
Convertible bonds	18,873	86,849
Employee stock options	211	942
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)	**465,183**	**531,324**

The average market value of the Company's shares for purpose of calculating the dilutive effect of stock options was based on the quoted market price for the period during which the options were outstanding.

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019				
	LED	**LCD**	**Illumination**	**Others**	**Total**
Primary geographical markets:					
Asia	$ 16,362,564	301,886	779,291	67,629	17,511,370
Europe	1,360,422	189,747	1,000,836	-	2,551,005
Others	617,786	183,084	103,296	-	904,166
Total	**$ 18,340,772**	**674,717**	**1,883,423**	**67,629**	**20,966,541**
Major products					
Construction revenue	$ -	-	194,559	-	194,559
Sales revenue	18,340,772	674,717	1,688,864	67,629	20,771,982
	$ 18,340,772	**674,717**	**1,883,423**	**67,629**	**20,966,541**

(Continued)

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	2018				
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	$ 18,255,695	367,695	743,256	87,459	19,454,105
Europe	1,766,143	198,653	1,648,843	-	3,613,639
Others	764,145	229,792	27,610	-	1,021,547
Total	$ 20,785,983	796,140	2,419,709	87,459	24,089,291
Major products					
Construction revenue	$ -	-	255,628	-	255,628
Sales revenue	20,785,983	796,140	2,164,081	87,459	23,833,663
	$ 20,785,983	796,140	2,419,709	87,459	24,089,291

(ii) Contract balance

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable	$ 27,542	11,416	28,368
Accounts receivables	6,310,794	6,981,114	8,681,112
Less: allowance for impairment	(147,549)	(127,287)	(132,051)
	$ 6,190,787	6,865,243	8,577,429
Contract assets-illumination	$ 106,363	78,550	-
Contract liabilities	$ 23,752	26,191	8,069

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were $21,375 and $8,069, respectively.

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

(y) Remuneration of employees, directors, and supervisors

In accordance with the revised articles of the Company on June 14, 2019, if there is annual net income, the Company should appropriate 6%~12% as remuneration to employees, and remuneration to directors and supervisors not exceeding 1%. However, if the Company has accumulated deficits, the after-tax earnings shall first be offset against any deficit. The employees include those in the subsidiaries who meet specific conditions, which were formulated by the Board of meeting.

The remuneration to employees amounted to $97,931 and $59,098, and the remuneration to directors and supervisors amounted to $10,486 and $6,895, in 2019 and 2018, respectively. These amounts are calculated using the Company's profit before tax whithout the remuneration to employees, directors and supervisors for the period, and are determined using the earnigns allocation method which was stated under the Company's article. These remuneration are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting. The amounts, as stated in the consolidated financial statements are idential to those of the actual distributions for 2019 and 2018.

(z) Non-operating income and expenses

The interest income and finance costs in 2019 and 2018 were as follows:

(i) Interest income

		2019	2018
Cash in banks	$	45,546	66,025
Other		2,410	8,508
	$	**47,956**	**74,533**

(ii) Finance costs – interest expenses

		2019	2018
Loans	$	47,803	48,867
Lease liabilities		6,097	-
Convertible Bonds		16,134	74,370
	$	**70,034**	**123,237**

(aa) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Credit risk of receivables

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

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

(ii) Liquidity Risk

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

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	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
December 31, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,582,152	(2,582,152)	(2,582,152)	-	-
Notes and accounts payable (including related parties)	4,367,416	(4,367,416)	(4,367,416)	-	-
Payables on construction and equipment	298,852	(298,852)	(298,852)	-	-
Other payables	896,328	(896,328)	(896,328)	-	-
Lease liabilities (including current and non-current)	312,810	(410,960)	(55,075)	(39,776)	(316,109)
Unsecured convertible bonds	1,120,034	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	53,644	(53,644)	(15,778)	(15,778)	(22,088)
Guaranteed deposits received	198,252	(198,252)	-	-	(198,252)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	1,128				
Outflow	-	(118,174)	(118,174)	-	-
Inflow	-	117,355	117,355	-	-
Cross currency swap:	38,312				
Outflow	-	(942,000)	(942,000)	-	-
Inflow	-	903,180	903,180	-	-
	$ 9,868,928	(9,973,343)	(9,381,340)	(55,554)	(536,449)
December 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	$ 3,111,970	(3,111,970)	(3,111,970)	-	-
Notes and accounts payable (including related parties)	4,502,383	(4,502,383)	(4,502,383)	-	-
Payables on construction and equipment	417,193	(417,193)	(417,193)	-	-
Other payables	1,018,568	(1,018,568)	(1,018,568)	-	-
Unsecured convertible bonds	1,103,900	(1,126,100)	-	(1,126,100)	-
Long-term loans (including current portion)	64,789	(64,789)	(12,958)	(12,958)	(38,873)
Guaranteed deposits received	131,369	(131,369)	-	-	(131,369)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	427				
Outflow	-	(184,578)	(184,578)	-	-
Inflow	-	184,199	184,199	-	-
	$ 10,350,599	(10,372,751)	(9,063,451)	(1,139,058)	(170,242)

(Continued)

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2019			December 31, 2018		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 140,990	USD/TWD =30.106	4,244,645	170,402	USD/TWD =30.733	5,236,965
USD	543	USD/RMB =6.9617	16,348	50,631	USD/RMB =6.8754	1,556,043
RMB	360,871	RMB/TWD =4.3245	1,560,587	342,128	RMB/TWD =4.4700	1,529,312
HKD	388,964	HKD/TWD =3.8647	1,503,229	371,986	HKD/TWD =3.9251	1,460,082
Financial liabilities						
Monetary items						
USD	81,687	USD/TWD =30.106	2,459,269	132,441	USD/TWD =30.733	4,070,309
USD	39,782	USD/RMB =6.9617	1,197,677	49,426	USD/RMB =6.8750	1,519,009
RMB	979,661	RMB/TWD =4.3245	4,236,544	684,620	RMB/TWD =4.4700	3,060,251

2) Sensitivity analysis

The Group's exposure to foreign currency risk of monetary items arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of each major foreign currency against the Group's functional currency as of December 31, 2019 and 2018 would have decreased (increased) the net profit before tax by $10,170 for the year ended December 31, 2019, and increased (decreased) the net profit before tax by $83,587 for the year ended December 31, 2018. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2019 and 2018, the foreign exchange gains, including both realized and unrealized, amounted to $73,131 and $144,010, respectively.

4) Interest rate analysis

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

	Carrying amount	
	December 31, 2019	**December 31, 2018**
Variable rate instruments:		
Financial assets	$ 4,708,126	3,918,619
Financial liabilities	(1,127,971)	(2,858,795)
	$ 3,580,155	1,059,824

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

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax in the years ended December 31, 2019 and 2018, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

	2019	**2018**
Increase by 0.25%	$ 8,950	2,650
Decrease by 0.25%	(8,950)	(2,650)

5) Fair value

a) Procedure of valuation

The Group's accounting policies and disclosure include the fair value method on financial assets and financial liabilities. The Group's management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

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The Group uses observable market data to evaluate its assets and liabilities when it is possible. The different inputs of levels of fair value hierarchy in determining the fair value are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

b) The kinds of financial instruments and fair value

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

	December 31, 2019				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	$ 15,393	-	15,393	-	15,393
Non-derivative financial assets mandatorily measured at fair value through profit or loss	622,690	129,544	493,146	-	622,690
	638,083				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	323,505	323,505	-	-	323,505
Unquoted equity instruments	2,253	-	-	2,253	2,253
	325,758				

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

(Continued)

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	December 31, 2018				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	$ 64,238	-	64,238	-	64,238
Non-derivative financial assets mandatorily measured at fair value through profit or loss	1,305,019	110,777	1,194,242	-	1,305,019
	1,369,257				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	256,004	256,004	-	-	256,004
Unquoted equity instruments	75,052	-	-	75,052	75,052
	331,056				
Financial assets measured at amortized cost:					
Cash and cash equivalents	4,530,385	-	-	-	-
Notes and accounts receivable (including related parties)	6,796,804	-	-	-	-
Other current financial assets	2,270,755	-	-	-	-
Refundable deposits (recorded as other non-current assets)	156,296	-	-	-	-
Long-term accounts receivable (recorded as other non-current assets)	68,439	-	-	-	-
Restricted deposits (recorded as other non-current assets)	6,974	-	-	-	-
	13,829,653				
	$ 15,529,966				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	$ 427	-	427	-	427
	427				
Financial liabilities measured at amortized cost:					
Short-term borrowings	3,111,970	-	-	-	-
Notes and accounts payable (including related parties)	4,502,383	-	-	-	-
Payables on construction and equipment	417,193	-	-	-	-
Other current payables (recorded as other current liabilities)	1,018,568	-	-	-	-
Long-term loans (including current portion)	64,789	-	-	-	-
Bonds payable (including current portion)	1,103,900	-	-	-	-
Guarantee deposits received	131,369	-	-	-	-
	10,350,172				
	$ 10,350,599				

(Continued)

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

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

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

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

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

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

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

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

e) There were no transfers from one level to another of the Group in the years ended December 31, 2019 and 2018.

f) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Group in the years ended December 31, 2019 and 2018:

	Current financial assets at fair value through other comprehensive income – unquoted equity instruments	Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable	Total
Balance on January 1, 2019	$ 75,052	-	75,052
Total gains and losses recognized:			
In profit (loss)	-	-	-
In other comprehensive income	(72,799)	-	(72,799)
Balance on December 31, 2019	$ 2,253	-	2,253

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		Current financial assets at fair value through other comprehensive income – unquoted equity instruments	Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable	Total
Balance on January 1, 2018	$	88,249	(46,988)	41,261
Repurchased		-	59,066	59,066
Disposal		(10,049)	-	(10,049)
Total gains and losses recognized:				
In profit (loss)		-	(12,078)	(12,078)
In other comprehensive income		(3,148)	-	(3,148)
Balance on December 31, 2018	$	75,052	-	75,052

The above total gains and losses are included in "other gains and losses" and "Unrealized gain (loss) from financial assets at fair value through other comprehensive income". The amount of total gains or losses for the years in above that were attributable to gains or losses relating to those assets and liabilities held at December 31, 2019 and 2018 were as follows:

		2019	2018
Total gains and losses recognized:			
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	$	(72,799)	(3,148)
In profit or loss (recorded as gains (losses) from financial assets (liabilities) at fair value through profit or loss)		-	(12,078)

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

The Group's financial instruments that use level 3 inputs to measure the fair values include current financial assets at fair value through other comprehensive income — equity securities and derivative financial instrument.

Most of fair value measurements of the Group which are categorized as equity investment instruments into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity instruments without quoted prices are independent of each other.

The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Current financial assets at fair value through other comprehensive income (equity instruments without quoted prices)	Guideline Public Company method - Price-Book Method	·Price-to-Book ratio (P/B Ratio) (0.405 and 0.53 on December 31, 2019 and 2018, respectively) ·Lack of marketability discount rate (20% on December 31, 2019 and 2018)	·The higher the P/B ratio, the higher the fair value. ·The higher the lack of marketability discount, the lower the fair value.

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

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

	Input	Variation	Impacts of fair value changes on other comprehensive income	
			Advantageous change	Disadvantageous change
December 31, 2019				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	$ 110	110
〃	Lack of marketability discount	5%	$ 110	110
December 31, 2018				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	$ 3,000	3,000
〃	Lack of marketability discount	5%	$ 3,000	3,000

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

(ab) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative and non-derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continually review the amount of the risk exposure and the compliance with the Group's policies. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounting receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and bank references in some cases. Credit limits that are established for each customer are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's customers are from many different industries. The Group does not concentrate on a specific customer, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. In order to mitigate account receivable credit risk, the Group constantly assesses the financial status of the customers.

The Group set the allowance for bad debt account to reflect the estimated losses for accounts receivables, other receivables, and investments. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is recognized based on historical collection records of similar financial assets.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and contractually obligated counterparties are banks, investment grade above financial institutions, and corporate organizations with good credit standing, there are no compliance issues, and therefore, there is no significant credit risk.

3) Guarantees

The Group's policy to provide financial guarantees is only permissible to subsidiaries. Please refer to note 13(a) for information of guarantees and endorsements to subsidiaries as of December 31, 2019 and 2018.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities to ensure they are in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to notes 6(m) and 6(o) for the unused credit lines of short-term and long-term loans as of December 31, 2019 and 2018.

(v) Market risk

Market risk is the risk that will affect the Group's income or the value of its financial instruments arising from the changes in market prices, such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily TWD, EUR, USD, HKD, and RMB, etc. The currencies used in these transactions are denominated in TWD, HKD, EUR, USD, and RMB.

The Group hedges accounts receivable denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date.

2) Interest rate risk

The Group borrows funds on fixed and floating interest rate; and the Group bears the cash flow risks related to floating rate loans.

3) Other market value risk

The Group is exposed to equity price risk arising from listed stock investments. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments. The material investments of investment portfolio are managed individually and their purchase decision must be approved by the finance department.

(ac) Capital management

The Group maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there are financial resources and operating plans to support working capital, capital expenditures, research and development expenses, debt redemptions and dividend payments, and so on. The management decides the optimized capital by using appropriate debt-to-equity ratio, interest-bearing liabilities-to-equity ratio or other financial ratios. To maintain a strong capital base, the Group enhances the return on equity by optimizing debt-to-equity ratio. The Group's debt-to-equity ratio at the end of the reporting date was as follows:

		December 31, 2019	December 31, 2018
Total liabilities	$	11,154,644	11,731,517
Total equity		17,194,428	17,352,626
Interest-bearing liabilities		3,755,830	4,280,659
Debt-to-equity ratio		65 %	68 %
Interest-bearing liabilities to equity ratio		22 %	25 %

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

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

			Non-cash changes			
	January 1, 2019	**Cash flows**	**Acquisition**	**Amortization of interest and issuance costs**	**Foreign exchange movement**	**December 31, 2019**
Short-term borrowings	$ 3,111,970	(529,818)	-	-	-	2,582,152
Long-term borrowings	64,789	(9,467)	-	-	(1,678)	53,644
Lease liabilities	347,210	(51,947)	19,322	-	(1,775)	312,810
Bonds payable	1,102,525	-	-	17,134	-	1,119,659
Guarantee deposits received	131,369	66,883	-	-	-	198,252
Total liabilities from financing activities	$ 4,757,863	(524,349)	19,322	17,134	(3,453)	4,266,517

			Non-cash changes	
	January 1, 2018	**Cash flow**	**Amortization of interest and issuance costs**	**December 31, 2018**
Short-term borrowings	$ 2,181,411	930,559	-	3,111,970
Longt-term borrowings	-	64,789	-	64,789
Bonds payable	7,453,249	(6,528,800)	178,076	1,102,525
Guarantee deposits received	132,022	(653)	-	131,369
Total liabilities from financing activities	$ 9,766,682	(5,534,105)	178,076	4,410,653

(7) Related-party transactions

(a) Names and relationship with related parties

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

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

(Note) After the relection by the shareholders' meeting of Epistar in June, 2019, the Group is no longer the corporate director of Epistar and Epistar is not a related party of the Group.

(b) Significant related party transactions

(i) Sales

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

		2019	2018
Associates	$	57,107	75,209
Other related parties (Note)		53,148	112,162
	$	**110,255**	**187,371**

Note: The table above reflects the amounts of other related parties—Epistar as of June, 2019.

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

(ii) Purchase

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

		2019	2018
Associates	$	414,912	451,724
Other related parties-Epistar (Note)		642,995	1,798,787
	$	**1,057,907**	**2,250,511**

Note: The table above reflects the amounts of other related parties—Epistar as of June, 2019.

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

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Related party categories		December 31, 2019	December 31, 2018
Associates	$	34,684	34,839
Other related parties		-	62,626
	$	**34,684**	**97,465**

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(iv) Payables to related parities

The payables to related parties were as follows:

Related party categories	December 31, 2019	December 31, 2018
Associates	$ 168,285	198,955
Other related parties-Epistar	-	836,073
	$ 168,285	1,035,028

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 24,138	31,907
Others	4,800	4,822
	$ 28,938	36,729

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

(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

Assets	Objectives	December 31, 2019	December 31, 2018
Time deposits and restricted deposits (recorded as other financial assets – non-current)	Guarantee for contract grant and guarantee for construction contracts	$ 222,083	6,974
Restricted deposits (recorded as other financial assets-current)	Contract of accounts receivable factoring	121,414	138,075
		$ 343,497	145,049

(9) Commitments and contingencies

(a) The lawsuits between Nichia Corporation

In March 2012, the Group filed a lawsuit against Nichia Corporation (Nichia) in German Federal Patent Court (GFPC) alleging that Nichia's patent DE69702929 is invalid. The patent is related to specific white LED products. In September 2014, GFPC ruled DE69702929 being invalid, which was in favor of the Company and against Nichia. Afterwards, Nichia appealed to the Federal Court of Justice in October, 2014. In August, 2016, the Federal Court of Justice ruled the patent is valid. In December 2016, the Group filed another patent invalidation lawsuit with new evidences of patent invalidation. GFPC ruled patent being valid in September 2018. The Group decided to withdraw its appeal in October 2018 because that patent had been expired since July 29, 2017 and there was no risk of injunction. There is no impact to the sales of the current products of the Group.

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In April 2016, the Group filed opposition proceedings against Nichia to the European Patent Office (EPO) alleging that Nichia's patents EP2197053 and EP2276080 are invalid. In October 2017, EPO issued a decision that the original patent scope was invalid, and the narrowly amended one was valid. Both Nichia and the Group continued to appeal for the scope of patents. Currently, the case is still in progress in the second instance.

On April 18, 2012, Nichia filed a lawsuit against the Company and Everlight Europe to the Dusseldorf District Court alleging the infringement of patent DE69702929. The patent is related to white LED products with specific phosphor. Dusseldorf District Court ruled against the Company and Everlight Europe on September 3, 2013. The Group then appealed the case in the Dusseldorf Higher Regional Court on October 2, 2013. The Dusseldorf Higher Regional Court ruled against the Company and Everlight Europe on December 22, 2016. The Company and Everlight Europe then appealed in the Federal Court of Justice on January 18, 2017. There is no impact to the sales of the current products of the Group because that patent had been expired July 29, 2017. In addition, this litigation is filed against only certain obsolete products of the Company and Everlight Europe, therefore the operation and sales of the Group won' t be seriously impacted by that patent. As a result, the Group decided to withdraw its appeal.

Furthermore, Nichia claimed that Everlight infringed Nichia's patents EP2197053 and EP2276080 (both are part of patent family of the aforementioned patent DE69702929) in July 2015 to the Dusseldorf Higher Regional Court but was rejected by the Court due to procedure flaw. Nichia then filed a lawsuit against the Company and Everlight Europe in the Dusseldorf District Court alleging the infringement of EP2197053 and EP2276080 in December 2016. The patent infringement case related to EP2197053 is currently suspended.

EP2197053 and EP2276080 had been both expired since July 29, 2017, therefore there is no impact to the sales of the current products of the Group. In addition, this litigation is filed against only certain obsolete products of the Group, therefore the operation and sales of the Group won' t be seriously impacted by that patent. As a result, the Group had withdrawn from the patent infringement case related to EP2276080 in October 2018.

In September 2015, Nichia filed a litigation in the Dusseldorf District Court alleging that Wofi Leuchten (Wofi) infringes EP2197053 and EP2276080. Dusseldorf District Court ruled against Wofi on December 15, 2016. Wofi then appealed the case on January 12, 2017 in the Dusseldorf Higher Regional Court. The case is still in progress. In November 22, 2015, Nichia filed a litigation in the Dusseldorf District Court alleging that Wofi Leuchten (Wofi) infringes DE69702929. Dusseldorf District Court ruled against Wofi on July 4, 2017. Nichia was allowed to enforce the injunction after depositing guarantees in the court; Nichia was not able to enforce the injunction after the expiration date of DE69702929, which is July 29, 2017. Wofi Leuchten hadn't received a court order to enforce the injunction before the expiration date of DE69702929. The Group appealed the case on August 4, 2017 in the Dusseldorf Higher Regional Court.

E69702929 had expired since July 29, 2017, therefore there is not impact to the sales of the current products of Wofi Leuchten. In addition, this litigation is filed against only certain obsolete products of Wofi Leuchten, therefore he operation and sales of Wofi Leuchten won't be seriously impacted by this patent. As a result, the Group had withdrawn from this patent infringement case related to DE69702929 in October 2018.

(b) The Group has evaluated the future final decision of above cases and the potential demand for payment. The Group believes that it will not have any material effects on the operations of the Group and there is no unrecorded provision liability.

(c) Significant commitments unrecognized:

(i) As of December 31, 2019, and 2018, the Group's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to $931,964 and $930,196, respectively.

(10) Losses due to major disasters: none

(11) Subsequent Events:

Breaking out of the novel coronavirus in early 2020 had affected the some of the Group's operation in China. The impact may include postpone on manufacturing and delivery. Due to the ambiguity of the relevant information, the Group is not yet able to appropriately forecast the impact that the novel coronavirus may make on its operation result and the affected amount on its financial status. The Group will continuously follow the development of the epidemic to assess the influence in time.

(12) Other

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

By function / By item	2019			2018		
	Cost of sales	**Operating expenses**	**Total**	**Cost of sales**	**Operating expenses**	**Total**
Employee benefits						
Salary	1,606,342	1,687,203	3,293,545	1,768,605	1,707,427	3,476,032
Labor and health insurance	81,124	155,180	236,304	92,368	155,188	247,556
Pension	75,860	57,381	133,241	102,922	62,406	165,328
Others	113,926	67,161	181,087	130,472	76,397	206,869
Depreciation	1,347,721	656,542	2,004,263	1,390,398	605,977	1,996,375
Amortization	49,920	35,294	85,214	62,272	42,044	104,316

(13) Other disclosures

(a) Information on significant transactions

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

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(i) Loans to other parties:

Unit: foreign currency in thousand dollars

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	WOFI Holding	Other current financial assets	Yes	641,514 (EUR19,000)	303,875 (EUR9,000)	303,875	1.0%	Short-term financing	-	Business turnover	-		-	1,684,289	6,737,157
1	Everlight Zhongshan	Zhongshan Everlight Lighting	〃	Yes	64,738 (RMB14,970)	45,278 (RMB10,470)	45,278 (RMB10,470)	2.5%	Short-term financing	-	〃	-		-	361,155	361,155
2	Everlight BVI	WOFI Holding	Other receivables	Yes	135,056 (EUR4,000)	67,528 (EUR2,000)	67,528 (EUR2,000)	-	Short-term financing	-	〃	-		-	2,795,072	2,795,072

Note 1: According to the Company's "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of the Company; and to borrowers having business relationship with the Company, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of each fund financing cannot exceed 10% of the Company's net worth.
Note 2: According to Everlight Zhongshan "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of Everlight Zhonghshan; and to borrowers having business relationship with Everlight Zhongshan, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of cash fund financing cannot exceed 40% of Everlight Zhongshan's net worth.
Note 3: According to Everlight BVI's "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of Everlight BVI; and to borrowers having business relationship with Everlight BVI, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of each fund financing cannot exceed 40% of Everlight BVI's net worth.
Note 4: The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.

(ii) Guarantees and endorsements for other parties: None

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

Unit: foreign currency in thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Shin Kong Financial Holding Co., Ltd.	None	Current financial assets at fair value through profit or loss	11	$ 114	-%	114	347	- %	
〃	SinoPac TWD Money Market Fund	〃	〃	3,377	47,188	-%	47,188	3,377	- %	
〃	Cathay Financial Holding Co., Ltd. Preferred Stock B	〃	〃	100	6,400	-%	6,400	100	- %	
〃	Gigasolar Materials Corporation convertible bonds	〃	〃	200	19,400	-%	19,400	200	- %	
〃	China Airlines Ltd. convertible bonds	〃	〃	220	21,879	-%	21,879	220	- %	
〃	Global PMX Co., Ltd. convertible bonds	〃	〃	15	1,755	-%	1,755	15	- %	
〃	Taiwan Chinsan Electronic Industrial Co., Ltd. convertible bonds	〃	〃	41	4,059	-%	4,059	41	- %	
					$ 100,795					
The Company	Hua-chuang Automobile Information Technical Center Co., Ltd., Stocks	The Company is the corporate director of this company	Non-current financial assets at fair value through other comprehensive income	11,320	2,253	3.45%	2,253	11,320	3.45 %	
〃	Epistar Co., Ltd (Epistar) Stocks	None	〃	10,000	323,505	0.92%	323,505	10,000	0.92 %	
					$ 325,758					
Pai-yee	Taishin Ta-Chong Money Market Fund	None	Current financial assets at fair value through profit or loss	2,016	28,749	-%	28,749	2,156	- %	
〃	Taipei Tech innofund Stocks	Pai-yee is the corporate director of this company	Non-current financial assets at fair value through profit or loss	3,000	41,201	10%	41,201	3,000	10 %	
Everlight Fujian	Kaistar Lighting (Xiamen) Co.,Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	345,960 (RMB80,000)	3.97%	345,960	(Note 2)	3.97 %	
〃	Country Lighting (B.V.I.) Ltd.	None	〃	(Note 2)	19,486 (RMB4,506)	8.21%	19,486	(Note 2)	8.21 %	
					$ 435,396					
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	86,499 (RMB20,002)	-%	86,499	-	- %	

Note 1 : The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.
Note 2 : Company Limited.

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(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Unit: foreign currency in thousand dollars

Name of Company	Name of Counter-party	Relationship	Transaction Details				Abnormal Transaction		Notes/ Account (Payable) or Receivable		Note
			Purchase/ (Sale)	Amount (Note 1)	Percentage of total purchases/ sales	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 3)	Percentage of total notes/accounts receivable (payable)	
The Company	Evlite	100% owned subsidiary	(Sales)	$ (1,473,219)	(8)%	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	443,980	8 %	Note 2
〃	Everlight Europe	75% owned subsidiary	(Sales)	(960,095)	(6)%	OA 120	〃	〃	200,092	3 %	〃
〃	Everlight Lighting China	100% owned sub-subsidiary	(Sales)	(501,944)	(3)%	Depending on the credit conditions of the ultimate customers	〃	〃	561,747	10 %	〃
〃	ELA	99% owned subsidiary	(Sales)	(319,302)	(2)%	OA 140	〃	〃	161,736	3 %	〃
〃	Everlight China	100% owned sub-subsidiary	Purchases	8,833,769	75%	Depending on the demand for funding, OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(3,699,980)	(70)%	〃
〃	Everlight Zhongshan	100% owned sub-subsidiary	Purchases	357,841	3%	Depending on the demand for funding, OA 120	〃	〃	(148,030)	(3)%	〃
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(397,634) (RMB(88,823))	(100)%	Depending on the demand for funding, OA 95	-	Depending on the funding demand of both sides	147,837 (RMB34,186)	100 %	〃
Everlight China	The Company	Ultimate holding company	(Sales)	(9,123,761) (RMB(2,038,055))	(99)%	Depending on the demand for funding, OA 120	-	〃	3,700,317 (RMB855,663)	99 %	〃
〃	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(117,719) (RMB(26,296))	(1)%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	25,680 (RMB5,938)	1 %	〃
〃	Tekcore	Equity-accounted investee by the Company	Purchases	338,076 (RMB75,519)	6%	OA 120	〃	〃	(137,611) (RMB(31,821))	(6)%	-
Everlight Lighting China	The Company	Ultimate holding company	Purchases	551,252 (RMB123,138)	45%	Depending on the terms of the ultimate customer	-	Depending on the funding demand of both sides	(571,117) (RMB(132,066))	(67)%	Note 2
〃	Everlight China	With the same parent company	Outsourced manufacturing fee	118,906 (RMB26,561)	10%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	(30,262) (RMB(6,998))	(4)%	〃
ELA	The Company	Parent company	Purchases	312,039 (USD10,092)	100%	OA 140	-	-	(162,527) (USD(5,398))	(99)%	〃
Everlight Europe	The Company	Parent company	Purchases	958,336 (EUR27,689)	100%	OA 120	-	-	(199,918) (EUR(5,921))	(100)%	〃
Evlite	The Company	Parent company	Purchases	1,583,102 (HKD401,151)	100%	OA 90	-	Depending on the funding demand of both sides	(444,018) (HKD(114,891))	(100)%	〃
Evervision TW	Vbest GmbH	Equity-accounted investee by Evervision TW	(Sales)	(133,196)	(16)%	OA 90	No significant difference to the general customers	General sales receivables in 90~120 days	7,244	4 %	〃
〃	Vbest Kunshan	Equity-accounted investee by Evervision TW	Purchases	436,703	60%	OA 60	Terms not comparable to other general trading price	General purchases payments in 90~120 days	(177,371)	(76)%	〃
Vbest GmbH	Evervision TW	65.5% owned subsidiary	Purchases	137,024 (USD3,959)	100%	OA 90	Terms not comparable to other general trading price	-	(23) (EUR(1))	- %	〃
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(436,613) (USD(14,121))	(99)%	OA 60	〃	-	178,116 (USD5,916))	99 %	〃

Note 1: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2019.
Note 2: The transaction amounts of the subsidiaries are inconsistent with the Company since the financial statements of the subsidiaries did not consider the adjustments made by the Company for processing trade and in-transit inventory. Furthermore, all transactions between companies mentioned in note 2 had been eliminated in the interim consolidated financial statements.
Note 3: The accounts were translated into New Taiwan dollars at the exchange rate at the ended date of the reporting period.

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(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Unit: foreign currency in thousand dollars

Name of company	Counter-party	Nature of relationship	Ending balance (Note 2)	Turnover rate	Overdue Amount	Overdue Action taken	Amounts received in subsequent period (Note 1)	Allowance for bad debts
The Company	Everlight Europe	75% owned subsidiary	200,092	4.42	-		172,320 (USD1,831 、EUR3,391)	-
〃	ELA	99% owned subsidiary	161,736	1.79	-		61,649 (USD1,197)	-
〃	Evlite	100% owned subsidiary	443,980	3.22	-		202,762 (USD361 、HKD48,597)	-
〃	Everlight Lighting China	100% owned sub-subsidiary	561,747	0.85	-		104,198 (RMB23,425)	-
〃	WOFI Holding	100% owned subsidiary	308,583 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	3,700,317	2.37	-		1,749,412 (RMB404,535)	-
Everlight Zhongshan	The Company	Ultimate holding company	147,837	2.19	-		82,637 (RMB19,109)	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	178,116 (USD5,916)	1.93	-		31,039 (USD1,031)	-

Note 1：Information as of March 24, 2020.
Note 2：The amounts were translated into New Taiwan dollars at the exchange rates at the reporting date.
Note 3：Lending funds (including interest)
Note 4：The aforementioned transactions had been eliminated in the consolidated financial statements.

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

Unit: foreign currency in thousand dollars

Financial instrument	Notional Amount	Transaction date	Maturity date	Rate	Fair Value	Credit risk
The Company:						
Pre-sale forward exchange contract	USD23,000	2019.10.09~2019.12.23	2020.01.07~2020.03.26	USD/RMB 6.9928~7.1570	7,930	7,930
〃	USD26,000	2019.11.05~2019.12.30	2020.01.07~2020.03.17	USD/NTD 29.9660~30.5030	7,462	7,462
〃	EUR3,750	2019.10.02~2019.12.31	2020.01.07~2020.04.23	EUR/USD 1.1008~1.1278	(1,127)	-
Cross currency swap	USD30,000	2019.06.18	2020.06.10	USD/NTD 31.4	(38,312)	-
ETT：						
Everlight Zhongshan:						
Other derivative financial instrument contracts	RMB20,000	2019.12.30	2020.04.02	3.60%	9	-

(Continued)

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Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Counter-party	Relationship (Note 2)	Intercompany transactions: Financial statements accounts	Amount	Terms	Percentage of consolidated net revenue or total assets
0	The Company	Everlight Europe	1	Sales revenue	960,095	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	5 %
			1	Accounts receivable	200,092	〃	1 %
0	The Company	ELA	1	Sales revenue	319,302	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	2 %
			1	Accounts receivable	161,736	〃	1 %
0	The Company	Evlite	1	Sales revenue	1,473,219	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	7 %
			1	Accounts receivable	443,980	〃	2 %
0	The Company	Everlight Lighting China	1	Sales revenue	501,944	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	2 %
			1	Accounts receivable	561,747	〃	2 %
0	The Company	WOFI Holding	1	Other receivable due from related parties (Note 3)	308,583	Rate 1.0%	1 %
1	Everlight China	The Company	2	Sales revenue	9,123,761	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 120 days.	44 %
			2	Accounts receivable	3,700,317	〃	13 %
2	Everlight Zhongshan	The Company	2	Sales revenue	397,634	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 95 days.	2 %
			2	Accounts receivable	147,837	〃	1 %
3	Evervision TW	Vbest GmbH	3	Sales revenue	133,196	There is no significant difference on the price offered to general customers; and the credit period is OA 90 days.	1 %
4	Vbest Kunshan	Evervision TW	3	Sales revenue	436,613	There is no significant difference on the price offered to general customers; and the credit period is OA 150 days.	2 %
			3	Accounts receivable	178,116	〃	1 %

Note 1: The numbers filled in as follows:
1.0 represents the parent company.
2. Subsidiaries are sorted in a numerical order starting from 1.
Note 2: Relationship with the transactions labeled as follows:
1.Represents the transactions from the parent company to the subsidiaries.
2.Represents the transactions from the subsidiaries to the parent company.
3.Represents the transactions between the subsidiaries.
Note 3: lending funds (including interest)

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(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

Unit: foreign currency in thousand dollars

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Ending balance			The highest holdings in the period		Net income (Losses) of the Investee (Note 4)	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (In thousands)	Percentage of ownership	Carrying value	Shares	Percentage of ownership			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	4,759,166	4,947,563	1,483	98%	$ 6,847,928	1,603	98%	193,776	189,899	Subsidiaries (Note 5)
〃	Pai-yee	New Taipei City	Investment	580,253	580,253	23,940	100%	464,775	23,940	100%	11,807	11,807	Subsidiaries (Note 5)
〃	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(87,705)	11,375	98.91%	(61,604)	(60,933)	Subsidiaries (Note 5)
〃	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	215,450	4,477	24.27%	28,426	6,899	Subsidiaries (Note 5)
〃	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	52,111	75	75%	63,063	47,298	Subsidiaries (Note 5)
〃	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	35,218	38	100%	4,900	4,900	Subsidiaries (Note 5)
〃	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	425,506	42,488	100%	(7,922)	(7,922)	Subsidiaries (Note 5)
〃	Zenaro TW	New Taipei City	Sale of LED lighting products	-	380,100	(Note3)		(Note3)	20,062	100%	29	29	Subsidiaries (Note 5)
〃	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	230,634	20,000	100%	26,859	26,916	Subsidiaries (Note 5)
〃	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	41,589	9,291	9.66%	(119,617)	(11,555)	(Note 1)
〃	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	106,113	7,000	100%	11,301	11,301	Subsidiaries (Note 5)
〃	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	12,507	353	80%	(2,269) (INR(5,167))	(1,815)	Subsidiaries (Note 5)
〃	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	13,459	200	100%	(3,898)	(3,898)	Subsidiaries (Note 5)
〃	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	(117,357)	5,775	100%	(151,010)	(151,010)	Subsidiaries (Note 5)
〃	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	12,883	5	100%	(9,771)	(9,771)	Subsidiaries (Note 5)
Pai-yee	Everlight BVI	Registered in British Virgin Islands	Investment	124,508	124,508	38	2%	139,754	38	2%	193,776	3,877	Subsidiaries (Note 5)
〃	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	101,822	2,485	13.47%	28,426	3,829	Subsidiaries (Note 5)
〃	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	18,867	-	4,103	4.27%	18,383	4,103	4.27%	(119,617)	(3,079)	Note 2
Pai-yee	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	758	254	100%	68	68	Sub-subsidiaries (Note 5)
〃	ELI	India	Sale of LEDs	493	493	88	20%	3,125	88	20%	(2,269) (INR(5,167))	(454)	Subsidiaries (Note 5)
Forever	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	30,978	30,978	5,120	27.76%	177,855	5,120	27.76%	28,426	7,891	Subsidiaries (Note 5)
〃	EleOcom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	45,000	30,000	4,500	32.14%	14,792	4,500	32.14%	(55,720)	(16,819)	-
Evervision	Well	Hsinchu County	Electronic material trading	14,000	-	200	20%	4,249	200	20%	5,737	1,222	-

Note 1: The market price is $45,899 thousand dollars.
Note 2: The market price is $20,269 thousand dollars.
Note 3: The liquidation process had been completed in October, 2019.
Note 4: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2019.
Note 5: The transactions between companies mentioned in note 4 had been eliminated in the consolidated financial statements.

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(c) Information on investment in Mainland China:

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

Unit: foreign currency in thousand dollars

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Highest balanc during the year		Net income (losses) of the investee	Percentage of ownership owned directly or indirectly by the company	Investment Income (losses) (Note 4)	Carrying amount as of December 31, 2019 (Note 6)	Accumulated remittance of earnings as of December 31, 2019
					Outflow	Inflow		Shares/ Units (thousands)	Percentage of ownership					
The Company and Pai-yee:														
Everlight China	Manufacture of LEDs	3,698,681 (US$113,500、RMB65,129) (Note 7)	(Note 1)	3,322,498 (US$110,360)	-	-	3,322,498 (US$110,360)	-	100%	200,357	100%	200,357	5,476,393	(Note 8)
Everlight Lighting China	Sale of LEDs	240,848 (US$8,000) (Note 11)	(Note 1)	156,551 (US$5,200)	-	-	156,551 (US$5,200)	-	100%	(12,973)	100%	(12,973) (Note 12)	166,548 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	198,456 (US$128、RMB45,000) (Note 20)	(Note 1)	3,854 (US$128)	-	-	3,854 (US$128)	-	100%	(328)	100%	(328) (Note 21)	193,733 (Note 21)	-
Everlight Zhongshan	Manufacture of LED related components	903,180 (US$30,000)	(Note 1)	903,180 (US$30,000)	-	-	903,180 (US$30,000)	-	100%	503	100%	503	902,889	-
Everlight Fujian	Manufacture and sale of LED backlights and related	752,650 (US$25,000)	(Note 1)	648,658 (US$16,250、RMB36,868)	-	-	648,658 (US$16,250、RMB36,868)	-	90%	12,865	90%	11,579	589,028	-
Shanghai Yaming Lighting Co., Ltd.(Yaming)	Assemble LED lighting products	86,490 (RMB20,000)	(Note 1)	44,075 (US$1,464)	-	-	44,075 (US$1,464)	-	50%	-	50%	-	-	-
ELMS	Research and sale of LED lighting products	410,828 (RMB95,000) (Note 23)	Direct investment	106,255 (US$1,294、RMB15,562)	-	-	106,255 (US$1,294、RMB15,562)	-	100%	1,179	100%	1,179 (Note 22)	9,587 (Note 22)	-
Yi-Yao	Research of electronic components	49,602 (RMB11,470)	(Note 1)	27,945 (RMB6,462)	-	-	27,945 (RMB6,462)	-	100%	-	100%	-	-	-
Evervision TW:														
Vbest Kunshan	Post-assemble STN display and assemble module	541,908 (US$18,000)	(Note 2)	541,908 (US$18,000)	-	-	541,908 (US$18,000)	-	65.50%	(12,491)	65.50%	(8,182)	430,870	-
Everlight Lighting China:														
Zhongshan Everlight Lighting	Research and sale of LED lighting products	86,490 (RMB20,000)	(Note 3)	-	-	-	-	-	100%	(2,702)	100%	(2,702)	(50,238)	-

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(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2019 (Note 6)	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (Note 6)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company and Pai-yee (Note 5)	5,342,683 (US$169,903 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 16 and 17)	5,403,412 (US$170,829 thousand 、 RMB60,223 thousand)	10,105,735
ELIT	142,059 (US$2,723 thousand 、 RMB13,893 thousand) (Notes 18 and 19)	142,059 (US$2,723 thousand 、 RMB13,893 thousand)	138,346 (Note 13)
Evervision TW (Note 15)	636,320(Note 15and 24) (US$21,136 thousand)	636,320 (US$21,136 thousand)	458,886 (Note 14)

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

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

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

Note 4: Except for Yaming and Everlight Electronic (Guangzhou), which recognized their gains and losses on investment in accordance with self-reported financial statements of investees, the gains and losses on investment of the remaining companies were recognized according to the investees' financial statements which had been reasonably audited by the certified public accountants of the parent company and other accountants, and the amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2019.

Note 5: Including the investment amount of US$ 3,790 thousand approved by Pai-yee.

Note 6: The amounts were translated into New Taiwan dollars at the exchange rates at the end of the reporting period.

Note 7: The difference from the Company's outflow of investment was due to the retained earnings transferred to the capital of Everlight China amounting to US$ 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.

Note 8: Including the remittance amounting to US$ 10,140 thousand from Guangzhou Everlight to Everlight BVI to be invested in Everlight China by Everlight BVI in 2007.

Note 9: In January 2011, the Company sold its subsidiary (Yi-Yao) in Mainland China, through Evlite, to its domestic subsidiary, ELIT, at US$ 245 thousand, and the Company had applied to eliminate its sales price. In addition, the aforesaid investment amount included its accumulated remittance for investment amounting to US$ 48 thousand.

Note 10: The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to US$ 3,750 thousand was included in the Company's accumulated outflow of investment from Taiwan.

Note 11: The difference from the Company's outflow of investment was due to the amount of US$ 2,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.

Note 12: Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.

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

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

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

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

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

(Continued)

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

Note 19: Including ELIT's accumulated outflow of investment from Taiwan amounting to US$ 723 thousand. In January 2015, adjustments were made to coordinate with the organizational structure of the Group, and the Company acquired control over Yi-Yao through Everlight SSL(HK) invested Yi-Yao amounting RMB$6,462 thousand.

Note 20: The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in Everlight Electronic (Guangzhou) from Everlight China's owned fund.

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

Note 22: Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Electronic (Guangzhou) by ELMS.

Note 23: The difference from the Company's outflow of investment was due to the amount of RMB45,000 thousand invested in ELMS from Everlight Electronic (Guangzhou).

Note 24: The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to US$386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Group and the investee companies in Mainland China for the year ended December 31, 2019.

(14) Segment information:

(a) General Information

The segmentation of the Group is based on different products and services. The Group's reportable segments are the LED segment, LCD segment and illumination segment. The LED segment engages in the manufacture and sale of LEDs. The LCD segment engages in the manufacture and sale of LCDs and LCD modules. The illumination segment engages in the manufacture and sale of lighting products.

Other operating segments mainly engage in the sale of raw materials for electronic products, masks, and electrophoretic displays. The above operating segments did not meet the quantitative thresholds in the years ended December 31, 2019 and 2018.

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

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

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

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	2019					
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	$18,340,772	674,717	1,883,423	67,629	-	20,966,541
Intersegment revenues	-	-	-	-	-	-
Total revenues	$18,340,772	674,717	1,883,423	67,629	-	20,966,541
Reportable segment profit (loss)	$ 1,104,036	8,841	(282,017)	4,333	-	835,193
Reportable segment assets	$ -	-	-	-	-	28,349,072

	2018					
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	$20,785,983	796,140	2,419,709	87,459	-	24,089,291
Intersegment revenues	-	-	-	-	-	-
Total revenues	$20,785,983	796,140	2,419,709	87,459	-	24,089,291
Reportable segment profit (loss)	$ 1,186,725	39,740	(360,290)	22,893	-	889,068
Reportable segment assets	$ -	-	-	-	-	29,084,143

(c) Entity-wide information

The following was the Group's geographical information. Revenues were attributed to countries on the basis of the customers' location. Non-current assets were attributed to countries on the basis of the assets' location.

(i) Revenues from external customers:

Geographical information	2019	2018
Asia	$ 17,511,370	19,454,105
Europe	2,551,005	3,613,639
America	611,805	831,039
Others	292,361	190,508
	$ 20,966,541	24,089,291

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(ii) Non-current assets:

Geographical information		December 31, 2019	December 31, 2018
Asia	$	9,648,901	10,423,851
Europe		275,627	265,190
Others		126,849	117,536
	$	**10,051,377**	**10,806,577**

Non-current assets include property, plant and equipment, right-of-use right, investment property, intangible assets, and other assets, excluding financial instruments, deferred tax assets, and post-employment benefit assets.

(d) Information about major customers

There were no individual customers whose purchases were over 10% of consolidated net sales in 2019 and 2018.