

# Everlight Electronics Co., Ltd.

## 2022 Annual Report

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>

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**Notice to readers**

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

# Corporation Information

## 1. Spokesperson & Deputy Spokesperson

### Spokesperson

Name: Wu-Liu Tsai

Title: Executive Vice President

TEL: +886-2-2685-6688

Email: pennytsai@everlight.com

### Deputy Spokesperson

Name: Chien-Ming Ting

Title: Sr. Director

TEL: +886-2-2685-6688

Email: poaming@everlight.com

## 2. Headquarters, Branches and Plant

### Corporate Headquarters

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TEL: +886-2-2685-6688

### Branch

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TEL: +886-37-740-776

## 3. Common Share Transfer Agent and Registrar

Company: The Transfer Agency Department of Capital Securities Co., Ltd.

ADD: B2F., No. 97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

Website: [www.capital.com.tw](http://www.capital.com.tw)

TEL: +886-2-2702-3999

## 4. Auditors

Company: KPMG

Auditors: Au, Yao-Chun, Hsin, Yu Ting

ADD: 68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Website: [www.kpmg.com.tw](http://www.kpmg.com.tw)

TEL: +886-2-8101-6666

## 5. Overseas Securities Exchange: N/A

## 6. Corporate Website

Website: <http://www.everlight.com>

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# 1. Letter to Shareholders

To Shareholders Report

Ladies and Gentlemen Shareholders,

## **Preface**

Last year, the global economy faced significant challenges due to the Ukraine-Russia war, global inflation accelerating rate hiking and China's "zero-covid" policy. Major economies tightened their monetary policies, leading to a significant reduction in private consumption and business spending, resulting in a decrease in global demand. In terms of operations, for 2022, Everlight's consolidated revenue was NT\$19.888 billion, a year-on-year decrease of 20.5%. The gross margin increased by 1% to 28% due to a better product mix and exchange rate factors. The net profit attributable to the parent company was NT\$1.23 billion, a year-on-year decrease of 36.5%, and the earnings per share (EPS) after tax were NT\$2.78. The board of directors approved a cash dividend of NT\$2.5 per share.

## **Development of new technologies and applications**

In the future, Everlight's development strategy will focus more on the fields of invisible light and automotive products.

Energy conservation and carbon reduction have become the main issue of government policies worldwide. In addition to the increasing awareness of personal and household energy-saving, industrial energy-saving has become a mainstream trend under the requirements of ESG. During the pandemic, the demand for intelligent production increased due to a shortage of manpower, and products such as robots, industrial control servos, PLCs (Programmable Logic Controllers), and photovoltaic inverters have become the mainstream of the market, leading to a significant increase in the demand for high-end optocoupler products. The growing market for electric vehicles and metaverse will also be beneficial for the demand of sensor components. Everlight already has a solid foundation in the invisible LED market and will continue to develop mid-to-high class of optocouplers and sensor products to capture the growing markets by focusing on future trends, and continue to produce with technology content and production quality to further improve gross margins.

In terms of automotive products, the focus will be on exterior lighting, and the research and development direction will be towards high-end headlight designs, mid-to-high-power logo lights, continuous daytime running lights, and matrix Mini LED products to increase market share. In addition to continuing to optimize the intelligent atmosphere light (Smart LED) with integrated LED+IC launched last year, the interior lighting will also introduce high-brightness plus high-contrast central control instrument lights, multi-functional custom button lights, high-color rendering reading lights, and other products to meet customer needs. As for automotive displays, increasing the number of displays and the size of displays has become a trend, and Everlight has developed and mass-produced Mini LED backlight modules with high dynamic contrast (HDR) for automotive displays, giving us a certain portion of share in the Mini LED backlight market for automotive applications, and we will expand production capacity and continue to strengthen the competitiveness of Mini LED products as demand grows.

### **Summary of 2023 business plan**

Looking ahead to 2023, the global economy continues to face weakness, influenced by geopolitical tensions, financial fluctuations, abnormal weather patterns, and other factors that make it difficult to predict economic trends, whether it will slow down or decline, land softly or hardly. The LED industry has begun to move towards the trend of big players getting bigger and vertical or horizontal integration. Everlight will humbly face the market trend changes, actively seek new opportunities and partners, and optimize internal management processes, hoping to overcome this double dip in both the economy and the industry and return to the path of growth. We would like to thank all shareholders for your long-term support and recognition, and Everlight's management team will continue to work hard to create higher value for our shareholders.

And, I wish our shareholders good health and all going well with you.

Chairman of BOD, Yin-Fu Yeh

## 2. Corporate Introduction

2.1 Date of Incorporation: May 28, 1983.

### 2.2 Company History

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

Year	Milestone
1983	Incorporated the Company with paid-in capital NTD\$7,022 thousand and mainly manufactures LED.
1986	Paid-in capital increased to NTD\$27,022 thousand and began automated production line.
1988	Paid-in capital increased to NTD\$50,000 thousand
1989	Paid-in capital increased to NTD\$90,000 thousand, Yuanli Factory (Yuanli Town, Miaoli County) was established at the same time
1990	Paid-in capital increased to NTD\$190,000 thousand
1991	Moved to new plant (Section 3, Chun-Yang Rd., Tucheng)
June 1995	Approved to be a public company.
1995	Paid-in capital increased to NTD\$350,000 thousand.
1996	Paid-in capital increased to NTD\$500,000 thousand and registered capital achieved to the amount of NTD\$700,000 thousand.
Dec 1996	Passed ISO 9001 international certification
Nov 1997	Officially traded on Taipei Exchange.
1998	Paid-in capital increased to NTD\$911,150 thousand. Pass QS 9000 international certification.
Mar 1999	Passed ISO 14001 international certification
1999	Paid-in capital increased to NTD\$1,330,000 thousand
Nov 1999	Officially traded on TWSE.
Feb 2000	Offered 1 <sup>st</sup> overseas convertible corporate bonds amounting to USD\$200 million.
2000	Paid-in capital increased to NTD\$1,683,439 thousand
Feb 2001	Invested Everlight Electronics (China) Ltd.-Suzhou
Mar 2001	Issued 1 <sup>st</sup> convertible bond NTD\$600,000 thousand
2001	Paid-in capital increased to NTD\$1,878,933 thousand

2002	Paid-in capital increased to NTD\$2,180,166thousand °
2003	Paid-in capital increased to NTD\$2,464,267thousand °
Feb 2004	Offered 2 <sup>nd</sup> overseas convertible corporate bonds amounting to USD\$300 million.
2004	Paid-in capital increased to 2,736,647thousand °
Apr 2005	Offer 1 <sup>st</sup> employee stock option 7,770,564 shares.
2005	Paid-in capital increased to NTD\$2,878,913 thousand °
Oct 2006	Offered 2 <sup>nd</sup> domestic convertible corporate bonds amounting to NTD\$1,500,000 thousand.
2006	Paid-in capital increased to NTD\$3,200,840 thousand °
Nov 2007	Offered 2 <sup>nd</sup> employee stock option 8,000,000 shares.
Dec 2007	Offered 3 <sup>rd</sup> domestic convertible corporate bonds amounting to NTD\$3,000,000 thousand.
2007	Paid-in capital increased to 3,451,742thousand.
2008	Paid-in capital increased to 3,646,047thousand.
Dec 2009	Offered 4 <sup>th</sup> domestic convertible corporate bonds amounting to NTD\$2,500,000 thousand.
2009	Paid-in capital increased to NTD\$3,992,125 thousand.
2010	Paid-in capital increased to NTD\$4,191,693 thousand.
2011	Paid-in capital increased to NTD\$4,192,013 thousand.
Dec 2011	Moved to Shunlin operation headquarter (Zhonghua Rd., Shulin)
Jan 2012	Offered 3 <sup>rd</sup> employee stock option 5,000,000 shares.
Jun 2012	Offered 4 <sup>th</sup> employee stock option 10,000,000 shares.
Jul 2012	Syndication loan amounting to NTD\$6,000,000 thousand for 5 years term.
Mar 2013	Numbers of Everlight LED patent are more than 1,000.
Jul 2013	Offered Year 2013 employee stock option with 10,000,000 shares.
Jul 2013	Purchased WOFI Leuchten GmbH 100% share to strengthen lighting distribution channel and sales development.
Dec 2013	Offered 5 <sup>th</sup> domestic convertible corporate bonds amounting to NTD\$4,000,000 thousand.
Dec 2014	Paid-in capital increased to NTD\$4,283,435 thousand °
Mar 2015	Liquidated Guangzhou Hengkuang Electronics Ltd.
May 2015	Offered 6 <sup>th</sup> domestic convertible corporate bonds amounting to NTD\$5,000,000 thousand.
Aug 2015	Offered Year 2014 employee stock option with 5,000,000 shares.

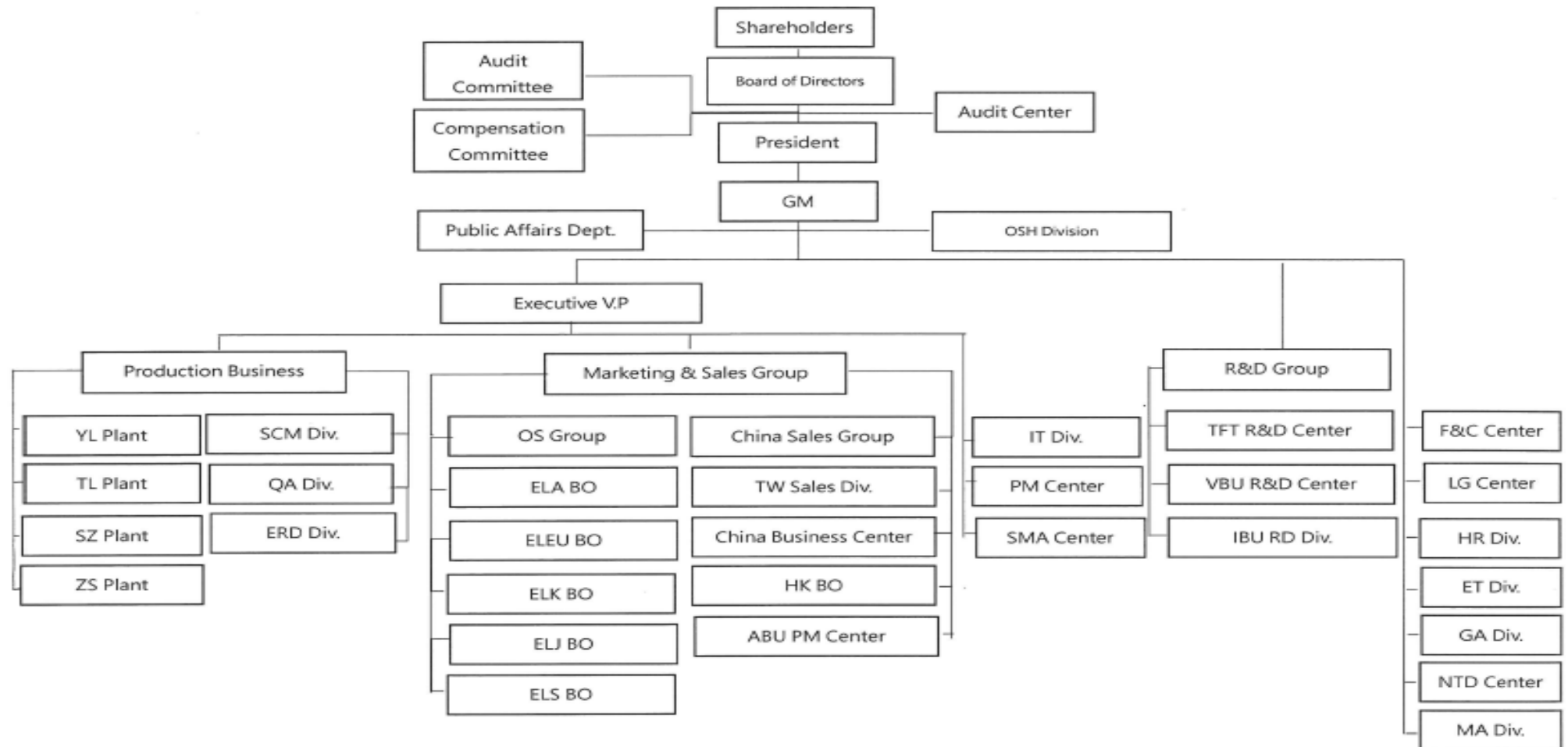


Dec 2015	Paid-in capital increased to NTD\$4,361,890 thousand °
Aug 2016	Tongluo Plant completed factory registration. Everlight dedicated to auto LED R&D to fulfill high quality and diversified need of product. Tongluo Plant is a intelligent plant with human factor concept and mainly for auto LED component.
Dec 2016	Paid-in capital increased to NTD\$4,402,667 thousand °
Dec 2017	Paid-in capital increased to NTD\$4,403,778 thousand °
Oct 2018	Conviction affirmed by the supreme court in USA dated on Oct 1 <sup>st</sup> 2018 was to dismiss the appeal by Nichia. Everlight won the final victory.
Dec 2018	Paid-in capital increased to NTD\$4,429,136 thousand °
May 2019	Paid-in capital increased to NTD\$4,430,562 thousand °
Sep 2019	Paid-in capital increased to NTD\$4,431,011 thousand
Dec 2019	Paid-in capital increased to NTD\$4,432,162 thousand
Apr 2020	Paid-in capital increased to NTD\$4,432,593 thousand
May 2020	Repaid 6 <sup>th</sup> domestic convertible corporate bonds and termination of listing
June 2020	Paid-in capital increased to NTD\$4,433,921 thousand
Sep 2020	Paid-in capital increased to NTD\$4,433,931 thousand
May 2021	China Supreme People's Court has decided Nichia's Patent is invalid
Sep 2021	EVERLIGHT Electronics won the 2021 HR Asia Awards
Sep 2021	EVERLIGHT Electronics won the 15th 2021 Asia-Pacific Enterprise Awards; APEA "Corporate Excellence Award"
Dec 2022	Passed the information security management system ISO 27001 certification

### 3. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organization Chart



### 3.1.2 Major Corporate Functions

Department	Functions
President Office	Overview on the conduct of overall business, production-marketing coordination, and product business goal setting.
Audit Office	<ol style="list-style-type: none"> <li>1. Through internal audit, make sure the achieved of following goals: Effectiveness and efficiency of operation, Reliability of financial report, Obedience of relate regulations</li> <li>2. Assist Board of Directors and top management to perform duties.</li> <li>3. Investigate and evaluate the effectiveness of internal control system and measure the efficiency of operation result to ensure internal control system to be continuously and effectively executed.</li> </ol>
Public Affairs Department	<ol style="list-style-type: none"> <li>1. Set up relationship of the Company and news media and crisis management.</li> <li>2. Cooperate with Everlight Cultural Foundation for charitable events to build up cooperate image and brand value.</li> <li>3. Manage and participate industrial association to enhance the Company's floor and fulfill corporate citizenship.</li> </ol>
Occupational Safety and Health Division	<ol style="list-style-type: none"> <li>1. In charge of environmental protection and health and welfare, disaster prevention, environmental pollution reduction.</li> <li>2. Build up zero pollution and safe working environment to achieve sustainable development.</li> </ol>
Finance & Accounting Center	<ol style="list-style-type: none"> <li>1. Financial planning and execution, cash allocation and management plan, FX hedge and asset management, investor relationship management, overseas subsidiary financial management and risk management.</li> <li>2. Bookkeeping, taxation planning and execution, and accounting process improvement.</li> <li>3. Investment company evaluation and management.</li> <li>4. Compliance of securities regulations and public announcement.</li> <li>5. Project management of operating performance index.</li> </ol>
Legal Center	<ol style="list-style-type: none"> <li>1. Control overall corporate risk to ensure the legitimacy of corporate operation.</li> <li>2. Maintain corporate legal validity and status.</li> <li>3. In charge of intellectual property application and maintenance to strengthen the intellectual property patent.</li> <li>4. Assist designing around of patent and build up correct patent cognition.</li> <li>5. Set up patent management process and improve patent quality.</li> <li>6. Set up patent database to monitor global patent, search for adequate patent subject of purchasing, and strengthen patent combination.</li> </ol>
Information Division	<ol style="list-style-type: none"> <li>1. Promote related project planning and execution.</li> <li>2. Management and maintenance of related information application system and providing high efficiency and stable information system service.</li> <li>3. Active assist systematic needs from different department and consider the most adequate solution for strategy development and operation process to increase informative ability.</li> </ol>
Human Resource Div.	<ol style="list-style-type: none"> <li>1. Labor regulations compliance.</li> <li>2. Promote inspiration and welfare system.</li> <li>3. Improvement of organization, culture, and human resource development.</li> </ol>
Education Training Div.	<ol style="list-style-type: none"> <li>1.Planning and implementing training sessions</li> <li>2.Formulate structural strategies for talent development and training, plan and implement annual plans</li> <li>3.Build and manage internal training courses</li> </ol>
General Affairs	1.Facility Planning

Department	Functions
Division	2. Promote environmental related laws and regulations, regularly review and declare the discharge and declaration of air, water and waste pollution 3. Review and suggest on management system and execution of construction and safety and health in plant.
New Technology Center	1. New product planning. 2. New product analysis and evaluation
Marketing Analysis Div.	1. Collect and analyze market information 2. Provide product future market direction
R&D Group	1. Evaluate industrial key technology and information. New product research and development. R&D process management and improvement. R&D project management and improve product quality and yield rate. 2. New product spec setting and test verification. Assist product department to test sample and spec verification. 3. Integrate corporate resource to import new material and manufacturing process. 4. New product development, improvement, and modification of production spec, BOM building, second source evaluation. R&D professional service and patent application.
Product Management Center	1. Formulation and implementation of product marketing strategies. 2. Achieve product performance goals assigned by the company. 3. Responsible for new product development life cycle, gross profit and future planning. 4. From a market point of view, it is recommended that the company cooperate with the development of the industry and product trends.
Automotive Product Marking Center	1. Formulation and implementation Automotive of product marketing strategies. 2. Achieve product performance goals assigned by the company. 3. Responsible for new product development life cycle, gross profit and future planning. 4. Recommend to coordinate with the development of the industry and product trends from a market point of view.
Overseas Business Unit	1. Build sales performance management system and continuously promote sales process improvement on operation efficiency and quality. 2. Develop new customer and maintain good relationship to achieve yearly sales goal. 3. Set up and execute product marketing strategy.
China Business Unit	1. Build sales performance management system and continuously promote sales process improvement on operation efficiency and quality. 2. Manage distributor channel in Greater China. 3. Develop new customer and maintain good relationship to achieve yearly sales goal. 4. Set up and execute product marketing strategy.
Supply Chain Management Division	1. Allocate production capacity by open order and manage abnormal production condition to achieve goals of production and inventory turnover. 2. Continuously control production status and reduce WIP. 3. Manage raw material, product, and shipping to fulfill production needs.
Equipment R&D and Facility Affairs Division	1. Improve automation of machinery and develop mould. 2. Develop, import, and apply new machine and new model. 3. Execute factory construction project, factory affairs, and factory equipment maintenance to fulfill capacity expansion and production demand.
Quality Assurance Division	1. Manage corporate quality system, suppliers, prohibited and restricted substance, and internal audit system. 2. Manage and plan laboratory, approve reliance report, handle defective product, and

Department	Functions
	<p>promote quality assurance conscious and training to ensure product reliability.</p> <p>3. Standardize customer complaint process and analysis method, build feedback database of customer complaint, standardize CAR(correction action report) by basic tools of quality to decrease abnormal reoccurrence, customer complaint and external quality cost.</p>
Production Plant	<p>1. Produce LED according to open order and achieve goals of production and inventory turnover..</p> <p>2. Continuously decrease manufacturing cost, control production status and reduce WIP.</p> <p>3. Manage raw material, product, and inventory to fulfill production needs.</p>

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

#### 3.2.1 Information about directors

Apr. 18, 2023 Unit:Share

Title	Nationality or Place of Registration	Name	Gender /Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Yin-Fu Yeh	Male 70-75	2021.07	3	1983.6	16,168,553	3.65	14,168,553	3.20	651,333	0.15	0	0.00	National Taipei University of Technology Department of Electronic Engineering	Everlight Electronics Chairman & President Tekcore Co. Ltd Chairman & President Evervision Electronics Co., Ltd. Chairman & president Forever Investment Co., Ltd. Chairman & president Pai Yee Investment Co., Ltd. Chairman & president Evlite Electronics Co., Ltd. Director Everlight Lighting Intellengence Technology Co., Ltd. Chairman Evervision Electronics (BVI) Director Everlight (BVI) Co., Ltd Director & president Everlight Lighting (China) Chairman Everlight Americas, Inc. Director Everlight Electronics Europe GmbH Director Everlight Optoelectronics Korea Co., Ltd. Chairman Evervision (HK) Ltd. Director Everlight Japan Corporation Chairman, GM Everlight Intelligence Technology KZ LLP Director Everlight (China) Ltd. Director Everlight (Guazhou) Ltd. Director Everlight (Zhongshan) Ltd. Director WOFI Leuchten GmbH Director WOFI Wortmann & Fliz GmbH Director Euro Technics Trade GmbH Director WOFI Technics Trade Limited Director Action GmbH Director WOFI VG Director Lamp for less Director	Director	Ting-Wei Yeh	Son	Note

Title	Nationality or Place of Registration	Name	Gender /Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	R.O.C.	Wu-Liu Tsai	Male 40-45	2021.07	3	2021.7	50,000	0.01	0	0.00	0	0.00	0	0.00	MA, and BA. Department of Physics, National Central University MIT SCM Micro-Master	Everlight Electronics (China) Chairman Everlight Electronics (Zhongshan) Chairman Everlight Lighting (China) Director Everlight (Guazhou) Ltd. Director Everlight Japan Corporation Director Everlight Optoelectronics(M) SDN. BHD Director Everlight Electronics India Private Ltd. Director Everlight Electronics Singapore Pte. Ltd. Director Anhui Hongming Technology Co., Ltd. Director	-	-	-	
Director	R.O.C.	Bo-Wen Zhou	Male 70-75	2021.07	3	1983.6	9,600,000	2.17	9,600,000	2.17	7,300,000	1.65	0	0.00	Department of Information Engineering of Chien Hsin University of Science and Technology Everlight Electronics Co., Ltd. Vice President	Everlight Electronics Director Pai Yee Investment Co., Ltd. Supervisor	-	-	-	
Director	R.O.C.	Shinh Wum International Investment LTD	Male 45-50	2021.07	3	2012.6	4,785,000	1.08	7,095,000	1.60	0	0.00	0	0.00	Ph. D of Material Science of University of Southern California Sales VP of ELA President of Everlight Electronics director, Sr. Director	Everlight Electronics Director Everlight Optoelectronics Korea Co.,Ltd. Director Everlight Americas, Inc. Director	Chairman	Yin-Fu Yeh	Father	
		representative: Ting-Wei Yeh					500,000	0.11	500,000	0.11	0	0.00	0	0.00						

Title	Nationality or Place of Registration	Name	Gender /Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	R.O.C.	Bang-Yan Liu	Male 60-65	2021.07	3	2003.6	145,884	0.03	112,884	0.03	0	0.00	0	0.00	Hsieh Chih Vocational High School Everlight production business unit president	Everlight Electronics Director	-	-	-	
Independent Director	R.O.C.	Johnsee Lee	Male 70-75	2021.07	3	2015.6	0	0.00	0	0.00	0	0.00	0	0.00	Ph. D of Chemical Engineering of Illinois Institute of Technology Industrial Technology Research InstituteChairman	Everlight Electronics Independent Director Far Eastern New Century Independent Director San Fu Chemical Co., Ltd. Independent Director BRIM Biotechnology, Inc. Independent Director Hopax Chemicals. Mfg. Co., Ltd. Director Personal Genomics, Inc. Chairman Quark Biosciences, Inc. Chairman	-	-	-	
Independent Director	R.O.C.	Chen-En Ko	Male 70-75	2021.07	3	2015.6	0	0.00	0	0.00	0	0.00	0	0.00	PhD of Department of Accounting at University of Minnesota Chung-Hua Institution for Economic Research Chairman Dean of College of Management at National Taiwan University Supervisee of CBC Taiwan Corporate Governance Association Chairman	Everlight Electronics Independent Director Far Eastern New Century Independent Director Chang Type Industrial Co., Ltd. Independent Director	-	-	-	



Title	Nationality or Place of Registration	Name	Gender /Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	R.O.C.	Rong-Chun Lin	Male 65-70	2021.07	3	1997.6	0	0.00	0	0.00	0	0.00	0	0.00	Ph. D of Business Administration of NCCU Dean of College of Management at Shih Chien University Consultanf of Taiwan Academy of Banking and Finance	Everlight Electronics Independent Director China Metal Products Co., Ltd. Independent Director Antec, Inc. Independent Director	-	-	-	
Independent Director	R.O.C.	Liang-Gee Chen	Male 65-70	2021.07	3	2021.7	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D. of National Cheng Kung University Chair Professor, Department of Electrical Engineering, National Taiwan University Minister of Ministry of Science and Technology, R.O.C.	Everlight Electronics Independent Director Nuvoton Technology Corporation Director Vanguard International Semiconductor Corporation Independent Director Ganzin Technology Director Himax Technologies, Inc. Director	-	-	-	

Note: Since foundation, Yin-Fu Yeh is the chairman and president. No matter operation or business strategy and all internal affairs, Yin-Fu Yeh takes care of every single thing in personal. As a result, Yin-Fu Yeh is highly mastered in overall industry, operation status, risk management and able to take the adequate action when the Company needs to make major operation strategy. Moreover, only 3 directors out of 9 directors who are also employees in the board, more than half of board members are external directors (including independent director). As a result, the resolution of Board of Directos could stay objectivity. The Company already added one more independent director in 2021 to stranthen the independence of Board and fulfill the regulations.

### 3.2.2 Directors' Professional Qualifications and Independence Analysis:

Criteria Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Yin-Fu Yeh	<ol style="list-style-type: none"> <li>1. Possesses five or more years of work experience required for the Company's business</li> <li>2. Currently the chairman and president of Everlight Electronics and its subsidiaries, and the chairman and president of Tekore</li> <li>3. Not been a person of any conditions defined in Article 30 of the Company Law</li> </ol>	Not Applicable	None
Director Wu-Liu Tsai	<ol style="list-style-type: none"> <li>1. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>2. Currently the director and Executive Vice President of Everlight Electronics, and responsible for the global business and production, also served as the directors of subsidiaries of Everlight.</li> <li>3. Not been a person of any conditions defined in Article 30 of the Company Law</li> </ol>		None
Director Bo-Wen Zhou	<ol style="list-style-type: none"> <li>1. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>2. Currently the director of Everlight Electronics, served as VP of the Company</li> <li>3. Not been a person of any conditions defined in Article 30 of the Company Law</li> </ol>		None

Director Bang-Yan Liu	<ol style="list-style-type: none"> <li>1. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>2. Currently the director of Everlight Electronics, and served as production business unit president of the Company</li> <li>3. Not been a person of any conditions defined in Article 30 of the Company Law</li> </ol>		None
Director Ting-Wei Yeh	<ol style="list-style-type: none"> <li>1. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>2. Currently the director and department senior director of Everlight Electronics, and responsible for oversea business of the Company</li> <li>3. Not been a person of any conditions defined in Article 30 of the Company Law</li> </ol>		None

Independent Director Chen-En Ko	<ol style="list-style-type: none"> <li>1. More than five years as an Instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university</li> <li>2. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company</li> <li>3. Currently the independent director and the convenor of the audit and remuneration committee of the Company.</li> <li>4. Honorary Professor of Accounting Department of National Taiwan University, Chairman and Dean of CIER, Dean of School of Management of National Taiwan University, Director of Accounting Department of National Taiwan University, Supervisor of CBC, Technology Consultant of Executive Yuan, Director and executive supervisor of TWSE, director and supervisor of OTC, and chairman of Taiwan Corporate Governance Association.</li> <li>5. Not been a person of any conditions defined in Article 30 of the Company Law.</li> </ol>	<ol style="list-style-type: none"> <li>1. Not a shareholder who holds the Company shares, together with those held by the person's spouse, minor children, or held by the person under others' names</li> <li>2. Not a director, supervisor or employee of the company or any of its affiliates.</li> <li>3. The spouse or the relative within the second degree of kinship not serve as a director, supervisor or employee of the Company or its affiliates</li> <li>4. The person , the spouse and the relative within the second degree of kinship not serve as a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.</li> <li>5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law.</li> <li>6. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the Same person or are spouses: the person, the spouse, relative within the second degree of kinship not serve as not a director, supervisor, or employee of that other company or institution.</li> <li>7. Not the spouse or the relative with in the second degree of kinship with other directors.</li> <li>8. Not a professional individual who provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company and received compensation in the past 2 years.</li> <li>9. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law</li> </ol>	2
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Independent Director Johnsee Lee	<ol style="list-style-type: none"> <li>1. More than five years as an Instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university</li> <li>2. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>3. Currently the independent director and the member of the audit and remuneration committee of the Company.</li> <li>4. Worked in the Argonne National Laboratory and the Johnson &amp; Johnson in US. After 1990, served as the deputy director and director in the chemical industry institute of ITRI, and the co-host of the National Program for Biotechnology and Pharmaceuticals, and the host of the Bioengineering Department of the Ministry of Economic Affairs, the chief host of the material research and development plan, the chief host of the forward-looking innovation research and development program of the Ministry of Economic Affairs. Since 2003, served as the dean of the ITRI. In 2010, transferred to the chairman of the Development center for Biotechnology.</li> <li>5. Not been a person of any conditions defined in Article 30 of the Company Law.</li> </ol>	<ol style="list-style-type: none"> <li>1. Not a shareholder who holds the Company shares, together with those held by the person's spouse, minor children, or held by the person under others' names</li> <li>2. Not a director, supervisor or employee of the company or any of its affiliates.</li> <li>3. The spouse or the relative within the second degree of kinship not serve as a director, supervisor or employee of the Company or its affiliates.</li> <li>4. The person , the spouse and the relative within the second degree of kinship not serve as a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.</li> <li>5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law.</li> <li>6. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the Same person or are spouses: the person, the spouse, relative within the second degree of kinship not serve as not a director, supervisor, or employee of that other company or institution.</li> <li>7. Not the spouse or the relative with in the second degree of kinship with other directors.</li> <li>8. Not a professional individual who provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company and received compensation in the past 2 years.</li> <li>9. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law</li> </ol>	3
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<p>Independent Director Rong-Chun Lin</p>	<ol style="list-style-type: none"> <li>1. More than five years as an Instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university</li> <li>2. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>3. Currently the independent director and the member of the audit and remuneration committee of the Company.</li> <li>4. Served as the Deputy Dean of the School of Management of Shi Shi University, Supervisor of Everlight Electronics, Director of Dehwa Construction, Supervisor of King Core Electronics, General Manager of Sanyang Securities, Director and VP of Masterlink Securities, VP of Masterlink Investment Consultant, Supervisor and Executive Secretary of the Chairman of CMP, AVP of Citibank, Taipei Branch.</li> <li>5. Not been a person of any conditions defined in Article 30 of the Company Law.</li> </ol>	<ol style="list-style-type: none"> <li>1. Not a shareholder who holds the Company shares, together with those held by the person's spouse, minor children, or held by the person under others' names</li> <li>2. Not a director, supervisor or employee of the company or any of its affiliates.</li> <li>3. The spouse or the relative within the second degree of kinship not serve as a director, supervisor or employee of the Company or its affiliates.</li> <li>4. The person, the spouse and the relative within the second degree of kinship not serve as a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.</li> <li>5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law.</li> <li>6. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the Same person or are spouses: the person, the spouse, relative within the second degree of kinship not serve as not a director, supervisor, or employee of that other company or institution.</li> <li>7. Not the spouse or the relative with in the second degree of kinship with other directors.</li> <li>8. Not a professional individual who provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company and received compensation in the past 2 years.</li> <li>9. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law</li> </ol>	<p>2</p>
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Independent Director Liang-Gee Chen	<ol style="list-style-type: none"> <li>1. More than five years as an Instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university</li> <li>2. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>3. Currently the independent director and the member of the audit and remuneration committee of the Company. Served as the deputy director of the Department of Electrical Engineering of National Taiwan University, the director of the Institute of Electronics of National Taiwan University, the director of the National Taiwan University Creative Entrepreneurship Program, the deputy R&amp;D director of National Taiwan University, and the deputy dean of the Institute of Electrical Engineering, the director of the National Applied Research Laboratories from 2012 to 2013. In May 2016, transferred from the deputy dean of National Taiwan University to the Deputy Minister of Education of the Ministry of Education. In February 2017, transferred to the Minister of Science and Technology, and returned to National Taiwan University in May 2019.</li> <li>4. Not been a person of any conditions defined in Article 30 of the Company Law.</li> </ol>	<ol style="list-style-type: none"> <li>1. Not a shareholder who holds the Company shares, together with those held by the person's spouse, minor children, or held by the person under others' names</li> <li>2. Not a director, supervisor or employee of the company or any of its affiliates.</li> <li>3. The spouse or the relative within the second degree of kinship not serve as a director, supervisor or employee of the Company or its affiliates.</li> <li>4. The person, the spouse and the relative within the second degree of kinship not serve as a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.</li> <li>5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law.</li> <li>6. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the Same person or are spouses: the person, the spouse, relative within the second degree of kinship not serve as not a director, supervisor, or employee of that other company or institution.</li> <li>7. Not the spouse or the relative with in the second degree of kinship with other directors.</li> <li>8. Not a professional individual who provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company and received compensation in the past 2 years.</li> <li>9. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law</li> </ol>	1
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Note: According to the Rules Governing Review of Securities Listings as well as the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, the Company has obtained the statement of

independence for each independent director and confirms that all of them meet the independence requirements stipulated by laws and regulations.

### 3.2.3 Board diversity policy (directive) and status of implementation thereof

According to Article 20 of “Corporate Governance Best Practice Principles”:

The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

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

According to Article 21 of “Corporate Governance Best Practice Principles”, the board members should generally possess the knowledge, skills and literacy for performing their duties. In order to achieve the ideal goal of corporate governance, all the board of directors should have the following capabilities:

1. Judgment of operation.
2. Abilities of accounting and financial analysis.
3. Abilities of operation and management.
4. Crisis handling capabilities.
5. Industrial knowledge.
6. Vision of international market.
7. Leadership.
8. Decision-making.

Diversity of board members:

Name	Condition												
	Gender	Ages	Nationality	Manager Level	1	2	3	4	5	6	7	8	Technology and Materials Application Expertise
Yin-Fn Yeh	Male	70-75	R.O.C.	V	V		V	V	V	V	V	V	V
Chen-En Ko	Male	70-75	R.O.C.		V	V	V	V		V	V	V	
Johnsee Lee	Male	70-75	R.O.C.		V	V	V	V		V	V	V	V
Rong-Chun Lin	Male	65-70	R.O.C.		V	V	V	V		V	V	V	
Liang-Gee Chen	Male	65-70	R.O.C.		V		V	V		V	V	V	V
Wu-Liu Tsai	Male	40-45	R.O.C.	V	V		V	V	V	V	V	V	V
Bo-Wen Zhou	Male	70-75	R.O.C.		V		V	V	V	V	V	V	
Bang-Yan Liu	Male	60-65	R.O.C.		V		V	V	V	V	V	V	
Ting-Wei Yeh	Male	40-45	R.O.C.	V	V		V	V	V	V	V	V	V

Note: Condition 1-8 apply to the capabilities above.

There are nine directors in our Board including five directors and four independent directors. Percentage of independent director on the board is 44%. The terms of four independent directors is less than 3 sessions. the terms of one independent director is less than 3 years, another one is in 4-6 years and the other two is in 6-9 years. All independent



directors meet the independence requirement.

Three directors who are also employees account for 33% and external directors 67%. The five board members with academic proficiency accounts for 56%; three of them with material appliance, and the other two with accounting, finance, and business administration background; the rest of four directors who possess abundant knowledge, expertise, and practical experience of industry, and risk management accounts for 56%. The combination of industry and academy could exert great synergy and implement the goal of diversification.

In addition, the company also emphasizes the independence and professional background of board members. The goal is to increase the number of independent directors and achieve an independent director ratio of over 40%, with no more than one-third of the board consisting of executive directors. At the same time, the aim is to have 50% of directors with a background in science and technology, 50% of independent directors with a background in finance and accounting, and 50% of directors with industry experience.

The board's diversification is as follows:

1. Out of the 9 directors, 4 are independent directors, accounting for 43% of the total.
2. There are a total of 5 directors with a background in science and technology, representing 55% of the board.
3. Among the 4 independent directors, 3 have a finance and accounting background, achieving a ratio of 75% of independent director seats.
4. Out of the 9 directors, 5 have extensive experience in the LED and related industries, accounting for 55% of the board.
5. The number of directors with manager role does not exceed one-third.

### 3.2.4 Major Shareholder of the institutional shareholder:

April 18, 2023

Name of institutional shareholder	Major Shareholder of the institutional shareholder (Note)	%
Shinh Wum International Investment LTD	Ting-Wei Yeh	100%

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

### 3.2.5 Major shareholders of the major shareholders that are juridical persons: None

### 3.2 Information Regarding Management Team

April 18, 2023 Unit: Share

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman & president	R.O.C.	Yin-Fu Yeh	Male	1983.05.15	14,168,553	3.20	651,333	0.15	0	0.00	Department of Electronic Engineering of National Taipei University of Technology	Everlight Electronics Chairman & President Tekcore Co. Ltd Chairman & President Evervision Electronics Co., Ltd. Chairman & president Forever Investment Co., Ltd. Chairman & president Pai Yee Investment Co., Ltd. Chairman & president Evlite Electronics Co., Ltd. Director Everlight Lighting Intellengence Technology Co., Ltd. Chairman Evervision Electronics (BVI) Director Everlight (BVI) Co., Ltd Director & president Everlight Lighting (China) Chairman Everlight Americas, Inc. Director Everlight Electronics Europe GmbH Director Everlight Optoelectronics Korea Co., Ltd. Chairman Evervision (HK) Ltd. Director Everlight Japan Corporation Chairman, GM Everlight Intelligence Technology KZ LLP Director Everlight (China) Ltd. Director Everlight (Guazhou) Ltd. Director Everlight (Zhongshan) Ltd. Director WOFI Leuchten GmbH Director WOFI Wortmann & Fliz GmbH Director	Sr. Director	Ting-Wei Yeh	Son	Note

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
												Euro Technics Trade GmbH Director WOFI Technics Trade Limited Director Action GmbH Director WOFI VG Director Lamp for less Director				
Executive Vice President	R.O.C.	Wu-Liu Tsai	Male	2019.01.07	50,000	0.01	0	0.00	0	0.00	MA, and BA. Department of Physics, National Central University MIT SCM Micro-Master	Everlight Electronics (China) Chairman Everlight Electronics (Zhongshan) Chairman Everlight Lighting (China) Director Everlight (Guazhou) Ltd. Director Everlight Japan Corporation Director Everlight Optoelectronics(M) SDN. BHD Director Everlight Electronics India Private Ltd. Director Everlight Electronics Singapore Pte. Ltd. Director Anhui Hongming Technology Co., Ltd. Director	-	-	-	
Vice President	R.O.C.	Chia-Hao Lee	Male	2019.5.27	5,000	0.00	0	0.00	0	0.00	MA, Graduate Institute of China Studies, Tamkang University Everlight China sales division director Taiwan Ostor Corporation Sales Engineer	None	-	-	-	
Sr. Director	R.O.C.	Ting-Wei Yeh	Male	2022.04.07	500,000	0.11	0	0.00	0	0.00	Ph. D of Material Science of University of Southern California Sales VP of ELA President of Everlight (Korea) Vice director of Everlight Electronics	Everlight Electronics Director Everlight Optoelectronics Korea Co.,Ltd. Director Everlight Americas, Inc. Director	Chairman& president	Yin-Fu Yeh	Father	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Sr. Director	R.O.C.	Chung-Wei Wang	Male	2017.09.06	0	0.00	0	0.00	0	0.00	MA, Department of Architecture, National Taipei University of Technology	Everlight Optoelectronics Korea Co., Ltd. (ELK) Director	-	-	-	
Sr. Director	R.O.C.	Min-Ta Tsao	Male	2020.11.19	0	0.00	0	0.00	0	0.00	Taipei Kai-Nan High School Everlight Electronics Director	Everlight (Guazhou) Ltd. Chairman	-	-	-	
Sr. Director	R.O.C.	Chien-Ming Ting	Male	2021.1.5	1,000	0.00	0	0.00	0	0.00	Master of Human Resource and Public Relations DaYeh University Everlight Human Resource and General Affair department director	None	-	-	-	
Sr. Director	R.O.C.	Cheng-Hsin Chen	Male	2022.1.27	0	0.00	0	0.00	0	0.00	Ph.D. and Master in Physics, National Taiwan University Everlight Electronics New Technology Development department Director,, INT TECH Co., LTD Director Gudeng Precision Industrial Co., LTD Director	None	-	-	-	
Sr. Director	R.O.C.	Yu-He Chang	Male	2022.4.1	0	0.00	3,000	0.00	0	0.00	Master of Advanced Technology R&D, National Taiwan University of Science and Technology Department of Electronic Engineering, National Taipei University of Technology Head of Xiamen LEEDARSON Taipei R&D Center and Business Development Department - Senior Director Director of Connectivity Standard Alliance	WOFI Leuchten GmbH GM WOFI Wortmann & Fliz GmbH GM Euro Technics Trade GmbH GM WOFI Technics Trade Limited GM Action GmbH GM WOFI VG GM Lamp for less GM	-	-	-	
Sr. Director	R.O.C.	Che-wei, Hsu	Male	2022.4.7	30,000	0.00	0	0.00	0	0.00	Master, Institute of Electrical Engineering, National Taiwan Ocean University Foreign Trade Association International Trade Talent Training Course Everlight Opto. Products department Director UTC R&D Manager, GE R&D Manager	Everlight Lighting (China) Chairman & GM	-	-	-	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Sr. Director	R.O.C.	Yi-Chen, Chen	Female	2022.4.7	5,000	0.00	0	0.00	0	0.00	Department of Economics, National Cheng Kung University Everlight Europe and America Business department Director ASUS Computer and Mobile Phone Division - Product Operation Center - Supervisor	None	-	-	-	
Accounting Officer	R.O.C.	Chun-Yu Lu	Female	2020.12.23	0	0.00	0	0.00	0	0.00	BA. Department of Accounting, National Chengchi University Everlight Financial and Accounting Center Manager	Everlight Optoelectronics Korea Co., Ltd. Supervisor Everlight Electronics (China) Supervisor Everlight (Guazhou) Ltd. Supervisor Everlight Electronics (Zhongshan) Supervisor Everlight Japan Corporation Supervisor	-	-	-	

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

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

#### 3.3.1 Remuneration Paid to Directors

Title	Name	Director Remuneration								Total Remuneration (A+B+C+D) as a % of Net Loss after tax		Compensation Earned by a Director Who is an Employee of Epistar or of Epistar’s Consolidated Entities								Total Compensation (A+B+C+D+E+F+G) as a % of Net Loss after tax)		Compensation Paid to Directors from Non- consolidated Affiliates
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D)				Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employees’ Profits Sharing Bonus (G)						
		The Comp any	All Consoli dated Entities	The Com pany	All Consoli dated Entities	The Company	All Consoli dated Entities	The Company	All Consoli dated Entities	The Company	All Consolidat ed Entities	The Company	All Consolidat ed Entities	The Company	All Consoli dated Entities	The Company		All Consolidated Entities		The Company	All Consol idated Entities	
																Cash	Stock	Cash	Stock			
Director	Yin-Fu Yeh	0	0	0	0	9,562	9,562	300	300	9,862 0.80%	9,862 0.80%	20,929	20,929	950	950	6,975	0	6,975	0	38,716 3.15%	38,716 3.15%	None
	Bo-Wen Zhou																					
	Bang-Yan Liu																					
	Shinh Wum																					
	International Investment Ltd. representative: Ting-Wei Yeh																					
	Wu-Liu Tsai																					
Independent Director	Johnsee Lee	3,120	3,120	0	0	7,650	7,650	240	240	11,010 0.89%	11,010 0.89%	0	0	0	0	0	0	0	0	11,010 0.89%	11,010 0.89%	None
	Chen-En Ko																					
	Rong-Chun Lin																					
	Liang-Gee Chen																					
1.Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:  (1) According to the Articles of Incorporation of Company, Upon the Company director or supervisor’s performance of company duties, the Company shall pay compensation accordingly whether or not the Company makes profit from business. The board of directors’ meeting is hereby authorized to determine compensation which shall be based on their degree of participation and value of contribution to the Company’s operation, and shall not exceed the highest salary standard prescribed in the Company’s salary determination guidelines. (2) If the Company makes a profit during the year, the directors’ remuneration shall allocate no more than one percent of the profit. (3) Since the company has a remuneration committee and an audit committee, independent directors have a higher participation in major proposals, so they can earn the distribution of earnings and fixed monthly salary; directors who are not employees can participate in the distribution of earnings.  2.In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors.																						

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

### 3.3.2 Remuneration Paid to Directors

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities H	The Company	All Consolidated Entities and Non-Consolidated Affiliates I
NT\$0~NT\$1,000,000				
NT\$1,000,000~NT\$2,000,000	Yin-Fu Yeh 、Bo-Wen Zhou 、Bang-Yan Liu 、Shinh Wum International Investment LTD representative : Ting-Wei Yeh 、Wu-Liu Tasi	Yin-Fu Yeh 、Bo-Wen Zhou 、Bang-Yan Liu 、Shinh Wum International Investment LTD representative : Ting-Wei Yeh 、Wu-Liu Tasi	Bo-Wen Zhou 、Bang-Yan Liu	Bo-Wen Zhou 、Bang-Yan Liu
NT\$2,000,000~NT\$3,500,000	Chen-En Ko 、Johnsee Lee 、Rong-Chun Lin 、Liang-Gee Chen	Chen-En Ko 、Johnsee Lee 、Rong-Chun Lin 、Liang-Gee Chen	Chen-En Ko 、Johnsee Lee 、Rong-Chun Lin 、Liang-Gee Chen	Chen-En Ko 、Johnsee Lee 、Rong-Chun Lin 、Liang-Gee Chen
NT\$3,500,000~NT\$5,000,000				
NT\$5,000,000~NT\$10,000,000			Shinh Wum International Investment LTD representative : Ting-Wei Yeh	Shinh Wum International Investment LTD representative : Ting-Wei Yeh
NT\$10,000,000~NT\$15,000,000			Yin-Fu Yeh 、Wu-Liu Tasi	Yin-Fu Yeh 、Wu-Liu Tasi
NT\$15,000,000~NT\$30,000,000				
NT\$30,000,000~NT\$50,000,000				
NT\$50,000,000~NT\$100,000,000				
Over NT\$100,000,000				
Total	9	9	9	9

### 3.3.3 Remuneration Paid to President and Vice Presidents

Unit: NT\$ thousand

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employees' Profit Sharing Bonus (D)				Total Compensation as a % of 2018 Net Profit (A+B+C+D)		Compensati on Received from Non- consolidated From Affiliates
		The Company	All Consolidat ed Entities	The Company	All Consolida ted Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidat ed Entities	
								Cash	Stock	Cash	Stock			
President	Yin-Fu Yeh	17,087	17,087	1,025	1,025	3,997	3,997	6,722	0	6,722	0	28,831 2.34%	28,831 2.34%	None
Executive Vice President	Wu-Liu Tsai													
Vice President	Chia-Hao Lee													

Range of Remuneration	Name of President and Vice President	
	The Company	All Consolidated Entities E
NT\$0~NT\$1,000,000		
NT\$1,000,000~NT\$2,000,000		
NT\$2,000,000~NT\$3,500,000		
NT\$3,500,000~NT\$5,000,000		
NT\$5,000,000~NT\$10,000,000	Chia-Hao Lee 、Wu-Liu Tsai	Chia-Hao Lee 、Wu-Liu Tsai
NT\$10,000,000~NT\$15,000,000	Yin-Fu Yeh	Yin-Fu Yeh
NT\$15,000,000~NT\$30,000,000		
NT\$30,000,000~NT\$50,000,000		
NT\$50,000,000~NT\$100,000,000		
100,000,000 and above		
Total	4	4



### 3.3.4 Employees' Profit Sharing Bonus Paid to Management Team

Dec. 31, 2022 Unit: NT\$ thousand; Shares k

Title	Name	Stock	Cash	Total Employees' Profit Sharing Bonus	Total Employees' Profit Sharing Bonus Paid to Management Team as a % of Net Loss
President	Yin-Fu Yeh	0	17,628	17,628	1.43%
Executive Vice President	Wu-Liu Tsai				
Vice President	Chia-Hao Lee				
Sr. Director	Chung-Wei Wang				
Sr. Director	Chih-Min Ding				
Sr. Director	Min-Ta Tsao				
Sr. Director	Cheng-Hsin Chen				
Sr. Director	Ting-Wei Yeh				
Sr. Director	YouHe Chang				
Sr. Director	CHE WEI HSU				
Sr. Director	Yichen Chen				
Accounting Supervisor Financial Supervisor (Agent) Corporate Governance Officer	Chun-Yu Lu				

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

Title	The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, President and vice presidents of the Company, to the net loss & Profit.			
	2021		2022	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities

Directors	1.51%	1.51%	1.69%	1.69%
President and Vice President	1.74%	2.01%	2.34%	2.34%

The earnings in 2022 is less than 2021 due to decreased revenue, therefore the lower remuneration allocated in 2022. The ratio of directors and managers remuneration to the net profit in 2022 is relatively close to 2021.

#### 1. Policies, Standards, and Combinations of Compensation Payments:

- A. Board remuneration in our company is determined according to Article 20 of the Company's Articles of Incorporation. If the company is profitable in a fiscal year, a provision of no more than one percent is allocated for board remuneration. The allocation amount is calculated based on our company's "Employee Remuneration Allocation Measures." Both directors and independent directors can participate in the distribution of board remuneration. The reasonableness of compensation is reviewed by the Compensation Committee and the Board of Directors.
- B. Executive compensation in our company includes various allowances and bonuses to acknowledge and reward employees' efforts in their work. Related bonuses are determined based on the company's annual operational performance, financial condition, operational situation, and individual job performance. Additionally, if the company is profitable in a fiscal year, six to twelve percent is allocated for employee remuneration, calculated according to our company's "Employee Remuneration Allocation Measures." The performance evaluation results based on our "Performance Management Measures" serve as a reference for executive bonuses. The evaluation criteria for executives consist of two parts: (1) Financial indicators: distribution of departmental contributions to the company based on our management income statement and consideration of the managers' goal achievement rates; (2) Non-financial indicators: comprised of the practical application of the company's core values, operational management capabilities, and participation in sustainable business practices. The compensation for their operational performance is periodically reviewed based on the actual operational conditions and relevant regulations.
- C. The salary and compensation provided by our company, as defined in Article 7, Section 3 of our company's "Compensation Committee Organization Regulations," includes cash rewards, stock options, stock dividends, retirement benefits or severance pay, various allowances, and other measures with substantial rewards. Its scope aligns with the guidelines for disclosure items in the annual report of publicly traded companies concerning director and executive compensation.

#### 2. Procedures for Setting Compensation:

- A. To regularly evaluate executive compensation, the performance evaluation results based on our company's "Performance Management Measures" serve as the basis. The general manager's remuneration is determined by referencing the "domestic industry distribution level" and linking it to the company's operational performance indicators, which is then submitted for board approval. To fully demonstrate the achievement of operational performance indicators, the evaluation scope for the general manager includes the three major strategic priorities: (1) Short-term operational indicators, (2) Mid-term strategic indicators, and (3) Corporate social responsibility. The evaluation scope encompasses key indicators such as revenue targets, cost efficiency, product research and development strategies, talent development strategies, environmental protection and workplace safety, social responsibility, and corporate governance. All these

indicators are adjusted based on the company's operational strategy, recommendations from the Compensation Committee, and the Board of Directors.

- B. The performance evaluation and reasonableness of executive compensation in our company are reviewed and assessed annually by the Compensation Committee and the Board of Directors. It takes into account individual performance achievement rates, contributions to the company, overall operational performance, market salary surveys, industry development trends, and periodic reviews of the compensation system based on actual operational conditions and relevant regulations. The actual amounts of director and executive remuneration for the 111th fiscal year are determined after review by the Compensation Committee and approved by the Board of Directors.

### 3. Relationship with Operational Performance:

The review of our company's compensation policy, related payment standards, and system is primarily based on the overall operational conditions of the company. The payment standards are determined based on performance achievement rates and contributions to enhance the overall organizational effectiveness of the management department. Industry salary standards are also considered to ensure that the compensation for our company's management level remains competitive within the industry, thereby retaining outstanding

#### Implementation of Corporate Governance

#### 3.4.1 Board of Directors Meeting Status

1. A total of 8 (A) meetings of the Board of Directors were held in 2022. The directors' attendance status is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Yin-Fu Yeh	8	0	100	
Director	Bo-Wen Zhou	7	0	87.5	
Director	Bang-Yan Liu	8	0	100	
Director	Shinh Wum International Investment LTD representative : Ting-Wei Yeh	8	0	100	
Director	Wu-Liu Tsai	8	0	100	
Independent director	Chen-En Ko	8	0	100	
Independent	Johnsee Lee	8	0	100	

director					
Independent director	Rong-Chun Lin	8	0	100	
Independent director	Liang-Gee Chen	8	0	100	

\*The overall Attendance rate of the board of directors is 99%

## 2. Other special disclosure:

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

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

Term/ nd/rd/th time Date	Contents of motion	Resolution
14-06 2022.3.23	2021 financial report and business report.	It was approved and as per the resolution was executed.
	Earning distribution of 2021.	
	Evaluate the independence, eligibility, and contents of service and remuneration 2022 about appointment of CPAs	
	Approval of the Statement of Declaration on Internal Control System 2021.	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
	Discussion of amendment of the "Rules of Procedure of Shareholders' Meeting"of the Company	
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
14-07 2022.5.12	2022 financial report of Q1	It was approved and as per the resolution was executed.
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
	Discussion of liquidation of Everlight(Fujiang)	

Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		
14-08 2022.7.7	Discussion of capital injection of WOFI	It was approved and as per the resolution was executed.
	Approved the officer of internal auditing.	
	Approved the amendments to”Internal control system”.	
Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		
14-09 2022.8.11	2022 financial report of Q2	It was approved and as per the resolution was executed.
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		
14-10 2022.8.25	Discussion of repayment of long-term bank loan	It was approved and as per the resolution was executed.
	Discussion of the liquidation of WOFI and its subsidiaries	
Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		
14-11 2022.9.8	Discussion of the endorsement of WOFI	It was approved and as per the resolution was executed.
Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		
14-12 2022.11.11	2022 financial report of Q3	It was approved and as per the resolution was executed.
	Approval of the professional service fee of the CPAs for the year of 2022.	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
	Proposed appointment of E&Y accounting firm to conduct the special internal control project	
Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		

14-13 2021.12.23	Approval of auditing plan for 2022	It was approved and as per the resolution was executed.
	Drafting of General principles and procedures for services policy of the Company	
	Improvement plan proposal for the Kazakhstan loan	
Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		

- ii. There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2022.

(2) Recusals of Directors due to conflicts of interests in 2022:

Term/ st/nd/rd/th time Date	Persons recusing themselves	Contents of motion	Status	Resolution
14-12 2022.11.11	Yin-Fu Yeh Wu-Liu Tsai Ting-Wei Yeh	Allocation of 2021 employee remuneration to managers and/or directors who were also employees.	The directors in relation to the individual's interest conflicts, each of the directors temporarily left and avoided each other, and did not participate in the discussion and voting.	Chen-En Ko was the acting chairman, avoidance directors did not vote and the other directors had no objection to the approval

- (3) Listed companies shall disclose information such as the evaluation cycle and period, evaluation scope, method and evaluation content of the board of directors' self (or peers) evaluation, and fill in the attached form of the implementation of the board of directors' evaluation::  
The board of directors has approved "Evaluation of Board and functional committee effectiveness regulation" in December 2019. The latest internal evaluation for 2022 had been executed and reported at board meeting on 2023/3/13.  
This evaluation is executed by the finance department. The process is to issue an internal questionnaire to each director and functional committee (audit and remuneration) members in January every year, and collect the questionnaire data at the end of the month. The self-evaluation results are collected and analyzed and then submitted Board of Directors for the first quarter of the year.

Evaluation cycle	Evaluation period (Note)	Scope of evaluation	Evaluation method	Evaluation items
Once a year	2022.1.1- 2022.12.31	All Board of Directors	Self evaluation	1. Participation in the company's operations 2. Improvement of the quality of the board decisions 3. The composition and structure of the board 4. The selection of directors and continuous education 5. Internal control
Once a year	2022.1.1- 2022.12.31	Each Directors	Self evaluation	1. Understanding of the Company's goals and tasks 2. Recognition of directors' duties 3. Participation in the company's operations 4. Internal relationship management and communication 5. Expertise and continuous education of directors 6. Internal control
Once a year	2022.1.1- 2022.12.31	All functional committee members	Self evaluation	1. Understanding of the Company's goals and tasks 2. Recognition of directors' duties 3. Participation in the company's operations 4. Internal relationship management and communication 5. Expertise and continuous education of directors 6. Internal control

Note : Board director had been re-elected in 2021, the The current term of directors is from 2021.7.29 to 2024.7.28

Measures taken to strengthen the functionality of the Board:

The board of directors contains 9 directors who are all elected in shareholders' meeting by nomination system. Nomination system shall apply to Article 192-1 of Company Act and the tenure of director is 3 years and eligible for re-election.

Everlight has set up audit committee to replace supervisor in 2018 by Securities and Exchange Act. Audit committee consisted all independent

directors. All requirements of independent director such as profession, holding shares, restriction on other position, nomination, election, and others are abided by all related regulations of competent authority. The Company added one more independent director at 2021 shareholders' meeting, from original three independent directors to four independent directors, to strengthen the function and decision efficiency of the board. The Company follows the principle of transparency to declares important resolution of board of director real time and protect investors' right to know. The Company will keep being responsible for shareholders and society.

### 3.4.2 Audit Committee Meeting Status

The Company added one more independent director at 2022 shareholders' meeting, from original three independent directors to four independent directors, their professional qualifications and experience please see 3.2.2.

The audit committee of the Company is composed of four independent directors. The purpose of the audit committee is to supervise the Company's internal or external risk control, the compliance to the laws and regulations, the effective implementation of internal control and the adequacy of financial statements. The audit committee's main annual implementation matters are as follows:

1. Assessment of the effectiveness of the internal control system, issuing the Statement of Internal Control System and audit committee reviewing report.
2. The adoption or amendment of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
3. Asset transactions or derivatives trading of a material nature.
4. Loans of funds, endorsements, or provision of guarantees of a material nature.
5. Assessment of CPA's remuneration and independence.
6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. Annual, quarterly and semi-annual financial reports.
8. Proposals regarding profit distribution.
9. Compliance with the laws and regulations.
10. Risk control of the Company.
11. Operation status of subsidiaries.
12. Self evaluation of the performance in audit committee.
13. Other material matters as may be required by this Corporation or by the competent authority.



A total of 7 (A) Audit Committee meetings were held in 2022. The independent directors' attendance status is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director (Chairman)	Chen-En Ko	9	0	100	
Independent Director	Johnsee Lee	9	0	100	
Independent Director	Rong-Chun Lin	9	0	100	
Independent Director	Liang-Gee Chen	9	0	100	

\* Overall attendance Rate is 100%

Other special disclosure:

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

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

Term/ d/rd/th time Date	Contents of motion	Resolution of Audit Committee
2-6 2022.3.13	2021 financial report and business report.	The motion was approved by all present directors unanimously, and approved by board meeting on March 13, 2022.
	Recommendation of the distribution of earnings for the year of 2021.	
	Evaluate the independence, eligibility, and contents of service and remuneration 2021 about appointment of CPAs	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending.	
	Approved the Statement of Declaration on Internal Control System 2021.	

	Discussion of amendment of the ”Rules of Procedure of Shareholders’ Meeting”of the Company	
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
2-7 2022.5.12	2022 financial report of Q1	The motion was approved by all present directors unanimously, and approved by board meeting on May 12, 2022
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending.	
	Discussion of liquidation of Everlight(Fujiang)	
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
2-8 2022.7.7	Discussion of capital injection of WOFI	The motion was approved by all present directors unanimously, and approved by board meeting on July 7, 2022.
	Approved the officer of internal auditing.	
	Approved the amendments to”Internal control system”.	
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
2-9 2022.8.11	2021 financial report of Q2	The motion was approved by all present directors unanimously, and approved by board meeting on August 11, 2022
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
2-10 2022.8.25	Discussion of repayment of long-term bank loan	The motion was approved by all present directors unanimously, and approved by board meeting on August 25,
	Discussion of the liquidation of WOFI and its subsidiaries	

		2022.
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
2-11 2022.9.8	Discussion of the endorsement of WOFI	The motion was approved by all present directors unanimously, and approved by board meeting on September 8, 2022.
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
2-12 2022.11.11	2022 financial report of Q3	The motion was approved by all present directors unanimously, and approved by board meeting on November 11, 2022.
	Approval of the professional service fee of the CPAs for the year of 2022.	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
2-13 2022.12.21	Approval of auditing plan for 2022	The motion was approved by all present directors unanimously, and approved by board meeting on December 23, 2022.
	Drafting of General principles and procedures for services policy of the Company	
	Improvement plan proposal for the Kazakhstan loan	
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		

ii. There were no other resolutions that were not approved by the Audit Committee but were approved by two thirds or more of all directors in 2022.

(2) There were no recusals of independent directors due to conflicts of interests in 2022.

(3) Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2021:

**Summary of the communication between independent directors and the external auditor**

The Company's independent directors had fair communication with the external auditor. The communication in 2022 was outlined as following:

Date	Attendees	Points of communication	Communication result
2022/3/13	Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen And CPA-Au,Yao-Chun	Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Audit and review scope 4. Matters which authority concern 5. Other important notice 6. Major influence of accounting principle No. 75 7. Important update on accounting standards or explanation and securities and tax regulations.	Independent director's opinion:None
2022/5/12	Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen And CPA-Au,Yao-Chun	Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Type of auditing reviewing conclusion. 4. Audit and review scope 5. Audit and review discovery 6. Important update on regulations	Independent director's opinion:None
2022/8/11	Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen And	Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Type of auditing reviewing conclusion. 4. Audit and review scope 5. Audit and review discovery 6. Important update on regulations	Independent director's opinion:None

	CPA-Au,Yao-Chun		
2022/11/11	Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen And CPA-Au,Yao-Chun	Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Type of auditing reviewing conclusion. 4. Audit and review scope 5. Audit and review discovery 6. Plan of annual auditing 7. Important update on regulations	Independent director's opinion:None

#### Summary of the communication between independent directors and internal audit officer

The Company's independent directors had fair communication about status and result of the audit affairs through email and meeting by month or quarter. The internal auditing would follow the resolution from Audit Committee about the audit subject and scope. The communication in 2022 was outlined as following:

Date	Purpose	Method	Attendance	Topic	Result
111/01/27	Review of audit reports	Email	Head of internal audit Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen	Review of audit reports	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, responded

111/02/14	Internal audit summary report	Audit Committee	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen	Resignation of Head of Internal Audit	The independent director provided guidance and suggestions regarding the change of the audit supervisor and the recruitment process
111/02/24	Review of audit reports	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Deputy Head of Internal Audit	Review of audit reports	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, responded
111/03/23	Internal audit summary report	Audit Committee	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Deputy Head of Internal Audit	Human resources situation of the Head of Internal Audit	The independent director provided guidance and suggestions regarding talent recruitment
111/03/29	Review of audit reports	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Deputy Head of Internal Audit	Review of audit reports	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded

111/04/28	Review of audit reports	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Deputy Head of Internal Audit	Review of audit reports	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded
111/05/12	Internal audit summary report	Audit Committee	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Deputy Head of Internal Audit	1.Internal control audit report 2.Candidate for Head of Internal Audit	The independent director provided guidance and suggestions regarding the project implementation approach and talent recruitment
111/05/31	Review of audit reports	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Deputy Head of Internal Audit	Review of audit reports	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded
111/06/30	Review of audit reports	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Deputy Head of Internal Audit	Review of audit reports	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded

111/07/07	Revised detailed implementation rules for internal audit.	Audit Committee	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Deputy Head of Internal Audit	Amend certain articles to meet actual operational needs	After discussion with the independent director, the motion was approved
111/07/08	Internal control audit report	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	Procedure for handling project delays	The independent director provided guidance and suggestions regarding the subsequent project implementation approach
111/07/29	Review of audit reports	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	Review of audit reports	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded
111/08/11	Internal audit summary report	Audit Committee	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	1.Internal control audit report 2.Explanation of the transformation of internal audit department.	The independent director provided guidance and suggestions regarding the subsequent project implementation and audit focus



				3.Handling of reported cases	
111/08/12	Audit issues related to subsidiaries and parent company	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	Discussion of audit issues raised by the accountant regarding the subsidiary company	The independent director provided guidance and suggestions regarding the audit model for the parent and subsidiary companies
111/08/25	Internal audit summary report	Audit Committee	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	Types of subsidiary transactions and internal audit standards	The independent director provides guidance and recommendations on the audit mode for parent and subsidiary companies
111/08/31	1.Review of audit reports 2.Monthly report of internal audit	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded

111/09/08	Internal audit summary report	Audit Committee	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	Significant audit findings and reporting and handling of cases	The independent director provides guidance and recommendations on the subsequent improvement methods and focus areas
111/09/30	1.Review of audit reports 2.Monthly report of internal audit	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded
111/10/31	1.Review of audit reports 2.Monthly report of internal audit	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded

111/11/11	Internal audit summary report	Audit Committee	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	Status of the annual audit plan	The independent director provides guidance and recommendations on the subsequent execution methods
111/11/30	1.Review of audit reports 2.Monthly report of internal audit	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded
111/12/21	Internal audit summary report	Audit Committee	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit	2022 Internal audit report 2023 annual audit plan	The independent director provides guidance and recommendations on the key focus areas for subsequent execution
111/12/30	1.Review of audit reports 2.Monthly report of internal audit	Email	Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen	1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of	After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded

			Head of Internal Audit	improvement tracking 5.Handling of reported cases	
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(4) Continuing Education/Training of Directors in 2021

Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
Chairman	Yin-Fu Yeh	2022/12/22	2022/12/22	Taiwan Corporate Governance Association	Corporate Governance	3.0	9.0
		2022/10/19	2022/10/19	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Governance	3.0	
		2022/08/19	2022/08/19	Taiwan Corporate Governance Association	Net Zero Emissions, Carbon Neutrality, and Corporate Regulatory Compliance	3.0	
Director	Bo-Wen Zhou	2022/10/19	2022/10/19	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Governance	3.0	6.0
		2022/08/19	2022/08/19	Taiwan Corporate Governance Association	Net Zero Emissions, Carbon Neutrality, and Corporate Regulatory Compliance	3.0	
Director	Bang-Yan Liu	2022/10/19	2022/10/19	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Governance	3.0	6.0
		2022/08/19	2022/08/19	Taiwan Corporate Governance Association	Net Zero Emissions, Carbon Neutrality, and Corporate Regulatory Compliance	3.0	
Director	Wu-Liu Tsai	2022/12/06	2022/12/06	Taiwan Corporate Governance Association	How to Read Financial Statements for Effective Business Management	3.0	33.0

Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
		2022/10/19	2022/10/19	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Governance	3.0	
		2022/09/30	2022/09/30	Taiwan Corporate Governance Association	Adapting to Changes in International Order Variables and Corporate Governance	3.0	
		2022/09/20	2022/09/20	Taiwan Corporate Governance Association	10 Lessons of Corporate Governance	3.0	
		2022/08/30	2022/08/30	Taiwan Corporate Governance Association	Assessing and Executing M&A Investment from a Legal Perspective	3.0	
		2022/08/26	2022/08/26	Taiwan Corporate Governance Association	How the Audit Committee Oversees the Effectiveness of Internal Controls	3.0	
		2022/08/19	2022/08/19	Taiwan Corporate Governance Association	Net Zero Emissions, Carbon Neutrality, and Corporate Regulatory Compliance	3.0	
		2022/08/16	2022/08/16	Taiwan Corporate Governance Association	A Comprehensive View of ESG Governance – From Awareness to Implementation	3.0	
		2022/07/19	2022/07/19	Taiwan Corporate Governance Association	Trends and Strategies in Carbon Management towards Achieving Net-Zero Emissions	3.0	
		2022/06/28	2022/06/28	Taiwan Corporate Governance Association	Quick Interpretation and Preparation for ESG Disclosure Requirements in Corporate Governance 3.0	3.0	
		2022/03/09	2022/03/09	Taiwan Institution of Directors	Leadership Academy Forum - Restarting in the New Reality: Envisioning Digital New Taiwan	3.0	
Director	Ting-Wei Yeh	2022/10/19	2022/10/19	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Governance	3.0	6.0

Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
		2022/08/19	2022/08/19	Taiwan Corporate Governance Association	Net Zero Emissions, Carbon Neutrality, and Corporate Regulatory Compliance	3.0	
Independent Director	Chen-En Ko	2022/10/19	2022/10/19	Taiwan Corporate Governance Association	Corporate Governance Summit Forum - Enhancing Director Capabilities to Implement Corporate Sustainable Governance	6.0	6.0
Independent Director	Johnsee Lee	2022/11/04	2022/11/04	Corporate Operating and Sustainable Development Association	Exploring Business Risks and M&A Strategies for Taiwanese Enterprises in the Context of Global Political and Economic Situations	3.0	9.0
		2022/11/04	2022/11/04	Corporate Operating and Sustainable Development Association	Understanding of Regulatory Supervision among Executives in Listed Companies	3.0	
		2022/09/28	2022/09/28	Independent Director Association Taiwan	Analyzing the Impact and Risks of Financial Statements on Business Operations from the Perspective of Group CFO	3.0	
Independent Director	Liang-Gee Chen	2022/12/13	2022/12/13	Taiwan Corporate Governance Association	Risks and Opportunities of Climate Change	3.0	6.0
		2022/08/09	2022/08/09	Taiwan Corporate Governance Association	Information Security Governance Strategies of Listed Companies from the Perspective of ESG and Sustainable Development	3.0	
Independent Director	Rong-Chun Lin	2022/10/19	2022/10/19	Taiwan Corporate Governance Association	Corporate Governance Summit Forum - Enhancing Director Capabilities to Implement Corporate Sustainable Governance	3.0	20.0
		2022/10/19	2022/10/19	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Governance	3.0	
		2022/08/19	2022/08/19	Taiwan Corporate Governance Association	Net Zero Emissions, Carbon Neutrality, and Corporate Regulatory Compliance	3.0	

Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
		2022/07/20	2022/07/20	TWSE	Industry Advocacy Conference on Sustainable Development Roadmap	2.0	
		2022/04/26	2022/04/26	Taiwan Corporate Governance Association	Prevention and Mitigation of Labor Disputes and Corporate Governance	3.0	
		2022/03/22	2022/03/22	Taiwan Corporate Governance Association	Development Trends in Green Industries - Prospects of Low-Carbon Investments and Strategies for Business Adaptation	3.0	
		2022/03/09	2022/03/09	Taiwan Institution of Directors	Leadership Academy Forum - Restarting in the New Reality: Envisioning Digital New Taiwan	3.0	

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

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
1. Does the Company follow “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance principles?	V		The Company has established, via Board resolution on Nov. 12, 2015, corporate governance best-practice principles and the latest amendment approved by board meeting on March 13, 2023. The principle is disclosed on our website investor/corporate governance/important regulations of the Company	As explanation
2. Shareholding Structure & Shareholders’ Rights (1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?  (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?  (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?  (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(1) The related operations would be handled by the Spokesperson and personnel of Finance department pursuant to the relevant laws and important regulations. Except spokesperson, there is exclusive area on the official website for investor to contact with the Company. (2) The Company keeps close relationship to the directors, officers and major shareholders of the Company. The Company takes advantage of annual shareholders’ meeting and dividend distribution to learn the change of main shareholders. (3) The responsibilities between the Company and its affiliates were defined clearly and definitely. The Company and its affiliates abide by the regulations of internal control system. (4) The Company established the operating procedure for prevention of insidertrading. The subjects referred to therein include but are not limited to insiders, including their related parties, persons who forfeit the	None



Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
			<p>identity of insider for less than 6 months, and persons who access the information from said persons. The Company also requires employees and insiders to undergo education and training when insiders take office and at various times to prevent from insider trading.</p> <p>The Company arrange related education session annually with managers in the headquarter and affiliates, the content are the maintain secrecy and disclosure of material information, and insidetrading preveny and insider trading rules. The education course takes one hour.</p> <p>We held the education course on 2022/12/28 with 53 managers involved and all the reading material and regulations have provided to all managers.</p> <p>Meanwhile, in order to eliminate the occurrence of directors or employees exploiting undisclosed market information to trade securities, the company revised its corporate governance practices on March 23, 2022, explicitly specifying that directors are prohibited from trading stocks during a closed period of 30 days before the announcement of annual financial reports and 15 days before the announcement of quarterly financial reports.</p> <p>Each quarter, reminders were sent via email to directors and managers regarding the dates of board meetings for the approval of financial reports and the closed period for stock trading. A total of 18 reminders were disseminated via email.</p>	

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Company established a diversification policy of its Board of Directors and has it been implemented accordingly?</p>	V		<p>(1) There are nine directors in our Board including five directors and four independent directors. Percentage of independent director on the board is 44%. The terms of four independent directors is less than 3 sessions. the terms of one independent director is less than 3 years, another one is in 4-6 years and the other two is in 6-9 years. All independent directors meet the independence requirement.</p> <p>Three directors who are also employees account for 33% and external directors 67%. There are two directors in father and son relations. The board members with academic proficiency(PhD degree) accounts for 55%; three of them with material appliance, and the other two with accounting, finance, and business administration background. The rest of directors who possess abundant knowledge, expertise, and practical experience of industry, and risk management accounts for 56%. The combination of industry and academy could exert great synergy and implement the goal of diversification.</p> <p>In addition, the company also focuses on the independence and professional background of board members. The goal is to increase the number of independent directors and increase the ratio of independent directors to more than 40%. The board aims to achieve a 50% representation of directors with a background in science and engineering, 50%</p>	<p>None</p> <p>The Company would plan to set up functional committee according to the Company's need and regulation.</p> <p>None</p>

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
<p>(2) Other than the Remuneration Committee and the Audit Committee that are required by law, does the Company plan to set up other Board committees?</p> <p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?</p> <p>(4) Does the Company regularly evaluate its external auditors' independence?</p>			<p>representation of independent directors with expertise in finance and accounting, and 50% representation of directors with industry experience. Furthermore, future board appointments will prioritize the inclusion of female directors to promote gender equality in line with global trends.</p> <p>The diversification of the board is as follows:</p> <p>1 Out of nine directors, four are independent directors, accounting for 43% of the total.</p> <p>2 There are five directors with a background in science and engineering, making up 55% of the board.</p> <p>3 Among the four independent directors, three have expertise in finance and accounting, reaching 75%.</p> <p>4 Out of the nine directors, five have extensive experience in the LED and related industries, representing 55% of the total.</p> <p>5 The number of directors with executive roles does not exceed one-third of the total.</p> <p>(2) The Company has set up Audit and Remuneration Committee and the committees executed related motions pursuant to laws. The Company will establish other functional committees pursuant to laws, or if necessary.</p> <p>(3) The Board approved rules for "Board of Directors Self-Assessment of Performance" on December 26, 2019. From 2020, all Board Directors annually assess the functioning of the Board, Audit Committee and</p>	None

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
			<p>Remuneration Committee. The evaluation result in 2022 reported to the board meeting on 2023/3/13. Related valuation scope please refer to 3.4.1.</p> <p>(4) The Board of Directors of the Company evaluates the independence and suitability of its CPA on March 13, 2023. The Company also evaluates the accounting firm with regard to its financial interests, funding and guarantees, commercial relations, family and personal relations, employment relations, rotation of CPAs, and non-audit services, and obtains a statement of independence issued by the accounting firm. All results are consistent with independence with our audition accountants.</p>	

<p>4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, or record minutes of board meetings and shareholders meetings, etc.</p>	V	<p>The corporate governance unit is Finance Division, which also is the designated unit responsible for board meeting, audit committee meeting and shareholders' meeting. The board meeting approved Chun-Yu Lu, who meet the requirement with three years experience of accounting/finance officer, as the governance officer on 2022/12/21. Primary duties are:</p> <ul style="list-style-type: none"> <li>➤ Convene board meetings and shareholder meetings in compliance with laws and regulations, and disclose significant information as required to enhance transparency and protect shareholders' interests.</li> <li>➤ Prior to discussing any agenda items, ensure that there are no conflicts of interest involving directors or related parties, and confirm that directors comply with the rules on avoiding conflicts of interest.</li> <li>➤ Arrange board meeting agendas in accordance with legal requirements and include tracking reports on important company projects.</li> <li>➤ Assist directors in their appointment and continuous education, and provide diverse training topics based on their needs.</li> <li>➤ Provide directors with the necessary information for the execution of their duties.</li> <li>➤ Assist directors and supervisors in complying with legal requirements.</li> <li>➤ Implement annual evaluations of the effectiveness of the board and functional committees, and conduct external assessments every three years.</li> <li>➤ Arrange regular communications between independent directors and auditors, as well as establish communication channels between directors and the operational team based on operational needs.</li> <li>➤ Address other matters stipulated in the company's articles of incorporation or agreements.</li> </ul>	None
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Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
			Note: As the corporate governance officer has recently assumed the role (less than one year), their training status has not been disclosed at present.	
5. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has established a Corporate Social Responsibility section with contact information of responsible person on the Company website. The Company has also established a Stakeholder section to timely respond issues which stakeholders care about	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has engaged Capital Securities Corporation's agency department to handle matters relating to Shareholders' Meetings.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?  (3) Does the company announce and report the	V		(1) The Company discloses financial information and corporate governance items on its company website: <a href="http://www.everlight.com">http://www.everlight.com</a>  (2) Besides Chinese version, the Company also provides English, Japanese, Korean and simplified Chinese version of official website. The Company has designated appropriate persons as spokesperson to handle information collection and disclosure. The Company discloses related information through MOPS, media, investor conference. In 2022, we have held two investors' conference which on 3/25 and 12/26. In 2023, we already held one investors' conference on 3/29, which are taped and disclosed on MOPS. We will keep disclose our financial and business information through investors' conference.  (3) In 2022, the company announced and declared the	None

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?			quarterly within 45 days and annual financial reports within 90 days and the monthly operating situation within 10 days after the month end.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		<p>(1) The Company has got the certification of ISO9001, TS16949, ISO14001, OHSAS18001, TOSHMS, QC080000, and SA8000 social responsibility system. Additionally, the Company had disclosed 2020 CSR report which is certified by the third party in July, 2021. CSR reports are disclose in Everlight official website annually and also disclose in MOPS on 2022/9/30.</p> <p>(2) Training/Education of directors is disclosed in MOPS. Training hours of each director in board are more than 6 hours in 2022. Please refer to P. 49 for detailed information.</p> <p>(3) The Company has annually purchased liability insurance since 1998 and declare in MOPS.</p> <p>(4) The company has adopted a Risk Management Policy, approved by the board of directors on November 12, 2021. The Risk Management Team consists of various risk management units and is convened by the Executive Vice President. The team is responsible for effectively analyzing, identifying, and evaluating potential risks to provide the management with a risk management system to mitigate or reduce risks. The risk management system</p>	None

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
			<p>is integrated into daily operations to adjust business strategies, improve performance, and achieve sustainable growth and mission of continuous stability and sustainability. As the highest decision-making body for risk management in the company, the board of directors requires the convener of the Risk Management Team to report on the operation and effectiveness of risk management to the board at least once a year.</p> <p>In 2022, a total of two internal risk management meetings were held, convened by the Executive Vice President. The participating departments included Legal and Intellectual Property, Quality Assurance, Supply Chain, Human Resources and General Affairs, Information, and Finance and Accounting Center. The discussions primarily focused on information security risks and prevention, protection of trade secrets, management of technical data, compliance risks, risks related to business impact from epidemics and wars, and risks associated with green and energy-efficient equipment design. Strategies to address these risks were formulated. The annual implementation report was presented to the board on November 11 of the same year.</p> <p>(5) Succession planning for key management and board members</p> <p>1. Succession planning for board members: The current board of directors consists of nine members, including four independent directors, with</p>	



Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
			<p>diverse backgrounds spanning electronics, biotechnology, optoelectronics, chemical materials, finance, accounting, and management. They possess the industry decision-making capabilities, risk management skills, and managerial expertise required for executing business operations. The future composition and background of the board will continue to follow the current structure. In planning for board succession, individuals need to possess the necessary expertise, skills, and qualities for their roles, aligning their vision and values with the company's business philosophy and corporate culture. To facilitate succession planning, the company continues to groom senior executives for entry into the board, allowing them to familiarize themselves with board operations and various business units through job rotations. As for independent directors, the company plans to include members from academia and industry to ensure diversity and integrity within the board.</p> <p>2. Succession planning for key management: Employees at or above the departmental level are considered key management personnel. Each individual has completed job descriptions and work instructions for their respective positions, and designated deputies have been assigned. Planned training and development activities are conducted systematically. Additionally, based on the company's development strategy, operational plans, and</p>	

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
			<p>employee retirement patterns, key talent rotation is implemented to cultivate a diverse range of talents, promoting seamless talent succession.</p> <p>Regarding talent development, the company has initiated succession planning since 2018 as part of its sustainable business strategy. Through a series of assessments and analyses of personality traits and individual strengths and weaknesses, personalized training programs are systematically designed. The first cohort of participants completed their training in 2019, and the company continues to cultivate successors, key experts, and high-potential talents in 2022. This comprehensive talent development approach aims to foster a pool of highly skilled and competitive individuals for Epiroc's long-term success.</p> <p>3. Operation of succession planning for key management personnel</p> <p>In 2018, the company conducted the "Taiwanese Excellence in Management and Practices Program" in collaboration with National Taiwan University. The program was designed for key management personnel, including the chairman and the CEO. It covered various topics such as leadership, talent development, organizational behavior, financial management and analysis, marketing and brand management, operations management, strategic management, industry competition and growth, and corporate decision-making. Through this specialized</p>	

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
			<p>training, participants were able to break free from the constraints of existing processes and thinking patterns, develop their potential for creativity and innovation, enhance the efficiency and effectiveness of their current roles, and cultivate their operational and decision-making capabilities.</p> <p>With the rapidly changing economic environment and the accelerated pace of business, it is crucial to ensure that the company's talent pipeline keeps up with the demands. Therefore, the company holds annual strategic meetings for mid- to senior-level executives, including the CEO, to discuss future strategic planning. Talent development needs to be based on practical experience, which is why the company organizes comprehensive manager business simulation exercises, including financial-based business simulations, strategic thinking exercises, and evaluations of the effectiveness of talent development. These exercises aim to cultivate well-rounded successors in business management.</p> <p>The annual training plan includes a talent development ladder, with specific training courses outlined in the diagram below. At the end of each year, a capability assessment is conducted to evaluate the readiness for succession. During monthly employee meetings, the CEO and senior executives deliver speeches to share the company's internal operational focus, external industry knowledge, technological advancements, and exemplary business</p>	

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
			models with all employees. This sharing serves to disseminate the company's organizational culture and leadership practices in business management, while also fostering the sharing and inheritance of experiences to cultivate future key management talents.	
<p>9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange</p> <p>According to the result of Corporate Governance Evaluation in 2022 announced by Taiwan Stock Exchange, the Company was one of the companies, which market value are more than 10 billion and in electronics business section, ranking in the 21%~35%.</p> <p>In 2022, the company achieved the following milestones:</p> <ul style="list-style-type: none"> <li>• All mid-year financial reports were audited and approved by the Audit Committee and the Board of Directors.</li> <li>• Annual performance evaluations were conducted by the Board of Directors and functional committees, with the results disclosed on the company's official website and MOPS.</li> <li>• The English version of the sustainability report was disclosed on both the official website and the Public Information Observation System.</li> <li>• The annual execution status of risk management policies, as reported to the Board of Directors on November 11th, 2022, was monitored.</li> <li>• The company strengthened its information security operations and obtained ISO 27001 certification in 2022.</li> </ul> <p>To safeguard shareholder rights, the company aims to enhance information transparency. This includes disclosing important content such as shareholder speeches and company responses in meeting minutes, publishing audio recordings of shareholder meetings on the official website, and announcing internal insider trading changes by the 10th of each month.</p> <p>In March 2021, the Board of Directors approved the "Financial Business Operation Guidelines for Related Companies" to regulate operations within the group. In line with regulatory requirements and to strengthen the management of related-party transactions, the guidelines were revised in March 2022, expanding the scope of application to include all related parties.</p> <p>In response to the ESG (Environmental, Social, and Governance) trends, the company has implemented policies promoting workplace diversity, gender equality, and resource allocation to the domestic cultural industry to achieve workplace fairness and cultural development diversity.</p>				

### 3.4.4 Remuneration Committee

#### 3.4.4.1 Remuneration Committee Members' Professional Qualifications and Independent Analysis

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

<div>Qualifications</div> <div>Title(Note 1)      Name</div>		Professional qualifications and experience (Note 2)	Independence situation (Note 3)	Number of members who are concurrently members of the compensation and remuneration committees of other public offering companies
Convener and Independent Director	Chen-En Ko	1. Dean and Professor, School of Management, National Taiwan University	(1) Non-employees of the company or its affiliates. (2) Non-directors and supervisors of the company or its affiliated companies (except if the company and its parent company, subsidiaries or subsidiaries of the same parent company are independent directors established in accordance with this Act or the laws of the local country, this is not the case. ). (3) Others than themselves and their spouses, minor children, or natural person shareholders who hold	4
Independent Director	Rong-Chun Lin	1. Ph.D., Department of Business Administration, National Chengchi University 2. Deputy Dean of the School of Management, Shizhan University 3. Director of the Institute of Innovation and Entrepreneurship Management, University of Practice		2

Independent Director	Johnsee Lee	<ol style="list-style-type: none"> <li>1. Chairman of Taiwan Precision Medicine Industry Association</li> <li>2. Chairman of Quaker Bio-Optoelectronics Co., Ltd.</li> <li>3. President of Industrial Technology Research Institute</li> <li>4. Chairman of the Biotechnology Development Center</li> <li>5. Director, Institute of Chemical Industry, ITRI</li> <li>6. Project host of Argonne National Laboratory, USA</li> <li>7. Senior Manager of Johnson &amp; Johnson America West Company</li> <li>8. Chairman of Taiwan Yushan Science and Technology Association</li> <li>9. Director of Taiwan Semiconductor Manufacturing Co., Ltd.</li> <li>10. Ph.D., Illinois Institute of Technology</li> <li>11. Master of Business Administration, University of Chicago, USA</li> <li>12. Graduated from the Advanced Business Management Class at Harvard University</li> </ol>	<p>more than 1% of the company's total issued shares or hold the top ten shares in the name of others.</p> <p>(4) Spouses, relatives within the second degree of kinship or lineal blood relatives within the third degree of kinship, not the managers listed in (1) or the persons listed in (2) and (3).</p> <p>(5) Directors of corporate shareholders who do not directly hold 5% or more of the total issued shares of the company, who hold the top five shares, or who designate a representative to serve as a director or supervisor of the company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Law; Supervisors or employees (except if the independent directors of the company and its parent company, subsidiaries or subsidiaries of the same parent company act concurrently with each other in accordance with this Act or the laws of the local country, this does not apply).</p> <p>(6) The directors, supervisors or employees of other companies whose</p>	3
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Independent Director	Liang-Gee Chen	<ol style="list-style-type: none"> <li>1. Minister of Science and Technology</li> <li>2. Minister of State for Education, Ministry of Education</li> <li>3. Vice President of National Taiwan University</li> <li>4. Associate Dean, School of Electric Power, National Taiwan University</li> <li>5. Deputy R&amp;D Director, National Taiwan University</li> <li>6. Director, Institute of Electronics, National Taiwan University</li> <li>7. Deputy Director, Department of Electrical Engineering, National Taiwan University</li> <li>8. Director of the Institute of Electronics and the first director of the Institute of Electro-Optics, ITRI</li> <li>9. Dean of the National Experimental Research Institute</li> <li>10. Independent Director of CyberLink and Jinli Technology</li> <li>11. OTC Review Committee Member of OTC Center</li> <li>12. Director of National Taiwan University Creative and Entrepreneurship Program</li> <li>13. Executive Director, School of Innovation and Design, National Taiwan University</li> <li>14. Lecture, Distinguished Professor, Professor,</li> </ol>	<p>seats are not the same as the company's directors or whose voting shares are more than half of which are controlled by the same person (but if they are the company or its parent company, subsidiary company, or a child of the same parent company) This does not apply if the independent directors established by the company in accordance with this Act or the laws of the local country serve concurrently.)</p> <p>(7) Directors (council), supervisors (supervisors) or employees of other companies or institutions that are not the same person or spouse as the chairman, general manager or equivalent of the company (but if they are the company and its parent company) , subsidiaries or subsidiaries of the same parent company where independent directors established in accordance with this Act or the laws of the local country serve concurrently with each other, this is not the case). .</p> <p>(8) Non-directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the company (but if a specific company or institution holds the issued shares of</p>	0
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		<p>Associate Professor, National Taiwan University</p> <p>15. Lecturer and Associate Professor, National Cheng Kung University</p> <p>16. Visiting Researcher, Bell Labs, USA</p> <p>17. Visiting Scholar, University of Washington</p> <p>18. Ph.D., M.S., B.S. in Electrical Engineering, National Cheng Kung University</p>	<p>the company) More than 20% of the total, but not more than 50%, and the independent directors of the company and its parent company, subsidiaries or subsidiaries of the same parent company are established in accordance with this Act or the laws of the local country.</p> <p>(9) Non-professionals, sole proprietors, partnerships, companies or institutions that provide auditing services for companies or affiliated companies or who have received remunerations in the last two years whose cumulative amount does not exceed NT\$500,000 in business, legal, financial, accounting and other related services Business owners, partners, directors (council), supervisors (supervisors), managers and their spouses. However, this does not apply to the members of the Compensation Committee, Public Takeover Review Committee, or Special Committee on Mergers and Acquisitions who perform their functions in accordance with the Securities and Exchange Act or the Mergers and Acquisitions Act.</p> <p>(10) There is no one of the conditions in Article 30 of the Company Law.</p>	
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#### 3.4.4.2 Remuneration Committee Meeting Status

- (1) The Company's Remuneration Committee consists of 4 members for the time being, who are all independent directors.
- (2) The current members shall hold the position from July 29, 2021 to July 28, 2024, and Mr. Chen-En Ko, Chairman of the Remuneration Committee, convened 2 (A) regular meetings in 2022. The Committee member attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Note
Chairman	Chen-En Ko	2	0	100%	
Member	Johnsee Lee	2	0	100%	
Member	Rong-Chun Lin	2	0	100%	
Member	Liang-Gee Chen	2	0	100%	
<p>Annotation:</p> <ol style="list-style-type: none"> <li>1. In cases the Board doesn't adopt or revise Remuneration Committee's proposals, the Company shall list date/number of the Board meeting, agenda, the Board's resolution and the Company's response to Remuneration Committee's proposal: None.</li> <li>2. In cases Remuneration Committee members have dissenting opinions or qualified opinions against the resolution and recorded with notes in paper, the Company shall list date, number of the Remuneration Committee meeting, agenda, all members' opinion and the follow-up of the members' opinion: None.</li> </ol>					

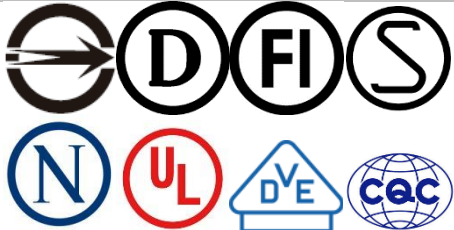
### 3.4.5 Status of corporate social responsibility

Assessment Item	Implementation Status			Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
1. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors	V		By complying with the vision and mission of sustainable development, Everlight passed the "Organizational Regulations of the CSR Committee" on April 8, 2019 and the chairman of Everlight assigned the Legal Department as a part-time CSR responsible unit in response to international sustainable development. The Legal Department focuses CSR affairs on the sustainable development to facilitate the promotion of activities related to the sustainable development of enterprise, to release relevant information inside and outside the Company, and to publish an annual sustainability report (the latest issued in 2022). On March 23, 2022, the Board of Directors passed the amendment of the "Code of Practice of CSR(Corporate Social Responsibility)" and altered its name to "Code of Practice of Sustainable Development", concretizing Everlight's policy and blueprint for promoting sustainable corporate development.	None
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company	V		The Company has proceeded with establishing risk management system, and the risk assessment boundary covers environmental, social and governance issues.	None The risk management related policy and disclosure will be reported to our

operation, and establish risk management related policy or strategy?			<p>Everlight's "Risk Management Measures" was approved and revised by the board of directors on November 12, 2021 and the executive vice president " Wu-Liu Tsai " was appointed as the convener of the risk management group, and the legal department was a part-time risk management unit. The consultant team assisted in the introduction of the system and held twice a year risk management meetings .</p> <p>The risk assessment criteria is based on semi-quantitative grading to differentiate the probability and impact of risky events. The procedure is based on identification, analysis, assessment, and management of risk; ultimately, the top management will decide risk management measures and issue risk reports.</p>	board meeting later in 2022.
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<p>3. Environmentally</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics??</p>	V	<p>(1) Believing that when promoting environmental protection, security and hygiene relevant business, Everlight must not only comply with relevant laws and regulations, but also align with internationally endorsed standards.</p> <p>EVERLIGHT's environmental protection, security and hygiene expects to achieve the goals of "accidents zero tolerance" and "environmentally sustainable development", and to become a benchmark enterprise in the global LED industry for environmental protection, security and hygiene. To achieve this goal, Everlight's strategies are "complying with regulatory commitments, promoting safety and health, intensifying resource utilization and pollution precaution, managing and controlling environmental security and sanitary risks, rooting deeply environmental security and sanitary culture, constructing a green supply chain, and comprehending corporate social responsibilities".</p> <p>Everlight is continually promoting and acquiring the certification of "Environmental Management System" (ISO 14001: 2015) and "Occupational Safety and Health Management System" (ISO 45001:2018), in which all the above verifications, Everlight continues to maintain its effectiveness, in main factories.</p> <p>Everlight upholds the spirit of continuous</p>	None
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<p>(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact??</p>			<p>improvement, and actively fortifies its performance in responding to climate change, pollution precaution and control, energy and resource conservation, waste reduction and recycling, security and sanitary management, fire and explosion precaution, and earthquake jeopardization precaution, to diminish overall environmental, security and hygiene risks.</p> <p>(2) In order to continuously promote energy conservation, Everlight has introduced the "ISO 50001 Energy Management System" in Tongluo Factory since 2018. Each factory area continues to promote the introduction of the system and maintain its effectiveness.</p> <p>In response to regulations and customer requirements for hazardous substance management, Everlight has introduced a hazardous substance process management system (IECQ QC080000 Hazardous Substance Process Management System), and all plants have acquired accreditation and continue to sustain its effectiveness. Everlight continuously ensures that its products comply with international regulations and customer requirements by establishing a product hazardous substance process management system, including the EU's Restriction of Hazardous Substances Directive (RoHS), the EU's New Chemicals Policy (Registration, Evaluation, Authorization and Restriction of</p>	
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<p>(3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?</p>			<p>Chemicals, REACH). ), ozone-depleting substances of the Montreal Protocol, halogen-free criteria for electronic products, perfluorooctane sulfonic acid, perfluorooctane acid and related substances restriction standards, etc.</p> <div data-bbox="1077 416 1628 687">  </div> <p>(3) Emphasizing on corporate social responsibility and sustainable environmental development, Everlight has successively introduced international management systems such as ISO14001, ISO14064-1 and ISO50001 in main factories and obtained certifications (for the validity period of relevant certificates and the information of certified factories, please refer to Everlight Official website), assessing the risks and opportunities of climate change to Everlight in present and in the future, and also taking into account the relevant regulations of the environmental protection authority and the requirements of stakeholders, formulating energy-saving and water-saving measures and setting goals as well as tracking management every year.</p>	
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(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies?			<p>(4) Facing the threat of extreme weather, Everlight Electronics established a greenhouse gas inventory task force, set greenhouse gas reduction targets, planned reduction measures, continued to implement the ISO 14064 standard and obtained third-party audit certification.</p> <p>Greenhouse gas emissions in the last five years (disclosure scope covers Everlight Shulin Headquarters, Miaoli Yuanli Factory, Miaoli Tongluo Factory, Suzhou Wujiang Factory and Guangdong Zhongshan Factory. Unit: indoor air emission intensity = metric tons of co2e.)</p> <table><tr><th>Year</th><th>Scope 1</th><th>Scope 2</th></tr><tr><td>2017</td><td>743.1316</td><td>120570.0900</td></tr><tr><td>2018</td><td>900.4484</td><td>108744.7752</td></tr><tr><td>2019</td><td>977.6838</td><td>100765.1802</td></tr><tr><td>2020</td><td>908.5047</td><td>104477.5399</td></tr><tr><td>2021</td><td>985.9143</td><td>111025.0840</td></tr><tr><td>2022</td><td>1,614.2</td><td>89,646.1</td></tr></table> <p>In terms of water resource management:</p> <p>Water consumption in the last five years (disclosure scope covers Everlight Shulin Headquarters, Miaoli Yuanli Factory, Miaoli Tongluo Factory, Suzhou Wujiang Factory and Guangdong Zhongshan Factory. Water intake unit: million liters; water intensity unit: million liters/person. )</p> <table><tr><th>Year</th><th>Water intake</th><th>Water intensity</th></tr><tr><td>2017</td><td>391</td><td>0.0653</td></tr><tr><td>2018</td><td>566</td><td>0.1011</td></tr><tr><td>2019</td><td>468</td><td>0.0861</td></tr></table>	Year	Scope 1	Scope 2	2017	743.1316	120570.0900	2018	900.4484	108744.7752	2019	977.6838	100765.1802	2020	908.5047	104477.5399	2021	985.9143	111025.0840	2022	1,614.2	89,646.1	Year	Water intake	Water intensity	2017	391	0.0653	2018	566	0.1011	2019	468	0.0861	
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4. Society (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		(1) EVERLIGHT believes that respecting human rights and creating a dignified working environment are crucial to EVERLIGHT and its supply chain partners. In order to be more exhaustive in the actual implementation of human rights protection.  In 2022, Everlight will not only implement human rights protection-related training for 100% of new associates , but also conduct two online trainings for all current employees. In the future, Everlight will continue to pay attention to the issue of human rights protection and promote relevant education and training, improving the awareness of human rights protection and reduce the possibility of related risks.	None																	



<p>(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p>			<p>Everlight is a full member of the "Responsible Business Alliance (RBA)" and conducts complete due diligence in accordance with its specifications to ensure that Everlight's behavior achieves or exceeds the RBA Code of Conduct standards. Every year, Everlight uses the standardized risk assessment template (Self-Assessment Questionnaire, SAQ) designed by the "Responsible Business Alliance" to identify the highest social, environmental and moral risks in its business.</p> <p>In addition, in 2022, Everlight also proactively entrusted a third-party organization to continuously implement the "Verification Audit Process" (VAP) of the "Responsible Business Alliance" for the Suzhou Wujiang Plant.</p> <p>(2) Everlight firmly believes in the value of diverse workplaces, and cultivates future talents on the premise of mutual tolerance, so that the industry can benefit from the maximum potential of global human resources. Everlight advocates that the staff portfolio should reflect the "social situation". A diverse management and employee mix will help the company to enhance its competitive advantage and achieve sustainable development.</p> <p>The salaries of Everlight employees include monthly salaries, incentive bonuses by monthly settlement of business performance, and remuneration</p>	
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<p>(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</p>			<p>(dividends) issued by the company based on its annual profitability.</p> <p>Incentive bonuses and annual remuneration (dividends) are rewarded to colleagues for their contributions, and motivating colleagues to continue their efforts, so that employees' interests can be connected with shareholders' interests, so as to create a triple win among the company, shareholders and employees.</p> <p>Everlight decides the total number of incentive bonuses and remunerations (dividends) based on the company's operating results and with reference to the domestic industry's distribution level. The amount and distribution method are proposed by the remuneration committee to the board of directors. The employee's remuneration is paid after the approval of the board of directors; each employee is assigned his or her own amount by depending on their position, contribution, and performance.</p> <p>(3) The focus of Everlight's environmental protection, security and hygiene policy is to build a safe working environment, actively preventing occupational injuries and diseases, promoting new knowledge of health through education and training, maintaining employees' physical and mental health, and intensifying all employees' awareness and responsibility for environmental protection, security and hygiene; and at the same time, shaping the company's environmental protection, security and hygiene culture.</p>	
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<p>(4) Has the Company established effective career development training plans?</p>			<p>In order to encourage employees to learn continuously and pursue self-growth as well as to retain outstanding employees, the company has integrated operating strategy with employee's competency to plan a complete training courses and provide a diversified learning channels. The same training plan are provided to all employees without the limit of the age, gender of the employees in order to facilitate employees with more opportunities for continuous learning and improving their expertise.</p> <p>The main courses include illegal infringement prevention, occupational security and hygiene, etc., and are compulsory courses for new colleagues in 2022.</p> <p>(4) Employee development is an indispensable key factor for the company's growth, and the continuous growth of Everlight is also inseparable from the advancement of employees. In this regard, the company integrates internal and external resources, providing a variety of courses and meaningful work content and creates a continuous and diversified learning environment to grow together.</p> <p>An important strategy for EVERLIGHT's talent development is to reserve future capabilities and release learning momentum. The company attaches great importance to the pre-development of</p>	
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			<p>colleagues' abilities, actively implements the completeness of talent echelon management, and aims at comprehensive development from experience learning, feedback and guidance, education and training and volunteer services according to the specific development needs of each colleague. At the same time, with a variety of and complete physical and online learning resources, to enhance employees' self-learning awareness and support employees' self-development. The company provides on-the-job training, physical course training, online learning, job guidance, mentor system and job rotation to shape the learning atmosphere.</p> <p>Comprehensive education and training system and courses</p> <p>■ New personnel series: basic training and production line practice courses for new personnel, product awareness and quality courses, on-the-job training (OJT), etc.</p> <p>■ Management development series: senior executives conduct courses on corporate governance, talent cultivation series, team leadership, goal and performance management, etc.; middle-level executives develop courses such as project management, responsible execution, teamwork communication, etc.; the main axis of training for grass-roots executives is excellence A series of training courses, new supervisor training; on-site supervisors will conduct</p>	
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<p>(5) Has the Company complied with the relevant regulations and international standards on customer health and safety, customer privacy, marketing and labeling for its products and services? Has it established a consumer protection policy and</p>			<p>on-site management (TWI), 5S management, and reserve on-site cadre training courses.</p> <p>■ Professional skills series: company product series courses, negotiation skills, LED manufacturing process, patent courses, project management, sales skills, customer relationship management, quality control methods, five core series of courses, etc.</p> <p>■ Quality management series: ISO9001, IATF16949, QC080000 and other related courses.</p> <p>■ Employee assistance series: operating system and software operation learning courses, emotional and stress management, health lectures.</p> <p>■ Diverse learning channels: including the company's external electronic exhibition observation, various professional and technical seminar courses, and professional external training courses according to the needs of functions.</p> <p>■ Online learning platform: The company has built an E-Learning online learning system platform to provide employees with instant, independent learning resources without time and geographical restrictions.</p> <p>(5) In terms of customer information protection, Everlight follows relevant international norms and standards, and has introduced ISO 27001 international</p>	
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complaints procedure?			<p>information security management certification. In addition, Everlight has also established relevant information protection policies and standard procedures to ensure that only authorized personnel can access the engineering and production information of specific customers.</p> <p>In terms of customer privacy protection, Everlight Electronics has set up a personal data protection management executive team in accordance with the "PRO-0000226 Personal Data Security Maintenance and Management Measures" procedures and documents, and is assisted by professionals with "TPIPAS Personal Data Protection Managers" and "BS 10012 PIMS Managers". Plan and drive privacy protections.</p> <p>If any relevant appeal requirements needed, Everlight provides various appeal channels. Consumers or customers can appeal to Everlight through <a href="mailto:legal@everlight.com">legal@everlight.com</a>.</p>	
(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?			<p>(6) Everlight continues to fortify supply chain management, communicates with and encourages suppliers (including contractors) to strive for excellence in quality, cost-effectiveness, delivery time, environmental protection, security and hygiene. Through regular interaction, managerial audits and experience sharing among management levels, Everlight</p>	

			<p>Division works with major suppliers and contractors to strengthen partnerships, jointly pursue better performance, and make greater contributions to society.</p> <p>Everlight cooperates with suppliers on a number of sustainable development issues, such as promoting green supply chain, carbon management in response to climate change, fire risk reduction, environmental protection, security and hygiene management, and operational planning under natural catastrophes.</p> <p>Everlight is currently a formal member of the Responsible Business Alliance (RBA). Through self-assessment and review of the company's policies and procedures in labor, health and safety, environment, ethics and management systems, the code of conduct of "Responsible Business Alliance" has been realized.</p> <p>To enhance the sustainable management of the supply chain and effective risk management, EVERLIGHT cooperates with suppliers to comply with Taiwan's environmental protection, security, hygiene and fire regulations. Everlight has also established a code of conduct for suppliers, including labor rights, health and safety, Environment, Ethics and Management Systems. Everlight Electronics cooperates with suppliers to jointly assess and improve risks and impacts on all aspects of economy, environment and society. At the same time, EVERLIGHT helps suppliers</p>	
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			improve sustainable performance through experience sharing and training and hopes to surpass international standards, becoming a global benchmark LED packaging factory.	
5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance?	V		Everlight Electronics compiled the 2022 Annual Sustainability Report in accordance with GRI, SASB and TCFD and other standards, and a third-party organization TUV will issue a confidence report after GRI verification.	None
6. If the Company has established its sustainable development code of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences. Everlight "Sustainable Development Code of Practice" formulated by Everlight in accordance with the "Sustainable Development Code of Practice for Listed Companies". The specifications are generally consistent, but with regard to the specifications in Article 7, it is specifically stated that the decision-making circle should include experts with the qualifications of sustainable managers.				
7. Other important information to facilitate better understanding of the Company’s implementation of sustainable development: For details, please refer to the EVERLIGHT Sustainability Special Network or the EVERLIGHT Sustainability Report.				

**For further climate concern information, please see our Sustainability Report on our web-site, [www.everlight.com](http://www.everlight.com).**



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

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

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Has the Company established an ethical management policy approved by the Board, declared its ethical corporate management policies and procedures in its guidelines and external guidelines, as well as the commitment from its board and senior management to implement the policies?</p> <p>(2) Has the Company established a mechanism for evaluating the risk of unethical behavior? Do business activities with a higher</p>	V		<p>(1) "Ethical Corporate Management Best Practice Principles" was approved by the board of directors on March 25, 2016. In order to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices, the company established "The Practical Code of Corporate Governance," "The Code of Integrity Management," and "The Code of Ethics for Employees" to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business.</p> <p>(2) Everlight has formulated prevention of unethical behavior in "Everlight Electronics' Work Rules", the</p>	None

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
<p>risk of unethical behavior undergo regular analysis and assessments so that measures for the prevention of unethical behavior can be formulated, including at a minimum the behaviors defined under Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles”?</p> <p>(3) Has the Company established relevant policies that are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation, complaint procedures in such policies and with the aforementioned measures reviewed and updated on a regular basis?</p>			<p>"Code of Conduct for Employees"," "Control Procedures for Ethical Advertisement, Fair Trade and Anti-Monopoly" and "whistle blower policy". Everlight has not only published aforementioned procedures in the internal website for employees to have a better understanding about keeping ethical conducts, but also held training or propaganda to strengthen employees to stick to the Everlight's core value and procedures.</p> <p>Everlight doesn't tolerate any behavior which violates the code of conducts. Everlight punishes those employees who break the rules according to the company's regulations or takes legal action if necessary.</p> <p>(3)Everlight's audit center also plays an important role in ensuring professional ethics and compliance. In order to ensure that financial, management, operational information, and employee behavior comply with relevant procedures, operating methods and regulations, the Audit Center conducts various audits in accordance with the annual audit plan approved by the board of directors, and reports to the audit committee and the board of related audit results and follow-up In addition to the improvement plan, it also conducts project audits to provide process improvement suggestions to ensure the effectiveness and efficiency of operations.</p>	
<p>2. Ethic Management Practice</p> <p>(1) Has the Company assessed the ethics records whose it has business relationship with and included business conduct and ethics related clauses in the business contracts?</p>	V		<p>(1) Everlight conducts its business transparently and fairly. Before dealing business with any party, Everlight evaluates the trading partner carefully in</p>	None

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
(2) Has the Company established a dedicated (part-time) unit supervised by the Board of Directors for the promotion of ethical corporate management that regularly (at least once a year) reports to the Board of Directors on its ethical management policy, precautions against unethical behavior, and implementation of oversight?			<p>order to avoid dealing business with unethical trading partner. Everlight has formulated terms related to ethical conduct in the contract signed with the trading partner to protect mutual benefit before dealing business with them. Everlight conveys its standard of ethical conducts to its customers or suppliers in relevant activities and communicate corresponding issues with them</p> <p>(2) In order to perform due diligence in monitoring ethical operations, Everlight's board of directors has established several kinds of organizations and channels, such as audit committee, compensation committee, internal audit center and etc. Everlight has assigned that the legal division concurrently to be in charge of promoting ethical operations in March 2016. On May 25, 2016, the board of directors approves "Ethical Corporate Management Best Practice Principles" and the head of legal division as the convener of each department to ensure the implementation of the principles based on the scope and job description of each department and report the result to the board regularly. Under the supervision of the board, Everlight ensures that the financial or accounting information disclosed publicly and reported to the government are complete, fair, accurate, timely and understandable.</p> <p>Required training related to ethical conduct has been arranged for the new employees and regular propagation of policy related to ethical conduct is held. Contracts signed with suppliers (such as</p>	

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
<p>(3) Has the Company established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management? Do internal auditors devise and carry out audit plans based on risk assessments of unethical behavior to investigate non-compliance, or have CPAs been retained to conduct such audits?</p>			<p>purchase contract) includes relevant terms regarding ethical conducts, such as promising and giving any commission, benefit, compensation, bribe, agency fee, kickback or other improper interest are prohibited.</p> <p>The company will continue to follow the RBA guidelines, and there are 4 ethics-related education and training, lectures and promotions, and there has been no corruption, bribery, extortion and anti-competitive incidents among Everlight employees. Directors have completed more than 6 hours of corporate governance related education training, lectures and publicity.</p> <p>(3) On May 25, 2016, the board of directors approves “Ethical Corporate Management Best Practice Principles” and formulated a policy to prevent conflict of interest. Everlight stipulates clearly that no preference or privilege can be given to related parties and its employees cannot ask, offer, give and take gift, treatment, kickback, bribe and etc. According to the "Employee Ethics Code", each employee should avoid any business, investment or relevant activities which may constitute conflict of interest between individual and Everlight unless with prior approval from the board of directors.</p> <p>(4) Everlight has established an effective and complete accounting and internal control system and carried out exception management systematically. Everlight’s independent internal audit unit has conducted audit based on the annual audit plan, reported the audit work to the audit committee</p>	

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?			<p>monthly and report to the audit committee and the board of directors. Internal audit unit also push deficiencies or weakness in the internal control system found from the audit to be remediated and improved adequately. Additionally, Everlight carried out self-assessment of internal control system annually as required by the law. Each unit in Everlight has to assess the effectiveness of designation and implementation of relevant internal control system</p> <p>(5) The Company has established a "Code of Ethics for Employees" in accordance with the RBA code of conduct and requires all employees to abide by the integrity regulations and ethical behavior standards. Employees are prohibited from accepting any form of gift and when they join the company. In addition, we request our suppliers to sign our "Suppliers' CSR Commitment", which requires them to adopt high standards of ethics. Proper management and monitoring can prevent activities that violate business integrity, including bribery, gifts and fraud.</p> <p>The company actively implements the integrity management policy and integrates it into the organizational culture and daily operations, and conducts relevant courses and publicity in various ways such as basic training for newcomers and publicity for all colleagues. A total of 599 people participated; in 2022/02, a total of 195 people participated in the publicity of the business secret rule of law course; a total of 198 people participated in the publicity matters such as the newcomer training ethics code and the trade secret law.</p>	

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Has the Company established specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p> <p>(2) Has the Company established standard operating procedures for the investigation of complaints, what follow-up actions to take once an investigation is complete, and the relevant confidentiality mechanisms?</p> <p>(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</p>	V		<p>(1) The Company has established reporting channels and procedures related to the punishment of violating the ethical conducts and appealing in April 2017 and designated a spokesman and a unit to gather information regarding Everlight on the formal website of the company</p> <p>Additionally, Everlight has established a group to investigate corruption and bribe and also provided several reporting channels on the formal website of the company, such as mailed to the Audit Center (No. 6-8, Zhonghua Road, Shulin District, New Taipei City), phone (02-2685-6688 #7122), mailbox (whistleblower@everlight.com) and fair trade mailbox (legal@everlight.com), and also set up "Chairman's Mailbox" and "Employee Opinion Report Form" within the company, at any time accept reports from inside and outside of the organization either by name or anonymously.</p> <p>(2) Everlight has established a standard procedure to deal with reporting cases and mechanism of protect whistleblower. Everlight deals with those report and subsequent investigation rigorously and confidentially, which has been formulated in the "whistleblower policy".</p> <p>(3) Everlight protects whistleblower from unfair or improper treatment and prohibit any forms of revenge on the whistleblower or those who help with the investigation.</p>	None

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

#### 3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the Company’s website at [www.everlight.com](http://www.everlight.com) or TWSE website at [mops.twse.com.tw](http://mops.twse.com.tw)

#### 3.4.8 Other Important Information Regarding Corporate Governance: None.

### 3.4.9 Internal Control Systems

#### Statement of Internal Control System

#### Everlight Electronics Co., Ltd. Statement of Internal Control System

March 13, 2023

Based on the findings of self-assessment, Everlight Electronics Company Limited (referred to as “Everlight” hereinafter) states the following with regard to its internal control system during the year of 2022:

1. Everlight acknowledges that the Board of Directors and management are responsible for establishing, performing, and maintaining an internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguard of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws, and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance over the three objectives mentioned above. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the internal control system contains self-monitoring mechanisms. Should any flaws be recognized, Everlight would enforce corrective measures immediately.
3. Everlight evaluates the effectiveness of the design and implementation of its internal control system in accordance with the “Regulations Governing the Establishment of Internal Control System by Public Companies” (referred to as the “Regulations” hereinafter). The criteria adopted by the Regulations identify five components based on the process of the management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) supervision. Each component also includes several items comprises certain factors which can be found in the Regulations.
4. Everlight has evaluated the effectiveness of the design and implementation of the internal control system in accordance with the internal control system criteria referred to above.
5. Based on the findings of such evaluation, Everlight considers the internal control system as of December 31, 2022 (including supervision and management of subsidiaries), which including the design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and compliance with the related internal control system under the relevant laws, are all effective. It can ensure that said goals will be reasonably reached.
6. This Statement is the main content of the annual report and prospectus, and will be publicly disclosed. Upon any unlawful acts, such as falsehood and concealment involved in the above-mentioned statement, Everlight will assume the legal responsibilities according to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was approved by Everlight’s Board of Directors at the meeting on March 13, 2023, with nine directors presented at the meeting and none disagreeing with this Statement.

Everlight Electronics Co., Ltd.

Chairman Yin-Fu Yeh

President Yin-Fu Yeh

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



3.4.10 For the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel. Sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements:None.

3.4.11 Major Decisions of Shareholders' Meeting and Board Meetings :

3.4.11.1 2022 Shareholder' Meeting

Date	Motion	Resolution	Execution
2022/6/17	Approved the 2021 Business Report and Financial Statements	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the adoption of the proposal for distribution of 2021 profits	All attending members unanimously agree to pass the proposal.	The Company decided to set up the ex-dividend date of cash dividend for August 3, 2022 and paid on August 31, 2022.
	Approved the amendment of the "Articles of Incorporation".	All attending members unanimously agree to pass the proposal.	The resolution shall be fully implemented and finished registration on 7/11/2022 and published on our web site on 8/31/2022
	Approved the amendment of the "Procedures for Acquisition or Disposal of Assets".	All attending members unanimously agree to pass the proposal.	The resolution shall be fully implemented and the revised regulation shall be uploaded to the company's official website and M.O.P.S..
	Approved the amendment of the "Rules of Procedure of Shareholders' Meeting".	All attending members unanimously agree to pass the proposal.	The resolution shall be fully implemented and the revised regulation shall be uploaded to the company's official website and M.O.P.S..

3.4.11.2 Implementation of Board Meeting Resolutions in 2022(Article 14-3 of the Securities Exchange Law)

Term/____st/ nd/rd/th time Date	Motion	Resolution	Execution
14-06 2022.3.13	Approved 2021 financial report and business report.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Evaluate the independence, eligibility, and contents of service and remuneration 2022 about appointment of CPAs	All attending members unanimously agree to pass the proposal.	Execute as resolution

	Recommendation of the distribution of earnings for the year of 2021.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval of the Statement of Declaration on Internal Control System 2021.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Discussion of amendment of the "Rules of Procedure of Shareholders' Meeting" of the Company	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-07 2022.5.12	Approved 2022 financial report of Q1	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Discussion of liquidation of Everlight(Fujiang)	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-08 2022.7.7	Discussion of capital injection of WOFI	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the officer of internal auditing.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the amendments to "Internal control system".	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-09 2022.8.11	2022 financial report of Q2	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-10 2022.8.25	Discussion of repayment of long-term bank loan	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Discussion of the liquidation of WOFI and its subsidiaries	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-11 2022.9.8	Discussion of the endorsement of WOFI	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-12 2022.11.11	2022 financial report of Q3	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval of the professional service fee of the CPAs for the year of 2022.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Discussion of overdue more than 90 days account receivables required to	All attending members unanimously agree to	Execute as resolution

	transfer to the corporation lending	pass the proposal.	
	Proposed appointment of E&Y accounting firm to conduct the special internal control project	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-13 2022.12.21	Approval of auditing plan for 2022	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Drafting of General principles and procedures for services policy of the Company	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Improvement plan proposal for the Kazakhstan loan	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-14 2023.2.1	Discussion of collateralization of endorsement guarantees	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-15 2022.3.23	Approved 2022 financial report and business report.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Recommendation of the distribution of earnings for the year of 2022.	All attending members unanimously agree to pass the proposal.	
	Change of accountants in line with the internal work adjustment of KPMG.	All attending members unanimously agree to pass the proposal.	
	Evaluate the independence, eligibility, and contents of service and remuneration 2023 about appointment of CPAs.	All attending members unanimously agree to pass the proposal.	
	Approval of the Statement of Declaration on Internal Control System 2022.	All attending members unanimously agree to pass the proposal.	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	All attending members unanimously agree to pass the proposal.	
	Discussion of amendment of the "Rules of Internal Control" of the Company.	All attending members unanimously agree to pass the proposal.	
	Discussion of the corporate lending.	All attending members unanimously agree to pass the proposal.	

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

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

Title	Name	Effective Date	Date Dismissal	Reasons of Resignation or Dismissal
Internal Audit Officer	Cho, Chi-Pei	2020.4.29	2022.2.14	Resignation with personal reason
Financial Officer/ Corporate Governance Officer	Yu-Keng Shih	2020.11.12	2022.6.10	Resignation with personal reason
Corporate Governance Officer	Chun-Yi Tsou	2022.7.7	2022.11.23	Resignation with personal reason

### 3.5 Audit Fee

NT\$, '000						
Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Remark
KPMG	Ou, Yao-Chun & Hsin, Yu Ting	2022.01.01~2022.12.31	6,110	2,560	8,670	Note
Ernst & Young Taiwan	Lu, Chien-Wen & Hsu, Hsin-Min	2022.01.01~2022.12.31	-	1,720	1,720	Internal control system examination

Note: Non-audit fee includes Business registration, Transfer Pricing report and tax compliance service.

- (1) Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee:

Business registration 135, Transfer Pricing report 800 and Audit of the tax return 1,150.

- (2) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclose : None.

- (3) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclose : None.

3.6 Replacement of CPAs: In the year 2022, due to the retirement of accountant Lo, Rui-Lan, the previous accountant of this company's accounting firm, and in accordance with internal adjustments of KPMG to change the signing accountant

#### 1. About the previous accountant:

Date of Change:	March 13, 2023
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Reason for change and explanation:	In line with the internal work adjustment of KPMG Accounting Firm.		
Explanation of whether the appointee or accountant terminated or did not accept the appointment:	Person Involved:		
	Situation	Accountant	Appointee
	Actively terminated the appointment:	Not Applicable	
Did not accept (continue) the appointment:			
Audit reports issued in the past two years with opinions other than unreserved opinions and reasons:	None		
Whether there are different opinions with the issuer:	YES		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or procedures
			Other
	No	~	
	Description: None		
Other disclosure matters (disclosed according to the standard)	None		

## 2. About the successor accountant:

Accounting firm name:	KPMG Accounting Firm
Accountant names:	Au, Yao-Chun, Hsin, Yu Ting
Appointment date:	2023.3.13
Consultation matters and results regarding the handling of accounting principles or specific transactions prior to appointment, and opinions that may be issued on financial reports:	None
Written opinions from the successor accountant on matters where there were differing opinions from the previous accountant:	None

Note 1: The appointment accountant for the audit certificate for the 2022 financial report was changed, and the adjustment was passed at the board of directors on March 13, 2023.

## 3. Reply from the previous accountant on matters of the third item of the second target and the first and second items of the sixth paragraph of this standard: None.

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

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

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

Unit: Share

Title	Name	2021		2022		2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	Until April 18	
						Net Change in Shareholding	Net Change in Shares Pledged
Chairman& President	Yin-Fu Yeh	(1,000,000)	-	(1,000,000)	-	0	-
Director& Executive Vice President	Wu-Liu Tsai	25,000	-	25,000	-	0	-
Director	Bo-Wen Zhou	0	-	0	-	0	-
Director	Shinh Wum International Investment LTD	1,000,000	-	1,310,000	-	0	-
	representative : Ting-Wei Yeh	0	-	0	-	0	-
Director	Bang-Yan Liu	0	-	(33,000)	-	0	-
IndependentDirector	Johnsee Lee	0	-	0	-	0	-
IndependentDirector	Chen-En Ko	0	-	0	-	0	-
IndependentDirector	Rong-Chun Lin	0	-	0	-	0	-
IndependentDirector	Liang-Gee Chen	0	-	0	-	0	-
Vice President	Chia-Hao Lee	0	-	0	-	0	-
Sr. Director	Chung-Wei Wang	0	-	0	-	0	-
Sr. Director	Min-Ta Tsao	0	-	0	-	0	-
Sr. Director	Chien-Ming Ting	0	-	0	-	0	-
Sr. Director	Cheng-Hsin Chen	Not Assume Yet		Not applicable		0	-
Sr. Director	Yu-He Chang	Not Assume Yet	-	Not applicable	-	0	-
Sr. Director	Che-wei, Hsu	Note1 Not Assume Yet	-	Not applicable	-	10,000	-
Sr. Director	Yi-Chen, Chen	Not Assume Yet	-	Not applicable	-	0	-
Accounting Officer Financial Officer (Deputy) Corporate governance officer	Chun-Yu Lu	0	-	0	-	10,000	-

3.8.2 Stock Traded with Related Party: None

3.8.3 Stock Pledged with Related Party: None

### 3.9 Relationship among the Top Ten Shareholders

2023/4/18

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The Relationship between Any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Chieh-Yao Investment CO., Ltd., representative:Ting-Wei Yeh who owned 500,000 shares, 0.11% of the Company.	20,766,548	4.68%	-	-	-	-	Yin-Fu Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Son Brother	
Chuan Yi Investment Co., Ltd. representative:Ting-Wei Yeh, who owned 500,000 shares, 0.11% of the Company.	19,642,228	4.43%	-	-	-	-	Yin-Fu Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Son Brother	
Chang Wah Electromaterials Inc, representative: Chia-Neng Huang, personal holding: not available	15,894,000	3.59%	-	-	-	-			
Yin-Fu Yeh	14,168,553	3.20%	651,333	0.15%	-	-	Chuan Yi Investment Co., Ltd. & Shin-Wum Investment Ltd. representative : Ting-Wei Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Father	
Bo-Wen Zhou	9,600,000	2.17%	7,300,000	1.65%	-	-	Hsiu-Man Chien	Spouse	
Hsiu-Man Chien	7,300,000	1.65%	9,600,000	2.17%	-	-	Bo-Wen Zhou	Spouse	
Shinh Wum International Investment LTD representative:Ting-Wei Yeh who owned 500,000 shares, 0.11% of the Company.	7,095,000	1.60%	-	-	-	-	Yin-Fu Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Son Brother	
Yu Ming Investment Co., Ltd. representative:Ding-Hao Yeh who owned 500,605 shares, 0.11% of the Company.	7,003,469	1.58%	-	-	-	-	Yin-Fu Yeh Chuan Yi Investment Co., Ltd. & Shin-Wum Investment Ltd. representative : Ting-Wei Yeh	Son Brother	
Chang Hwa Bank, representative: Chung-Yuan Ling, personal holding: not available	6,660,000	1.50%	-	-	-	-	-	-	
JP Morgan hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account	5,590,410	1.26%	-	-	-	-	-	-	

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

Dec 31, 2022 ; Unit : Share ; %

Long-term Investment	Ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Shares	(%)	Shares	(%)	Shares	(%)
Everlight (BVI) Co., Ltd.	1,539,946	98.00	36,622	2.00	1,576,568	100.00
Pai Yee Investment Co., Ltd.	23,939,525	100.00	—	—	23,939,525	100.00
Everlight Americas, Inc.	11,375,000	98.91	—	—	11,375,000	98.91
Evervision Electronics Co., Ltd.	4,477,028	24.27	7,836,077	42.48	12,313,105	66.75
Everlight Electronics (Europe) GmbH	75,000	75.00	—	—	75,000	75.00
Everlight Optoelectronics Korea Co., Ltd.	37,890	100.00	—	—	37,890	100.00
Forever Investment Co., Ltd.	42,487,490	100.00	—	—	42,487,490	100.00
Everlight Lighting Intelligence Technology Co., Ltd.	20,000,000	100.00	—	—	20,000,000	100.00
Tekcore Co. Ltd	4,766,888	9.23	2,819,318	5.46	6,663,951	14.69
Evlite Electronics Co., Ltd.	7,000,000	100.00	—	—	7,000,000	100.00
Everlight Electronics India Private Limited	352,800	80.00	88,200	20.00	441,000	100.00
Everlight Electronics Singapore Pte. Ltd.	200,000	100.00	—	—	200,000	100.00
Wofi Leuchten GmbH	5,775,000	100.00	—	—	5,775,000	100.00
Everlight Japan Corporation	5,000	100.00	—	—	5,000	100.00
Everlight Intelligence Technology KZ LLP	—	—	—	100.00	—	100.00

Note : Investments accounted for using equity method.



## 4. Capital Overview

### 4.1. Capital and Shares

#### 4.1.1 Source of Capital

May 1, 2023 Unit: share/NT\$

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

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

2020.06	1,000,000,000	10,000,000,000	443,392,086	4,433,920,860	Capital increase by warrant converted	None
2020.09	1,000,000,000	10,000,000,000	443,393,086	4,433,930,860	Capital increase by warrant converted	None

April 18, 2023 Unit: thousand shares

Share Type	Authorized Capital			Remark
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Common shares	443,393	556,607	1,000,000	Listed on TWSE

#### 4.1.2 Status of Shareholders

April 18, 2023 Unit:share

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	1	8	132	44,658	283	45,082
Shareholding	1,220,000	14,603,604	85,767,105	234,272,233	107,530,044	443,393,086
Percentage (%)	0.28%	3.29%	19.34%	52.84%	24.25%	100%

Note : As of April 18, 2023, the company has no shareholders from PRC.

#### 4.1.3 Distribution Profile of Share Ownership

##### 4.1.3.1 Common Share

April 18, 2023 ; Unit : Share

Shareholder Ownership	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	8,244	1,306,102	0.30
1,000 ~ 5,000	29,249	59,528,036	13.43
5,001 ~ 10,000	4,147	32,999,787	7.44
10,001 ~ 15,000	1,172	14,902,070	3.36
15,001 ~ 20,000	740	13,729,139	3.10
20,001 ~ 30,000	545	13,841,794	3.12
30,001 ~ 40,000	251	9,042,069	2.04
40,001 ~ 50,000	148	6,896,068	1.56
50,001 ~ 100,000	309	22,297,362	5.03
100,001 ~ 200,000	106	14,581,663	3.29
200,001 ~ 400,000	64	18,576,935	4.19
400,001 ~ 600,000	25	12,024,901	2.71
600,001 ~ 800,000	15	10,547,570	2.38
800,001 ~ 1,000,000	11	9,874,000	2.22
1,000,001 and above	56	203,245,590	45.83
Total	45,082	443,393,086	100

##### 4.1.3.2 Preferred Share: None.

#### 4.1.4 Major Shareholders

April 18, 2023 ; Unit : Share

Shareholders	Total Shares Owned	Ownership (%)
Chieh-Yao Investment CO., Ltd.,	20,766,548	4.68%
Chuan Yi Investment Co., Ltd.	19,642,228	4.43%
Chang Wah Electromaterials Inc.	15,894,000	3.59%
Yin-Fu Yeh	14,168,553	3.20%
Bo-Wen Zhou	9,600,000	2.17%
Hsiu-Man Chien	7,300,000	1.65%
Shinh Wum International Investment LTD	7,095,000	1.60%
Yu Ming Investment Co., Ltd.	7,003,469	1.58%
Chang Hwa Bank,	6,660,000	1.50%
JP Morgan hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account	5,590,410	1.26%

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

Unit:NTD

Item		Year	2021	2022	Until March 31,2023
Market Price Per Share	Highest Market Price		68.9	60	41.60
	Lowest Market Price		37.15	33.05	36.50
	Average Market Price		50.02	42.44	37.99
Net Worth Per Share	Before Distribution		41.68	41.40	Note2
	After Distribution		41.68	(註一)	
Earnings Per Share	Weighted Average Shares (thousand shares)		443,393	443,393	
	EPS		4.37	2.78	
Dividends Per Share	Cash Dividends		3.5	2.5	
	Stock Dividends	-		-	
		-		-	
	Accumulated Undistributed Dividend		-		
Return on Investment	Price/Earnings Ratio (Note 1)		11.45	14.53	
	Price/Dividend Ratio (Note 2)		14.29	16.16	
	Cash Dividend Yield (%)		6.997	6.19	

Note 1: The appropriation of earnings for 2022 shall be determined by the 2023 Annual General Shareholders' Meeting

Note2: As of the publication date of this annual report, we have not obtained the audited financial statement information for the first quarter of 2023

#### 4.1.6 Dividend Policy and Implementation Status

##### 4.1.6.1 Dividend Policy

According to our Articles of Incorporation:

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

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

##### 4.1.6.2 Proposed Distribution of Dividend

Earnings distribution plan of the Company's in 2022 was approved by the Directors' meeting on March 13, 2023. The proposed distribution of NTD\$ 2.5 per share and a total cash dividend of NTD\$ 1,108,482,715 are not approved yet by the shareholders' general meeting.

##### 4.1.7 Impact to 2023 Business Performance and EPS Resulting from Stock Dividend Distribution: Not applicable.

##### 4.1.8 Remuneration to Directors and Profit Sharing Bonus to Employees

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

According to our Articles of Incorporation:

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

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

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

(1) Calculation method: The Company calculate the employees' compensation and

directors' compensation based on our profit of current financial period multiplied by the percentage according our Article of Incorporation, we calculate our employees' compensation-NT\$ 146,863,726 and directors' compensation-NT\$ 17,211,483 respectively.

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

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

4.1.8.3 2021 Remuneration to Directors and Employees' Profit Sharing Bonus: Our employees' compensation-NT\$ 146,863,726 and directors' compensation-NT\$ 17,211,483 will be approved by our meeting of directors are the same as our annual estimation.

4.1.8.4 2020 Remuneration to Directors and Employees' Profit Sharing Bonus: Our employees' compensation-NT\$ 286,629,605 and directors' compensation-NT\$ 26,041,936 approved by our meeting of directors and shareholders' meeting for the annual earnings in 2020 are the same as the actual distribution last year.

4.1.9 Buyback of Treasury Stock: None.

4.2 Issuance of Corporate Bonds:None

4.3 Preferred Shares: None.

4.4 Issuance of Overseas Depositary Shares:None

4.5 Status of Employee Stock Option Plan:None

4.6 Status of New Restricted Employee Shares: None.

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

## 5. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Our Operation

##### 5.1.1.1 Our Main Business

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

##### 5.1.1.2 Our Major Products Proportion

Product Item	Major Application	Proportion
LED	Electronics, electrical and engineering appliances, electronic billboards, computer mice and household appliances, mobile phones, LCD backlight units, traffic signs, photoelectric switch, position sensing, infrared receivers	89.62%
Lighting	General lighting and professional lighting lamp	5.89%
LCD and Others	Electronic product displays, such as sphygmomanometers, phones, computers, satellite navigation, car displays, etc.	4.49%

##### 5.1.1.3 Our Products(Services)

###### (1) Lamp (Low power LED Lamp)

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

###### (2) Middle Power LED

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

###### (3) High Power LED

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

###### (4) LED backlighting

LED backlight module has many advantages such as power saving, small size, able to be mass production, integrated circuit pulse drive control brightness, high color



uniformity, high reliability, and color saturation exceeding NTSC100%. Due to low power consumption, high brightness, fast response, instant lighting, and long operating life, the product can be widely used in portable communication displays (mobile phones), TFT-LCD backlight modules (watches, tablets, laptops), MNT, TV), consumer electronics and industrial instruments and other different flat-panel displays.

(5) Digit/Dot Matrix Display

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

(6) SMD type LED

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

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

(7) Infrared LED

The application of infrared LED in Europe, America, Japan and other advanced countries has a long history, and with the rising of IoT application in recent years. Related applications of infrared LED for functional light source is becoming widely, such as automation industrial control, energy storage, electric vehicle, optical sensing, optical touch panel, security monitoring system, biometrics, AR/VR devices, DMS(driving monitoring system), etc.. Total output power of infrared LED products could be low, medium and high power, depends on customers' design.

(8) Optical Sensor

Optical Sensor is a light-sensing optical component, which can detect visible or non-visible light. For example, an ambient light sensor that can simulates human eye sensitivity for light intensity, and a color sensor or module that can sense specific light wavelengths such as red, green, and blue light.

(9) Photo Transistor & Photo diode

Photo Transistor and Photo diode are both silicon-based semiconductor. Related applications: Such as light-controlled switch, fire smoke sensor, optical touch panel, electrics tags, gaming keyboard, smart meter, heart beat/oxygen detection, low resolution optical Encoder, or used to design in an optical component.

#### (10) Photo Coupler

Photo coupler is a kind of product which combine emitter and receiver. It uses light signal to transmit electrical signal (ie. Electricity to light signal, and then light signal to electricity), and has very good electrical insulation, anti-interference capabilities. Most applications of Photo coupler is used for electric circuit design, such as electric signal feedback, I/O interface isolation, power system, electric motor, green energy, electric vehicle, or data transmission, etc.

#### (11) Multi Chip Packaging

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

#### (12) RGB+IC Packaging

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

#### (13) Mini LED

Mini LED is used in a variety of display fields, most of which are used in consumer TV, professional MNT display, car instrument/central control display & industrial control display. Small-pitch displays and Mini LEDs have considerable advantages in cutting into high-end display applications. The Gypsophila Mini LED area light control structure is adopted, and a large number of LED chips are placed on the backlight board with a pitch ranging from 1 to 12 mm. Divides the image into several regions, making the display to depict different brightness levels in different regions. It can accurately control the brightness, and increase the HDR contrast effect, enhance the color and three-dimensional effect, which is to make the Images look more nuanced. In addition to improve the display quality and increase the reliability of the product. It can be used for automotive interior display, industrial control display, and consumer signage in shopping malls, ordering machines in fast food restaurants, outdoor electric vehicle charging piles, and medical signage applications.

#### (14) Optical Switch / Photo Interrupter

Optical switch is a combination package of optical sensor and infrared LED, the purpose which is easy for customer application design. At present, Everlight optical switch has both DIP type and SMD type package.

#### (15) IRM, Infrared Receiver Module

Infrared receiver modules are used for the field of various optical remote control devices. There are a variety of frequency bands that can be used in various household

appliances and consumer electronic products. At present, Everlight IRM products has both DIP type and SMD type package.

(16) Ultraviolet LED

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

Everlight co-work with ACADEMIA SINICA to test UVC sterilize COVID-19 Pass.

(17) Energy-saving LED intelligent lighting system products

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

(18) LED Customized Module

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

(19) Automotive Standard Light Source

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

(20) 3D Tail Light

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

(21) Curved Mini Tail Light

Mini LED display technology can use flip-chip packaging to achieve uniform light mixing; the small size structure of the wafer can adjust the dimming zone more finely to

achieve higher HDR and high contrast effects. It also reduces the optical mixing distance (OD) to make the module to ultra-thin level. As a self-driving vehicle, the tail light system can be a medium tool for human-vehicle communication (ex. What is the next move of this car? Is it waiting for me?)

#### (22) Automotive UVC Sterilization Module

Automobile sterilization module combined with short-wave ultraviolet (UV-C) LEDs can provide the efficient virus sterilization solutions in vehicles and also surface sterilization solutions such as glove boxes. The technology proves that it can kill more than 90% of coronavirus. Also could use UVA+TiO<sub>2</sub> to design in car air purification.

#### 5.1.1.4 Projected Development of New Products

##### (1) Control module of RGB LED

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

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

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

##### (3) Mini / Micro LED and related applications

Mini LEDs are about of half size of the standard LEDs. More LEDs can be installed within the limited area of the display. Using more LEDs, the area light control area can be further improved to obtain greater contrast and fineness of the picture. Using more LEDs in the light control area can be further improved to obtain greater contrast and fineness of the picture. Compared with LCD displays, Mini LEDs are lighter and thinner, with wide color gamut, higher contrast, and fine dynamic partitioning. Mini LEDs can achieve regional dimming and HDR high dynamic range imaging when the display is used as a backlight. At the same time, the application of micro wearable display devices is becoming more and more diversified. Related Micro or Mini LED display modules play a pivotal role of development, which related technologies will become the focus of this year.

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

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

##### (5) Special lighting for animal husbandry and agriculture

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

(6) Optical Proximity Sensor

The optical proximity sensor is which can detect proximity distance with non-visible band light source. Such kind of sensor can also combine visible ambient light sensor into one package, or it can has heart bit/oxygen detection function. So far, miniature package is also available for mobile device and wearable device application.

(7) Smart office lighting system

To cooperate with the government to enter the stage of eco-city policy. Integrate with smart green building ICT systems and equipment into buildings. The office buildings to have intelligent functions for active perception. Therefore, the factor of the intelligent control system is added to the existing lighting equipment. Make the lighting system more energy-efficient and smarter.

(8) Photo Diode

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

(9) High performance photo coupler

In order to the rising needs of industrial control and power systems, Everlight continues to develop high performance photo coupler products for automotive/industry application, such as Low power consumption high speed coupler, Linear Coupler, high voltage SSR MOSFET, Power Photo Triac, and large supply current IGBT Driver, Isolation Amplifier and capacitive coupler.

(10) Vertical Cavity Surface Emitting Laser Diode

As the diversified development of the optoelectronics industry, vertical cavity surface emitting laser (VCSEL) product is designed for wearable devices, virtual reality, biometrics, autonomous driving, ToF, etc.

(11) Optical Encoder

Strong demand for industrial control applications, at present, Everlight continue to develop digital optical encoders with different resolutions that can be used for various motor control system.

## 5.1.2 Industry Overview

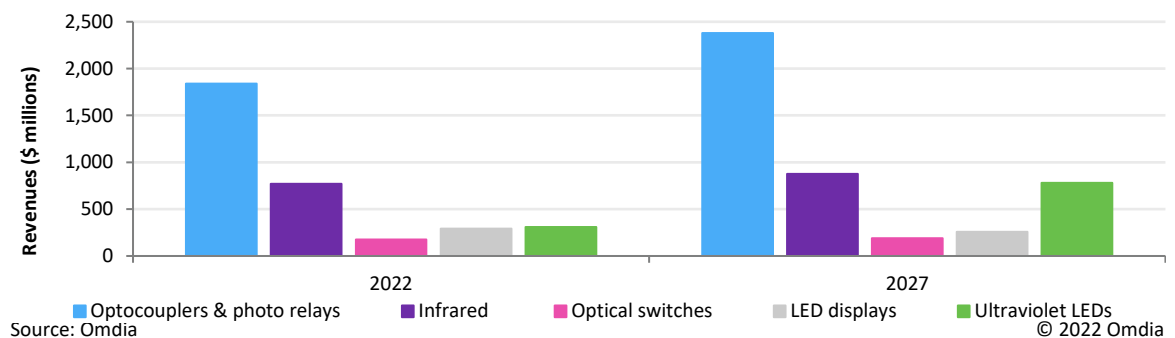
### 5.1.2.1 Industry Current Status and Development

A light-emitting diode (LED) is a semiconductor device that emits light when current flows through it. Electrons in the semiconductor recombine with electron holes, releasing energy in the form of photons and generating luminescence. The features of LEDs are: low power consumption, high luminous efficiency, eco-friendly, no mercury

added and long life. It has high reliability and can be easily made into very small or array type components according to the application needs.

With the continuous innovation of LED products, the applications has gradually expanded, and it has been widely used, and it can be divided into invisible led, consumer electronics, backlight, automotive and lighting applications.

Overall in 2022, the consumer market affected by factors such as Russia’s invasion of Ukraine, the “zero COVID-19” policy in China, and inflation, the global economic uncertainty remains elevated. OMDIA forecasts from 2022 to 2027 based on product type and market size. The revenue of optocouplers & photo relays is estimated to grow to US\$2.378 billion by 2027, with a compound annual growth rate of 3.1%. The revenue of infrared components is estimated to grow to US\$877 million by 2027, with a compound annual growth rate of 1.7%. The revenue of optical switches is estimated to grow to US\$189 million by 2027, with a compound annual growth rate of 1%.



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

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

pattern, such as automotive lighting and Infrared LED products.

#### 5.1.2.2 The Relevance of the Industry Supply Chain

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

#### 5.1.2.3 LED development trends and competition

##### (1) LED development trends

The development of LED has a history of more than 40 years, it has been widely used in home appliances due to its small size, fast response, good resistance, and long product life(more than 100,000 hours). With the development and the improvement of visibility, LED now have used on displays, traffic signals, automobile lighting and general lighting. The application of infrared components are very extensive and valuable, such as industrial quantity control, security systems, IoT, and various consumer electronic products.

##### A. Hight Power Packaging

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

##### B. Mid and Low Power Lighting Component

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

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

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

##### (2) Product Development and Alternative Technology

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

##### (3) Major competitors and market share

Everlight is currently the largest LED professional packaging company in Taiwan, our LEDs can majorly devided to lighting components, backlighting components, components for mobile devices and consumer electronics, components for automotive application and infrared and sensing components, all these products outscore other Taiwanese competitors.

The relevant information is as follows.

Product Mix	Application	Major Competitors
Lighting components	For general lighting, both indoor and outdoor, street lighting, architectural lighting, plant and aquaculture lighting...etc.	MLS、Samsung、Hongli、Lumileds、Nichia
Backlighting components	For all size LCD screen back-light Unit, such as TV, Monitor, NB...etc.	Nichia、Samsung、Seoul Semiconductor、MTC、Lextar
Components for mobile devices and consumer electronics	For flashlight used on mobile devices. Keyboard light source-NB or desktop, light source for power or function button	Nichia、ams Osram、Seoul Semiconductor、Lumileds、Samsung
Components for automotive application	For all kinds of vehicle interior light sources, such as indicator lights, atmosphere lights, and exterior light sources (including headlights, direction lights, brake lights, tail lights... etc	ams Osram、Nichia、Lumileds、Stanley Electric、Dominant Opto
Infrared and sensing components	For reading head, mouse, plastic optical fiber, data transmission, various infrared sensors and receivers, and photo coupler for power control... etc.	ams Osram、Vishay、ROHM、Lite-ON、Goodtake

According to TrendForce, the output value of Taiwan's LED packaging components is approximately US\$1.785 billion in 2022, with a global market share of 12.3%. In terms of the revenue scale in Taiwan, our company is currently the largest professional LED packaging factory in the country, and our product lines are complete and our product quality is superior among the competitors. Ther Company's operating revenue and gross profit margin are also better and more stable in LED businesses. In terms of the industry's competitive situation and market share, we are occupying the leading position in the industry.

### 5.1.3 Research and Development

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

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

NT\$, '000			
Year	2021	2022	2023(As of March 31)
Amount	722,433	713,168	191,778

#### 5.1.3.2 Overview of Product Development and Research Achievement

The company and its subsidiaries will continue to invest in research and development activities. Expected research and development expenses in 2023 are approximately 4% of total revenue, similar to previous years.



(1) New Products Developed in 2022

- Optical Encoder (High Resolution)
- IGBT Drive (Large operating current)
- Linear Photo Coupler
- High Voltage SSR
- Isolation Amplifier
- Low Voltage ALS
- ITR Module
- 2214 small form factor LED
- Side-emitting RGB LED
- 0.5W RGB LED
- Smart IC-embedded LED with general or proprietary purpose
- ALFS 2-in-1 dual function front lighting LED
- Mini CSP RGB-0.15T thinness of 3-chip CSP element
- Ultra-thin of Direct View keyboard B1010 RGB 0.18T
- Ultra-thin of Edge View keyboard B1803 RGB 0.3T
- Application of Special consumer ultra-thin B1212 RGBW 4-chip LED
- UVC/UVA air purifier application with lighting fixture
- UVC clean huge water design and application
- Horticulture PPE4.12 high performance design

(2) New Products Project in 2023

- Development of PLCC Component (Four-sided Illuminator ) Large Angle PKG Solution
- Development of EMC Component (Four-sided Illuminator ) Large Angle PKG Solution
- Mini COB miniLens development project
- Development of Mini LED board (Double-Sided SMT) For PLCC Type Application
- CSP0804 RGB Five-sided Illuminator solution
- 9-in-1 Flash Matrix Scheme solution
- SMD\_B B1010ICA(Point calibration)
- ALFSJ Series of High Brightness Headlamp component
- TOP CONTACT 2~5HT Of High power headlight component
- EL 3534 SMART LED (Open source IC)
- RGB series of interior ambient light for automotive application
- UVA/UVC LED mosquito tube/sterilization tube
- UVC LED 50~100mW High power development
- 5050 High efficient (240lm) outdoor light development
- Horticulture PPE4.24 for RED high efficient development
- Isolation Amp.
- Linear Coupler
- Encoder (high resolution)
- High Speed Coupler (low power consumption)
- IGBT Driver

- SSR MOSFET
- High Power IR
- IR/PT/PD (Wearable/AR VR)
- VCSEL (Laser)
- ITR Module

### (3) Research and development for the future

1. The purpose of developing CSP packaging products is to reduce the thermal resistance and related costs effectively of the product, and to achieve the highest cost-effective products
2. Develop extremely small pitch RGB full-color led. In order to minimize the package size by using the small size flip chip, which can break through the limitations of package size. Whether it is used in signage or TV applications, it can provide the better definition and resolution. Also can enhance the competitiveness of the company and customers' products. We will use special circuit design to enlarge the solder pad, which is more easily to manufacture and repair by customer.
3. We develop ultra-slim, miniaturized and multi-functional LED series products, through PCB process improvement, circuit design optimization, multiple molding to change the light effect and integrated IC for modularization as the new way of development. The flip chip structure is designed for the extremely slim module and the dimmable LED products, integrated IC design, has the advantages of not only space-saving for the circuit design but also lower module cost, to meet the customer's needs of light mixing.
4. We focus on plant / agriculture and fishery lighting, using specially designed LED lamp modules and hydroponic technology to break through the environmental constraints of agriculture, and optimizing crop quality by adjusting the spectral band. This year, we has also begun extending to other applications such as animal husbandry and aquaculture. We will use our experience of plant lighting to apply to the poultry, fish and shrimp farming industry to open up new market opportunities by our LED full-spectrum wavelength adjustment technology.
5. We keep develop sensors with special light wavelengths, such as multi-band optical spectrum or ultra-long wavelength spectrum. In the proximity sensor module, we continue to develop miniaturized white-balance sensing technologies and components.
6. The Company continues to develop a variety of infrared LED / VCSEL package components that meet market needs, and extend to longer-wavelength emission spectrum. The main applications are all kinds of biometrics, ToF, LiDAR and other new applications.
7. In terms of photo coupler, Everlight will continue develop new products for green energy industry, industrial control, BMS system , power management systems, automotive and other related market. Products line such as low power consumption high-speed photo coupler, large supply current IGBT gate driver, high voltage SSR/MOSFET, linear isolation and amplifiers, and capacity coupler, etc.

8. Wide band-gap power devices (SiC/GaN) is an important field of compound semiconductors in the future. The scope of product development will respond to the needs of various power devices under the development of 5G technology in the future.
9. In order to e-sports, professional monitors, high-reliability automotive light source, high-end display panel, and local dimming effects, we set our development towards the three major technologies of Mini LED SMD, COB and COG, to show high-contrast effect of high-dynamic range(HDR), high-brightness and high-performance by LEDs turn on and off. In order to e-sports, professional monitors, high-reliability automotive light source, high-end display panel, and local dimming effects, we set our development towards the three major technologies of Mini LED, COB and COG, to show high-contrast effect of high-dynamic range(HDR), high-brightness and high-performance by LEDs turn on and off.
10. The demand for UV LEDs is increasing and applications, such as sterilization and purification, will gradually be replaced by UVC LEDs in the future. The UV product development will focus on water purification and ambient air purification to offer our technology solutions to the global public health issues.
11. Everlight continues to launch more outstanding ALFS automotive headlight series products. For design of heat dissipation has made great progress in decreasing heat decay, and also to meet the needs of the niche market. In order to make the interior design of the indicator lights more flexible and diverse, a variety of color options allow our users to design the indicator lights more effectively. At the Same time, the products already passed the strict automotive reliability test, AEC-Q102.
12. Automotive components

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

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

The ALFS series can meet the requirement of current customers. In order to improve the luminance (brightness) of the device, we make new design with smaller light-emitting area (LES) of the LED and reduce the fluorescent light path with thinner PIG (<100  $\mu\text{m}$ ). Since the LED chip will perform color conversion through the PIG, and the brightness of the light will be attenuated while it passes through different medium. We find to make PIG thinner can increase the brightness from 380 lm to 420 lm (10%). This product is named for ALFSG (LES 1mm<sup>2</sup>). In addition, an ALFSE series (LES 0.5mm<sup>2</sup>) is also developed in response to the trend of car lights with small aperture. Through optical simulation, ALFSE can meet the regulation requirements of ECE R112 class B. Everlight will continue to develop more

excellent ALFS series products, and to shine in the automotive market.

On the other hands, the trend of co-package platform (power from 0.2w~3w) and SMD-C type packaging for automotive LED have been applied on (1) EL 1608 series is a miniature LED developed by Everlight in automotive applications to meet the needs of miniaturization market. In order to make the design of the interior indicator lights more flexible and diverse, Everlight has designed this series of products twice smaller than the PLCC commonly used in vehicles and with a variety of color options to allow users to design more effectively to meet the needs. At the Same time, it can still pass the strict automotive reliability test AEC-Q102, even in such a small size. We not only meet our clients' requirements of miniaturization, but also take the quality of automotive products into account on the 67-21, 67-41 and A09K 0.2W and 0.5W products, the most commonly used LEDs in the automotive industry. In terms of the improvement of light efficiency, this series allows clients to maintain the best cost-effectiveness and the best competitiveness. (2) EL 2214 and EL 2820 series also use the same concept. These two series have standardized size and the same optical center. Customers can simplify the design of optics, lenses, lamps, and reuse design modules and pattern platforms. The dual-color LEDs combine day-time running lights and turn signal lights into one to save the cost, and provide more changes in the front-end lamps, so that the lights add the personality of the car and provide more style in appearance.

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

### 13. Automotive module

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

The automotive light source has gone from halogen lamps and xenon lamps to LED replacement light sources. We have completed the development of a full range of ECE standard light sources (L1, L5). All the products uses the heat dissipation mechanism platform method to design the automotive light source module, which can be used on different applications of white light, yellow light and red light sources in exterior car lights, such as fog lights, direction lights and

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

#### 5.1.4 Long- and short-term business development plan

##### 5.1.4.1 Short-term plan

###### (1) Application for SMD LED

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

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

###### (2) LED display

The company is the top five leaders in the world in the LED displays market and with the continuous introduction of new products, the break-through of our capability, we expected that the market share of the Company in LED displays will continue to rise. At the Same time, with the improvement of our products, we expand our business and major applications by the global business marketing network, such as working with the world-famous household appliance brands to develop the new products and to promote the improvement of product. The company is moving towards the world's leading LED displays manufacturer of household appliances. In order to the rapid growth of digital set-top boxes(STB), expected the annual demand for 200 million sets, the Company now cooperated with the top five STB brands in the world, based on our rapid product development and mass production capabilities, and will drive the substantial growth of the Company's LED display revenue. At the Same time, we are developing IC Display,

which market now exclusively owned by European and American manufacturers. With our strong internal R&D resources and global sales network, we will launch a full range of IC Display product lines, to enter into the IC Display market. Our goal is to be the top of LED display market.

(3) Professional lighting and general lighting products

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

(4) Mini LED for backlight

Based on the fact that the Company has developed a wide variety of backlight products. Product applications are included typical LED backlight modules, Mini LED backlight modules, and high-reliability automotive LED backlights. We estimate that the amount of LEDs using for traditional direct-lit backlight modules is relatively low at the beginning, and it is a big disadvantage on the cost if using more LEDs for the traditional direct-lit backlight modules. Typical LED backlight modules continue to optimize LED reliability, increasing LED brightness, applied to low-end market demand, focusing on Mini LED backlight modules, and development of High Reliability Automotive LED Backlight.

Therefore, we focus on the pricey and bright product, such as the gaming, professional monitor, automotive backlights and large-size TVs, to develop competitive components to meet the reliability. We also design non-white LED backlight modules to make a change on the cost and emitting angle, and hopefully the modest drop on the cost can make the mini LED direct-lit module meet the market expectation..

(5) Infrared LED and sensor

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

5.1.4.2 Long-term plan

We will provide the customers and markets with the products and services needed to meet customer needs, to correspond the global energy-saving trend, to replace

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

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

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

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

## 5.2 Overview of the market and production

### 5.2.1 Market Analysis

#### 5.2.1.1 Major products and the region distribution

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

##### (1) Sales of major products

NT\$, '000

Products \ Year	2021		2022	
	Net Sales	(%)	Net Sales	(%)
LED	22,846,741	91.31	17,823,241	89.62
LCD	621,827	2.49	813,902	4.09
Lighting Module	1,487,593	5.94	1,171,319	5.89
Other	65,848	0.26	79,827	0.40
Total	25,022,009	100.00	19,888,289	100.00

##### (2) Sales of regions

NT\$, '000

Region \ Year	2021		2022	
	Net Sales	(%)	Net Sales	(%)
Asia	21,683,979	86.66	16,674,449	83.84
Europe	2,475,600	9.89	2,191,496	11.02
America	621,917	2.49	828,008	4.16
Other	240,513	0.96	194,336	0.98
Total	25,022,009	100.00	19,888,289	100.00

##### (3) Major competitors and market share

Everlight is currently the largest LED professional packaging company in Taiwan, our LEDs can majorly divided to lighting components, backlighting components, components for mobile devices and consumer electronics, components for automotive application and infrared and sensing components, all these products outscore other Taiwanese competitors. The relevant information is as follows.

Product Mix	Application	Major Competitors
Lighting components	For general lighting, both indoor and outdoor, street lighting, architectural lighting, plant and aquaculture lighting...etc.	MLS、Samsung、Hongli、Lumileds、Nichia
Backlighting components	For all size LCD screen back-light Unit, such as TV, Monitor, NB...etc.	Nichia、Samsung、Seoul Semiconductor、MTC、Lextar
Components for mobile devices and consumer electronics	For flashlight used on mobile devices. Keyboard light source-NB or desktop, light source for power or function button	Nichia、ams Osram、Seoul Semiconductor、Lumileds、Samsung



Components for automotive application	For all kinds of vehicle interior light sources, such as indicator lights, atmosphere lights, and exterior light sources (including headlights, direction lights, brake lights, tail lights... etc	ams Osram 、Nichia 、Lumileds 、Stanley Electric 、Dominant Opto
Infrared and sensing components	For reading head, mouse, plastic optical fiber, data transmission, various infrared sensors and receivers, and photo coupler for power control... etc.	ams Osram 、Vishay 、ROHM 、Lite-ON 、Goodtake

According to LEDinside, the output value of Taiwan's LED packaging components is approximately US\$2.6 billion in 2021, with a global market share of 12%. In terms of the revenue scale in Taiwan, our company is currently the largest professional LED packaging factory in the country, and our product lines are complete and our product quality is superior among the competitors. Ther Company's operating revenue and gross profit margin are also better and more stable in LED businesses. In terms of the industry's competitive situation and market share, we are occupying the leading position in the industry.

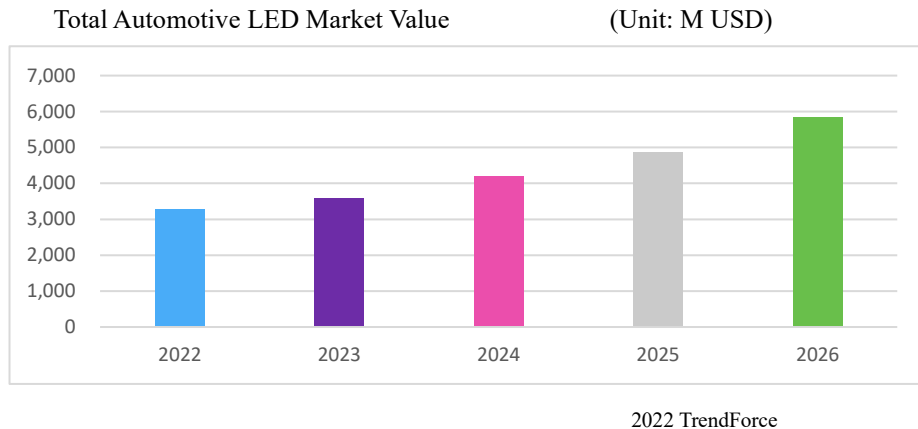
#### 5.2.1.2 The demand and supply of the market and the growth in the future

According to TrendForce, in 2022, as raw material costs have been surging amid the Russia-Ukraine War with rising inflation, the consumer market demand has shrunk. Moreover, the pandemic in China sparked off supply chain breakdown in 2Q22, affecting nearly the entire consumer electronics industry. In terms of regions, China ranked first with 40.8% market share, followed by Japan with 14.3%, and Taiwan ranked third with 12.3% market share.

Output value of LED packaging in major regions of the world				(Unit: M USD)
	2021	Share %	2022(E)	Share %
<b>Japan</b>	2,506	14.1%	2,077	14.3%
<b>Korea</b>	2,437	13.7%	1,742	12.0%
<b>Taiwan</b>	2,277	12.8%	1,785	12.3%
<b>Europe</b>	1,908	10.7%	1,653	11.4%
<b>USA</b>	1,518	8.5%	1,085	7.5%
<b>China</b>	6,953	39.0%	5,911	40.8%
<b>Others</b>	205	1.2%	239	1.6%
<b>Total</b>	<b>17,805</b>	<b>100%</b>	<b>14,492</b>	<b>100%</b>

2022 TrendForce

The development of advanced technologies, including those for intelligent headlights, logo lamps, (intelligent) ambient lights, Mini LED/HDR automotive displays, will stimulate the automotive LED market demand in 2022. As TrendForce analyzes, the automotive LED market value will hit USD 3.269 billion in 2022, and reach USD 5.826 billion in 2026 with a 2022-2026 CAGR of 12.3%.



#### 5.2.1.3 Competitive Opportunity

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

#### 5.2.1.4 Advantages and disadvantages of development prospects and solutions

##### (1) Advantages

##### Vision of the industry

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

##### Industry position

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

##### Business overview

- The strategy is to sell not only domestic clients but also the international clients, and focus on all possible applications and clients. Therefore, the risk should be low and the room of growth should be big.
- Once we have target market, the only goal we want to reach is the market leader.
- The product lines are complete, and has the certificate of ISO-9001, QS-9000, ISO14001, TS-16949 and other international certifications. The product quality is good, the sales volume is steadily grown, and the relationship with international OEM manufacturers is a long time partner relationship.

##### Supply chain management

- We have reached the economies of scale on purchasing.
- The suppliers are plenty and full of options.

- We control the material by vertical integration.

#### Research and development capability

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

## (2) Disadvantages and solutions

#### Vision of the industry

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

#### Solutions:

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

#### Business overview

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

#### Solutions:

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

#### Research and development capability

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

#### Solution:

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

## 5.2.2 The applications of major products and the summary of process

### 5.2.2.1 The applications of major products

Major products	Application
Visible Components	Consumer Electronics, Indoor/Outdoor Signage, Back Light module, Mini LED, Horticultural Lighting, General Lighting, Street Lighting, UVC sterilizing module, Automotive applications...etc.
Sensing Components	Power Supply, Proximity Sensor, Ambient Sensor, Wearable Device, Smoke Detector, Smart Meter, Smart Water Meter, 5G Base Station, Charging Station, ...etc.

### 5.2.2.2 The production process

#### Gluing Process

- Chip  
|
- Die bonding  
|
- Silver glue curing  
|
- Wire bonding  
|
- Epoxy/Silicon dispensing  
|
- Short curing  
|
- Long curing  
|
- Tie bar  
|
- Testing  
|
- Packing  
|
- ▽ finished goods

#### Molding Process

- Chip  
|
- Die bonding  
|
- Silver glue curing  
|
- Wire bonding  
|
- Molding  
|
- Curing  
|
- Cutting  
|
- loosing  
|
- Testing  
|
- Packing  
|
- ▽ finished goods

#### Light module Process

- SMT  
|
- Testing  
|
- Gluing  
|
- Assemble  
|
- Screwing  
|
- Riveting  
|
- Lens coving  
|
- BURN IN  
|
- Packing  
|
- ▽ finished goods

### 5.2.3 Supply of our key materials

The key materials for our LED package are chips. In terms of packaging material, our chips purchasing amount to our total purchasing amount is more than 55%. Our major chip suppliers are TEKCORE and EPISTAR, who supply us high quality chips as well as develop cutting edge technologies together with EVELIGHT. In addition, to develop competitive supply pool and avoid supply shortage risks, we also introduce other chip sources, such as EPILEDs, HPO, OPTOTECH, TYNTEK, AUK, HC SEMITEK...etc. Other key materials, we have I-CHIUN in lead frame supply; SUBTRON and BOARDTEK in PCB supply.

### 5.2.4 Major Suppliers and Clients

#### 5.2.4.1 Major Suppliers in the Last Two Calendar Years

NT\$, '000

	2021				2022				2023(As of March 31)			
Item	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
	Other	9,538,190	100		Other	6,857,883	100		Other	1,620,065	100	
	Net Total Supplies	9,538,190	100		Net Total Supplies	6,857,883	100		Net Total Supplies	1,620,065	100	

Note 1: Major suppliers refer to those commanding 10%-plus share of annual order volume.

2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

#### 5.2.4.2 Major Clients in the Last Two Calendar Years:NA

### 5.2.5 Production in the Last Two Years

Unit: '000,Pieces ; NT\$, '000

Major Products \ OutPut \ Year	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
LED	41,272,622	30,130,003	20,420,381	40,911,538	21,779,484	15,718,474
LCD	19,242	17,330	621,827	13,886	13,632	813,902
Lighting Module	8	8	17,783	8	15	61,528
Other	16	13	61,907	14	14	76,046
Total	41,291,888	30,147,354	21,121,898	40,925,446	21,793,145	16,669,950

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: '000,Pieces ; NT\$, '000

Major Products \ Shipments/ Sales \ Year	2021				2022			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LED	2,789,619	3,522,546	28,854,460	19,324,195	1,525,118	2,022,303	21,971,434	15,800,938
LCD	7,174	162,474	10,143	459,353	6,060	166,243	7,550	647,659
Lighting Module	3,226	642,717	2,003	844,876	3,036	691,968	4,597	479,351
Other	148,388	64,938	1	910	130,515	78,819	1	1,008
Total	2,948,407	4,392,675	28,866,607	20,629,334	1,664,729	2,959,333	21,983,582	16,928,956

### 5.3 Human Resources

Items \ Year		2021	2022	Data as of ending data in the current year
Number of Employees	Direct Employees	2714	1939	1817
	Indirect Employees	2590	2318	2255
	Total	5304	4257	4072
Average Age		31.9	31.9	37.4
Average Years of Service		4.4	4.4	7.4
Education	Ph.D.	9	8	9
	Masters	209	206	204
	Bachelor's Degree	2336	2065	1998
	Senior High School and Below	2750	1978	1861
Total		5304	4257	4072

### 5.4 Information of environment protection

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

#### 5.4.1.1 Green design

The Company started to introduce the lead-free production in 2003, gradually completed the replacement of Tin and Lead materials, and started a full series of product surveys in September 2003, and completed a full series of analysis and testing in March 2004, further comply with the RoHS, 2002/95/EC EU Announcement, in 2003, and passed the SONY GREEN PARTNER certification and LG Electronics Inc. Green Program Certificate qualified supplier certificate (2006.6.8). Other than our self-declaration, we required all raw material suppliers' products must comply with the relevant requirements from January 1, 2006. We also did internally self-test for all raw materials and products to strengthen manufacturing and production control, then we passed QC080000 in March 2008. With the appreciation of the importance of energy management and energy saving, the company's Shulin headquarters has obtained the ISO 50001 certificate in 2022. The company committ ourselves to the spirit of continuous improvement, the sustainable development of the enterprise, and the responsibility of the

global community..

#### 5.4.1.2 Clean production and pollution prevention

##### (1) Air pollution control

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

Items	Validity Period	Approval No.
<b>Yuan-li Plant</b>		
Operational permit for stationary	2027/10/02	No. K0981-01 issued by Miaoli County
Air pollution control personnel (Class A)	Certified	No. FA070205 issued by EPA, 2021
<b>Tongluo Plant</b>		
Operational permit for stationary	2028/1/10	No. K0951-00 issued by Miaoli County
Air pollution control personnel (Class A)	Certified	No. FA110427 issued by EPA, 2019

##### (2) Water pollution prevention

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

Professional personnel: wastewater control personnel(Class A)

Items	Validity Period	Approval No.
<b>Yuan-li Plant</b>		
Operational permit for stationary	2027/07/10	No. 00444-04 issued by Miaoli County
wastewater control personnel(Class A)	Certified	No. GA200160 issued by EPA, 2010
<b>Tongluo Plant</b>		
Operational permit for stationary	2027/05/24	No. 00637-00 issued by Miaoli County
wastewater control personnel(Class A)	Certified	No. GA040398 issued by EPA, 2007

##### (3) Waste management

The general and hazardous business wastes derived from our production process are properly recycled and stored, and have been submitted to the local environmental protection bureau for the cleanup plan (Yuanli plant: No. 1080002498, Tongluo plant: No. 1070000205), and all the waste is processed by professional cleaning companies to ensure that the waste management goal is stabilized, harmless, and reducing.



Professional personnel: waste control personnel(Class A)

Items	Validity Period	Approval No.
<b>Yuan-li Plant</b>		
Waste control personnel(Class A)	Certified	No. HA091260 issued by EPA, 2022
<b>Tongluo Plan</b>		
Waste control personnel(Class B)	Certified	No. HB211253 issued by EPA, 2003

#### 5.4.1.3 Industrial waste reduction

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

#### 5.4.2 The investment of pollution prevention equipment and the benefits:

2021/3/31, NT\$'000

Equipment	Set	Acquired Date	Amount	Net Value	The Use and the benefits
Exhaust gas process equipment and the improvement	1	98.10.20	20,007.7	201.4	Processing the exhaust gas generated in the manufacturing process to meet the emission standards of environmental protection requirements, and which can reduce the annual air pollution fee by about 500,000.
Exhaust gas process equipment and the improvement	1	105.7.27	16,527	6673.6	Processing the exhaust gas generated in the manufacturing process to meet the emission standards of environmental protection requirements, and which can reduce the annual air pollution fee by about 500,000.
Wastewater process equipment and the improvement	1	98.12.25	15,566.5	214.4	Processing the waste water generated in the manufacturing process to meet the standards of environmental protection requirements and reach the recyclable standards.

Wastewater process equipment and the improvement	1	105.12.30	10,978.2	4,0705.5	Processing the waste water generated in the manufacturing process to meet the standards of environmental protection requirements and reach the recyclable standards.
Polluted water process equipment and the improvement (MBR)	1	97.10.30	5,631.5	117.5	Processing the polluted water generated by the personnel of production activities and meet the recyclable standard.
Polluted water process equipment and the improvement (MBR)	1	105.7.25	445.2	113.9	Processing the polluted water generated by the personnel of production activities and meet the recyclable standard.

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

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

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

Yuanli Plant violated Article 23 of the Administrative Measures for Stationary Pollution Source Installation and Fuel Use Permits, Article 24 Item 2 of the Air Pollution Control Law, and Article 24 Item 4 of the Air Pollution Control Law, and was fined NT\$100,000. Improvements are complete.

Yuanli Plant violated Subparagraph 1, Item 1, Article 31 of the Waste Disposal Act, and was fined NT\$6,000. The improvement has been completed.

5.4.5 The impact of the current pollution situation and its improvement measures on the earnings,

competitive position and capital expenditure and its expected major environmental capital expenditure in the next three years: NA

## 5.5 Relationship between the management and the labor

### 5.5.1 Employee compensation, benefit plans, retirement policies and labor-management agreement

#### 5.5.1.1 Manager and employee compensation

According to the Articles 20 of Incorporation of Company, if the company makes a profit in the year, 6% to 12% should be allocated as employee remuneration and no more than 1% as director and supervisor remuneration; employee remuneration paid in stock or cash must be the employees of the controlling or subordinate company who meet certain conditions, and the certain conditions must be determined by the board of directors.

EVERLIGHT provides a diverse and competitive salary system on the premise of taking into account external competition, internal fairness and legitimacy, and adheres to the concept of profit sharing with employees to attract, retain, cultivate and motivate outstanding talents from all sides. With outstanding operational performance, Everlight's overall remuneration is maintained at a certain level.

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

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

#### 5.5.1.2 Our welfare

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

- (1) Employee uniforms and shoes for the factory floor
- (2) Group comprehensive insurance and annual health checkup
- (3) Grant for employees' advanced education, Educational Assistances for Dependent Children
- (4) birthday gift certificate
- (5) Annual and quarterly trips
- (6) Marriage, funeral, celebration, festival statutory holidays and gifts for newborn babies
- (7) Gifts certificate for three main national holidays
- (8) Statutory annual leave
- (9) Gym facilities and sports equipment rooms (table tennis room, badminton court) provide employees with enhanced health management after get off work.
- (10) Aerobic exercise (invite an aerobic teacher to teach on-site and synchronize online so that colleagues can also participate online), health promotion can be exchanged for sports-

related products.

(11) Quarterly department dinner

(12) Family insurance

(13) Discount coupons for regular art and cultural activities.

(14) Various competitions (badminton, billiards, basketball games, walking activities, health and fitness... etc.), corporate group activities (domino activity, handicrafts... etc.).

(15) Public welfare activities, volunteer services (beach cleaning, public welfare food bank volunteer service, public welfare

#### 5.5.1.3 Our continuous training

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

(1) Our education and training programs in all aspects

- Newcomer series: newcomers basic training and production line internship courses, product introduction and quality control courses, on-the-job training (OJT), etc.
- Management development series: series courses of outstanding, attracting and retaining talents, team leadership, goal and performance management, corporate governance and other courses; mid-level talent development and training, project management, execution, teamwork communication, new supervisor training and other courses; On-site supervisor management, 5S management, on-site reserve supervisors training and other courses.
- Professional skill series: product training, the skills of communication, LED manufacturing process, patent courses, project management, sales skill, customer relationship management, quality control techniques, five core series courses, etc.
- Quality management series: ISO9001, IATF16949, QC080000, related courses.
- Staff assistance series: operating system and software operation learning courses, emotion and stress management, health lectures.
- Multiple learning channels: electronic exhibitions visiting, various professional technical seminar courses and external training courses base on employees' competency.
- E-learning system: the Company has built an online learning system platform to provide employees with independent, instant learning resources without any restrictions.

(2) Complete education and training system and courses

- Each internal auditor completed 12-hour training according to the requirement in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the audit center held 4-hour internal training each month to enhance internal audit knowledge and internal audit skills.

(3) Implementation status of education and training

In 2022, in addition to the scheduled annual courses, there were more than 33,380 times that employees used and logged in the e-learning platform to learn and browse the existing Everlight e-learning courses. And to ensure the correct operation methods and the consistency of inspection standards, we combine the theory and actual operation

screens to make it easier for all the staff to understand and catch up the necessary skills through the education and training of each station in the product lines by continuous video teaching and pre-work training all year long.

In order to continue and enhance the competitiveness of the Company, we continue to organize various training activities every year. Every employee at Everlight takes 8 hours of credit courses every quarter. Through our multiple training and learning, the average training hours of general employees are about 41 hours, and the average training hours of management staff are about 27 hours.

We have not only the various management, professional, and general courses, the Company also arranges 2 hours of internal training for each department to increase the understanding internally. Topics such as systems introduction and laws and regulations are used to conduct education, training, and learning through the e-learning system, and we hold the exams for each class to review, evaluate, and maintain the outcomes we expect.

#### 5.5.1.4 Retirement system and implementation

In order to stabilize the life of employees after retirement, the company has formulated labor retirement measures according to law, and established a labor retirement reserve supervision committee. According to the actuarial report, the ratio of the total monthly salary expenses is allocated and deposited in a special bank account in Taiwan. to protect workers' rights. Since July 1, 2005, the government's new retirement system has been adopted in parallel, and 6% of the total wages of labor will be allocated to the employee's individual retirement pension account; if there is a voluntary contribution to retirement, the voluntary contribution rate will be paid from the employee's monthly salary. The agency will be withheld to the individual retirement pension account of the Labor Insurance Bureau.

According to the "Labor Standards Act" and the "Labor Pension Regulations", the applicable regulations of the company are as follows:

##### 5.5.1.4.1 Voluntarily Retirement:

A worker may voluntarily retire under one of the following circumstances: (For those who choose to apply the Labor Pension Regulations, the same regulations apply)

- (1) Those who have worked for more than 15 years and have reached the age of 55.
- (2) Those who have worked for more than 25 years.
- (3) Those who have worked for more than 10 years and have reached the age of 60.

##### 5.5.1.4.2 Mandatory retirement:

The company shall not compel an employee to retire unless one of the following situations occurs:

- (1) Persons over the age of 65.
- (2) Unqualified workers with disabilities.

The age specified in Subparagraph 1 of the preceding paragraph may be adjusted to the central competent authority for approval if the company is employed as a worker with

special characteristics such as danger and strong physical strength. But not less than 55 years old.

#### 5.5.1.4.3 Retirement payment standard:

- (1) The seniority before and after the application of the Labor Standards Act and the choice of continuing to apply the pension provisions of the “Labor Standards Act” or retaining the seniority before the application of the Labor Pension Ordinance in accordance with the Labor Pension Act. The payment shall be calculated according to Articles 84-2 and 55 of the Standard Law.
- (2) For employees who have the preceding paragraph and who are forcibly retired in accordance with Article 54, Paragraph 1, Subparagraph 2, if they are performing their duties, they shall be subject to Article 55, Paragraph 1, 2, of the Labor Standards Act. Twenty percent shall be added to the provisions of the paragraph.
- (3) For employees who are subject to the pension provisions of the Labor Pension Act, the company will contribute 6% of their wages to the individual pension account of the laborer on a monthly basis.

#### 5.5.1.4.4 Retirement payment:

The Company shall pay the retirement expense to the employees within 30 days from the date of retirement of the employees.

#### 5.5.1.5 Labor agreements and employee rights protection

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

#### 5.5.1.6 Employee code of conduct or ethics

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

##### (1) Code of ethics

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

##### (2) Company resources

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

##### (3) Conclusion:

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

#### 5.5.1.7 Working environment and employees' personal safety protection

Everlight's safety and health management framework is based on the occupational health and safety management system(ISO 45001) and Taiwan's occupational safety and health management system (TOSHMS), and through the plan, do, check and act(PDCA) cycle management to achieve accident prevention, reach the goal of safety and health and protect the assets.

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

##### (1) Occupational accidents prevention plan

In order to achieve the goal of zero accidents, according to the the occupational health and safety management system(ISO 45001) and Taiwan's occupational safety and health management system (TOSHMS), Everlight regularly makes the next year's occupational accidents prevention plan at the end of the year, to aim at safety and health organizations, safety and health management, safety and health education and training, work safety analysis and coaching, safety and health inspection (automatic inspection), inspection of equipment and personal safety protective equipment, medical care, safety and health activities. All the detailed plans are established, approved by the environment and health management committee, and submitted to the execution unit for implementation. If any missing of the implementation through the audit system, the environment and health management committee will discuss every three months, and make the amendment plan according to the PDCA cycle management to achieve zero accidents.

##### (2) Implement of automatic inspection

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

overwork and other human factors surveys and analysis. All of these can help us to conduct and formulate relevant measures to reduce operations risk.

(3) On-site operating environment measurement

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

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

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



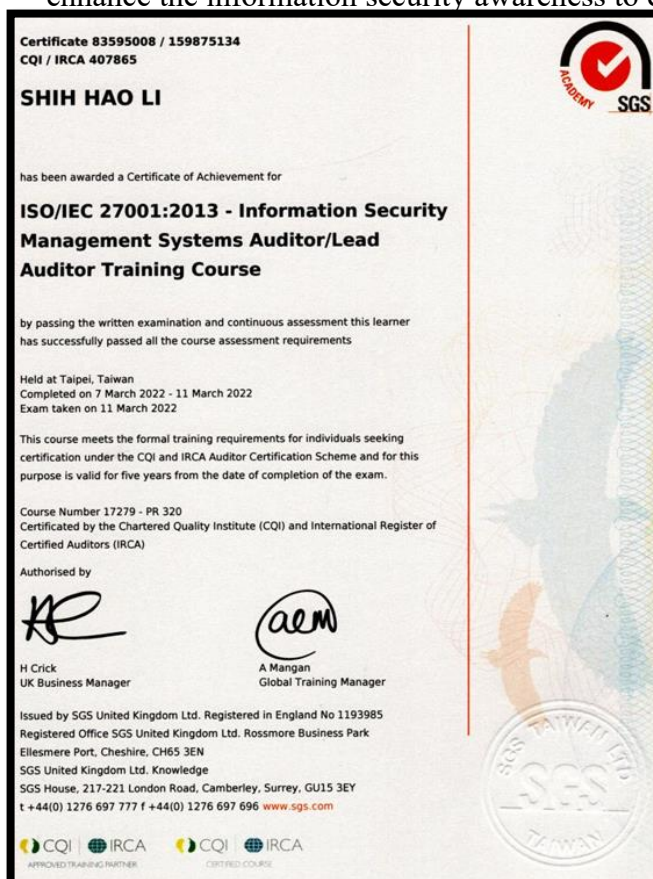
## 5.6 Information security management report :

In recent years, due to the internet development, the security issues have also surfaced and how to maintain corporate information security has become an urgent matter.

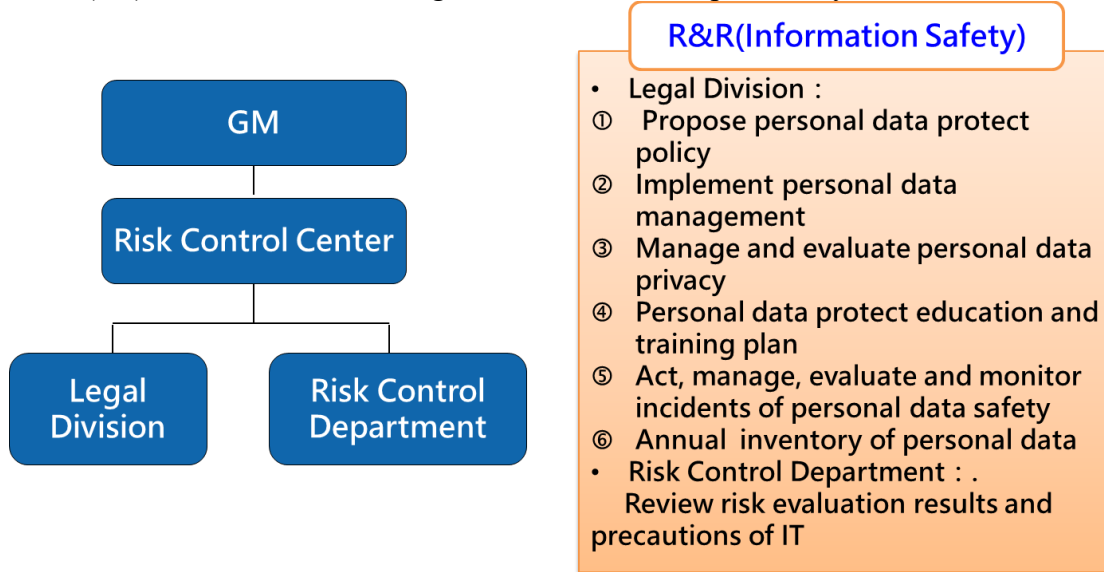
Everlight Corporate in order to demonstrate the determination to reduce the risk of cyber security and provide the sustainable quality service to customer, we have built the necessary measures include IDC and network manage, and import the ISO 27001 ISMS to control the management system to ensure the information asset confidentiality, integrity and availability to protect the rights of the company, customers and colleagues.

The scope of information protection include colleagues, customers, suppliers, shareholder and related information equipment. All of the information security rule are based on the technical support, application procedure and data security standard formulation and into the management operation system to assure the privacy protection and information security maintenance for colleagues, suppliers and customers during conducting business contacts. The goal of information security policy is protected business information and secret to ensure company operation normal. Regarding the information system and technology, the software on servers and PC are update regularly updated to defense virus and malware to protect computer security, and implement firewall to manage network, built the security Email gateway to filter mail to reduce the risk of the mail attack.

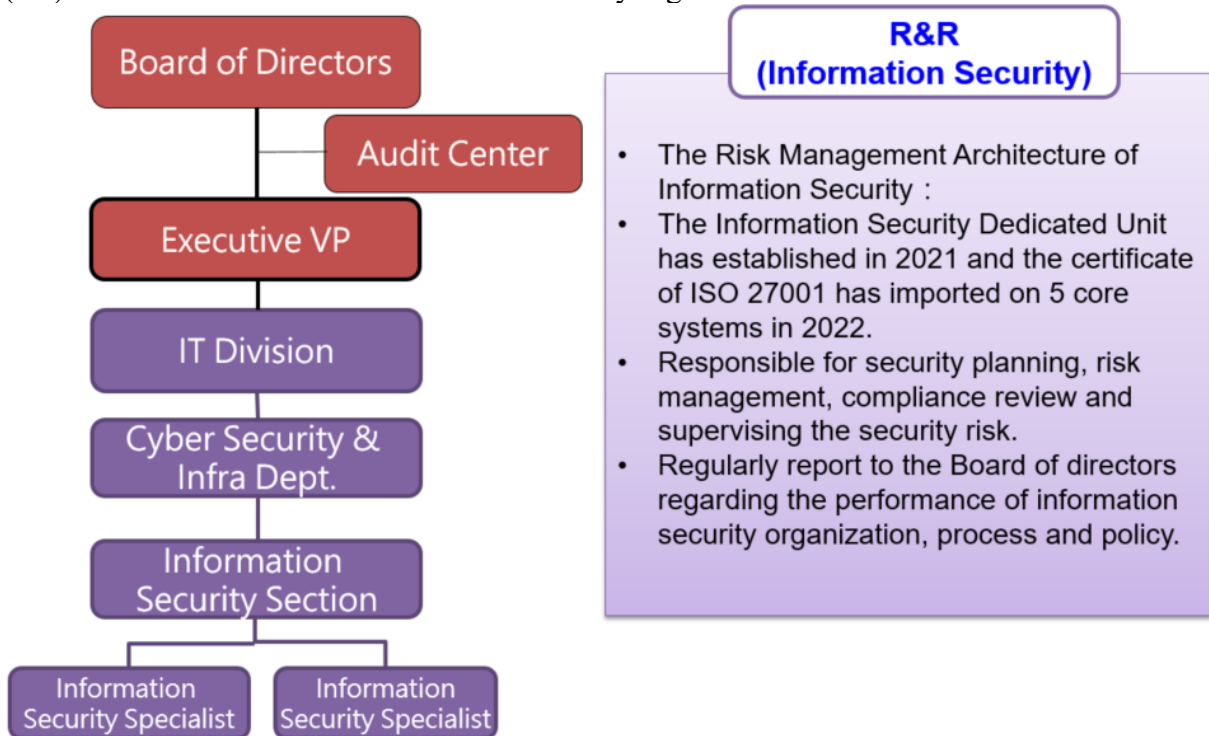
In 2012, the portable storage device like USB had be control to reduce the risk of data lose and virus infection. The new colleagues need to sign the NDA and join the security training to enhance the information security awareness to company information security.



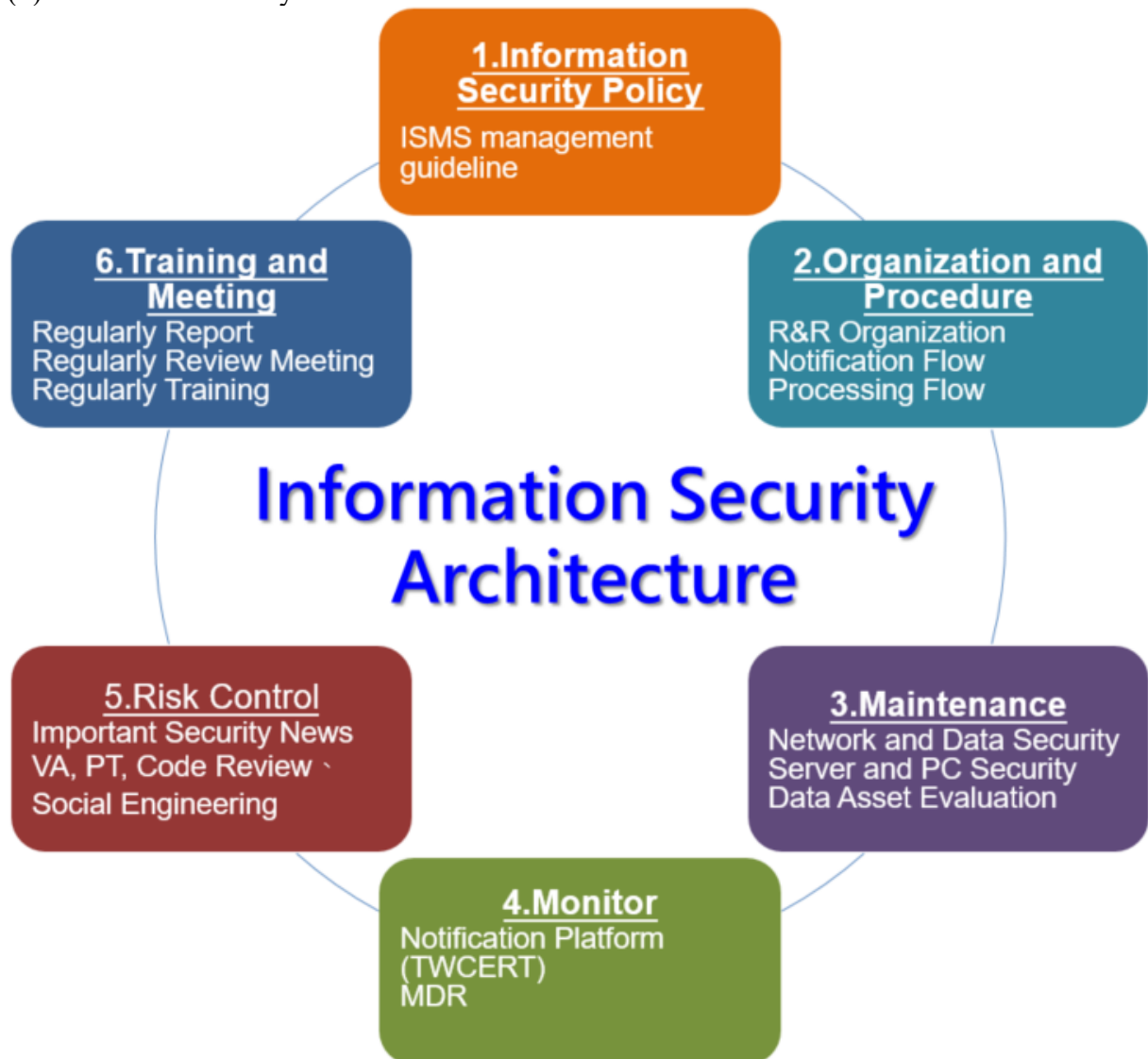
(1.1) Risk control center organization and the responsibility of information security



(1.2) Information Center and the R&R of security organization



## (2)Information Security Architecture



### (2.1)Information Security Policy-ISMS Management Guidelines :

The Information Security Management System has built and append 21 management procedures, 9 guidelines and 55 forms.

The “Electric Data Flow” and “Other Management Control System” have check include below items in 2022 year :

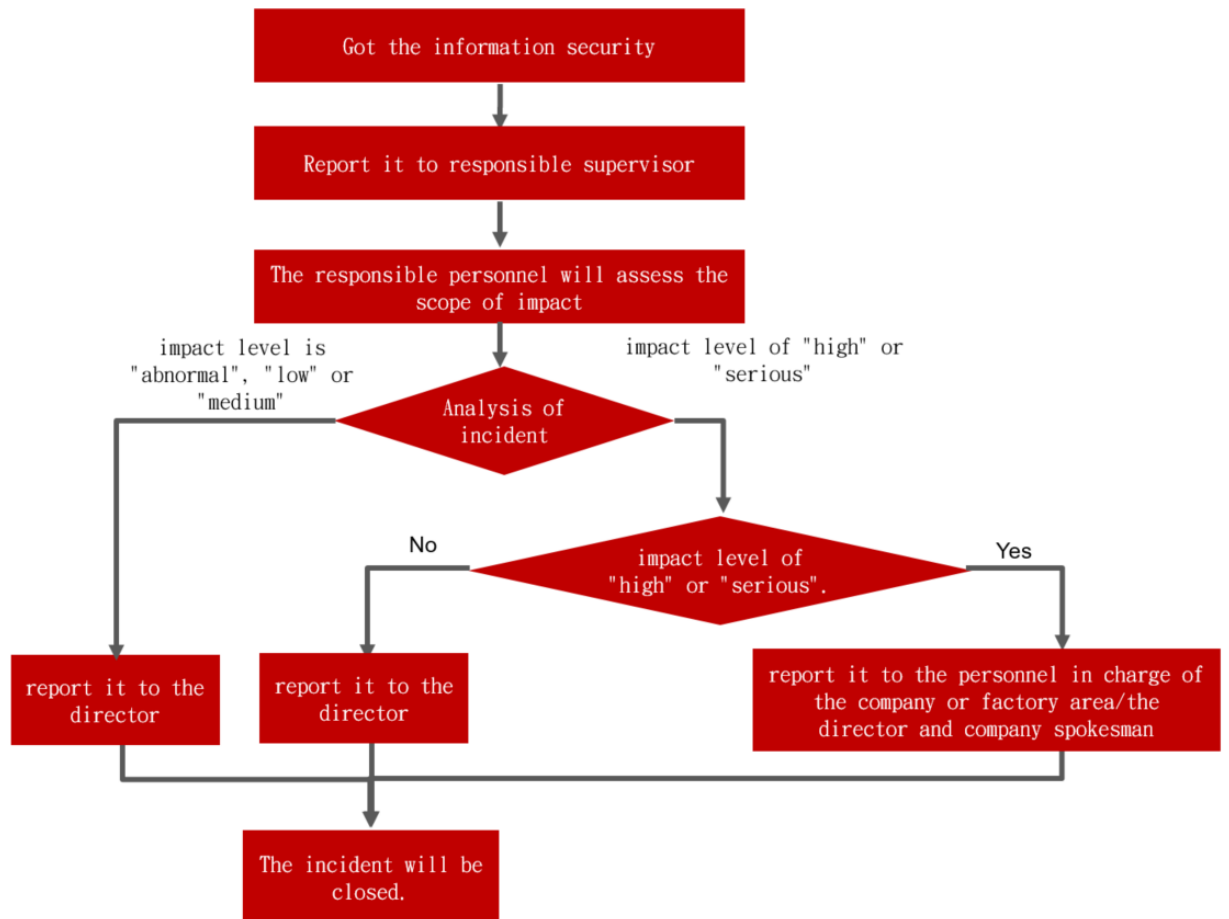
1. Check Plans and items :
  - Semi-annual Disaster recovery drill.
  - Semi-annual fire drill and maintenance in data center.
  - Daily system backup check.
2. In 2022, there weren't critical defect.

Level 1, 2 Document	Level 3 Document	Level 4 Document
<u>QSD-0000039 Information Security Management Manual</u>		QSD-0000039-F01_V1 List of documents
		QSD-0000039-F02_V1 List of external documents(Information Security)
<u>PRO-0000325 Information Security Organization Management Procedures</u>		PRO-0000325-F01_V1 Communication Channels, Timing, and Targets table
		PRO-0000325-F02_V1 Information Security Management Review Meeting Minutes
<u>PRO-0000028 Control of quality record procedure</u>		
<u>PRO-0000326 General Principles of Information Security Management</u>		PRO-0000326-F01_V1 Statement of Applicability
<u>PRO-0000326 Information Assets and Risk Management Procedures</u>		PRO-0000327-F01_V1 Risk Treatment Plan
		PRO-0000327-F02_V1 Information Assets Inventory and Risk Assessment Form
		PRO-0000327-F03_V1 Risk Assessment Report
<u>PRO-0000328 Information Equipment and Environmental Safety Management Procedures</u>	RPO-0000004 Data Center Management Procedure	PRO-0000004-F01_V1 IT Network/System/Device unusual Report
	SOP-0000464 Standard Operation of Environmental Management	
	SOP-0000465 Standard Operation of Entrance Restriction Management	PRO-0000328-F01_V1 Server Room Inspection Table
<u>PRO-0000329 Access Control Management Procedure</u>		SOP-3-006-C-F01_V2 Data Center Entrance Record
		PRO-0000329-F01_V1 Clock Synchronization School Hour Records
		PRO-0000329-F02_V1 Account permission control table
<u>PRO-0000211-F02_V1 IT service request form</u>		SOP-0000211-F02_V1 IT service request form
		PRO-0000004-F01_V1 IT Network/System/Device unusual Report
<u>PRO-0000330 Communication Security Management Procedure</u>		
	SOP-0008573 Standard Operation Procedure of Firewall Operation	SOP-0000211-F02_V1 IT service request form
<u>PRO-0000331 Information System Acquisition, Development and Maintenance Management Procedure</u>		SOP-0000211-F02_V1 IT service request form
		SOP-0008574-F02_V1 SAP System Change Request form
		PRO-0000331-F01_V1 Legal Software Installation List
	SOP-0008574 Standard	SOP-0000211-F02_V1 IT service request form
		SOP-0008574-F01_V1 Project Document Checklist

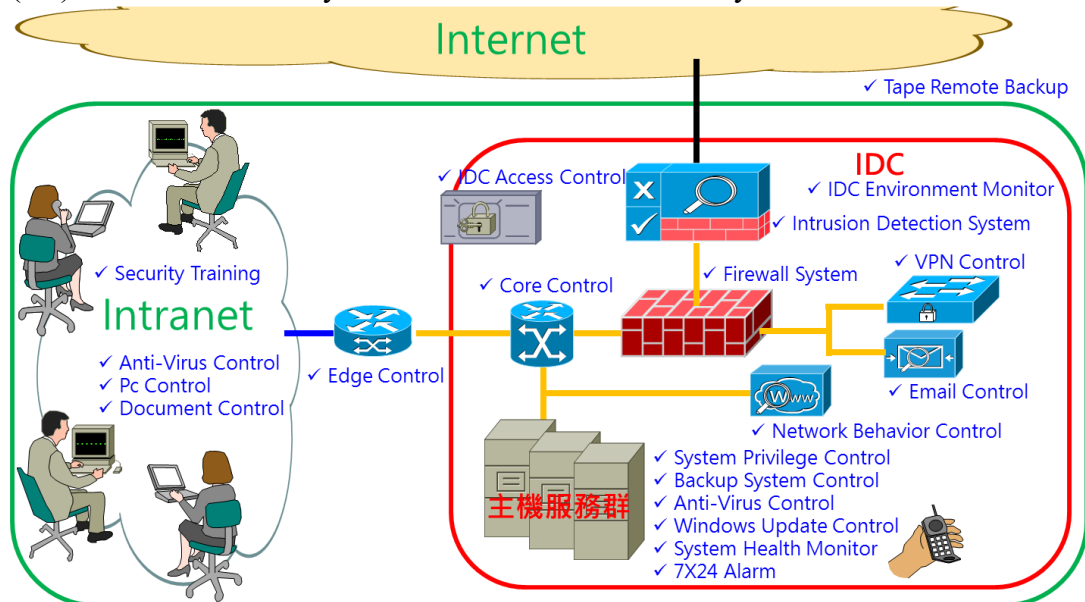
—	Operation of Project Development	SOP-0008574-F02_V1 SAP Transport Request Form
<u>PRO-0000332 Information System Outsourcing Management Procedure</u>		Information Outsourcing Supervision
		Outsourcing Maintenance Record
		PRO-0000332-F01_V1 Vendor Performance Evaluation Form
<u>PRO-0000333 Information System Vulnerability Management Procedure</u>		PRO-0000333-F01_V1 Information Equipment Weakness Reinforcement Record Sheet
<u>PRO-0000024 Training Management Procedure</u>		PRO-0000024-F04_V2 Training course attendance list
<u>PRO-0000334 Information System Internal Audit and Corrective Management Procedure</u>		PRO-0000334-F01_V1 Internal Audit Plan
		PRO-0000334-F02_V1 Internal Audit Checklist
		PRO-0000334-F03_V1 Internal Audit Report
		PRO-0000334-F04_V1 Corrective Action Form
<u>PRO-0000335 Information System Performance Management Procedure</u>		PRO-0000335-F01_V1 Performance Indicators Summary Table
<u>PRO-0000336 Project Information Security Management Procedure</u>		PRO-0000336-F01_V1 Project Information Security Management Procedure Checklist
<u>PRO-0000337 Information Security Incident Management Procedure</u>		PRO-0000004-F01_V1 IT Network/System/Device unusual Report
<u>PRO-0000338 Information System Personnel Safety Management Procedure</u>		4C2021V1 Contract of Recruitment
		7N2015V1 Non-Disclosure Agreement
		10C2021V1 Commitment Letter of Information Security
		5C2021V1 Contract of Integrity and Intellectual Property
<u>PRO-0000339 Information System Demand and Scope Management Procedure</u>		PRO-0000339-F01_V1 The issue, requirement and target analysis report
<u>PRO-0000340 Information Security Operations Management Procedures</u>	SOP-0008575_Standard Operation Procedure of Information System Change Management	SOP-0000211-F02_V1 IT service request form
	SOP-0008576_Standard Operation Procedure of Application System Security	
	Standard Operation Procedure of Database Security	SOP-0000211-F02_V1 IT service request form
	SOP-0008578_Standard Operation Procedure of Recording and Monitoring	
	SOP-0000466_Standard Operation of Data Backup	SOP-0000466-F01_V2 Machine list and schedule of backup
		SOP-0000466-F02_V2 Tape Cross-site Backup Record Table

		SOP-0000466-F03_V2 Daily Backup Status Table
		SOP-0000466-F04_V2 Operation Drill Plan and Record Table
		SOP-0000466-F05_V1 Emergency Response Rehearsal Table
	SOP-0008579_Standard Operation Procedure of Portable Information Equipment and Media	PRO-035-F03_V1 Fixed Assets Scrap
		PRO-035-F03_V1 Fixed Assets Transfer
		PRO-035-F03_V1 Fixed Assets Lose
		SOP-3-006-C-F01_V2 Data Center Entrance Record
	SOP-0008580_Standard Operation Procedure of Computer Virus Prevention	SOP-0000211-F02_V1 IT service request form
	SOP-0008581_Standard Operation Procedure of Data, Files and Documents Security	SOP-0000211-F02_V1 IT service request form
	<u>PRO-0000341 Information Security Compliance Management Procedures</u>	PRO-0000341-F01_V1 List of Applicable Laws and Regulations
		SOP-0000211-F02_V1 IT service request form
<u>PRO-0000342 Information System Operation Continuity Management Procedure</u>		PRO-0000342-F01_V1 Operational Impact Analysis Table

(2.2)Information Security Policy and Measure-Information Security Reporting Process



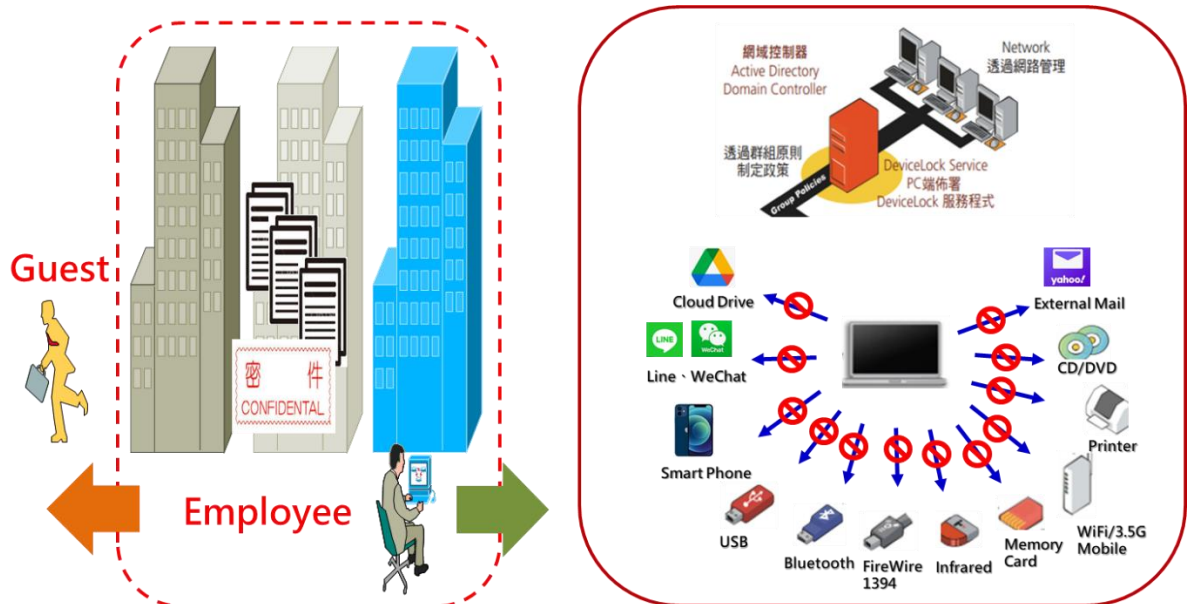
### (2.3)Information Security Maintenance-Network Security



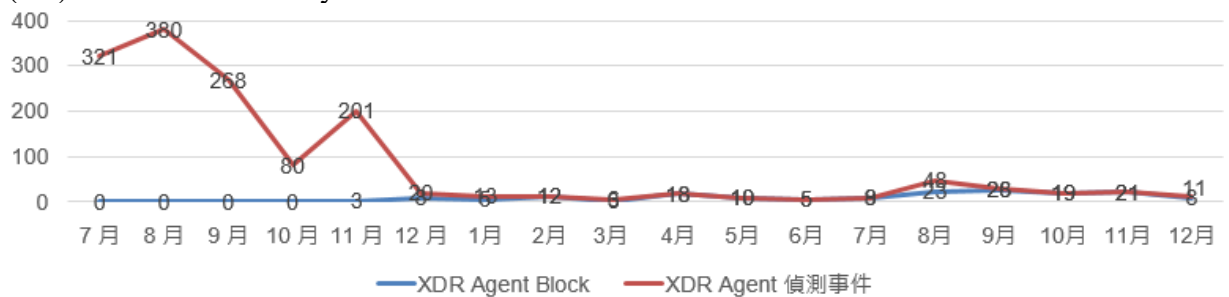
### (2.3)Information Security Maintenance-Data Security

We are highly concerned about the privacy of every customer, with strict standard to protect the customer's privacy and personal data. Besides following Personal Information Protection Act, we have the "Personal data safety management instruction" and hold regular "personal information protection announcement", which record customer's related

data. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privilege information, misrepresentation of material facts, or any other unfair-dealing practice. With annual check of personal data and related risk evaluation in order to acquire "Data privacy protection mark (dp.mark)". In 2022, there were no complaints related to infringement of customer privacy or loss of customer information.

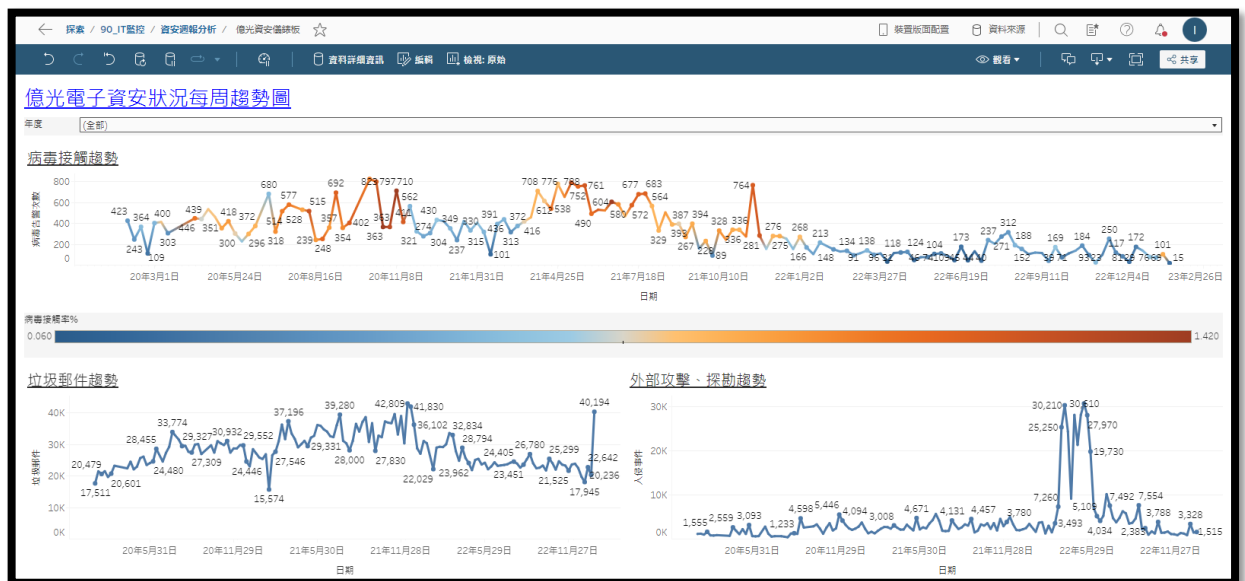
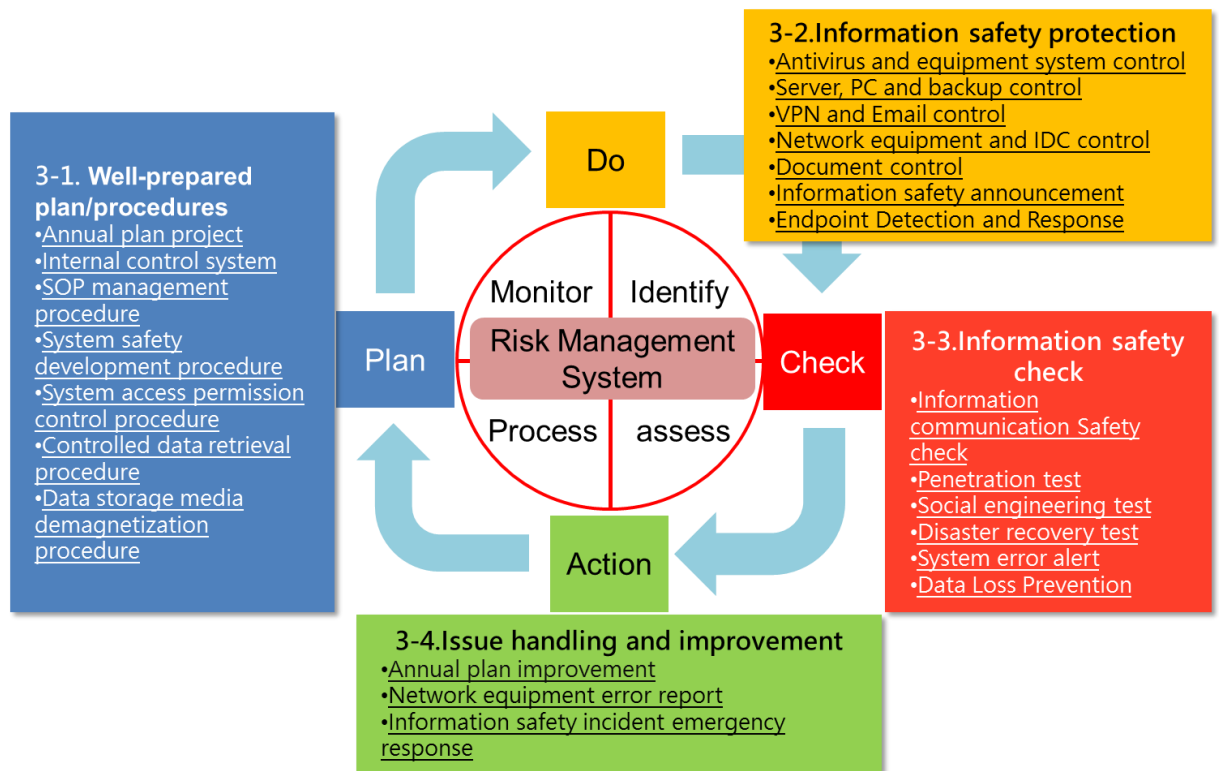


#### (2.4) Information Security Monitor





## (2.5)Risk Control



## (2.6)Education Training and Meeting-Regularly Security Meeting

We had built the dedicated security management unit and open the security sessions around 123 times weekly from 2021/01 till now. We also announce the security weekly report to grasp the information security situation and trends and the security status has already provided to the board at ???.



**防毒更新率**

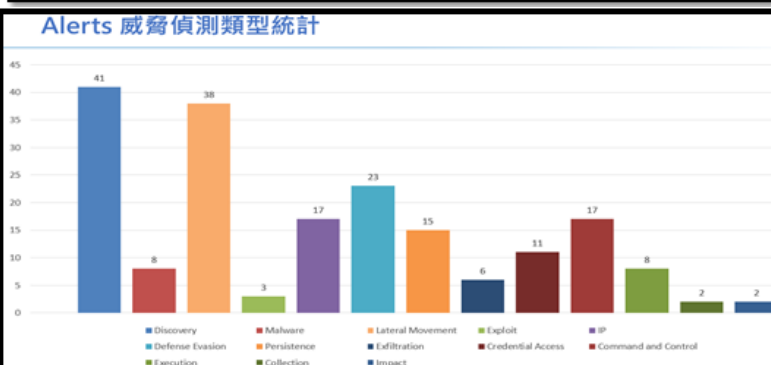
目前版本: 2023/1/17 (截至每週二)  
代理程式: 12,000.11 病毒碼: 18,191.00

類別	類型	代理程式		病毒碼		病毒碼	更新率	備註
		已安裝	更新率	已安裝	更新率			
TP	Client	724	100.0%	724	100.0%	700	96.7%	離線
	Server	129	100.0%	129	100.0%	129	100.0%	
TL	Client	263	100.0%	263	100.0%	260	98.9%	未開機連線掃描
	Server	39	100.0%	39	100.0%	39	100.0%	
YL	Client	272	100.0%	272	100.0%	359	99.2%	離線電腦未更新病毒碼
	Server	25	100.0%	25	100.0%	25	100.0%	
SZ	Client	1070	100.0%	1060	99.1%	1068	99.8%	系統正常，已後台推送更新
	Server	50	100.0%	50	100.0%	50	100.0%	
ZS	Client	142	100.0%	142	100.0%	136	95.7%	離線，未使用
	Server	19	100.0%	19	100.0%	19	100.0%	
CH	Client	173	100.0%	173	100.0%	173	100.0%	
	Server	6	100.0%	6	100.0%	6	100.0%	

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名稱

- 資安通報2022W21.pptx
- 資安通報2022W22.pptx
- 資安通報2022W23.pptx
- 資安通報2022W24.pptx
- 資安通報2022W25.pptx
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- 資安通報2022W53.pptx



document > MDR相關報告

名稱

- 202109
- 202110
- 202111
- 202112
- 202201
- 202202
- 202203
- 202204
- 202205
- 202206
- 202207
- 202208
- 202209
- 202210
- 202211
- 202212
- 資安月報\_會議紀錄.xlsx

## (2.6) Education Training and Meeting-Education Training

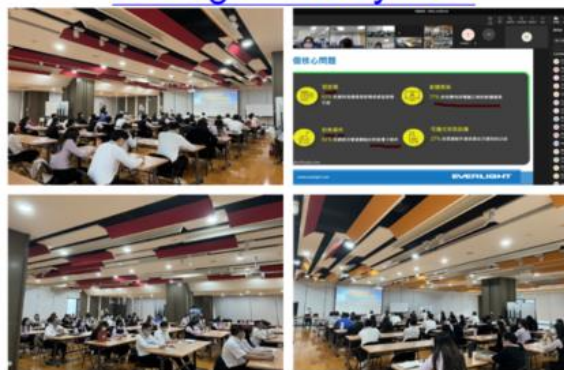
Course Title	Class Name
Social Engineering Education and Training	HQ-Information Security Advocacy
Trade Secrets Advocacy	HQ-Information Security Advocacy
Information Security Advocacy	HQ-Information Security Advocacy

ISO 27001 Introduction	HQ-Information Security Advocacy
ISO 27001 Internal Audit Training	HQ-Information Security Advocacy
Information Security Management System	HQ-Information Security Advocacy

### ISO27001 Introduction



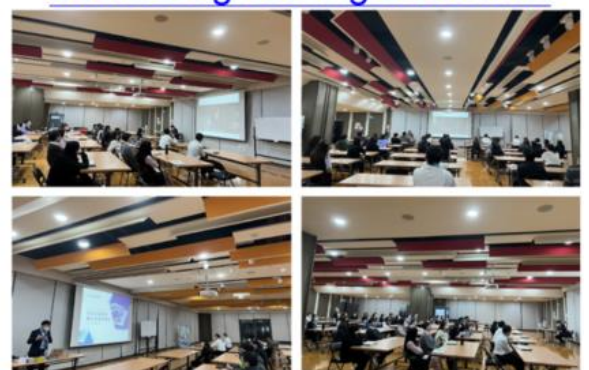
### Information Security Management System



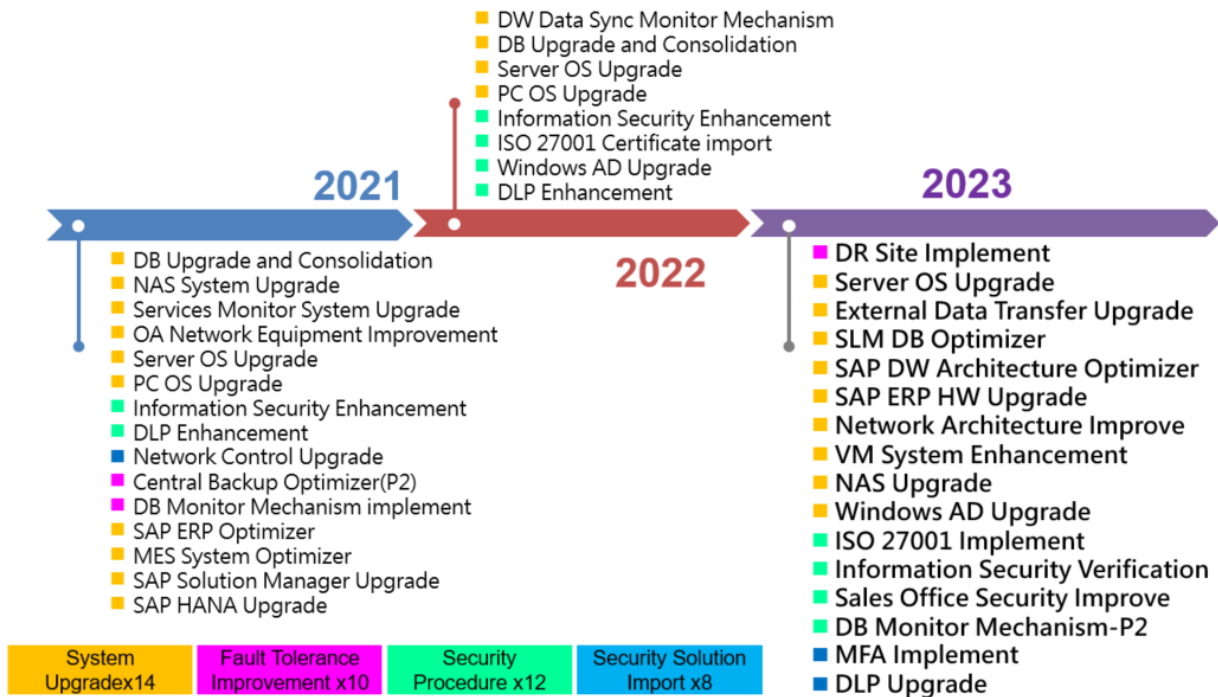
### ISO27001 Internal Audit



### Social Engineering Education



### (3) Annual Plan (Information security project in recent years.)



### (4) Information Security Risk Disclosure

The impact of IT systems damage on the company's financial business.

The IT systems have performed the drill of IDC and disaster recovery, and built the high availability architecture and remote backup based on the priority to ensure the service level, data security and reduce the risk of service down.

The company continues to establish the security systems and SOP to keep the important service stability for the strategy of Information development, and we also perform the VA and PT to ensure the IT service security and stability.

From 2022 to the date of publication of the annual report, we have not detected any critical network attack and security event caused any impact on business and operations.

## 5.7 Material Contract

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

## 6. Financial Information

### 6.1 Five-Year Financial Summary

#### (1) Consolidated Condensed Balance Sheet – Based on IFRS

NT\$, '000

Year Item		Financial Summary for The Last Five Years(Note 1)					As of the printing date 2023/3/31 of this annual report
		2018	2019	2020	2021	2022	
C u r r e n t   a s s e t s		17,360,421	17,386,636	19,728,192	20,331,320	16,716,111	16,505,684
Property, Plant and Equipment		10,239,693	8,909,437	8,109,445	7,631,501	7,073,869	6,852,045
I n t a n g i b l e   a s s e t s		124,585	82,650	83,572	58,654	36,842	44,835
O t h e r   a s s e t s		1,359,444	1,970,349	2,345,941	2,503,962	2,287,356	2,347,085
T o t a l   a s s e t s		29,084,143	28,349,072	30,267,150	30,525,437	26,114,178	25,749,649
C u r r e n t liabilities	Before distribution	9,961,920	10,280,488	11,489,146	10,923,197	6,639,921	5,838,570
	After distribution	10,626,475	10,901,051	12,486,780	12,475,073	Note 2	Note 2
Non-current liabilities		1,769,597	874,156	839,314	793,496	742,905	758,771
T o t a l liabilities	Before distribution	11,731,517	11,154,644	12,328,460	11,716,693	7,382,826	6,597,341
	After distribution	12,396,072	11,775,207	13,326,094	13,268,569	Note 2	Note 2
Equity attributable to shareholders of the parent		16,987,956	16,842,893	17,567,302	18,482,734	18,357,582	18,784,006
C a p i t a l   s t o c k		4,429,996	4,432,457	4,433,931	4,433,931	4,433,931	4,433,931
C a p i t a l   s u r p l u s		9,159,142	9,089,121	9,084,110	9,103,595	9,094,168	9,090,653
R e t a i n e d e a r n i n g s	Before distribution	4,623,095	4,782,354	4,870,312	5,809,040	5,506,842	5,968,024
	After distribution	3,958,540	4,161,791	3,872,678	4,257,164	Note 2	Note 2
Other equity interest		(1,224,277)	(1,461,039)	(821,051)	(863,832)	(677,359)	(708,602)
T r e a s u r y   s t o c k		—	—	—	—	—	—
Non-controlling interest		364,670	351,535	371,388	326,010	373,770	368,302
Total equity	Before distribution	17,352,626	17,194,428	17,938,690	18,808,744	18,731,352	19,152,308
	After distribution	16,688,071	16,573,865	16,941,056	17,256,868	Note 2	Note 2

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

2 : The resolution will be finalized after the resolution of the 112th Annual Shareholders' Meeting.

## (2) Consolidated Condensed balance sheet –Based on IFRS

NT\$, '000

Year Item		Financial Summary for The Last Five Years(Note 1)				
		2018	2019	2020	2021	2022
C u r r e n t   a s s e t s		12,349,315	12,067,548	13,792,446	14,138,917	10,984,114
Property, Plant and Equipment		6,146,287	5,480,059	4,857,393	4,369,720	3,933,429
I n t a n g i b l e   a s s e t s		89,880	55,727	64,703	43,587	25,450
O t h e r   a s s e t s		9,761,767	9,809,065	9,912,741	10,159,564	10,569,950
T o t a l   a s s e t s		28,347,249	27,412,399	28,627,283	28,711,788	25,512,943
C u r r e n t liabilities	Before distribution	9,551,652	9,693,001	10,178,638	9,204,656	6,068,144
	After distribution	10,216,207	10,313,564	11,176,272	10,756,532	Note 2
Non-current liabilities		1,807,641	876,505	881,343	1,024,398	1,087,217
T o t a l liabilities	Before distribution	11,359,293	10,569,506	11,059,981	10,229,054	7,155,361
	After distribution	12,023,848	11,190,069	12,057,615	11,780,930	Note 2
C a p i t a l   s t o c k		4,429,996	4,432,457	4,433,931	4,433,931	4,433,931
C a p i t a l   s u r p l u s		9,159,142	9,089,121	9,084,110	9,103,595	9,094,168
R e t a i n e d e a r n i n g s	Before distribution	4,623,095	4,782,354	4,870,312	5,809,040	5,506,842
	After distribution	3,958,540	4,161,791	3,872,678	4,257,164	Note 2
O t h e r   e q u i t y   i n t e r e s t		(1,224,277)	(1,461,039)	(821,051)	(863,832)	(677,359)
T r e a s u r y   s t o c k		—	—	—	—	—
Total equity	Before distribution	16,987,956	16,842,893	17,567,302	18,482,734	18,357,582
	After distribution	16,323,401	16,222,330	16,569,668	16,930,858	Note 2

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

2 : The resolution will be finalized after the resolution of the 112th Annual Shareholders' Meeting.

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

NT\$ '000, EPS is per NT\$

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of the printing date 2023/3/31 of this annual report
	2018	2019	2020	2021	2022	
Operating revenue	24,089,291	20,966,541	21,637,035	25,022,009	19,888,289	4,482,733
Gross profit	5,654,578	5,128,448	5,418,769	6,698,595	5,601,787	1,387,934
Income from operations	889,068	835,193	1,353,502	2,415,465	1,470,136	540,996
Non-opr. income/Expense	234,891	230,515	273,833	146,415	269,068	44,846
Income before tax	1,123,959	1,065,708	1,627,335	2,561,880	1,739,204	585,842
Net income (Loss)	863,079	851,329	1,249,680	1,996,011	1,315,739	470,115
Discontinued Operation	—	—	—	—	—	—
Net Income incl. Discontinued Operation	863,079	851,329	1,249,680	1,996,011	1,315,739	470,115
Other comprehensive income (income after tax)	(388,274)	(240,723)	112,256	(53,821)	211,446	(29,192)
Total comprehensive income	474,805	610,606	1,361,936	1,942,190	1,527,185	440,923
Net income attributable to shareholders of the parent	793,069	822,244	1,236,141	1,939,688	1,230,836	461,182
Net income attributable to non-controlling interest	70,010	29,085	13,539	56,323	84,903	8,933
Comprehensive income attributable to Shareholders of the parent	410,915	593,478	1,342,083	1,893,581	1,436,151	429,939
Comprehensive income attributable to non-controlling interest	63,890	17,128	19,853	48,609	91,034	10,984
Earnings per share	1.80	1.86	2.79	4.37	2.78	1.04

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



## (4) Consolidated Condensed Statement of Income –Based on IFRS

NT\$ '000, EPS is per NT\$

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	19,775,854	17,390,373	18,216,403	20,931,499	16,563,635
Gross profit	3,621,427	3,207,589	3,513,980	4,662,165	4,169,075
Income from operations	845,527	757,764	1,097,840	1,986,179	1,651,432
Non-opr. income/Expense	73,440	182,376	402,613	305,343	(94,359)
Income before tax	918,967	940,140	1,500,453	2,291,522	1,557,073
Net income (Loss)	793,069	822,244	1,236,141	1,939,688	1,230,836
Discontinued Operation	—	—	—	—	—
Net Income incl. Discontinued Operation	793,069	822,244	1,236,141	1,939,688	1,230,836
Other comprehensive income (income after tax)	(382,154)	(228,766)	105,942	(46,107)	205,315
Total comprehensive income	410,915	593,478	1,342,083	1,893,581	1,436,151
Earnings per share	1.80	1.86	2.79	4.37	2.78

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

## 6.2 Auditors' Opinions from 2017 to 2022

Year	Accounting Firm	CPA	Audit Opinion
2017	KPMG	Lo, Jui Lan/ Guo,Guan-Ying	Unqualified Opinion
2018	KPMG	Au, Yiu Kwan/ Lo, Jui Lan	Unqualified Opinion
2019	KPMG	Au, Yiu Kwan/ Lo, Jui Lan	Unqualified Opinion
2020	KPMG	Au, Yiu Kwan/ Lo, Jui Lan	Unqualified Opinion
2021	KPMG	Au, Yiu Kwan/ Lo, Jui Lan	Unqualified Opinion
2022	KPMG	Au, Yiu Kwan/ Hsin, Yu Ting	Unqualified Opinion

### 6.2.1 Parent Financial Analysis – Based on IFRS

Item		Year	Financial Analysis for the Last Five Years				
			2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio		40	39	39	36	28
	Ratio of long-term capital to property, plant and equipment		295	308	364	424	467
Solvency (%)	Current ratio		129	124	136	154	181
	Quick ratio		122	117	127	144	170
	Interest earned ratio (times)		10	19	39	78	53
Operating performance	Accounts receivable turnover (times)		2.71	2.79	2.93	3.18	2.86
	Average collection period		135	131	124	115	128
	Inventory turnover (times)		19.12	20.54	19.64	21.55	18.02
	Accounts payable turnover (times)		2.55	2.54	2.55	2.76	2.43
	Average days in sales		19	18	19	17	20
	Property, plant and equipment turnover (times)		3.04	2.99	3.52	4.54	3.99
	Total assets turnover (times)		0.61	0.62	0.65	0.73	0.61
Profitability	Return on total assets (%)		2.73	3.10	4.52	6.85	4.63
	Return on stockholders' equity (%)		5	5	7	11	7
	Pre-tax income to paid-in capital (%)		21	21	34	52	35
	Profit ratio (%)		4	5	7	9	7
	Earnings per share (NT\$)		1.80	1.86	2.79	4.37	2.78
Cash flow	Cash flow ratio (%)		24	22	12	32	48
	Cash flow adequacy ratio (%)		115	105	114	135	157
	Cash reinvestment ratio (%)		4	6	2	7	5
Leverage	Operating leverage		2.23	2.29	1.77	1.25	1.32
	Financial leverage		1.14	1.07	1.04	1.02	1.02

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

1. The debt ratio decreased compared to the previous period, mainly due to the repayment of long and short-term loans in the current period.
2. The interest earned ratio decreased compared to the previous period, primarily due to a decrease in pre-tax income and interest expenses in the current period.
3. Various profitability ratios decreased compared to the previous period, mainly due to a decrease in revenues and after-tax net income in the current period.
4. The cash flow ratio increased compared to the previous period, mainly due to the repayment of short-term loans, leading to a decrease in current liabilities.
5. The cash reinvestment ratio decreased compared to the previous period, mainly due to a decrease in pre-tax net income and a decrease in accounts payable and receivable (including related parties), resulting in a decrease in net cash flow from operating activities.

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

Note2 :

Glossary — Taiwan-IFRSs version:

#### 1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

#### 2. Liquidity Analysis

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

### 3. Operating Performance Analysis

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

### 4. Profitability Analysis

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

### 5. Cash Flow

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

### 6. Leverage

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

## 6.2.2 Consolidated Financial Analysis – Based on IFRS

Item \ Year		Financial Analysis for the Last Five Years					As of the printing date of this annual report
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio	40	39	41	38	28	26
	Ratio of long-term capital to property, plant and equipment	181	193	222	247	265	280
Solvency (%)	Current ratio	174	169	172	186	252	283
	Quick ratio	155	151	155	170	235	263
	Interest earned ratio (times)	10	16	29	53	36	124
Operating performance	Accounts receivable turnover (times)	3.11	3.23	3.23	3	3	3.32
	Average collection period	117	113	113	107	121	110
	Inventory turnover (times)	8.41	8.71	8.99	10.79	10.21	11.47
	Accounts payable turnover (times)	3.62	3.57	3.46	3.73	3.42	3.81
	Average days in sales	43	42	41	34	36	32
	Property, plant and equipment turnover (times)	2.22	2.19	2.54	3.18	2.7	2.58
	Total assets turnover (times)	0.83	0.74	0.71	0.82	0.76	0.7
Profitability	Return on total assets (%)	2.91	3.16	4.42	6.70	4.79	7.31
	Return on stockholders' equity (%)	5	5	7	11	7	10
	Pre-tax income to paid-in capital (%)	25	24	37	58	39	53
	Profit ratio (%)	4	4	6	8	7	10
	Earnings per share (NT\$)	1.80	1.86	2.79	4.37	2.78	1.04
Cash flow	Cash flow ratio (%)	35	40	16	38	65	8
	Cash flow adequacy ratio (%)	110	114	126	140	172	188
	Cash reinvestment ratio (%)	6	10	4	8	7	1
Leverage	Operating leverage	3.23	3.35	2.27	1.60	1.85	1.53
	Financial leverage	1.16	1.09	1.05	1.02	1.03	1.01

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

1. The debt ratio decreased compared to the previous period, mainly due to the repayment of long and short-term loans in the current period.
2. The current ratio and quick ratio increased compared to the previous period, mainly due to a decrease in current liabilities in the current period.
3. The interest earned ratio decreased compared to the previous period, primarily due to a decrease in pre-tax income and interest expenses in the current period.
4. Various profitability ratios decreased compared to the previous period, mainly due to a decrease in revenues and after-tax net income in the current period.
5. The cash flow ratio increased compared to the previous period, mainly due to the repayment of short-term loans, leading to a decrease in current liabilities.
6. The cash flow adequacy ratio increased compared to the previous period, primarily due to an increase in net cash flow compared to the previous period.

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

Note2 :

Glossary — Taiwan-IFRSs version:

#### 1. Capital Structure Analysis

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

#### 2. Liquidity Analysis

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

#### 3. Operating Performance Analysis

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

#### 4. Profitability Analysis

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

#### 5. Cash Flow

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

#### 6. Leverage

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

### 6.3 Audit Committee's Report for the Most Recent Year

#### Everlight Electronics Co., Ltd. Audit Committee's Review Report

The board of directors has prepared and submitted the Company's 2022 Business Report, Financial Statements and Proposal for Earnings Distribution of the Company for the year 2022. Yiu-Kwan Au CPA and Yu Ting Hsin CPA of KPMG have also audited the financial statements and issued the auditors' report. The Business Report, Financial Statements and Proposal for Earnings Distribution of the Company for the year 2022 have been reviewed and determined to be correct and accurate by the Audit Committee members of Everlight Electronics Co., Ltd. According to article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit the report.

Hereto

2023 Annual General Shareholders' General Meeting

Chairman of the Audit Committee: Chen-en Ko

Date: March 13th, 2023

## 6.4 Latest Audited Annual Financial Report



安侯建業聯合會計師事務所  
KPMG

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### Independent Auditors' Report

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

#### Opinion

We have audited the financial statements of Everlight Electronics Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### Key Audit Matters

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

##### 1. Inventory valuation

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

Description of key audit matters:

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



#### Audit procedures:

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

### 2. Accounts receivable valuation

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

#### Description of key audit matters:

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

#### Audit procedures:

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

### 3. Revenue recognition

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

#### Description of key audit matters:

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

#### Audit Procedures:

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



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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yiu-Kwan Au and Yu-Ting Hsin.

KPMG

Taipei, Taiwan (Republic of China)  
March 13, 2023

#### **Notes to Readers**

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

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

(English Translation of Financial Statements Originally Issued in Chinese)  
EVERLIGHT ELECTRONICS CO., LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 1,867,240	7	1,759,594	6	2100	Short-term borrowings (note 6(j))	\$ -	-	1,079,910	4
1110	Current financial assets at fair value through profit or loss (note 6(b))	200,266	1	455,223	2	2130	Current contract liabilities (note 6(r))	2,688	-	51,939	-
1141	Current contract assets (note 6(r))	-	-	2,317	-	2170	Notes and accounts payable	894,210	4	1,354,870	5
1170	Notes and accounts receivable, net (note 6(c))	3,347,546	13	4,901,511	17	2180	Accounts payable to related parties (note 7)	3,161,486	12	4,570,461	16
1180	Accounts receivable due from related parties, net (notes 6(c) and 7)	811,906	3	1,350,595	5	2213	Payables on machinery and equipment	124,818	-	361,988	1
1210	Other receivables due from related parties, net (notes 6(d) and 7)	340,480	1	797,539	3	2220	Other payables to related parties (note 7)	179,666	1	178,389	1
1310	Inventories (note 6(e))	599,585	2	747,400	3	2230	Current tax liabilities	641,294	3	428,101	1
1470	Other current assets	143,510	1	259,234	1	2280	Current lease liabilities (note 6(l))	7,793	-	7,315	-
1476	Other current financial assets (notes 6(a) and 6(d))	<u>3,673,581</u>	<u>15</u>	<u>3,865,504</u>	<u>12</u>	2300	Other current liabilities (note 6(b))	946,257	4	1,060,246	4
		<u>10,984,114</u>	<u>43</u>	<u>14,138,917</u>	<u>49</u>	2250	Current provisions (notes 6(m) and 9(c))	109,932	-	77,934	-
<b>Non-current assets:</b>						2322	Long-term borrowings, current portion (note 6(k))	-	-	<u>33,503</u>	-
1550	Investments accounted for using the equity method, net (note 6(f))	8,896,908	35	8,559,223	30			<u>6,068,144</u>	<u>24</u>	<u>9,204,656</u>	<u>32</u>
1560	Non-current contract assets (note 6(r))	56,673	-	36,874	-	<b>Non-Current liabilities:</b>					
1600	Property, plant and equipment (note 6(h))	3,933,429	16	4,369,720	15	2527	Non-current contract liabilities (note (r))	1,733	-	-	-
1755	Right-of-use assets (note 6(i))	246,317	1	231,541	1	2540	Long-term borrowings (note 6(k))	-	-	59,948	-
1780	Intangible assets	25,450	-	43,587	-	2550	Non-current provisions (notes 6(m) and 9(c))	-	-	51,895	-
1840	Deferred tax assets (note 6(o))	592,986	2	489,877	2	2570	Deferred tax liabilities (note 6(o))	67,299	-	68,371	-
1900	Other non-current assets	91,903	-	100,643	-	2580	Non-current lease liabilities (note 6(l))	245,488	1	229,438	1
1980	Non-current other financial assets (notes 6(c), 6(r) and 8)	<u>685,163</u>	<u>3</u>	<u>741,406</u>	<u>3</u>	2640	Non-current provisions for employee benefit (note 6(n))	48,573	-	89,750	-
		<u>14,528,829</u>	<u>57</u>	<u>14,572,871</u>	<u>51</u>	2670	Other non-current liabilities, others (note 6(f))	<u>724,124</u>	<u>3</u>	<u>524,996</u>	<u>2</u>
								<u>1,087,217</u>	<u>4</u>	<u>1,024,398</u>	<u>3</u>
							<b>Total liabilities</b>	<u>7,155,361</u>	<u>28</u>	<u>10,229,054</u>	<u>35</u>
							<b>Equity (note 6(p)):</b>				
						3110	Ordinary shares	<u>4,433,931</u>	<u>17</u>	<u>4,433,931</u>	<u>15</u>
						3200	Capital surplus (notes 6(f) and 6(p))	<u>9,094,168</u>	<u>36</u>	<u>9,103,595</u>	<u>32</u>
							Retained earnings:				
						3310	Legal reserve	2,936,466	12	2,742,830	10
						3320	Special reserve	863,833	3	821,051	3
						3350	Unappropriated retained earnings	<u>1,706,543</u>	<u>7</u>	<u>2,245,159</u>	<u>8</u>
								<u>5,506,842</u>	<u>22</u>	<u>5,809,040</u>	<u>21</u>
						3400	Other equity interests	<u>(677,359)</u>	<u>(3)</u>	<u>(863,832)</u>	<u>(3)</u>
							<b>Total equity</b>	<u>18,357,582</u>	<u>72</u>	<u>18,482,734</u>	<u>65</u>
<b>Total assets</b>		<u>\$ 25,512,943</u>	<u>100</u>	<u>28,711,788</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 25,512,943</u>	<u>100</u>	<u>28,711,788</u>	<u>100</u>

(English Translation of Financial Statements Originally Issued in Chinese)  
EVERLIGHT ELECTRONICS CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	<b>Operating revenue</b> (notes 6(r) and 7)	\$ 16,563,635	100	20,931,499	100
5110	<b>Cost of sales</b> (notes 6(e), 6(n), 7, 9(c) and 12)	12,394,560	75	16,269,334	78
5900	<b>Gross profit</b>	4,169,075	25	4,662,165	22
	<b>Operating expenses</b> (notes 6(n), 7 and 12):				
6100	Selling expenses	949,774	6	1,160,260	5
6200	Administrative expenses	813,272	5	948,571	4
6300	Research and development expenses	553,393	3	565,600	3
6450	Expected credit loss (notes 6(c) and 6(d))	201,204	1	1,555	-
		2,517,643	15	2,675,986	12
6900	<b>Net operating income</b>	1,651,432	10	1,986,179	10
	<b>Non-operating income and expenses:</b>				
7100	Interest income (notes 6(t) and 7)	57,386	-	49,035	-
7190	Other income (note 6(l))	59,010	-	56,872	-
7210	Net gains on disposals of property, plant and equipment (note 7)	4,642	-	13,059	-
7225	Gains on disposals of investments, net (note 6(f))	24,427	-	-	-
7230	Foreign exchange gains (losses), net (note 6(u))	348,429	2	(6,001)	-
7070	Share of (loss) profit of subsidiaries, associates and joint ventures accounted for using the equity method (note 6(f))	(381,595)	(2)	267,908	1
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	(108,087)	-	16,609	-
7050	Finance costs (notes 6(l) and 6(t))	(30,133)	-	(29,693)	-
7590	Other expenses and losses (note 9(c))	(68,438)	-	(62,446)	-
		(94,359)	-	305,343	1
7900	<b>Profit before tax</b>	1,557,073	10	2,291,522	11
7950	Less: Income tax expenses (note 6(o))	326,237	2	351,834	2
	<b>Profit</b>	1,230,836	8	1,939,688	9
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(n))	21,225	-	(3,748)	-
8330	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, items that will not be reclassified to profit or loss	(11,007)	-	(328)	-
8349	Less: income tax related to items that will not be reclassified to profit or loss (note 6(o))	4,245	-	(750)	-
		5,973	-	(3,326)	-
8360	<b>Items that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(29,847)	-	(791)	-
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, items that will be reclassified to profit or loss	223,220	1	(42,148)	-
8399	Less: income tax related to items that will be reclassified to profit or loss (note 6(o))	(5,969)	-	(158)	-
	Items that will be reclassified to profit or loss	199,342	1	(42,781)	-
8300	<b>Other comprehensive income</b>	205,315	1	(46,107)	-
	<b>Total comprehensive income</b>	\$ 1,436,151	9	1,893,581	9
	<b>Earnings per share</b> (note 6(q))				
9750	<b>Basic earnings per share</b>	\$ 2.78		4.37	
9850	<b>Diluted earnings per share</b>	\$ 2.75		4.31	

(English Translation of Financial Statements Originally Issued in Chinese)  
EVERLIGHT ELECTRONICS CO., LTD.

Statements of Changes in Equity  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

						Other equity interest			
						Unrealized gains (losses) from financial assets measured at fair value through other			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	comprehensive income	Total	Total equity
Balance at January 1, 2021	\$ 4,433,931	9,084,110	2,671,978	1,461,039	737,295	(821,051)	-	(821,051)	17,567,302
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	70,852	-	(70,852)	-	-	-	-
Special reserve	-	-	-	(639,988)	639,988	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(997,634)	-	-	-	(997,634)
	-	-	70,852	(639,988)	(428,498)	-	-	-	(997,634)
Profit for the year	-	-	-	-	1,939,688	-	-	-	1,939,688
Other comprehensive income for the year	-	-	-	-	(3,326)	(42,781)	-	(42,781)	(46,107)
Total comprehensive income for the year	-	-	-	-	1,936,362	(42,781)	-	(42,781)	1,893,581
Changes in equity of associates and joint ventures accounted for using equity method	-	8,395	-	-	-	-	-	-	8,395
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	10,924	-	-	-	-	-	-	10,924
Others	-	166	-	-	-	-	-	-	166
Balance at December 31, 2021	4,433,931	9,103,595	2,742,830	821,051	2,245,159	(863,832)	-	(863,832)	18,482,734
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	193,636	-	(193,636)	-	-	-	-
Special reserve	-	-	-	42,782	(42,782)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,551,876)	-	-	-	(1,551,876)
	-	-	193,636	42,782	(1,788,294)	-	-	-	(1,551,876)
Profit for the year	-	-	-	-	1,230,836	-	-	-	1,230,836
Other comprehensive income for the year	-	-	-	-	18,842	199,342	(12,869)	186,473	205,315
Total comprehensive income for the year	-	-	-	-	1,249,678	199,342	(12,869)	186,473	1,436,151
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(9,622)	-	-	-	-	-	-	(9,622)
Others	-	195	-	-	-	-	-	-	195
Balance at December 31, 2022	\$ 4,433,931	9,094,168	2,936,466	863,833	1,706,543	(664,490)	(12,869)	(677,359)	18,357,582

(English Translation of Financial Statements Originally Issued in Chinese)  
EVERLIGHT ELECTRONICS CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 1,557,073	2,291,522
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	634,445	744,583
Expected credit loss	201,204	1,555
Net gain on financial assets or liabilities at fair value through profit or loss	(17,625)	(61,652)
Interest expense	30,133	29,693
Interest income	(57,386)	(49,035)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using the equity method	381,595	(267,908)
Net gain on disposal of property, plant and equipment	(4,642)	(13,059)
Gain on disposal of investments	(24,427)	-
Unrealized foreign exchange loss (gain) on long-term borrowings	3,666	(6,543)
Others	(803)	(7)
<b>Total adjustments to reconcile profit (loss)</b>	<b>1,146,160</b>	<b>377,627</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets at fair value through profit or loss, mandatorily measured at fair value	280,712	20,850
Decrease (increase) in contract assets	(17,482)	601,307
Decrease (increase) in notes and accounts receivable (including related parties)	1,937,561	(478,672)
Decrease in inventories	147,815	6,998
Decrease in other current assets	130,958	4,875
Decrease in contract liabilities	(47,518)	(15,289)
Increase (decrease) in notes and accounts payable (including related parties)	(1,869,635)	127,902
Increase (decrease) in provisions	(29,222)	56,753
Increase (decrease) in other current liabilities	(117,954)	211,086
Decrease in net defined benefit liabilities	(19,952)	(23,440)
<b>Total changes in operating assets and liabilities</b>	<b>395,283</b>	<b>512,370</b>
Cash inflow generated from operations	3,098,516	3,181,519
Interest received	53,322	51,337
Interest paid	(34,298)	(27,236)
Income taxes paid	(230,735)	(263,226)
<b>Net cash flows from operating activities</b>	<b>2,886,805</b>	<b>2,942,394</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using the equity method	(489,717)	(8,787)
Acquisition of property, plant and equipment	(484,068)	(190,095)
Proceeds from disposal of property, plant and equipment	127,640	111,645
Decrease in refundable deposits	8,740	2,116
Decrease (increase) in other receivables due from related parties	457,059	(321,876)
Acquisition of intangible assets	(37,392)	(39,458)
Decrease in other financial assets	252,628	261,249
Increase in restricted deposits	(50,338)	(65,662)
Dividends received	125,923	129,268
<b>Net cash flows used in investing activities</b>	<b>(89,525)</b>	<b>(121,600)</b>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(1,079,910)	(1,583,754)
Repayments of long-term borrowings	(97,117)	(23,406)
Increase in guarantee deposits received	46,734	36,705
Increase in other payables due to related parties	1,277	18,964
Payment of lease liabilities	(8,937)	(9,197)
Cash dividends paid	(1,551,876)	(997,634)
Other financing activities	195	166
<b>Net cash flows used in financing activities</b>	<b>(2,689,634)</b>	<b>(2,558,156)</b>
<b>Net increase in cash and cash equivalents</b>	<b>107,646</b>	<b>262,638</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,759,594</b>	<b>1,496,956</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,867,240</b>	<b>1,759,594</b>

(English Translation of Financial Statements Originally Issued in Chinese)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

**December 31, 2022 and 2021**

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

**(1) Company history**

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

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

These financial statements were authorized for issuance by the board of directors on March 13, 2023.

**(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. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)



# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments <sup>1</sup> , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.  Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### (4) Summary of significant accounting policies

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

##### (a) Statement of compliance

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

##### (b) Basis of preparation

###### (i) Basis of measurement

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

- 1) Financial instruments 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; and
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

###### (ii) Functional and presentation currency

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

3) Fair value through profit or loss (FVTPL)

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

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

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

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

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

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

5) Impairment of financial assets

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

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

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

(Continued)

## **EVERLIGHT ELECTRONICS CO., LTD.**

### **Notes to the Financial Statements**

- 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 receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months 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 ECL is the maximum contractual period over which the Company is exposed to credit risk.

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 6) Derecognition of financial assets

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

(Continued)



## **EVERLIGHT ELECTRONICS CO., LTD.**

### **Notes to the Financial Statements**

#### **2) Equity instrument**

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

#### **3) Compound financial instrument**

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

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

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

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

#### **4) Financial liabilities**

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

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

#### **5) Derecognition of financial liabilities**

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### 6) Offsetting of financial assets and liabilities

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

#### (iii) Derivative financial instruments and hedge accounting

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

#### (g) Inventories

Inventories are measured at the lower of cost and net realizable value. Raw material are stated at actual purchase costs, while the calculation of costs of work in process and finished goods 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.

#### (h) Investment in associates

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

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

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

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

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

(i) Investments in subsidiaries

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

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

(j) Joint arrangements

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

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company accounts for the assets, liabilities, revenues and expenses in relation to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When assessing whether a joint arrangement is a joint operation or a joint venture, the Company considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, 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.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### (l) Property, plant and equipment

##### (i) Recognition and measurement

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

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

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

##### (ii) Reclassification to investment property

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

##### (iii) Subsequent cost

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

##### (iv) Depreciation

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

Land is not depreciated.

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

- 1) Buildings: 21~60 years
- 2) Building improvements: 2~16 years
- 3) Machinery and equipment: 2~9 years
- 4) Modeling equipment: 1~5 years
- 5) Office and other equipment: 1~11 years

Buildings and equipment constitute 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.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### (m) Lease

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

##### (i) As a lessee

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

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

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

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

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

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

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

(Continued)

## **EVERLIGHT ELECTRONICS CO., LTD.**

### **Notes to the Financial Statements**

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

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

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

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

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

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

- 1) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before 30 June 2022; and
- 4) there is no substantive change in other terms and conditions of the lease.

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

(ii) As a lessor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

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

(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 Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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

(ii) Subsequent Expenditure

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

(Continued)



## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### (iii) Amortization

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

- 1) Patents: the shorter of contract period and estimated useful lives
- 2) ERP software system: 1~3 years

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

#### (o) Impairment – non-financial assets

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

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

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

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

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

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

#### (p) Provisions

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

(Continued)



## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(q) Revenue from contracts with customers

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

(i) Sale of goods—electronic components

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

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

(ii) Construction contracts

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

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

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

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

#### (iii) Financing components

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

#### (r) Employee benefits

##### (i) Defined contribution plans

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

##### (ii) Defined benefit plans

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

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

#### (iii) Short-term employee benefits

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

#### (s) Share-based payment

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

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

#### (t) Income taxes

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

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred 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 will be recognized as current tax expense in the following year after the resolution of appropriate retained earnings is approved in the shareholders' meeting.

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

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

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

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

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

(v) Earnings per share

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

(w) Operating segments

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

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

The preparation of the financial statements in conformity with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (a) Valuation of inventories

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

### (b) The loss allowance of trade receivable

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

## (6) Explanation of significant accounts

### (a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash, checking accounts and demand deposits	\$ 863,471	1,266,508
Time deposits	<u>1,003,769</u>	<u>493,086</u>
	<b><u>\$ 1,867,240</u></b>	<b><u>1,759,594</u></b>

(i) 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, time deposits are classified as cash and cash equivalents. Time deposits with maturities over three months from the acquisition date are recorded as other current financial assets amounting to \$2,972,000 and \$3,228,800 as of December 31, 2022 and 2021, respectively.

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging	\$ 28,557	10,485
Listed convertible bonds	30,790	-
Beneficiary certificate-Funds	82,900	82,445
Stocks listed on domestic markets	<u>58,019</u>	<u>362,293</u>
	<b><u>\$ 200,266</u></b>	<b><u>455,223</u></b>

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current financial liabilities held-for-trading (recorded as other current liabilities):		
Derivative instruments not used for hedging	\$ 8,212	82
	<u>\$ 8,212</u>	<u>82</u>

- (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 cannot be reliably measured at fair value as of the acquisition date.
- (ii) The Company acquired \$297,455 of Ginko International Co., Ltd. shares in active markets in 2021 and sold them at a fair value of \$309,868 upon disposal in May 2022, resulting in an accumulated realized gain on financial assets at fair value through profit or loss of \$12,413.
- (iii) The Company had sold its shares of Casetek Holding Limited at a fair value of \$305,331 in active market in January 2021. The accumulated realized gain on financial assets at fair value through profit or loss was \$7,305.
- (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 2022 and 2021 will be \$7,046 and \$22,237, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.
- (v) The Company uses derivative financial instruments to hedge certain foreign exchange and interest risk the Company is exposed to, arising from its operating and financing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

1) Forward exchange contracts

<b>December 31, 2022</b>				
	<u>Contract amount (in thousands)</u>		<u>Currency</u>	<u>Maturity date</u>
<b>Financial assets:</b>				
Forward exchange sold	USD	30,000	USD to TWD	2023.01.10~2023.05.09
Forward exchange sold	USD	12,000	USD to RMB	2023.01.10~2023.03.14
Forward exchange sold	EUR	500	EUR to USD	2023.04.11~2023.04.20
<b>Financial liabilities:</b>				
Forward exchange sold	USD	18,000	USD to TWD	2023.03.16~2023.04.25
Forward exchange sold	USD	1,000	USD to RMB	2023.02.14
Forward exchange sold	EUR	5,000	EUR to USD	2023.01.10~2023.04.18

(Continued)



**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

December 31, 2021				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	40,000	USD to TWD	2022.01.06~2022.04.07
Forward exchange sold	USD	13,000	USD to RMB	2022.01.06~2022.03.15
Forward exchange sold	EUR	3,000	EUR to USD	2022.01.06~2022.03.24
Financial liabilities:				
Forward exchange sold	USD	2,000	USD to TWD	2022.04.12
Forward exchange sold	USD	2,000	USD to RMB	2022.02.22~2022.03.10
Forward exchange sold	EUR	250	EUR to USD	2022.03.08

(vi) As of December 31, 2022 and 2021, the Company did not provide any aforementioned financial assets as collateral for its loans.

(c) Notes and accounts receivable

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivable from operating activities	\$ 536	1,534
Accounts receivable-measured as amortized cost	<u>4,926,750</u>	<u>6,863,794</u>
	4,927,286	6,865,328
Less: allowance for uncollectible accounts	<u>(305,845)</u>	<u>(101,293)</u>
	<b><u>\$ 4,621,441</u></b>	<b><u>6,764,035</u></b>
Notes and accounts receivable, net	\$ 3,347,546	4,901,511
Accounts receivable due from related parties, net	811,906	1,350,595
Long-term receivables (recorded as other non-current financial assets)	<u>461,989</u>	<u>511,929</u>
	<b><u>\$ 4,621,441</u></b>	<b><u>6,764,035</u></b>

(i) Impairment loss on notes and accounts receivables

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

(Continued)



**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

The loss allowance provisions were determined as follows:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 4,630,544	0.754%	34,908
Overdue 0-90 days	29,656	45.829%	13,591
Overdue 91-180 days	30,978	68.649%	21,266
Overdue 181-270 days	3,302	99.152%	3,274
Overdue 271-365 days	43,292	100%	43,292
Overdue over one year	189,514	100%	189,514
	<b>\$ 4,927,286</b>		<b>305,845</b>

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 6,402,711	0%	-
Overdue 0-90 days	299,870	0%	-
Overdue 91-180 days	39,413	0.05%	19
Overdue 181-270 days	17,561	0%	-
Overdue 271-365 days	4,499	0%	-
Overdue over one year	101,274	100%	101,274
	<b>\$ 6,865,328</b>		<b>101,293</b>

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

	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 101,293	137,053
Impairment loss recognized (reversal gain)	205,033	(34,207)
Amounts written off	(481)	(1,553)
Balance on December 31	<b>\$ 305,845</b>	<b>101,293</b>

- (iii) As of December 31, 2022 and 2021, the Company did not provide any notes and accounts receivable as collateral for its loans.

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**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(d) Other receivables

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other receivables due from related parties	\$ 340,480	797,539
Other receivables (recorded as other current financial assets)	<u>20,103</u>	<u>11,867</u>
	<b><u>\$ 360,583</u></b>	<b><u>809,406</u></b>

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

	<b>December 31, 2022</b>	
	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL- credit-impaired</b>
Not overdue	\$ 360,583	64,535
Overdue	<u>-</u>	<u>-</u>
Gross carrying amount	360,583	64,535
Impairment losses	<u>-</u>	<u>(64,535)</u>
Carrying amount	<b><u>\$ 360,583</u></b>	<b><u>-</u></b>
	<b>December 31, 2021</b>	
	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL- credit-impaired</b>
Not overdue	\$ 809,406	35,762
Overdue	<u>-</u>	<u>-</u>
Gross carrying amount	809,406	35,762
Impairment losses	<u>-</u>	<u>(35,762)</u>
Carrying amount	<b><u>\$ 809,406</u></b>	<b><u>-</u></b>

The movements in the allowance for impairment loss with respect to other receivables were as follow:

	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 35,762	-
Recognition of (reversal gain) impairment loss on other receivables	(3,829)	35,762
Write-off provisions	<u>32,602</u>	<u>-</u>
Balance on December 31	<b><u>\$ 64,535</u></b>	<b><u>35,762</u></b>

As of December 31, 2022 and 2021, the Company did not provide any other receivables as collateral for its loans.

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(e) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 82,903	136,369
Work in progress	94,709	89,098
Finished goods	<u>421,973</u>	<u>521,933</u>
	<b><u>\$ 599,585</u></b>	<b><u>747,400</u></b>

In 2022 and 2021, inventory cost (excluding construction cost) recognized as cost of sales amounted to \$12,101,493 and \$16,143,653, respectively.

The write-down of the inventories to net realizable value amounted to \$32,193 and \$5,934, which were recorded as cost of sales for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the Company did not provide any inventories as collateral for its loans.

(f) Investments accounted for using equity method

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries	\$ 8,299,324	8,118,092
Associates	<u>56,417</u>	<u>58,279</u>
	8,355,741	8,176,371
Recorded as other non-current liabilities, others:		
Credit balance of investments in equity method	<u>541,167</u>	<u>382,852</u>
Total	<b><u>\$ 8,896,908</u></b>	<b><u>8,559,223</u></b>

(i) A summary of the Company's financial information for the share of profit of subsidiaries and associates for the years ended December 31, 2022 and 2021 were as follow:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries	\$ (379,346)	260,316
Associates	<u>(2,249)</u>	<u>7,592</u>
	<b><u>\$ (381,595)</u></b>	<b><u>267,908</u></b>

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (ii) Subsidiaries

- 1) Please refer to the consolidated financial statements for the year ended December 31, 2022.
- 2) The Company had invested its subsidiary, WOFI Leuchten GmbH, with cash injection of \$489,717 and \$368,794 in 2022 and 2020, respectively. The investment was recorded as investments accounted for using equity method, and the registration procedures of the cash injection had not been completed as of December 31, 2022.
- 3) On December 31, 2022 and 2021, the Company's long-term investment in WOFI Leuchten GmbH (WOFI), a subsidiary, generated a credit balance of \$541,167 and \$187,546, respectively, which was recognized as other non-current liabilities, others (long-term equity investments).
- 4) On December 31, 2021, the credit balances generated by the Company's investment in the subsidiary of Everlight Lighting Management Consulting (Shanghai) Co., Ltd. which used the equity method was \$195,306, which was recorded as non-current liabilities, others.
- 5) Everlight Lighting Management Consulting (Shanghai) Co., Ltd, a subsidiary of the Company, had completed its liquidation process in June 2022, resulting in the Company to recognize a gain on disposal of \$24,427, recorded as gains on disposals of investments.

### (iii) Associates

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
The carrying amount of individually insignificant associates equity	\$ <u><u>56,417</u></u>	<u><u>58,279</u></u>
	<u><b>2022</b></u>	<u><b>2021</b></u>
Attributable to the Company:		
Profit (loss) from continuing operations	\$ (2,249)	7,592
Other comprehensive income	<u>387</u>	<u>14</u>
	\$ <u><u>(1,862)</u></u>	<u><u>7,606</u></u>

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

- 2) Tekcore Co., Ltd (Tekcore) had completed cash injection in September 2021. The Company did not invest in proportion to the percentage of ownership, which resulted in a change of the Company's equity ownership in Tekcore, the difference was adjusted by increasing the capital surplus by \$620. In addition, the stockholders' equity of Tekcore was changed by issuing convertible bonds in 2021. The difference was reflected by increasing the capital surplus by \$4,661 accounted for using the equity method. The aforementioned transactions decreased the Company's percentage of ownership from 9.66% to 9.23%. Since the Company is still 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.

- (iv) For the years ended December 31, 2022 and 2021, the Company received cash dividend of \$125,923 and \$129,268, respectively.

- (v) Pledges

As of December 31, 2022 and 2021, the Company did not provide any investment accounted for using the equity method as collaterals for its loans.

- (g) Joint operation

The Company cooperated with the A3 Commerce LLP and Altocom Asia LLP in the joint operation of the government's streetlight project in the Republic of Kazakhstan. The joint operation ratio between the Company and the joint operators is 53.6%, 36.4% and 10%. 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 Company recognizes its direct rights (and its share) to the joint operation's assets, liabilities, income and expenses, which are included in the financial statements.

The Company cooperated with Altocom Asia LLP in the joint operation of the government's streetlight project in the Republic of Kazakhstan. The joint operation ratio between the Company and the joint operators is 53.6% and 46.4%. The joint operators account for the input costs incurred in proportion, and share the income incurred by the project settlement and the expenses incurred jointly. The Company recognizes its direct rights (and its share) to the joint operation's assets, liabilities, income and expenses, which are included in the financial statements.

Disputes over the aforementioned joint operation projects had occurred in 2022 and 2021. Please refer to note 9(c) for details. As of December 31, 2022 and 2021, the Company accumulatively recognized losses of \$317,471 and \$150,497, respectively. In addition, the Company's subsidiary, Everlight Intelligence Technology Co., Ltd., recognized an allowance of \$50,347 and \$48,381, respectively, for expected uncollectible receivables from joint operation project in 2022 and 2021, and recorded its share of profits and losses of subsidiaries, affiliates and joint ventures recognized under the equity method.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (h) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Constructions in progress and testing equipment	Total
<b>Cost or deemed cost:</b>							
Balance on January 1, 2022	\$ 599,610	4,778,226	6,202,762	1,071,841	518,932	40,226	13,211,597
Add: additions	-	7,810	98,002	85,230	25,555	39,213	255,810
Add: reclassification	-	404	32,627	105	600	(42,648)	(8,912)
Less: sales	-	-	(149,479)	(52,053)	-	(13,203)	(214,735)
Less: retirement	-	(980)	(2,044)	(20,301)	(7,966)	-	(31,291)
Balance on December 31, 2022	<u>\$ 599,610</u>	<u>4,785,460</u>	<u>6,181,868</u>	<u>1,084,822</u>	<u>537,121</u>	<u>23,588</u>	<u>13,212,469</u>
Balance on January 1, 2021	\$ 599,610	4,740,599	6,539,395	1,070,786	517,358	45,924	13,513,672
Add: additions	-	14,787	101,134	105,611	11,360	51,654	284,546
Add: reclassification	-	22,840	31,279	78	1,530	(56,177)	(450)
Less: sales	-	-	(422,517)	(31,636)	-	(1,175)	(455,328)
Less: retirement	-	-	(46,529)	(72,998)	(11,316)	-	(130,843)
Balance on December 31, 2021	<u>\$ 599,610</u>	<u>4,778,226</u>	<u>6,202,762</u>	<u>1,071,841</u>	<u>518,932</u>	<u>40,226</u>	<u>13,211,597</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2022	\$ -	1,892,672	5,588,939	885,036	475,230	-	8,841,877
Add: depreciation for the year	-	171,612	289,698	80,110	26,807	-	568,227
Less: sales	-	-	(72,574)	(27,518)	-	-	(100,092)
Less: retirement	-	(701)	(2,039)	(20,296)	(7,936)	-	(30,972)
Balance on December 31, 2022	<u>\$ -</u>	<u>2,063,583</u>	<u>5,804,024</u>	<u>917,332</u>	<u>494,101</u>	<u>-</u>	<u>9,279,040</u>
Balance on January 1, 2021	\$ -	1,674,079	5,648,032	881,818	452,350	-	8,656,279
Add: depreciation for the year	-	218,593	327,559	92,880	34,151	-	673,183
Less: sales	-	-	(340,134)	(16,672)	-	-	(356,806)
Less: retirement	-	-	(46,518)	(72,990)	(11,271)	-	(130,779)
Balance on December 31, 2021	<u>\$ -</u>	<u>1,892,672</u>	<u>5,588,939</u>	<u>885,036</u>	<u>475,230</u>	<u>-</u>	<u>8,841,877</u>
<b>Carrying amounts:</b>							
Balance on December 31, 2022	<u>\$ 599,610</u>	<u>2,721,877</u>	<u>377,844</u>	<u>167,490</u>	<u>43,020</u>	<u>23,588</u>	<u>3,933,429</u>
Balance on January 1, 2021	<u>\$ 599,610</u>	<u>3,066,520</u>	<u>891,363</u>	<u>188,968</u>	<u>65,008</u>	<u>45,924</u>	<u>4,857,393</u>
Balance on December 31, 2021	<u>\$ 599,610</u>	<u>2,885,554</u>	<u>613,823</u>	<u>186,805</u>	<u>43,702</u>	<u>40,226</u>	<u>4,369,720</u>

(i) There was no indication that the property and equipment may be impaired in 2022 and 2021.

(ii) As of December 31, 2022 and 2021, the aforesaid property, plant and equipment were not pledged as collateral.

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(i) Right-of-use assets

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

	<u>Land</u>	<u>Vehicles equipment</u>	<u>Office and other equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2022	\$ 250,112	5,384	449	255,945
Acquisitions	19,546	5,919	-	25,465
Disposal and cancellation	-	(3,175)	-	(3,175)
Balance on December 31, 2022	<u>\$ 269,658</u>	<u>8,128</u>	<u>449</u>	<u>278,235</u>
Balance on January 1, 2021	\$ 250,901	9,687	-	260,588
Acquisitions	-	1,045	449	1,494
Disposal and cancellation	(789)	(5,348)	-	(6,137)
Balance on December 31, 2021	<u>\$ 250,112</u>	<u>5,384</u>	<u>449</u>	<u>255,945</u>
Accumulated depreciation and impairment losses:				
Balance on January 1, 2022	\$ 20,651	3,603	150	24,404
Depreciation for the year	7,532	3,007	150	10,689
Disposal and cancellation	-	(3,175)	-	(3,175)
Balance on December 31, 2022	<u>\$ 28,183</u>	<u>3,435</u>	<u>300</u>	<u>31,918</u>
Balance on January 1, 2021	\$ 14,106	4,896	-	19,002
Depreciation for the year	7,044	3,632	150	10,826
Disposal and cancellation	(499)	(4,925)	-	(5,424)
Balance on December 31, 2021	<u>\$ 20,651</u>	<u>3,603</u>	<u>150</u>	<u>24,404</u>
Carrying amount:				
Balance on December 31, 2022	<u>\$ 241,475</u>	<u>4,693</u>	<u>149</u>	<u>246,317</u>
Balance on January 1, 2021	<u>\$ 236,795</u>	<u>4,791</u>	<u>-</u>	<u>241,586</u>
Balance on December 31, 2021	<u>\$ 229,461</u>	<u>1,781</u>	<u>299</u>	<u>231,541</u>

(j) Short-term borrowings

The short-term borrowings are summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	<u>\$ -</u>	<u>1,079,910</u>
Unused short-term credit lines	<u>\$ 12,230,140</u>	<u>10,272,402</u>
Annual interest rates	<u>0.6%~2.96%</u>	<u>0.5%~0.51%</u>

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

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

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(k) Long-term borrowings

The details were as follows:

	<b>December 31, 2021</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	KZT	6.75%~14.78%	2023.10	\$ 23,016
Unsecured bank loans	KZT	9.47%~13.16%	2025.9	70,435
Less: current portion				(33,503)
Total				<b>\$ 59,948</b>
Unused long-term credit lines				<b>\$ -</b>

- (i) As mentioned in note 6(g), the Company cooperated with other companies in the joint operations of the government's streetlighting project in the Republic of Kazakhstan. According to the Consortium contracts, the Company borrowed long-term loans on behalf of the Consortium to meet the capital needs of the joint operations. The long-term loans would be repaid by the cash in-flow generated from the joint operation projects. Other members of the Consortium are the joint guarantors of the long-term loans. The Company recognized its direct share (53.6%) to the joint operation's long-term loans in accordance with contracts. However, if the cash in-flow generated from the joint operation projects was not sufficient to repay all of the aforementioned long-term loans, the Company shall undertake the settlement obligation on the portion of other Consortium members (46.4%) in an amount of \$80,897. Due to the financial difficulties, the aforementioned Consortium members failed to perform the obligations in accordance with the Consortium contract. Based on conservatism, the Company recognized a full provision of \$80,897 on the portion of other Consortium members long-term borrowings in 2021. Please refer to 6(m) and 9(c) for details.
- (ii) For information on the Company's interest risk and liquidity risk, please refer to 6(u) for details.
- (iii) The Company did not provide any assets as collateral for its loans as of December 31, 2022. The Company provided parts of bank deposits (recorded as other non-current financial assets) as a reserve for long-term borrowings on December 31, 2021. Please refer to Note 8 for details.
- (iv) Except as described below, there were no significant issues, repurchases, and repayments of long-term borrowings in 2022 and 2021. Information on interest expense for the period is discussed in Note 6(t).
- (v) Considering the financial cost and risk, the Company repaid in advance its long-term bank loans of joint operation projects in the Republic of Kazakhstan in August 2022.

(Continued)



**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(l) Lease liabilities

The carrying amount of lease liabilities were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	<u>\$ 7,793</u>	<u>7,315</u>
Non-current	<u>\$ 245,488</u>	<u>229,438</u>

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

The amounts recognized in profit or loss were as follows:

	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<u>\$ 4,346</u>	<u>4,074</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>	<u>-</u>
Expenses relating to short-term leases	<u>\$ 2,779</u>	<u>2,730</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ -</u>	<u>-</u>
Covid-19-related rent concessions (recognized in other income)	<u>\$ 1,740</u>	<u>1,605</u>

The amounts recognized in the statements of cash flows for the Company were as follows:

	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u>\$ 14,322</u>	<u>14,396</u>

(i) Real estate leases

The Company leases land for its office space and factory. The leases of land typically run for a period for 3 years to 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(ii) Other leases

The Company leases vehicles equipment and office equipment, with lease terms of 2 to 4 years. In some cases, the Company has options to purchase the assets at the end of the contract term.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

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

(m) Provisions

(i) The carrying amounts of provisions were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Provisions - current	\$ 109,932	77,934
Provisions - non-current	-	51,895
	<b><u>\$ 109,932</u></b>	<b><u>129,829</u></b>

(ii) The movements in the provisions of the Company in 2022 and 2021 were as follows:

	<b>Provisions for onerous contract</b>
Balance on January 1, 2022	\$ 129,829
Provisions made during the year	66,723
Provisions reversed during the year	(2,404)
Offsetting allowance for other receivables	(32,602)
Provisions paid during the year	(53,912)
Effect of changes in foreign exchange rates	2,298
Balance on December 31, 2022	<b><u>\$ 109,932</u></b>
Balance on January 1, 2021	\$ 58,132
Provisions made during the year	103,811
Provisions reversed during the year	(32,114)
Balance on December 31, 2021	<b><u>\$ 129,829</u></b>

(iii) The provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The mentioned above provisions for the onerous contract, including the amount of provisions estimated by Kazakh Joint Operation Project, as of December 31, 2022 and 2021, were \$89,777 and \$114,113, respectively.

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(n) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of defined benefit obligations	\$ (123,419)	(148,007)
Fair value of plan assets	74,846	58,257
Net defined benefit obligations assets (liabilities)	<u><u>\$ (48,573)</u></u>	<u><u>(89,750)</u></u>

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

1) Composition of plan assets

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

The labor pension reserve account balance of the Company with Bank of Taiwan amounted to \$74,846 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

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

	<b>2022</b>	<b>2021</b>
Defined benefit obligation at January 1	\$ (148,007)	(161,390)
Benefits paid by the plan	10,301	20,318
Current service costs and interest	(2,408)	(2,563)
Remeasurement in net defined benefit assets (liability)	<u>16,695</u>	<u>(4,372)</u>
Defined benefit obligation at December 31	<u><u>\$ (123,419)</u></u>	<u><u>(148,007)</u></u>

(Continued)

# **EVERLIGHT ELECTRONICS CO., LTD.**

## **Notes to the Financial Statements**

### 3) Movements of defined benefit plan assets

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

	<u><b>2022</b></u>	<u><b>2021</b></u>
Fair value of plan assets at January 1	\$ 58,257	51,948
Contributions made	21,917	9,556
Benefits paid from the plan assets	(10,301)	(4,267)
Expected return on plan assets	443	396
Remeasurement in net defined benefit assets (liability)	<u>4,530</u>	<u>624</u>
Fair value of plan assets at December 31	<u><b>\$ 74,846</b></u>	<u><b>58,257</b></u>
Actual return on plan assets	<u><b>\$ 4,973</b></u>	<u><b>1,020</b></u>

### 4) Expenses recognized in profit or loss

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

	<u><b>2022</b></u>	<u><b>2021</b></u>
Service cost	\$ 1,301	1,355
Interest cost	1,107	1,208
Expected return on plan assets	<u>(443)</u>	<u>(396)</u>
	<u><b>\$ 1,965</b></u>	<u><b>2,167</b></u>

### 5) Actuarial assumptions

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

	<u><b>December 31, 2022</b></u>	<u><b>December 31, 2021</b></u>
Discount rate	1.750 %	0.750 %
Future salary increasing rate	3.500 %	3.500 %

The expected allocation payment made by the Company to the defined benefit plans for the one-year period after the reporting date was \$9,332.

The weighted-average duration of the defined benefit obligation of the Company is 14.61 years.

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

6) Sensitivity analysis

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

	<b>Influences of defined benefit liabilities</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2022		
Discount rate	\$ (3,951)	4,129
Future salary increasing rate	3,986	(3,837)
December 31, 2021		
Discount rate	(5,226)	5,468
Future salary increasing rate	5,229	(5,037)

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

The pension costs under the defined contribution method of the Company for the years ended December 31, 2022 and 2021 amounted to \$40,617 and \$27,033, respectively. The pension costs have been allocated to the Bureau of the Labor Insurance and provision of life insurance account.

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(o) Income taxes

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Recognized during the period	\$ 436,518	412,354
Adjustment for prior periods	(9,370)	(3,655)
Surtax on unappropriated earnings	<u>1,546</u>	<u>5,742</u>
	<u>428,694</u>	<u>414,441</u>
Deferred tax expense (income)		
Recognition and reversal of temporary differences	<u>(102,457)</u>	<u>(62,607)</u>
	<u>(102,457)</u>	<u>(62,607)</u>
Income tax expense	<u>\$ 326,237</u>	<u>351,834</u>

- 2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Items that may not be reclassified subsequently to profit or loss:		
Remeasurements from defined benefit plans	\$ <u>4,245</u>	<u>(750)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	\$ <u>(5,969)</u>	<u>(158)</u>

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

- 3) Reconciliation of income tax and profit before tax for 2022 and 2021 was as follows:

	<b>2022</b>	<b>2021</b>
Profit before income tax	<b>\$ 1,557,073</b>	<b>2,291,522</b>
Income tax using the Company's domestic tax rate	\$ 311,414	458,304
Non-deductible expenses	9,303	5,182
Tax exemption of investment disposal income	(2,721)	(2,264)
Investment tax credits	(19,195)	(19,334)
Surtax on unappropriated earnings	1,546	5,742
Realized investment loss	(23,192)	-
Net gains or losses on domestic investments	(23,426)	(10,245)
Changes in unrecognized deferred tax assets and liabilities	63,755	(70,316)
Others	8,753	(15,235)
	<b>\$ 326,237</b>	<b>351,834</b>

- (ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets and liabilities

The Company is able to control the timing of the reversal of the part of temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021. Also, the management of the Company considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Furthermore, deferred tax assets are not recognized when the Company has considered that the future taxable profit will not be available against which the unused tax credits and deductible temporary differences can be utilized.

Details of unrecognized deferred tax assets were as follow:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Deductible temporary differences	<b>\$ 70,155</b>	<b>20,034</b>

Details of unrecognized deferred tax liabilities were as follow:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Temporary differences related to investments in subsidiaries	<b>\$ 578,951</b>	<b>592,585</b>

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### 2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	Defined benefit Plans	Investment loss accounted for using equity method	Loss for market price decline and obsolete inventories	Others	Total
<b>Deferred tax assets:</b>					
Balance on January 1, 2022	\$ 21,222	305,551	45,216	117,888	489,877
Recognized in profit or loss	(7,200)	108,329	(6,004)	6,260	101,385
Recognized in other comprehensive income	(4,245)	-	-	5,969	1,724
Balance on December 31, 2022	<u>\$ 9,777</u>	<u>413,880</u>	<u>39,212</u>	<u>130,117</u>	<u>592,986</u>
Balance on January 1, 2021	\$ 21,950	270,230	44,029	83,596	419,805
Recognized in profit or loss	(1,478)	35,321	1,187	34,134	69,164
Recognized in other comprehensive income	750	-	-	158	908
Balance on December 31, 2021	<u>\$ 21,222</u>	<u>305,551</u>	<u>45,216</u>	<u>117,888</u>	<u>489,877</u>
		Difference between book and tax depreciation		Others	Total
<b>Deferred tax liabilities:</b>					
Balance on January 1, 2022	\$	(1,871)		70,242	68,371
Recognized in profit or loss		1,871		(2,943)	(1,072)
Balance on December 31, 2022	<u>\$</u>	<u>-</u>		<u>67,299</u>	<u>67,299</u>
Balance on January 1, 2021	\$	1,409		60,405	61,814
Recognized in profit or loss		(3,280)		9,837	6,557
Balance on December 31, 2021	<u>\$</u>	<u>(1,871)</u>		<u>70,242</u>	<u>68,371</u>

### 3) Uncertain tax treatment

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

### 4) Assessment of tax

The tax authorities have examined the Company's income tax returns through 2019.

(Continued)



## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

(p) Capital and other equities

As of December 31, 2022 and 2021, the authorized common stocks amounted to \$10,000,000 (of which \$400,000 were reserved for the exercising of employee share options); face value of each share is \$10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,393 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Capital surplus

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Additional paid-in capital	\$ 7,817,145	7,817,145
Difference between consideration and carrying amount of subsidiaries disposed	69,273	78,895
Changes in equity of associates accounted for using equity method	14,884	14,884
Treasury stock resulting from the redemption of convertible bonds	1,071,632	1,071,632
Share-based payment – employee stock options	119,974	119,974
Others	<u>1,260</u>	<u>1,065</u>
	<b><u>\$ 9,094,168</u></b>	<b><u>9,103,595</u></b>

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.

(ii) Retained earnings

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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 the requirements issued by the FSC, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as special reserve, and when the relevant assets were used, disposed of, or reclassified, this special reserve shall be reserved as distributable earnings proportionately. As of December 31, 2022 and 2021, the carrying amount of special reserve amounted to \$283,890 in both years.

In accordance with the ruling issued by FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of the carrying amount of other shareholders' equity and the special reserve. The amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. 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 17, 2022 and July 29, 2021, the appropriations of dividends from the earnings distribution for 2021 and 2020 were as follows:

	2021		2020	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ <u>3.50</u>	<u>1,551,876</u>	<u>2.25</u>	<u>997,634</u>

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

On March 13, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

		2022	
		Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:			
Cash		\$ 2.50	1,108,483
(iii) Other equity (net of tax)			
	Foreign exchange differences arising from foreign operation	Unrealized gain (loss) from financial assets at fair value through other comprehensiv e income	Total
Balance of January 1, 2022	\$ (863,832)	-	(863,832)
Foreign exchange differences:			
The Company	3,016	-	3,016
Subsidiaries	223,220	-	223,220
Disposal of other equity in foreign operations reclassified to profit or loss	(26,894)	-	(26,894)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	-	-
Subsidiaries	-	(12,869)	(12,869)
Balance on December 31, 2022	\$ (664,490)	(12,869)	(677,359)
Balance of January 1, 2021	\$ (821,051)	-	(821,051)
Foreign exchange differences (net of taxes):			
The Company	(633)	-	(633)
Subsidiaries	(42,148)	-	(42,148)
Balance on December 31, 2021	\$ (863,832)	-	(863,832)

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(q) Earnings per share

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

	<u>2022</u>	<u>2021</u>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	<u>\$ 1,230,836</u>	<u>1,939,688</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>443,393</u>	<u>443,393</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (basic) (equal to profit attributable to ordinary shareholders of the Company (diluted))	<u>\$ 1,230,836</u>	<u>1,939,688</u>
Weighted-average number of outstanding ordinary shares (thousands) (basic)	443,393	443,393
Dilutive effect of potential ordinary shares:		
Employee stock bonus	<u>4,317</u>	<u>6,321</u>
Weighted-average number of outstanding ordinary shares (thousands) (diluted)	<u>447,710</u>	<u>449,714</u>

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>			
	<u>LED</u>	<u>Illumination</u>	<u>Others</u>	<u>Total</u>
Primary geographical markets:				
Asia	\$ 14,260,767	305,435	3,781	14,569,983
Europe	1,353,452	64,731	-	1,418,183
Others	<u>575,469</u>	<u>-</u>	<u>-</u>	<u>575,469</u>
Total	<u>\$ 16,189,688</u>	<u>370,166</u>	<u>3,781</u>	<u>16,563,635</u>
Major products				
Construction revenue	\$ -	306,928	-	306,928
Sales revenue	<u>16,189,688</u>	<u>63,238</u>	<u>3,781</u>	<u>16,256,707</u>
	<u>\$ 16,189,688</u>	<u>370,166</u>	<u>3,781</u>	<u>16,563,635</u>

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

	2021			
	LED	Illumination	Others	Total
Primary geographical markets:				
Asia	\$ 18,613,760	154,283	3,941	18,771,984
Europe	1,402,398	225,630	-	1,628,028
Others	531,487	-	-	531,487
Total	<u>\$ 20,547,645</u>	<u>379,913</u>	<u>3,941</u>	<u>20,931,499</u>
Major products				
Construction revenue	\$ -	315,147	-	315,147
Sales revenue	20,547,644	64,767	3,941	20,616,352
	<u>\$ 20,547,644</u>	<u>379,914</u>	<u>3,941</u>	<u>20,931,499</u>

(ii) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 536	1,534	4,192
Accounts receivables	4,926,750	6,863,794	6,317,545
Less: allowance for impairment	(305,845)	(101,293)	(137,053)
	<u>\$ 4,621,441</u>	<u>6,764,035</u>	<u>6,184,684</u>
Contract assets-illumination	\$ 63,583	39,191	640,498
Less: allowance for impairment	(6,910)	-	-
	<u>\$ 56,673</u>	<u>39,191</u>	<u>640,498</u>
Contract liabilities-illumination	\$ 1,733	-	64,992
Contract liabilities-advance receipt	2,688	51,939	2,236
	<u>\$ 4,421</u>	<u>51,939</u>	<u>67,228</u>

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the periods were \$45,530 and \$64,906, 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.

(s) Remuneration of employees and directors

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

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

The remuneration to employees amounted to \$146,864 and \$286,630, and the remuneration to directors amounted to \$17,211 and \$26,042, in 2022 and 2021, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees and directors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These remunerations are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting. The amounts, as stated in the financial statements are identical to those of the actual distributions for 2022 and 2021.

### (t) Non-operating income and expenses

The interest income and finance costs in 2022 and 2021 were as follows:

#### (i) Interest income

	<u>2022</u>	<u>2021</u>
Cash in banks	\$ 56,261	45,569
Loans and receivables	861	3,353
Others	<u>264</u>	<u>113</u>
	<u><u>\$ 57,386</u></u>	<u><u>49,035</u></u>

#### (ii) Finance costs – interest expenses

	<u>2022</u>	<u>2021</u>
Loans	\$ 25,787	25,619
Lease liabilities	<u>4,346</u>	<u>4,074</u>
	<u><u>\$ 30,133</u></u>	<u><u>29,693</u></u>

### (u) 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(c).

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

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(ii) Liquidity Risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>December 31, 2022</b>					
Non-derivative financial liabilities:					
Notes and accounts payable (including related parties)	\$ 4,055,696	(4,055,696)	(4,055,696)	-	-
Payable on construction and equipment	124,818	(124,818)	(124,818)	-	-
Lease liabilities (including current and non-current)	253,281	(345,164)	(12,047)	(10,806)	(322,311)
Other payables to related parties	179,666	(179,666)	(179,666)	-	-
Other payables (recorded as other current liabilities)	897,682	(897,682)	(897,682)	-	-
Guaranteed deposits received	164,621	(164,621)	-	-	(164,621)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	8,212				
Outflow	-	(747,111)	(747,111)	-	-
Inflow	-	734,447	734,447	-	-
	<u><u>\$ 5,683,976</u></u>	<u><u>(5,780,311)</u></u>	<u><u>(5,282,573)</u></u>	<u><u>(10,806)</u></u>	<u><u>(486,932)</u></u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,079,910	(1,080,488)	(1,080,488)	-	-
Notes and accounts payable (including related parties)	5,925,331	(5,925,331)	(5,925,331)	-	-
Payable on construction and equipment	361,988	(361,988)	(361,988)	-	-
Lease liabilities (including current and non-current)	236,753	(325,406)	(11,282)	(9,174)	(304,950)
Other payables to related parties	178,389	(178,389)	(178,389)	-	-
Other payables (recorded as other current liabilities)	1,015,867	(1,015,867)	(1,015,867)	-	-
Long-term loans (including current portion)	93,451	(114,594)	(45,422)	(32,249)	(36,923)
Guaranteed deposits received	117,887	(117,887)	-	-	(117,887)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	82				
Outflow	-	(118,640)	(118,640)	-	-
Inflow	-	118,769	118,769	-	-
	<u><u>\$ 9,009,658</u></u>	<u><u>(9,119,821)</u></u>	<u><u>(8,618,638)</u></u>	<u><u>(41,423)</u></u>	<u><u>(459,760)</u></u>

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

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

### (iii) Currency risk

#### 1) Exposure to foreign currency risk

The Company's significant financial assets and liabilities exposure to foreign currency risk was as follow:

	December 31, 2022			December 31, 2021		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 116,556	USD/TWD =30.7080	3,579,202	136,297	USD/TWD =27.6900	3,774,064
RMB	344,909	RMB/TWD =4.4526	1,535,742	665,088	RMB/TWD =4.3482	2,891,936
HKD	328,585	HKD/TWD =3.9351	1,293,015	479,088	HKD/TWD =3.5517	1,701,577
Financial liabilities						
Monetary items						
USD	14,999	USD/TWD =30.7080	460,589	62,352	USD/TWD =27.6900	1,726,527
RMB	749,268	RMB/TWD =4.4526	3,336,191	1,096,884	RMB/TWD =4.3482	4,769,471

#### 2) Sensitivity analysis

The Company's exposure to foreign currency risk of monetary items arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of each major foreign currency against the Company's functional currency as of December 31, 2022 and 2021 would have increased (decreased) the profit before tax by \$147,754 and \$106,884 for the years ended December 31, 2022 and 2021, respectively. The analysis is performed on the same basis for both periods.

#### 3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2022 and 2021, the foreign exchange gains or losses, including both realized and unrealized, amounted to gains \$348,429 and losses \$6,001, respectively.

(Continued)



# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (iv) Interest rate analysis

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

	Carrying amount	
	December 31, 2022	December 31, 2021
Variable rate instruments:		
Financial assets	\$ 867,471	1,270,508
Financial liabilities	-	(93,451)
	<u>\$ 867,471</u>	<u>1,177,057</u>

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

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax for the years ended December 31, 2022 and 2021, were as following, which would be mainly resulted from cash in banks with variable interest rates.

	2022	2021
Increase by 0.25%	\$ 2,169	2,943
Decrease by 0.25%	(2,169)	(2,943)

### (v) Fair value

#### 1) Procedure of valuation

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

- 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).

### 2) The kinds of financial instruments and fair value

The fair value of the Company's financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and financial assets at fair value through other comprehensive income are measured on a recurring basis. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value, and lease liabilities, disclosure of fair value information is not required.

	December 31, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss:</b>					
Derivative financial assets	\$ 28,557	-	28,557	-	28,557
Non derivative financial assets mandatorily measured at fair value through profit or loss	<u>171,709</u>	171,709	-	-	171,709
	<u>200,266</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	1,867,240	-	-	-	-
Notes and accounts receivable (including related parties)	4,159,452	-	-	-	-
Other receivables due from related parties	340,480	-	-	-	-
Other current financial assets	3,673,581	-	-	-	-
Other non-current financial assets	685,163	-	-	-	-
Refundable deposits (recorded as other non-current assets)	<u>65,640</u>	-	-	-	-
	<u>10,791,556</u>				
	<u><b>\$ 10,991,822</b></u>				

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

December 31, 2022					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities (recorded as other current liabilities)	\$ 8,212	-	8,212	-	8,212
	<u>8,212</u>				
<b>Financial liabilities measured at amortized cost:</b>					
Notes and accounts payable (including related parties)	4,055,696	-	-	-	-
Payable on construction and equipment	124,818	-	-	-	-
Lease liabilities	253,281	-	-	-	-
Other payables to related parties	179,666	-	-	-	-
Other payables (recorded as other current liabilities)	897,682	-	-	-	-
Guaranteed deposits received (recorded as other non-current liabilities, others)	164,621	-	-	-	-
	<u>5,675,764</u>				
	<u><b>\$ 5,683,976</b></u>				
December 31, 2021					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss:</b>					
Derivative financial assets	\$ 10,485	-	10,485	-	10,485
Non derivative financial assets mandatorily measured at fair value through profit or loss	444,738	444,738	-	-	444,738
	<u>455,223</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	1,759,594	-	-	-	-
Notes and accounts receivable (including related parties)	6,252,106	-	-	-	-
Other receivables due from related parties	797,539	-	-	-	-
Other current financial assets	3,865,504	-	-	-	-
Other non-current financial assets	741,406	-	-	-	-
Refundable deposits (recorded as other non-current assets)	74,380	-	-	-	-
	<u>13,490,529</u>				
	<u><b>\$ 13,945,752</b></u>				

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

	December 31, 2021				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities (recorded as other current liabilities)	\$ <u>82</u>	-	82	-	82
	<u>82</u>				
<b>Financial liabilities measured at amortized cost:</b>					
Short-term borrowings	1,079,910	-	-	-	-
Notes and accounts payable (including related parties)	5,925,331	-	-	-	-
Payable on construction and equipment	361,988	-	-	-	-
Lease liabilities	236,753	-	-	-	-
Other payables to related parties	178,389	-	-	-	-
Other payables (recorded as other current liabilities)	1,015,867	-	-	-	-
Long-term loans (including current portion)	93,451	-	-	-	-
Guaranteed deposits received (recorded as other non-current liabilities, others)	<u>117,887</u>	-	-	-	-
	<u>9,009,576</u>				
	<b><u>\$ 9,009,658</u></b>				

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

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

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

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

- a) 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.
- b) 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.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

- c) 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.
  - d) 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.
- 5) There was no transfers from one level to another of the Company for the years ended December 31, 2022 and 2021.

(v) Financial risk management

(i) Briefings

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### 1) Accounts receivable and other receivables

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

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

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

#### 2) Investment

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

#### 3) Guarantees

The Company's policy to provide financial guarantees is only permissible to subsidiaries. Please refer to note 13(a) for information of guarantees and endorsements to subsidiaries as of December 31, 2022 and 2021.

#### (iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to notes 6(j) and 6(k) for the unused credit lines of short-term and long-term loans as of December 31, 2022 and 2021.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### (v) Market risk

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

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

##### 1) Currency risk

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

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

##### 2) Interest rate risk

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

##### 3) Other market value risk

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

#### (w) Capital management

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 7,155,361	10,229,054
Total equity	18,357,582	18,482,734
Interest-bearing liabilities	-	1,173,361
Debt-to-equity ratio	39 %	55 %
Interest-bearing liabilities to equity ratio	- %	6 %

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (x) Investing and financial activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2022 and 2021, were acquisition of right-of-use assets by lease; please refer to note 6(i).

Reconciliations of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1, 2022	Cash flows	Acquisition	Foreign exchange movement	December 31, 2022
Short-term borrowings	\$ 1,079,910	(1,079,910)	-	-	-
Long-term borrowings	93,451	(97,117)	-	3,666	-
Other payables to related parties	178,389	1,277	-	-	179,666
Lease liabilities	236,753	(8,937)	25,465	-	253,281
Guaranteed deposits received	117,887	46,734	-	-	164,621
Total liabilities from financing activities	<u>\$ 1,706,390</u>	<u>(1,137,953)</u>	<u>25,465</u>	<u>3,666</u>	<u>597,568</u>

			Non-cash changes		
	January 1, 2021	Cash flows	Acquisition	Foreign exchange movement	December 31, 2021
Short-term borrowings	\$ 2,663,664	(1,583,754)	-	-	1,079,910
Long-term borrowings	123,400	(23,406)	-	(6,543)	93,451
Other payables to related parties	159,425	18,964	-	-	178,389
Lease liabilities	245,176	(9,197)	774	-	236,753
Guaranteed deposits received	81,182	36,705	-	-	117,887
Total liabilities from financing activities	<u>\$ 3,272,847</u>	<u>(1,560,688)</u>	<u>774</u>	<u>(6,543)</u>	<u>1,706,390</u>

### (7) Related-party transactions

#### (a) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Pai-yee Investment Co., Ltd. (Pai-yee)	The Company's subsidiary
Everlight(BVI) Co., Ltd. (Everlight BVI)	The Company's subsidiary
Everlight Electronics (Europe) GmbH (Everlight Europe)	The Company's subsidiary
Everlight Americas, Inc. (ELA)	The Company's subsidiary
Everlight Optoelectronics Korea Co., Ltd. (ELK)	The Company's subsidiary
Forever Investment Co., Ltd. (Forever)	The Company's subsidiary
Everlight Intelligence Technology Co., Ltd. (ELIT)	The Company's subsidiary
Wofi Leuchten GmbH (WOFI Holding)	The Company's subsidiary

(Continued)



## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

Name of related party	Relationship with the Company
Everlight Electronic India Private Limited (ELI)	The Company's subsidiary
Evlite Electronics Co., Ltd. (Evlite)	The Company's subsidiary
Everlight Electronics Singapore Pte. Ltd. (ELS)	The Company's subsidiary
Everlight Japan Corporation (ELJ)	The Company's subsidiary
Evervision Electronics Co., Ltd. (Evervision TW)	The Company's subsidiary
Everlight Optoelectronics (M) SDN.BHD. (Everlight Malaysia)	The Company's subsidiary
Everlight Electronics (China) Co., Ltd. (Everlight China)	The Company's subsidiary
Everlight Lighting (China) Co., Ltd. (Everlight Lighting China)	The Company's subsidiary
Everlight Electronics (Guangzhou) Co., Ltd. (Everlight Electronics (Guangzhou))	The Company's subsidiary
Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	The Company's subsidiary
Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	The Company's subsidiary (Note 1)
Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	The Company's subsidiary
Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	The Company's subsidiary (Note 2)
Everlight Intelligence Technology KZ LLP (ELIT KZ)	The Company's subsidiary
WOFI Wortmann & Filz GmbH (WOFI W&F GmbH)	The Company's subsidiary
Euro Technics Trade GmbH (ETT)	The Company's subsidiary
WOFI Technics Trade Limited (WTT)	The Company's subsidiary
Action GmbH (Action)	The Company's subsidiary
WOFI Verkaufsgesellschaft mbH (WOFI VG)	The Company's subsidiary
Lamp For Less GmbH (LFL)	The Company's subsidiary
Evervision Electronics (B.V.I.) Limited (Evervision BVI)	The Company's subsidiary
VBest GmbH (VBest)	The Company's subsidiary
VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	The Company's subsidiary
Evervision Electronics (H.K.) Limited (Evervision HK)	The Company's subsidiary
Tekcore Co. Ltd (Tekcore)	The Company's associate
Anhui Hongming Technology Co., Ltd. (Anhui Hongming)	Everlight China's associate
LeadTech Electronics Inc. (LeadTech)	Evervision TW's associate

Note 1: The liquidation procedure of Everlight Fujian was completed in May 2022.

Note 2: The liquidation procedure of ELMS was completed in June 2022.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (b) Significant related party transactions

#### (i) Sales

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

	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 3,143,945	3,760,247
Associates	<u>84,995</u>	<u>-</u>
	<u><b>\$ 3,228,940</b></u>	<u><b>3,760,247</b></u>

The Company sells instruments (production molds) to Everlight China and Everlight Zhongshan, and only sells end products to other related parties and other customers. There are no significant differences in the sales price of end product between the related parties and other customers. The payment term of sales to Everlight China and Everlight Zhongshan was OA 120 days. The payment term of sales to Everlight Lighting China was depending on the payment term of the end customer. The payment term of domestic sales and oversea sales to other related parties and other customers were 60 to 120 days and 30 to 165 days, respectively.

#### (ii) Purchase

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

	<u>2022</u>	<u>2021</u>
Subsidiaries:		
Everlight China	\$ 7,905,712	10,281,932
Others	<u>536,411</u>	<u>604,814</u>
	<u>8,442,123</u>	<u>10,886,746</u>
Associates	<u>168,977</u>	<u>147,538</u>
	<u><b>\$ 8,611,100</b></u>	<u><b>11,034,284</b></u>

The Company purchases finished products and semi-finished products directly from Everlight China and Everlight Zhongshan. The amounts of purchase from triangular trade included the amounts of the Company's sales of raw materials and semi-finished products, which amounting to \$388,799 and \$521,791 in 2022 and 2021, respectively. The aforementioned amounts had been eliminated in the financial statements, and were not regarded as sales and purchase transactions. Purchase prices from Everlight China, Everlight Zhongshan and Tekcore are not comparable to other general trading price. There are no significant differences in purchase prices between other related parties and third-party suppliers. The payment terms for Everlight China and Everlight Zhongshan were both OA 120 days. The payment terms for other related parties and third-party suppliers were OA 90 to 150 days.

#### (iii) Accounts receivable from related parties

The accounts receivable due from related parties were as follows:

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

<u>Related party categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Everlight Lighting China	\$ 98,790	536,760
Evlite	304,513	480,604
Everlight Europe	193,433	151,509
ELA	135,770	123,428
Others	<u>36,074</u>	<u>58,294</u>
	768,580	1,350,595
Associates	<u>43,326</u>	<u>-</u>
	<u><b>\$ 811,906</b></u>	<u><b>1,350,595</b></u>

(iv) Accounts payables to related parties

The accounts payable to related parties were as follows:

<u>Related party categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Everlight China	\$ 2,800,065	4,136,487
Others	<u>281,037</u>	<u>365,246</u>
	3,081,102	4,501,733
Associates	<u>80,384</u>	<u>68,728</u>
	<u><b>\$ 3,161,486</b></u>	<u><b>4,570,461</b></u>

(v) Property transaction

Details of machinery and equipment sold to related parties were as follows:

<u>Related parties Categories</u>	<u>2022</u>		<u>2021</u>	
	<u>Sale price</u>	<u>Net gain (loss) on sale</u>	<u>Sale price</u>	<u>Net gain (loss) on sale</u>
Subsidiaries:				
Everlight China	\$ 224,618	11,967	377,516	24,927
Everlight Zhongshan	<u>984</u>	<u>64</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 225,602</b></u>	<u><b>12,031</b></u>	<u><b>377,516</b></u>	<u><b>24,927</b></u>

The aforementioned sale price included the amounts that the Company purchasing fixed assets on behalf of related parties, which amounted to \$111,298 and \$266,533 in 2022 and 2021, respectively.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (vi) Commissions expenses

In order to develop overseas market, the Company signed commission contracts with subsidiaries. The commissions fees were calculated in a certain percentage of the sales prices. Details of commissions' expenses were as follows:

<u>Related parties Categories</u>	<u>2022</u>	<u>2021</u>
Subsidiaries:		
Everlight Lighting China	\$ 73,397	91,929
Evlite	50,311	72,423
ELK	80,452	90,218
ELA	93,333	98,604
ELJ	40,876	53,676
Others	95,093	94,852
	<u>\$ 433,462</u>	<u>501,702</u>

### (vii) Services expenses

ELIT were commissioned to manage projects and to implement warranty services by the Company. The services expenses due to these services amounted to \$9,852 and \$20,239 in 2022 and 2021, respectively.

### (viii) Loans to other parties

In order to support the operational funding demands of subsidiaries, the Company signed financing contracts with subsidiaries. Loans to other parties were recorded as other receivables—related parties. The amounts of loans to other parties were \$0 and \$406,557 as of December 31, 2022 and 2021, respectively. The actual usage amounts were as follows:

	<u>Highest balance of financing to other parties</u>		<u>Interest income</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Subsidiaries:				
WOFI Holding	\$ -	283,676	-	-
Everlight Lighting China	\$ 707,617	1,091,314	861	3,209

### (ix) Guarantees and endorsements for other parties

For guarantees and endorsements between the Company and related parties as of December 31, 2022, please refer to note 13(a).

There were no guarantees and endorsements between the Company and related parties as of December 31, 2021.

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# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

(x) Others

- 1) As of December 31, 2022 and 2021, the amounts which were not remitted to the Company by the related parties due to collecting accounts receivable in China region on behalf of the Company, interest receivables, purchasing fixed assets from the Company, loans to other parties were recorded as other receivables—related parties. The details were as follows:

<u>Related party categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries:		
Everlight China	\$ 249,408	344,834
Everlight Lighting China	-	416,349
Evlite	90,056	36,356
Everlight Zhongshan	1,016	-
	<u>\$ 340,480</u>	<u>797,539</u>

- 2) As of December 31, 2022 and 2021, the unpaid amounts to related parties due to related parties paying freight on behalf of the Company, the Company collecting receivables on behalf of related parties, commissions payables and services payables, were recorded as other payables—related parties. The details were as follows:

<u>Related party categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries:		
Everlight China	\$ 90,777	73,999
ELIT	36,975	46,090
Everlight Lighting China	14,188	24,923
Others	37,726	33,377
	<u>\$ 179,666</u>	<u>178,389</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 34,364	51,796
Others	247	396
	<u>\$ 34,611</u>	<u>52,192</u>

There are no termination benefits and other long-term benefits.

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# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (8) Pledged assets

The carrying amounts of the pledged assets are as follows:

Assets	Objectives	December 31, 2022	December 31, 2021
Time deposits (recorded as other non-current financial assets)	Guarantee for contract grants and guarantee for construction contracts	\$ <u>223,174</u>	<u>219,109</u>
Restricted deposits (recorded as other non-current financial assets)	Reserve account for long-term borrowings	\$ <u>-</u>	<u>10,368</u>

### (9) Commitments and contingencies

#### (a) Litigation with Nichia Corporation (Nichia)

On July 15, 2021, Nichia filed an action for damages against the Company's sub-subsidiary, WOFI W&F GmbH, for infringement of patent EP0936682 (DE69702929) with the District Court of Dusseldorf, Germany, demanding for compensation of EUR 4,500 thousand. On October 31, 2022, the District Court of Dusseldorf, Germany ruled that WOFI W&F GmbH should pay the damage of EUR 3,225 thousand to Nichia. However, WOFI W&F GmbH disagreed with the decision made by the court. Hence, on November 31, 2022, WOFI W&F GmbH filed an appeal with the High Court of Justice in Dusseldorf, Germany. The case is currently still in progress. As of the financial reporting date, WOFI W&F GmbH have assessed the final judgment of the above case and possible amount for claim, for an estimated provision for liabilities of EUR 4,500 thousand (approximately \$141,316).

In September 2015, Nichia filed a lawsuit against the Company's subsidiary, WOFI W&F GmbH, for infringement of patent EP2276080 with the District Court of Dusseldorf, Germany. On December 15, 2016, the District Court of Dusseldorf, Germany, ruled against WOFI W&F GmbH in the first instance. On January 12, 2017, WOFI W&F GmbH filed an appeal with the High Court of Justice in Dusseldorf, Germany. In October 2017, a ruling notice had been received from the European Patent Office that the original scope of patent EP2276080 was invalid and that the revised scope of the patent was valid. However, in April 2022, patent EP2276080 was judged valid by the European Patent Office and the infringement lawsuit was reopened. On December 16, 2022, the High Court of Justice in Dusseldorf, Germany ruled against WOFI W&F GmbH in the second trial. Thereafter, the case proceeded to the execution of the litigation order. Based on the ruling, the Company was awarded the compensation payment of approximately EUR 65 thousand, wherein the Company assessed that the final ruling of this case do not have any material effects on the operations.

#### (b) Lawsuit with Bench Walk Lighting LLC (BWL)

In January 2020, Bench Walk Lighting LLC (BWL) filed a lawsuit against the Company in the United States District Court for the District of Delaware for infringement of BWL's U.S. patents US6806658, US7115428, US7145182, US7239080, US7470936, US7488990, US7519287, US7847300, US9887338 and US9209373, concerning holders, substrates, and package designs for the Company's LED products. The case is still in court proceedings, and the Company believes that the LED products have not infringed on patents mentioned above. Hence, the Company assessed that the final ruling of this case will not have any material effects on the operations.

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## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

- (c) The Company and local companies A3 Commerce LLP and Altocom Asia LLP in Kazakhstan (hereinafter "Consortium A") executed in 2017 a contract for the project of installation as well as maintenance and operation of intelligent street lights with the Pavlodar Government, the Republic of Kazakhstan. The project period is six years and the total contract price is USD 8,967 thousand. Consortium A has completed installation of light fixtures under the contract. On January 4, 2019, the Pavlodar Government completed the acceptance of the installation. Nevertheless, during the subsequent operation period, the Pavlodar Government found a shortage in certain equipment of the intelligent control system, installed by A3 Commerce LLP, a member of Consortium A, and suspended release of the project payments for the second quarter of 2020, as well as the ensuing quarters, and issued a letter on October 26, 2020, asking Consortium A to install the missing intelligent control system according to the contract as soon as possible.

The Company believes that Consortium members A3 Commerce LLP failed to diligently perform its obligations of installing the intelligent control system, and Altocom Asia LLP failed to exercise the duty of management of maintenance and operation, and that both entities have become incompetent. To protect its rights and interests, the Company sent a letter to the Pavlodar Government in December 2020, asking for a change by removing A3 Commerce LLP and Altocom Asia LLP from the Consortium. However, the Pavlodar Government only sent a letter in January 2021, reemphasizing its request to correct the issues of equipment shortage and defects as mentioned above, and then filed a lawsuit on February 9, 2021, at a Kazakhstan court, demanding a termination of the contract with Consortium A and a compensation of KZT 268,883 thousand (approximately \$18,203). The Company has retained Baker McKenzie Taipei Office and Almaty Office, with the goal of negotiating with Pavlodar Government to amend the contract and to allow the Company to complete the unfinished project individually. Because the Pavlodar Government failed to proceed with the negotiation with Consortium A before directly filing a lawsuit to terminate the contract, the local court in Kazakhstan has dismissed both the Pavlodar Government's action on March 10, 2021 and its appeal on April 22, 2021, for that the procedure was not compliant with the laws. The Pavlodar Government promptly started its negotiations with Consortium A after its action was dismissed.

According to the opinion issued by its lawyers on March 22, 2021, the Company is now trying to understand the claims and share of responsibilities of both parties, hoping to come up with a negotiation proposal to resolve the disputes. However, the actual outcome remains unpredictable. The maximum risk exposure in the case of contract termination is approximately \$141,599. As of December 31, 2020, the Company has estimated a projected loss of \$58,754 for 2020 based on reasonably estimated obligations. It also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Company's right caused by their project defects.

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## **EVERLIGHT ELECTRONICS CO., LTD.**

### **Notes to the Financial Statements**

Furthermore, on June 21, 2021, the Energy and Utilities Department of the Pavlodar region filed a lawsuit against the Utilities, Road, and Passenger Traffic Department of the Pavlodar City, all members of Consortium A, as well as all its contractors, claiming to invalidate the acceptance of the project completion in January 2019. The Company has hired lawyers to defend in court arguing that because the very same lawsuit was initiated by the Pavlodar Government in December 2020, and the court already ruled that the lawsuit was baseless and dismissed the case, so on the basis of the principle of double jeopardy, as well as on the fact that the plaintiff failed to comply with the pre trial procedure for negotiation and that the Pavlodar Government has no legal right to claim to verify the acceptance is invalid, the lawsuit shall be dismissed. The lawyers have also asked the court to transfer the case to another court. On July 21, 2021, the first instance court ruled for a change of venue. Later, the Energy and Utilities Department of the Pavlodar region filed an appeal against such ruling. On August 5, 2021, the second instance court reversed the ruling of change of venue, and the case was remanded to the first instance court to continue the review. On September 13, 2021, the first instance court decided to dismiss the Company's arguments regarding the principle of double jeopardy, as well as regarding that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Government has no legal right to claim to verify the acceptance is invalid, and the court issued a judgment determining the project acceptance in January 2019 is invalid. Nevertheless, the Company believes the decision is apparently inconsistent with the law, and filed an appeal on October 1, 2021, to dismiss the ruling and another appeal on October 19, 2021, against the above judgment that determines the acceptance is invalid. On December 28, 2021, the second instance court judge dismissed the Company's motion and appeal, a dismissal that has the effect of a final court judgment. The Company filed an appeal against the second instance ruling and judgment with the third instance court, and the third instance court dismissed the Company's appeal on April 4, 2022. The claim of the case was only to confirm that the act of acceptance in January 2019 is invalid, and the Pavlodar Government did not seek any compensation.

Because the negotiations between the parties were not successful, the Pavlodar Government again filed a lawsuit against Consortium A, asking to terminate the contract with Consortium A and demanding a compensation of KZT 1,345,882 thousand (approximately \$85,733) on February 10, 2022. The Company has retained lawyers for defense to ensure protection of the maximum legal interest of the Company. In view that termination of agreement may not be the best possible outcome for the parties, efforts are being made to continue negotiations with the Pavlodar Government to seek a resolution that benefits both parties. On April 27, 2022, the first instance court in its judgment granted all claims from the Pavlodar Government. The Company believes that such judgment is apparently contrary to the laws, and on June 2, 2022, an appeal was filed against the first instance judgment. On July 19, 2022, the second instance court judge dismissed the Company's appeal, and finalized the judgement.

(Continued)



## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

The Company and a local company Altocom Asia LLP in Kazakhstan (hereinafter "Consortium B") executed a contract for the project of installation as well as maintenance and operation for intelligent street lights with the Taraz Government, the Republic of Kazakhstan in 2019. The project period is six years. The total contract price is USD 14,196 thousand. Consortium B is installing light fixtures according to the contract. On March 18, 2021, the Taraz Government claimed that Consortium B performed certain project work before the corresponding design papers were ready and failed to complete the project as agreed by December 30, 2020, and therefore, the Government filed a lawsuit to terminate the contract. However, the Company believed that Consortium B has proceeded with the relevant work under the contract and that there were no delays or defects as claimed. According to the opinion issued by its lawyers on March 22, 2021, the Company is now trying to understand the claims and share of responsibilities of the parties. However, the actual outcome remains unpredictable. Because the Taraz Government failed to proceed with the negotiation with Consortium B before directly filing a lawsuit to terminate the contract, the lawyers representing the Company are expecting to make a defense against the Taraz Government's action by claiming that the procedure was not compliant with the laws. The Company's lawyers have also filed a motion for change of venue and have been trying to negotiate with the Taraz Government to resolve the disputes. On April 22, 2021, the local court of laws granted the motion for change of venue and decided to transfer the case to a local commercial court. On July 21, 2021, the commercial court of Taraz Province issued a ruling against the Company. The Company filed an appeal on August 19, 2021. On September 23, 2021, the second instance court issued a judgment to dismiss the appeal, and such judgment is final and binding. Because the Company believes Consortium B was not at fault, it filed an appeal against the second instance judgment with the third instance court, and the third instance court dismissed the appeal on April 18, 2022. In this case, the judgment is only to determine whether the termination of contract is valid, and the Taraz Government did not claim for compensations. On the other hand, the Company will continue to assess whether to request the Taraz Government to return of equipment to the Company or pay for it.

According to the opinion issued by its lawyers on March 17, 2022, the Company evaluated the outcome of the final judgments of the two cases and possible amount to be claimed, and entered an additional provision of \$55,981 for 2021 recorded as other expenses and losses. Further, in response to the expenditures of loans to other Consortium members, the Company entered an allowance for loss totaling \$35,762 recorded as expected credit loss. As of December 31, 2021, the accumulated losses of the above two cases was \$150,497, including impairment loss of \$35,762, other expenses and losses of \$622, and provisions of \$114,113.

As of the financial reporting date, with the assistance of the lawyers, the Company believed that its litigation in Kazakhstan has exhausted the judicial procedures and reached the Supreme Court of Kazakhstan. Although there are special relief procedures similar to those retrials in Taiwan, the Company is of the opinion that its special relief procedures will not achieve a favorable outcome for the Company, considering the local political environment and judicial peculiarities.

Based on the above assessments for the year ended December 31, 2022, the Company recognized the additional allowance for its loss, write down of the inventories to net realizable value, and other reasonably determinable obligations/compensation of \$37,554, \$62,214, and \$67,206 as expected credit loss due to the expected uncollectible accounts receivable, cost of sales, as well as other expenses and losses for the above two cases, respectively. Further, the Company also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Company's right caused by their project defects.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

As of December 31, 2022, the accumulated losses of the above two cases was \$317,471. Furthermore, as of December 31, 2022, the Company's subsidiary, ELIT, recognized the amount of \$98,728 as the accumulated losses of the above two cases, including the allowances due to the expected uncollectible receivables of \$50,347 and \$48,381, both recognized by the Company as its share of profits and losses of subsidiaries, affiliates and joint ventures under the equity method in 2022 and 2021, respectively.

(d) Significant commitments unrecognized:

As of December 31, 2022 and 2021, the Company's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$91,434 and \$143,202, respectively.

**(10) Losses Due to Major Disasters: none**

**(11) Subsequent Events:**

The Company operated a retail channel for lighting products in Germany to expand its overseas lighting market. However, due to factors such as global recession and market competition, the Company's sub-subsidiary, WOFI W&F GmbH, had been experiencing losses for consecutive years leading to insolvency. Thus, it decided to liquidate and dispose the assets actively and negotiate with creditors for debt repayment. However, in January 2023, the Company assessed that WOFI W&F GmbH's property was still insufficient to repay the remaining debt balance, resulting in a bankruptcy application filed by the liquidator on January 20, 2023, in accordance with the German local laws. On January 24, 2023, the German court granted the application for temporary bankruptcy management and appointed a temporary bankruptcy trustee. However, the relevant procedures for the bankruptcy application to Amtsgericht Arnsberg, a German local court, filed by the temporary bankruptcy trustee, were still in progress. As of March 13, 2023, the final formal approval for bankruptcy has yet to be obtained from Amtsgericht Arnsberg. Nevertheless, the Company had already recognized the accumulated losses of WOFI W&F GmbH, and therefore, the above matter did not have a significant impact on the Company's finance and business.

**(12) Other**

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

By function By item	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	381,656	755,038	1,136,694	519,168	959,812	1,478,980
Labor and health insurance	36,992	60,319	97,311	44,072	61,216	105,288
Pension	11,795	30,787	42,582	13,765	15,435	29,200
Remuneration of directors	-	20,871	20,871	-	29,229	29,229
Others	39,900	40,261	80,161	50,575	41,964	92,539
Depreciation	278,971	299,945	578,916	324,045	359,964	684,009
Amortization	33,158	22,371	55,529	36,890	23,684	60,574

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

The followings are additional information of numbers of the Company's employees and employee benefits expense:

	2022	2021
Employees	<u>1,504</u>	<u>1,722</u>
Non-employees of directors	<u>7</u>	<u>7</u>
Average employee benefit expenses	<u>\$ 906</u>	<u>995</u>
Average salary expense	<u>\$ 759</u>	<u>862</u>
Average salary expense adjustment	<u>(11.95)%</u>	
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employees) is as follows:

(b) The Company's remuneration to directors:

The Board of Directors is authorized to determine the remuneration to each director, which should not exceed the maximum salary level according to the Company's Articles of the managerial salary standards, by the individual's degree of participation in operation and individual's contribution to the Company.

If there is annual net earnings, the Company shall appropriate an additional remuneration to directors not exceeding 1% of net earnings.

(c) The Company's salary and remuneration to managers and employees:

- (i) Base on the concern of external competition, internal fairness and legitimacy, the Company provides a diverse and competitive salary system, and adheres to the concept of profit sharing with employees, attracting and retaining talents, training and motivating employees. With the outstanding operational performance, the Company's overall salary is maintained at a certain level.
- (ii) The salary package of the Company includes monthly salary, various bonuses, and employee compensation from the annual profit.
- (iii) Various bonuses and employee monthly bonuses and employee compensation are rewarding their contributions, and inspiring all employees to continue their efforts, so that the interests of employees and shareholders can be aligned to a win-win situation for the Company, shareholders and employees.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### (13) Other disclosures

##### (a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2022:

- (i) Loans to other parties: Please refer to table 1.
  - (ii) Guarantees and endorsements for other parties: Please refer to table 2.
  - (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 3.
  - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to table 4.
  - (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: Please refer to table 5.
  - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to table 6.
  - (ix) Information derivative financial instruments transaction: Please refer to table 7.
- (b) Information on investees: Please refer to table 8.
- (c) Information on investment in Mainland China: Please refer to table 9.
- (d) Major shareholders: There is no shareholders holding more than 5% shares.

#### (14) Segment information:

Please refer to consolidated financial statements for the year ended December 31, 2022.

**Everlight Electronics Co., Ltd.**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Checking accounts		\$ 1,425
Demand deposits		398,400
Foreign currency deposits	Including USD9,091 thousand @30.7080, JPY 153,260 thousand @0.2343, HKD 8,722 thousand @3.9351, EUR 2,028 thousand @32.7317, CNY 10,746 thousand @4.4526	463,646
Time deposits	CNY 59,100 thousand(Maturity date : 2023.01.05) TWD 280,000 thousand(Maturity date : 2023.01.10~2023.02.22) USD 15,000 thousand(Maturity date : 2023.01.04~2023.01.05)	<u>1,003,769</u>
		<u><b>\$ 1,867,240</b></u>

**Statement of Notes and Accounts Receivables from Third Parties**

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Notes Receivable (Note)	Third party sales	\$ <u>536</u>
Accounts Receivable:		
Client B009	Third party sales	173,551
Others (Note)	"	<u>3,479,304</u>
		3,652,855
Less: Loss allowance		<u>(305,845)</u>
		<u>3,347,010</u>
Total		<u><b>\$ 3,347,546</b></u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

**Everlight Electronics Co., Ltd.**

**Statement of Accounts Receivables from Related Parties**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Accounts receivable:		
Everlight Lighting China	Related-party sales	\$ 98,790
Evlite	"	304,513
Everlight Europe	"	193,433
ELA	"	135,770
Anhui Hongming	"	43,326
Others (Note)	"	<u>36,074</u>
Total		<u><u>\$ 811,906</u></u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

**Statement of Inventories**

<u>Item</u>	<u>Amount</u>	<u>Net Realizable Value</u>
	<u>Cost</u>	
Finished goods	\$ 602,006	
Less: Allowance for inventory market decline and obsolescence	<u>(180,033)</u>	
	421,973	459,836
Work in Process	94,709	
Less: Allowance for inventory market decline and obsolescence	<u>-</u>	
	94,709	94,709
Raw Materials	161,144	
Less: Allowance for inventory market decline and obsolescence	<u>(78,241)</u>	
	82,903	82,903
Total	<u><u>\$ 599,585</u></u>	<u><u>637,448</u></u>

**Everlight Electronics Co., Ltd.**  
**Statement of Other Current Assets**  
**December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Payment in advance	Prepaid of construction payments	\$ 12,735
Prepaid expenses	Prepaid certification expenses and insurance expenses	30,030
		<u>42,765</u>
Other current assets:		
VAT Refund	Value-added tax refund	17,025
Inventory—fixed assets	Inspection-awaited assets	35,064
Income tax refund receivable	Withholding tax of overseas dividends received	26,380
Others (Note)	Excess business tax paid, fund of cooperation project and temporary payments of employee's bonuses	<u>22,276</u>
Total		<u>100,745</u>
		<u><u>\$ 143,510</u></u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

**Statement of Other Current Financial Assets**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Time deposits	Time deposit with maturities over three months from the acquisition date	\$ 2,972,000
Restricted time deposits	Offshore funds with restricted usage	681,478
Others (Note)	Estimated interest receivable, etc.	<u>20,103</u>
		<u><u>\$ 3,673,581</u></u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

Everlight Electronics Co., Ltd.

Statement of Changes in Investments Accounted for Using Equity Method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Investees Company	Balance, January 1, 2022		Increase		Decrease (Note 1)		Reclassification		Share of profit (loss) Recognized	Translation Foreign Operations	Unrealized Gains (losses) on Financial Assets	Other Adjustment Amount (Note 2)	Balance, December 31, 2022			2022.12.31 Market price or Net Value	Collaterals or pledged assets
	Shares (In Thousands)	Amounts	Shares (In Thousands)	Amounts	Shares (In Thousands)	Amounts	Shares (In Thousands)	Amounts					Shares (In Thousands)	Percentage of ownership	Amounts		
Investments Accounted For Using Equity Method :																	
Everlight BVI	1,540	\$ 6,800,953	-	-	-	-	-	-	(68,167)	211,771	-	(9,429)	1,540	98.00	6,935,128	6,935,128	None
Pai-ye	23,940	491,501	-	-	-	(23,940)	-	-	11,388	5,912	-	311	23,940	100.00	485,172	498,051	None
Forever	42,488	430,682	-	-	-	-	-	-	35,893	2,845	(12,869)	518	42,488	100.00	457,069	457,069	None
Everlight Europe	75	109,721	-	-	-	(93,030)	-	-	111,088	3,753	-	-	75	75.00	131,532	131,532	None
Evervision TW	4,477	233,834	-	-	-	(8,953)	-	-	30,307	2,486	-	453	4,477	24.27	258,127	226,139	None
ELA	11,375	9,178	-	-	-	-	-	-	42,352	2,281	-	-	11,375	98.91	53,811	53,811	None
ELK	38	68,433	-	-	-	-	-	-	21,474	3,666	-	-	38	100.00	93,573	93,573	None
Evlite	7,000	131,006	-	-	-	-	-	-	8,019	14,413	-	-	7,000	100.00	153,438	153,438	None
Tekcore	4,767	58,279	-	-	-	-	-	-	(2,249)	-	-	387	4,767	9.23	56,417	60,063	None
ELIT	20,000	183,089	-	-	-	-	-	-	41,791	206	-	(2,465)	20,000	100.00	222,621	222,621	None
ELI	353	12,071	-	-	-	-	-	-	3,778	(104)	-	-	353	80.00	15,745	15,745	None
ELS	200	11,952	-	-	-	-	-	-	(508)	1,325	-	-	200	100.00	12,769	12,769	None
ELJ	5	18,524	-	-	-	-	-	-	3,353	(371)	-	-	5	100.00	21,506	21,506	None
WOFI	5,775	(187,546)	-	489,717	-	-	-	-	(819,321)	(24,017)	-	-	5,775	100.00	(541,167)	(541,167)	None
ELMS	-	(195,306)	-	-	-	-	-	-	199,207	(30,793)	-	26,892	-	-	-	-	None
		8,176,371		489,717		(125,923)		-	(381,595)	193,373	(12,869)	16,667			8,355,741		
Recorded as deduction of assets :																	
Credit balance of investments in equity method		382,852		-		-		-	-	-	-	158,315			541,167		
Total	\$	8,559,223		489,717		(125,923)		-	(381,595)	193,373	(12,869)	174,982			8,896,908		

Note 1: Decrease in current period includes cash dividend of \$125,923.

Note 2: Other adjustment amounts included a decrease in equity of investee companies of \$9,622, an increase in actuarial gains of \$1,862, gains on liquidation of ELMS \$24,427, and an increase in credit balance of investments in equity method of \$158,315.



**Everlight Electronics Co., Ltd.**  
**Statement of Changes in Property, Plant and Equipment**  
**For the year ended December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(h).

**Statement of Right-of-use Assets**

Please refer to note 6(i).

**Statement of Intangible Assets**

**December 31, 2022**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Intangible Assets	Patent right	\$ 8,990
	ERP software system	<u>16,460</u>
Total		<u><u>\$ 25,450</u></u>

**Statement of Other Non-current Assets**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Refundable deposits	Guarantees for tariffs, Illuminating warranty, etc.	\$ 65,640
Others	Investment property	<u>26,263</u>
		<u><u>\$ 91,903</u></u>

**Everlight Electronics Co., Ltd.**

**Statement of Notes and Accounts Payables to Third Parties**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Vendor Q	Third party operating cost	\$ 112,467
Others(Note)	"	781,743
Total		<u><u>\$ 894,210</u></u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

**Statement of Accounts Payables to Related Parties**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Everlight China	Related party operating cost	\$ 2,800,065
Others(Note)	"	361,421
Total		<u><u>\$ 3,161,486</u></u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

**Everlight Electronics Co., Ltd.**

**Statement of Lease Liabilities**

**December 31, 2022**

(Expressed in thousands of New Taiwan Dollars)

<b>Item</b>	<b>Lease-term</b>	<b>Discount rate</b>	<b>Amount</b>
Land	3~20 years	0.7415%~1.71%	\$ 248,432
Vehicles	2~3 years	0.799%~1.699%	4,713
Office and other equipment	3 years	0.658%	136
			<u>\$ 253,281</u>
Current			\$ 7,793
Non-current			245,488
			<u>\$ 253,281</u>

**Statement of Other Current Liabilities**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Accrued payroll and bonuses	December 2022 wages and salaries expense, estimated year-end bonuses of 2022, and remuneration of employees and directors.	\$ 678,040
Others (Note)	Payables for professional service, patents, commissions, receipts under custody and payment on behalf of others, labor and health insurances, utilities expenses, etc..	268,217
		<u>\$ 946,257</u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

**Everlight Electronics Co., Ltd.**  
**Statement of Other Non-current Liabilities**  
**December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Guarantee deposits received		\$ 164,621
Credit balance of investments in equity method		541,167
Others (Note)	Warranty provision	<u>18,336</u>
Total		<u><u>\$ 724,124</u></u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

**Statement of Sales Revenue**  
**For the year ended December 31, 2022**

<u>Item</u>	<u>Quantity (in thousands)</u>	<u>Net Sales</u>
Sales Revenue:		
Luminous element	16,700,688	\$ 9,343,232
Sensing element	6,786,569	6,846,456
Illumination	3,857	63,238
Others	130,502	<u>3,781</u>
		16,256,707
Construction revenue	-	<u>306,928</u>
Net sales revenue		<u><u>\$ 16,563,635</u></u>

Note: The above amount has deducted sales returns and discounts.

**Everlight Electronics Co., Ltd.**  
**Statement of Operating Costs**  
**For the year ended December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
Raw materials, beginning of the year	\$ 231,572
Add: Purchases of raw materials	2,638,946
Gains on physical counts of raw materials	14,570
Less: Raw materials, end of the year	(161,144)
Cost of sales on raw materials(including that for processing)	(373,585)
Transferred to expenses for requisition by indirect and research departments	(71,463)
Raw materials used for current period	2,278,896
Direct labor	228,888
Manufacturing expenses	781,170
Manufacturing cost for the current period	3,288,954
Add: Work in process, beginning of the year	89,098
Purchases	258
Less: Work in process, end of the year	(94,709)
Cost of goods manufactured	3,283,601
Add: Finished goods, beginning of the year	652,811
Purchases (including costs of raw materials and semi-finished products which from processing)	8,967,447
Less: Finished goods, end of year	(602,006)
Transferred to expenses for requisition by indirect and research department	(14,240)
Transferred to construction costs and others	(164,209)
Cost of selling finished goods	12,123,404
Add: Costs of selling tools	10,160
Costs of selling raw materials and semi-finished products	5,355
Allowance for inventory valuation and obsolescence loss	32,193
Construction costs	260,874
Others	(15,162)
Less: Income from sales of scraps	(22,264)
Total	<u><u>\$ 12,394,560</u></u>

**Everlight Electronics Co., Ltd.**  
**Statement of Operating Expenses**  
**For the year ended December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Selling expense</b>	<b>Administrative expenses</b>	<b>Research and development expenses</b>
Wages and salaries	\$ 192,197	358,919	255,580
Advertisements	53,762	1,097	-
Professional service fees	16,450	53,800	1,788
Depreciation	2,341	210,645	86,959
Commission expenses	441,576	-	-
Export charges	145,859	1,133	-
Research expenses	-	-	105,102
Utility expense	2,902	19,495	32,204
Others (Note)	94,687	168,183	71,760
<b>Total</b>	<b>\$ 949,774</b>	<b>813,272</b>	<b>553,393</b>

Note: The amount of each item include in others does not exceed 5% of the account balance.

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 1 Loans to other parties  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 6)	Ending balance (Note 6)	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	Note
													Item	Value			
0	The Company	Everlight Lighting China	Other receivables	Yes	\$ 173,305	\$ -	-	-%	Short term financing	-	Business turnover	-		-	1,835,758	7,343,032	Note7
0	The Company	Everlight Lighting China	Other receivables	Yes	534,312	-	-	1.0%	Short term financing	-	Financing Services	-		-	1,835,758	7,343,032	Note7
0	The Company	Altocom Asia LLP	Other receivables	No	96,721	62,502	45,826	1.0%	Short term financing	-	Financing Services	45,826		-	1,835,758	7,343,032	-
0	The Company	A3 Commerce LLP	Other receivables	No	38,346	24,474	18,709	1.0%	Short term financing	-	Financing Services	18,709		-	1,835,758	7,343,032	-
						<b>\$ 86,976</b>	<b>64,535</b>										
1	Everlight Zhongshan	Zhongshan Everlight Lighting	Other receivables	Yes	20,037	-	-	2.5%	Short term financing	-	Financing Services	-		-	366,356	366,356	Note7
2	Everlight BVI	Everlight China	Other receivables	Yes	921,240	307,080	-	-%	Short term financing	-	Financing Services	-		-	2,830,664	2,830,664	Note7
2	Everlight BVI	WOFI Leuchten GmbH	Other receivables	Yes	261,854	261,854	-	-%	Short term financing	-	Financing Services	-		-	2,830,664	2,830,664	Note7
2	Everlight BVI	WOFI Leuchten GmbH	Other receivables	Yes	196,390	196,390	-	1.0%	Short term financing	-	Financing Services	-	Property	158,367	2,830,664	2,830,664	Note7
3	Everlight China	Everlight Lighting China	Other receivables	Yes	445,260	445,260	445,260	2.5%	Short term financing	-	Financing Services	-		-	2,205,080	2,205,080	Note7
4	Forever	WOFI Leuchten GmbH	Other receivables	Yes	180,024	180,024	-	1.0%	Short term financing	-	Financing Services	-		-	182,827	182,827	Note7
						<b>\$ 1,390,608</b>	<b>445,260</b>										

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

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

Note 4: According to Everlight China's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of loans to others cannot exceed 40% of the net worth of Everlight China; and to borrowers having business relationship with Everlight China, 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 China's net worth.

Note 5: According to Forever's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of loans to others cannot exceed 40% of the net worth of Forever; and to borrowers having business relationship with Forever, 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 Forever's net worth.

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

Note 7: The aforementioned transactions had been eliminated in the consolidated financial statements.

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 2 Guarantees and endorsements for other parties  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

No.	Name of guarantor	Counter party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements / guarantees to third parties on behalf of subsidiary (note 3)	Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note 3)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 3)
		Name	Relationship with the Company										
0	The Company	WOFI Leuchten GmbH	100% owned subsidiary	\$ 3,671,516	\$ 614,160	\$ 614,160	\$ 505,705	-	3.35%	\$ 9,178,791	Y	-	-

Note 1 : The company is coded as "0", and subsidiaries are sorted in a numerical order starting from "1".

Note 2 : The limitation on amount of the guarantees and endorsements: According to the Company's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of the guarantee provided by the Company and its subsidiary shall not exceed 50% of the Company's net worth; for those subsidiaries wherein the Company holds at least 50% of their voting shares, the guarantee shall not exceed 20% of the Company's net worth; and for those subsidiaries wherein the Company holds less than 50% of their voting shares, the guarantee shall not exceed 10% of the Company's net worth.

Note 3 : For the Company as the guarantor to its subsidiary, or the subsidiary as the guarantor to the Company, or wherein the guarantor is located in China, please fill in Y.

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



# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 3 Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar, thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	
The Company	SinoPac TWD Money Market Fund	None	Current financial assets at fair value through profit or loss	5,869	\$ 82,900	-%	\$ 82,900	
The Company	Cathay Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	100	5,460	-%	5,460	
The Company	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	666	23,909	-%	23,909	
The Company	WT Microelectronics Co., Ltd. Preferred Stock A	None	Current financial assets at fair value through profit or loss	600	28,650	-%	28,650	
The Company	the sixth domestic unsecured convertible bonds of Sercomm Corporation	None	Current financial assets at fair value through profit or loss	100	10,000	-%	10,000	
The Company	the first domestic unsecured convertible bonds of Giant Manufacturing Co., Ltd.	None	Current financial assets at fair value through profit or loss	100	9,630	-%	9,630	
The Company	the third domestic unsecured convertible bonds of Wistron NeWeb Corporation	None	Current financial assets at fair value through profit or loss	100	11,160	-%	11,160	
					<b>\$ 171,709</b>			
Pai yee	Taishin 1699 Money Market Fund	None	Current financial assets at fair value through profit or loss	147	<b>\$ 2,022</b>	-%	2,022	
Forever	ANJET Corporation Series B Preferred Shares	None	Non-current financial assets at fair value through other comprehensive income	200	<b>\$ 18,363</b>	-%	18,363	
Pai yee	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	<b>\$ 29,198</b>	-%	29,198	
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	<b>\$ 66,996</b>	-%	66,996	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	<b>\$ 514,039</b>	-%	514,039	

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

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar, thousand shares

Name of company	Category and name of security name	Account name	Name of counter party	Relationship with the company	Beginning Balance		Purchases		Sales				Other amount	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal		Shares	Amount
The Company	Ginko International Co., LTD.	Current financial assets at fair value through profit or loss	-	-	1,110	\$ 298,035	-	-	1,110	\$ 309,868	\$ 309,868	-	\$ 11,833 (Note 1)	-	-
The Company	WOFI Leuchten GmbH	Investments accounted for using the equity method, net	Cash injection	-	5,775	\$ 844,166	-	489,717	-	-	-	-	-	5,775	1,333,883 (Note 3)

Note 1: Gain on financial assets at fair value through other comprehensive income.

Note 2: The Company invested in WOFI through a cash injection of \$ 489,717 (EUR 16,000 thousand) in August 2022, wherein the registration procedures have yet to be completed.

Note 3: The aforementioned transactions had been eliminated in the consolidated financial statements.

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 5 Related party transactions for purchases and sales with amounts exceeding the lower of NTS100 million or 20% of the capital stock  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

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)	\$ (988,124)	(6%)	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 304,513	7%	Note 2
The Company	Everlight Europe	75% owned subsidiary	(Sales)	(1,071,402)	(6%)	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 193,433	5%	Note 2
The Company	Everlight Lighting China	100% owned sub-subsiary	(Sales)	(710,056)	(4%)	Depending on the credit conditions of the ultimate customers	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 98,790	2%	Note 2
The Company	ELA	99% owned subsidiary	(Sales)	(345,826)	(2%)	OA 140	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 135,770	3%	Note 2
The Company	Everlight China	100% owned sub-subsiary	Purchases	7,905,712	75%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (2,800,065)	(69%)	Note 2
The Company	Everlight Zhongshan	100% owned sub-subsiary	Purchases	281,295	3%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (120,841)	(3%)	Note 2
The Company	Everlight Lighting China	100% owned sub-subsiary	Purchases	220,154	2%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (93,955)	(2%)	Note 2
The Company	Tekcore	Equity accounted investee by the Company	Purchases	168,977	2%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90 days	Accounts Payable (80,384)	(2%)	-
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(306,772)	(100%)	OA 120	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 120,841	100%	Note 2
Everlight China	The Company	Ultimate holding company	(Sales)	(8,272,218)	(98%)	OA 120	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 2,800,065	98%	Note 2
Everlight China	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(154,214)	(2%)	OA 90	Terms not comparable to other general trading price	General export receivables in 90 days	Accounts Receivable 42,860	2%	Note 2
Everlight China	Tekcore	Equity accounted investee by the Company	Purchases	347,126	6%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90 days	Accounts Payable (99,978)	(6%)	-
Everlight Lighting China	The Company	Ultimate holding company	Purchases	717,359	38%	Depending on the credit conditions of the ultimate customers	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (98,790)	(19%)	Note 2
Everlight Lighting China	The Company	Ultimate holding company	(Sales)	(219,736)	(10%)	OA 120	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 93,955	14%	Note 2
Everlight Lighting China	Everlight China	With the same parent company	Outsourced manufacturing fee	179,516	9%	OA 90	Terms not comparable to other general trading price	General purchase payments in 90 days	Accounts Payable (47,292)	(11%)	Note 2
ELA	The Company	Parent company	Purchases	334,984	100%	OA 140	No significant difference to the general customers	General purchase payments in 30~120 days	Accounts Payable (136,030)	(100%)	Note 2
Everlight Europe	The Company	Parent company	Purchases	1,092,135	100%	OA 120	No significant difference to the general customers	General purchase payments in 30~120 days	Accounts Payable (180,320)	(100%)	Note 2
Evlite	The Company	Parent compnay	Purchases	1,008,923	100%	OA 90	No significant difference to the general customers	General purchase payments in 90~120 days	Accounts Payable (304,508)	(100%)	Note 2
Evervision TW	VBEST GmbH	Equity accounted subsidiary by Evervision TW	(Sales)	(184,683)	(21%)	OA 90	No significant difference to the general customers	General export receivables in 90~120 days	Accounts Receivable 16,496	10%	Note 2
Evervision TW	Vbest Kunshan	Equity accounted sub-subsiary by Evervision TW	Purchases	510,988	64%	OA 150	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (178,294)	(83%)	Note 2
VBEST GmbH	Evervision TW	66.75% owned subsidiary	Purchases	190,789	100%	OA 90	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (16,496)	(100%)	Note 2
Vbest Kunshan	Evervision TW	66.75% owned subsidiary	(Sales)	(510,859)	(97%)	OA 150	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 178,294	99%	Note 2

Note 1: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2022.

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 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.

**EVERLIGHT ELECTRONICS CO., LTD.**  
**Notes to the Financial Statements**

Table 6 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

Name of company	Counterparty	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Evlite	100% owned subsidiary	\$ 304,513	2.52	-		\$ 138,503	-
The Company	Everlight Europe	75% owned subsidiary	193,433	6.21	-		187,265	-
The Company	ELA	99% owned subsidiary	135,770	2.67	-		55,215	-
The Company	Everlight China	100% owned sub-subsidiary	249,408 (Note 4)	-	-		31,690	-
Everlight China	Everlight Lighting China	With the same parent company	454,287 (Note 3)	-	-		454,287	-
Everlight China	The Company	Ultimate holding company	2,800,065	2.39	-		1,204,972	-
Everlight Zhongshan	The Company	Ultimate holding company	120,841	2.25	-		48,348	-
Vbest Kunshan	Evervision TW	66.75% owned subsidiary	178,294	3.16	-		56,236	-

Note 1: Information as of March 8, 2023.

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

Note 3: Lending funds (including interest).

Note 4: Receivables on machinery and equipment.

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

**EVERLIGHT ELECTRONICS CO., LTD.**  
**Notes to the Financial Statements**

Table 7 Information derivative financial instruments transaction  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar 、 Foreign currency

Name of holder	Financial instrument	Notional Amount	Transaction date	Maturity date	Rate	Fair Value	Credit risk
The Company	Pre-sale forward exchange contract	USD 13,000	2022.09.28~2022.12.29	2023.01.10-2023.03.14	USD/RMB 6.9420~7.3143	\$ 7,682	7,682
The Company	Pre-sale forward exchange contract	USD 48,000	2022.09.21~2022.12.30	2023.01.10-2023.05.09	USD/NTD 30.1990~31.9520	19,281	19,281
The Company	Pre-sale forward exchange contract	EUR 5,500	2022.09.12~2022.12.30	2023.01.10-2023.04.20	EUR/USD 0.9730~1.0755	(6,618)	(6,618)
Everlight China	Other derivative financial instrument contracts	RMB 115,000	2022.11.02~2022.12.12	2023.2.2~2023.3.14	3.6%~3.64%	1,672	-
Everlight Zhongshan	Other derivative financial instrument contracts	RMB 15,000	2022.11.22	2023.5.22	2.90%	212	-

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 8 Information on investees  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Ending balance			Net income (Losses) of the Investee (Note 4)	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (In thousands)	Percentage of ownership	Carrying value			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	\$ 4,762,934	\$ 4,762,934	1,540	98%	\$ 6,935,128	(69,558)	(68,167)	Subsidiaries (Note 5)
The Company	Pai yee	New Taipei City	Investment	580,253	580,253	23,940	100%	485,172	11,388	11,388	Subsidiaries (Note 5)
The Company	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	53,811	42,819	42,352	Subsidiaries (Note 5)
The Company	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	258,127	124,877	30,307	Subsidiaries (Note 5)
The Company	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	131,532	148,117	111,088	Subsidiaries (Note 5)
The Company	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	93,573	21,474	21,474	Subsidiaries (Note 5)
The Company	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	457,069	35,893	35,893	Subsidiaries (Note 5)
The Company	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	222,621	28,629	41,791	Subsidiaries (Note 5)
The Company	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	489,580	489,580	4,767	9.23%	56,417	(24,366)	(2,249)	(Note 1)
The Company	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	153,438	8,019	8,019	Subsidiaries (Note 5)
The Company	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	15,745	4,723	3,778	Subsidiaries (Note 5)
The Company	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	12,769	(508)	(508)	Subsidiaries (Note 5)
The Company	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	1,333,883	844,166	5,775	100%	(541,167)	(819,321)	(819,321)	Subsidiaries (Note 3 and 5)
The Company	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	21,506	3,353	3,353	Subsidiaries (Note 5)
Pai yee	Everlight BVI	Registered in British Virgin Islands	Investment	120,740	120,740	37	2%	141,533	(69,558)	(1,391)	Subsidiaries (Note 5)
Pai yee	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	54,401	54,401	2,716	14.72%	137,156	124,877	18,382	Subsidiaries (Note 5)
Pai yee	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	28,833	28,833	2,819	5.46%	33,373	(24,366)	(1,331)	(Note 2)
Pai yee	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	2,728	30	30	Sub-subsidiaries (Note 5)
Pai yee	ELI	India	Sale of LEDs	493	493	88	20%	3,934	4,723	945	Subsidiaries (Note 5)
ELIT	ELIT KZ	Kazakhstan	Sale of LED lighting products	73	73	-	100%	2,649	(3,974)	(3,974)	Sub-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%	226,670	124,877	34,665	Subsidiaries (Note 5)
Forever	EleOcom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	45,000	45,000	4,500	32.14%	-	-	-	-
Evervision TW	LeadTech	Hsinchu County	Wafer testing service	30,000	-	2,500	43.48%	30,774	10,923	774	-

Note 1: The market price is \$60,063.

Note 2: The market price is \$35,523.

Note 3: The Company invested in WOFI through a cash injection of EUR 11,000 thousand and EUR 16,000 thousand in July 2020 and August 2022, respectively, wherein the registration procedures have yet to be completed.

Note 4: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2022.

Note 5: The transactions between companies mentioned in note 4 had been eliminated in the consolidated financial statements.

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 9 Information on investment in Mainland China  
December 31, 2022

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

Unit: In Thousands of New Taiwan Dollar ∓ Foreign currency

Name of investee	Main businesses and products	Total amount of paid in capital (Note 6)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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, 2022 (Note 6)	Accumulated remittance of earnings as of December 31, 2022
					Outflow	Inflow						
<u>The Company and Pai yee:</u>												
Everlight China	Manufacture of LEDs	3,775,351 (US\$113,500 ∓ RMB65,129) (Note 7)	(Note 1)	3,388,935 (US\$110,360)	-	-	3,388,935 (US\$110,360)	183,827	100%	183,827	5,512,701	(Note 8)
Everlight Lighting China	Sale of LEDs	307,080 (US\$10,000) (Note 11)	(Note 1)	159,682 (US\$5,200)	-	-	159,682 (US\$5,200)	(6,503)	100%	(6,503) (Note 12)	325,770 (Note 12)	-
Everlight Electronic Guangzhou	Business development and customer services	204,298 (US\$128 ∓ RMB45,000) (Note 19)	(Note 1)	3,931 (US\$128)	-	-	3,931 (US\$128)	(200,204)	100%	(200,204) (Note 20)	(2,627) (Note 20)	-
Everlight Zhongshan	Manufacture of LED related components	921,240 (US\$30,000)	(Note 1)	921,240 (US\$30,000)	-	-	921,240 (US\$30,000)	(10,274)	100%	(10,274)	915,892	-
Everlight Fujian	Manufacture and sale of LED backlights and related	767,700 (US\$25,000)	(Note 1)	663,163 (US\$16,250 ∓ RMB36,868)	-	-	663,163 (US\$16,250 ∓ RMB36,868)	(Note 23)	(Note 23)	(Note 23)	(Note 23)	-
ELMS	Research and sale of LED lighting products	422,997 (RMB95,000) (Note 21)	Direct investment	109,028 (US\$1,294 ∓ RMB15,562)	-	-	109,028 (US\$1,294 ∓ RMB15,562)	(Note 18)	(Note 18)	(Note 18)	(Note 18)	-
<u>Evervision TW:</u> VBest Kunshan	Post assemble STN display and assemble module	552,744 (US\$18,000)	(Note 2)	552,744 (US\$18,000)	-	-	552,744 (US\$18,000)	60,682	66.75%	40,505	479,162	-
<u>Everlight Lighting China:</u> Zhongshan Everlight Lighting	Research and sale of LED lighting products	146,936 (RMB33,000)	(Note 3)	-	-	-	-	173	100%	173	5,681	-
<u>Everlight China</u> Anhui Hongming	Research and Manufacture of Mini LED lighting products	445,260 (RMB100,000)	(Note 3)	-	-	-	-	(33,547)	20%	(6,709)	82,308	-

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 9 Information on investment in Mainland China  
December 31, 2022

(ii) Limitation on investment in Mainland China:

Unit: In Thousands of New Taiwan Dollar 、 Foreign currency

Company Name	Accumulated Investment in Mainland China as of December 31, 2022 (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)	5,451,967 (USD169,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 13 、 16 、 17 and 23)	5,584,860 (USD170,898 thousand 、 RMB75,669 thousand)	11,014,549
ELIT	145,478 (USD2,723 thousand 、 RMB13,893 thousand) (Notes 9 and 18)	145,478 (USD2,723 thousand 、 RMB13,893 thousand)	133,372
Evervision TW	649,044 (Notes 15 and 22) (USD21,136 thousand)	649,044 (USD21,136 thousand)	559,059 (Note 14)

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

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

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

Note 4 : Except for Everlight Electronic (Guangzhou), Zhongshan Everlight Lighting and Anhui Hongming, which recognized their gains and losses on investment in accordance with the investees' self-reported financial statements, the gains and losses on investment of the remaining companies were recognized according to the investees' financial statements audited by the certified public accountants of Taiwan parent company and other accountants, wherein the amounts were translated into New Taiwan Dollars at the yearly average exchange rate in 2022.

Note 5 : Including the investment amount of USD 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 USD 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.

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

Note 9 : The liquidation of Yi Yao was completed in January 2020; the aforesaid investment amounting to USD 48 thousand was included in the Company's accumulated outflow of investment from Taiwan and amounting to USD 723 thousand was included in the ELIT's accumulated outflow of investment from Taiwan.

Note 10 : The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to USD 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 USD 4,800 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 : Shanghai Yaming Lighting Co., Ltd. (Yaming) had been in the process of liquidation in 2020, the aforesaid investment amounting to USD 1,464 thousand was included in the Company's accumulated outflow of investment from Taiwan.

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 USD 2,750 thousand.

Note 16 : Including the investments amounting to USD 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 USD 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 USD 293 thousand.

Note 18 : The liquidation of ELMS was completed in June 2022; and the above investment amount includes ELIT's accumulated investment amount of USD 2,200 thousand and RMB 13,893 thousand remitted from Taiwan.

Note 19 : The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in Everlight Electronic (Guangzhou) from Everlight China's owned fund.

Note 20 : Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Electronic (Guangzhou) by Everlight China.

Note 21 : The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in ELMS from Everlight Electronic (Guangzhou)'s owned fund.

Note 22 : The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to USD 386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

Note 23 : The liquidation of Everlight Electronics (Fujian) Co.,Ltd. was completed in May 2022; and the above investment amount includes the Company's accumulated investment amount of USD 16,250 thousand and RMB 36,868 thousand remitted from Taiwan..

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Company and the investee companies in Mainland China for the year ended December 31,2022.



### **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, 2022 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, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. 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 13, 2023



安侯建業聯合會計師事務所

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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, 2022 and 2021, the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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(e) 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) 5) for accounting policy of accounts receivable valuation; note 5 for uncertainty of accounts receivable valuation; note 6(c) and note 6(d) 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: determining whether the evaluation policy of the Group and the accounting policies are applied accordingly; understanding the reasons and the recoverability of long overdue receivables in subsequent period, as well as evaluating the rationality of assessment on allowance estimated by the management.

3. Revenue recognition

Please refer to note 4(q) for the accounting policy of revenue; and note 6(v) 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, 2022 and 2021, 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Yu-Ting Hsin.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2023

#### **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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 4,891,166	19	4,514,151	15	2100	Short-term borrowings (note 6(m))	\$ 537,705	2	2,489,960	8
1110	Current financial assets at fair value through profit or loss (note 6(b))	783,323	3	1,206,849	4	2130	Current contract liabilities (note 6(v))	16,974	-	68,297	-
1140	Current contract assets (note 6(v))	-	-	2,317	-	2170	Notes and accounts payable	3,020,048	12	4,806,232	16
1170	Notes and accounts receivable, net (note 6(c))	4,711,866	18	6,998,255	23	2180	Accounts payable to related parties (note 7)	180,362	1	284,448	1
1180	Accounts receivable due from related parties, net (notes 6(c) and 7)	56,922	-	36,502	-	2213	Payables on machinery and equipment	279,080	1	631,866	2
1310	Inventories (note 6(e))	1,088,402	4	1,686,565	6	2230	Current tax liabilities	682,777	3	527,638	2
1470	Other current assets	277,319	1	549,175	2	2250	Current provisions (notes 6(n) and 9)	257,225	1	77,934	-
1476	Other current financial assets (notes 6(a), 6(c), 6(d), 6(l) and 8)	<u>4,907,113</u>	<u>19</u>	<u>5,337,506</u>	<u>17</u>	2280	Current lease liabilities (note 6(q))	36,399	-	42,140	-
		<u>16,716,111</u>	<u>64</u>	<u>20,331,320</u>	<u>67</u>	2300	Other current liabilities (notes 6(b) and 6(o))	1,629,351	6	1,961,179	7
<b>Non-current assets:</b>						2322	Long-term borrowings, current portion (note 6(p))	-	-	<u>33,503</u>	-
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	29,198	-	42,071	-			<u>6,639,921</u>	<u>26</u>	<u>10,923,197</u>	<u>36</u>
1517	Non-current financial assets at fair value through other comprehensive income (note 6(y))	18,363	-	-	-	2527	Non-current contract liabilities (note 6(v))	1,733	-	-	-
1550	Investments accounted for using the equity method, net (note 6(f))	202,872	1	92,754	-	2540	Long-term borrowings (note 6(p))	9,372	-	69,572	-
1560	Non-current contract assets (note 6(v))	56,673	-	36,874	-	2550	Non-current provisions (notes 6(n) and 9)	-	-	51,895	-
1600	Property, plant and equipment (note 6(j))	7,073,869	27	7,631,501	25	2570	Deferred tax liabilities (note 6(s))	90,842	-	78,218	-
1755	Right-of-use assets (note 6(k))	424,905	2	399,679	1	2580	Non-current lease liabilities (note 6(q))	310,159	1	274,444	1
1780	Intangible assets	36,842	-	58,654	-	2640	Non-current provisions for employee benefit (note 6(r))	48,573	-	89,750	-
1840	Deferred tax assets (note 6(s))	639,043	2	532,179	2	2600	Other non-current liabilities	<u>282,226</u>	<u>1</u>	<u>229,617</u>	<u>1</u>
1900	Other non-current assets (note 6(r))	149,184	1	207,416	1			<u>742,905</u>	<u>2</u>	<u>793,496</u>	<u>2</u>
1980	Non-current other financial assets (notes 6(a), 6(c) and 8)	<u>767,118</u>	<u>3</u>	<u>1,192,989</u>	<u>4</u>		<b>Total liabilities</b>	<u>7,382,826</u>	<u>28</u>	<u>11,716,693</u>	<u>38</u>
		9,398,067	36	10,194,117	33	<b>Equity:</b>					
<b>Total assets</b>		<u>\$ 26,114,178</u>	<u>100</u>	<u>30,525,437</u>	<u>100</u>	<b>Equity attributable to owners of parent (note 6(t)):</b>					
						3110	Ordinary shares	<u>4,433,931</u>	<u>17</u>	<u>4,433,931</u>	<u>15</u>
						3200	Capital surplus (notes 6(i) and 6(t))	<u>9,094,168</u>	<u>35</u>	<u>9,103,595</u>	<u>30</u>
							Retained earnings:				
						3310	Legal reserve	2,936,466	11	2,742,830	9
						3320	Special reserve	863,833	3	821,051	3
						3350	Unappropriated retained earnings	<u>1,706,543</u>	<u>7</u>	<u>2,245,159</u>	<u>7</u>
								<u>5,506,842</u>	<u>21</u>	<u>5,809,040</u>	<u>19</u>
						3400	Other equity interests	<u>(677,359)</u>	<u>(3)</u>	<u>(863,832)</u>	<u>(3)</u>
								<u>18,357,582</u>	<u>70</u>	<u>18,482,734</u>	<u>61</u>
						3610	Non-controlling interests	<u>373,770</u>	<u>2</u>	<u>326,010</u>	<u>1</u>
							<b>Total equity</b>	<u>18,731,352</u>	<u>72</u>	<u>18,808,744</u>	<u>62</u>
						<b>Total liabilities and equity</b>		<u>\$ 26,114,178</u>	<u>100</u>	<u>30,525,437</u>	<u>100</u>

(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, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(v) and 7)	\$ 19,888,289	100	25,022,009	100
5110	Cost of sales (notes 6(e), 6(r), 7 and 12)	14,286,502	72	18,323,414	73
5900	Gross profit	5,601,787	28	6,698,595	27
Operating expenses (notes 6(r), 7 and 12):					
6100	Selling expenses	1,341,000	7	1,475,134	6
6200	Administrative expenses	1,809,657	9	2,023,608	8
6300	Research and development expenses	713,168	4	722,433	3
6450	Expected credit loss (notes 6(c) and 6(d))	267,826	1	61,955	-
		4,131,651	21	4,283,130	17
6900	Net operating income	1,470,136	7	2,415,465	10
Non-operating income and expenses:					
7100	Interest income (note 6(x))	108,879	-	95,896	-
7190	Other income (note 6(q))	247,508	1	100,137	-
7210	Net gains (losses) on disposals of property, plant and equipment	(10,566)	-	17,050	-
7225	Gains (losses) on disposals of investments, net (notes 6(f) and 6(i))	(16,861)	-	8,136	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	(99,105)	-	34,067	-
7050	Finance costs (notes 6(q) and 6(x))	(49,370)	-	(49,553)	-
7590	Other expenses and losses (note 9)	(264,752)	(1)	(74,612)	-
7630	Foreign exchange gains, net (note 6(y))	362,850	2	3,202	-
7770	Share of (loss) profit of associates accounted for using the equity method (note 6(f))	(9,515)	-	12,092	-
		269,068	2	146,415	-
7900	Profit before tax	1,739,204	9	2,561,880	10
7950	Less: Income tax expenses (note 6(s))	423,465	2	565,869	2
	Profit	1,315,739	7	1,996,011	8
Other comprehensive income:					
8310	Items that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(r))	23,557	-	(4,404)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(y))	(12,869)	-	-	-
8320	Share of other comprehensive income 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(f))	616	-	22	-
8349	Less: income tax related to items that will not be reclassified to profit or loss (note 6(s))	4,712	-	(881)	-
		6,592	-	(3,501)	-
8360	Items that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	201,520	1	(52,140)	-
8399	Less: income tax related to items that will be reclassified to profit or loss (note 6(s))	(3,334)	-	(1,820)	-
		204,854	1	(50,320)	-
8300	Other comprehensive income	211,446	1	(53,821)	-
	Total comprehensive income	\$ 1,527,185	8	1,942,190	8
Profit, attributable to:					
8610	Owners of parent	\$ 1,230,836	7	1,939,688	8
8620	Non-controlling interests	84,903	-	56,323	-
		\$ 1,315,739	7	1,996,011	8
Total comprehensive income attributable to:					
8710	Owners of parent	\$ 1,436,151	8	1,893,581	8
8720	Non-controlling interests	91,034	-	48,609	-
		\$ 1,527,185	8	1,942,190	8
Earnings per share (note 6(u))					
9750	Basic earnings per share	\$ 2.78		4.37	
9850	Diluted earnings per share	\$ 2.75		4.31	

(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, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										
						Other equity interest					
			Retained earnings			Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings						
Balance at January 1, 2021	\$ 4,433,931	9,084,110	2,671,978	1,461,039	737,295	(821,051)	-	(821,051)	17,567,302	371,388	17,938,690
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	70,852	-	(70,852)	-	-	-	-	-	-
Special reserve	-	-	-	(639,988)	639,988	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(997,634)	-	-	-	(997,634)	-	(997,634)
	-	-	70,852	(639,988)	(428,498)	-	-	-	(997,634)	-	(997,634)
Profit for the period	-	-	-	-	1,939,688	-	-	-	1,939,688	56,323	1,996,011
Other comprehensive income for the period	-	-	-	-	(3,326)	(42,781)	-	(42,781)	(46,107)	(7,714)	(53,821)
Total comprehensive income for the period	-	-	-	-	1,936,362	(42,781)	-	(42,781)	1,893,581	48,609	1,942,190
Changes in equity of associates and joint ventures accounted for using equity method	-	8,395	-	-	-	-	-	-	8,395	-	8,395
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	10,924	-	-	-	-	-	-	10,924	-	10,924
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(93,987)	(93,987)
Others	-	166	-	-	-	-	-	-	166	-	166
Balance at December 31, 2021	4,433,931	9,103,595	2,742,830	821,051	2,245,159	(863,832)	-	(863,832)	18,482,734	326,010	18,808,744
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	193,636	-	(193,636)	-	-	-	-	-	-
Special reserve	-	-	-	42,782	(42,782)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,551,876)	-	-	-	(1,551,876)	-	(1,551,876)
	-	-	193,636	42,782	(1,788,294)	-	-	-	(1,551,876)	-	(1,551,876)
Profit for the period	-	-	-	-	1,230,836	-	-	-	1,230,836	84,903	1,315,739
Other comprehensive income for the period	-	-	-	-	18,842	199,342	(12,869)	186,473	205,315	6,131	211,446
Total comprehensive income for the period	-	-	-	-	1,249,678	199,342	(12,869)	186,473	1,436,151	91,034	1,527,185
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(9,622)	-	-	-	-	-	-	(9,622)	-	(9,622)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(43,274)	(43,274)
Others	-	195	-	-	-	-	-	-	195	-	195
Balance at December 31, 2022	\$ 4,433,931	9,094,168	2,936,466	863,833	1,706,543	(664,490)	(12,869)	(677,359)	18,357,582	373,770	18,731,352

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, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 1,739,204	2,561,880
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	1,450,186	1,573,973
Expected credit loss	267,826	61,955
Net gain on financial assets or liabilities at fair value through profit or loss	(15,281)	(65,551)
Interest expense	49,370	49,553
Interest income	(108,879)	(95,896)
Share of loss (profit) of associates and joint ventures accounted for using the equity method	9,515	(12,092)
Net loss (gain) on disposal of property, plant and equipment	10,566	(17,050)
Loss (gain) on disposal of investments	16,861	(8,136)
Others	49	685
<b>Total adjustments to reconcile profit (loss)</b>	<b>1,680,213</b>	<b>1,487,441</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	459,810	(145,509)
Decrease (increase) in contract assets	(17,482)	601,307
Decrease (increase) in notes and accounts receivable (including related parties)	2,090,345	(682,769)
Decrease in inventories	598,163	21,468
Decrease (increase) in other current assets	284,282	(27,780)
Increase (decrease) in notes and accounts payable (including related parties)	(1,890,270)	368,500
Increase in provisions	105,968	56,753
Increase (decrease) in other current liabilities	(335,548)	237,578
Decrease in net defined benefit liabilities	(19,952)	(23,440)
Decrease in current contract liabilities	(49,590)	(18,816)
Others	(7,493)	(735)
<b>Total changes in operating assets and liabilities</b>	<b>1,218,233</b>	<b>386,557</b>
Cash inflow generated from operations	4,637,650	4,435,878
Interest received	107,924	76,757
Interest paid	(53,780)	(48,603)
Income taxes paid	(376,370)	(365,752)
<b>Net cash flows from operating activities</b>	<b>4,315,424</b>	<b>4,098,280</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(31,232)	-
Acquisition of investments accounted for using the equity method	(120,300)	(13,984)
Proceeds from disposal of investments accounted for using the equity method	-	8,232
Acquisition of property, plant and equipment	(1,218,987)	(952,587)
Proceeds from disposal of property, plant and equipment	170,194	120,369
Decrease in refundable deposits	25,120	3,032
Acquisition of intangible assets	(40,728)	(45,839)
Decrease (increase) other financial assets	738,865	(52,994)
Decrease (increase) in restricted deposits	26,152	(80,111)
Decrease (increase) in prepayments for equipment	44,576	(39,705)
<b>Net cash flows used in investing activities</b>	<b>(406,340)</b>	<b>(1,053,587)</b>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(1,952,255)	(1,541,935)
Repayments of long-term borrowings	(96,237)	(23,406)
Increase in guarantee deposits received	65,777	41,317
Payment of lease liabilities	(47,798)	(48,347)
Cash dividends paid	(1,551,876)	(997,634)
Acquisition of ownership interests in subsidiaries	-	(72,788)
Change in non-controlling interests	(43,274)	(17,273)
Other financing activities	195	166
<b>Net cash flows used in financing activities</b>	<b>(3,625,468)</b>	<b>(2,659,900)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>93,399</b>	<b>(57,634)</b>
<b>Net increase in cash and cash equivalents</b>	<b>377,015</b>	<b>327,159</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,514,151</b>	<b>4,186,992</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 4,891,166</b>	<b>4,514,151</b>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**December 31, 2022 and 2021**

**(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 13, 2023.

**(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. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

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

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments <sup>1</sup> , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.  Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

(Continued)

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

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant accounting policies**

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

**(b) Basis of preparation**

**(i) Basis of measurement**

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

- 1) Financial instruments 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; and
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.
- 4) The consolidated entity, WOFI Leuchten Wortmann & Fliz GmbH, resolved at its Board meeting on January 20, 2023, to file a bankruptcy to the court, wherein the financial statements were prepared on the assumption that the entity was unable to continue as a going concern and did not adopt a going concern accounting basis.

**(ii) Functional and presentation currency**

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

(Continued)

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

(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.

(ii) List of subsidiaries in the consolidated financial statements

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

Investor	Name of subsidiary	Nature of business	Percentage of ownership		Description
			December 31, 2022	December 31, 2021	
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)	Sale of LED lighting products	100 %	100 %	
The Company	WOFI Leuchten GmbH (WOFI Holding)	Sale of lighting products, pendants and accessories	100 %	100 %	Note 4
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	66.75 %	66.75 %	
Pai-yee	Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia)	Business development and customer services	100 %	100 %	

(Continued)

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

Investor	Name of subsidiary	Nature of business	Percentage of ownership		Description
			December 31, 2022	December 31, 2021	
ELIT	Everlight Intelligence Technology KZ LLP (ELIT KZ)	Sale of LED lighting products	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))	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	- %	100 %	Note 1
The Company and Everlight Electronic (Guangzhou)	Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	Research and sale of LED lighting products	- %	100 %	Note 2
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	
WOFI Holding	WOFI Wortmann & Filz GmbH (WOFI W&F GmbH)	Sale of lighting products, pendants and accessories	100 %	100 %	Note 3
WOFI Holding	Euro Technics Trade GmbH (ETT)	Sale of lighting products, pendants and accessories	100 %	100 %	Note 4
WOFI Holding	WOFI Technics Trade Limited (WTT)	Sale of lighting products, pendants and accessories	100 %	100 %	Note 4
WOFI Holding	Action GmbH (Action)	Sale of lighting products, pendants and accessories	100 %	100 %	Note 4
WOFI Holding	WOFI Verkaufsgesellschaft mbH (WOFI VG)	Sale of lighting products, pendants and accessories	100 %	100 %	Note 4
WOFI Holding	Lamp For Less GmbH (LFL)	Sale of lighting products, pendants and accessories	100 %	100 %	Note 4
Evervision TW	Evervision Electronics (B.V.I.) Limited (Evervision BVI)	Investment	100 %	100 %	
Evervision TW	VBest GmbH (VBest)	Sale of LCDs	75 %	75 %	
Evervision BVI	VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	Manufacture of LCDs	100 %	100 %	
Evervision BVI	Evervision Electronics (H.K.) Limited (Evervision HK)	Sale of LCDs	100 %	100 %	

Note 1: The subsidiary completed the liquidation procedure in May 2022.

Note 2: The subsidiary completed the liquidation procedure in June 2022.

Note 3: The company file a bankruptcy to the court in Germany on January 20, 2023.

Note 4: The Company resolved to liquidate in August 2022.

(Continued)

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

(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 the 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 of only 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 of only part of its investment in an associate of joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

(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

(Continued)



## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The 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 Group 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.

(Continued)



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

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 on which the Group's right to receive payment is established.

(Continued)

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

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.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### 6) Derecognition of financial assets

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.

(Continued)

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

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

3) Compound financial instrument

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

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

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

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

4) Financial liabilities

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

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

(Continued)

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

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation is discharged or cancelled, or expire. 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.

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. Raw materials are stated at actual purchase costs, while the calculation of costs of work in process and finished goods uses 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 control, over the financial and operating policies.

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.

(Continued)

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

The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

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

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(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 (ie activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group accounts for the assets, liabilities, revenues and expense in relation to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses. When assessing whether a joint arrangement is a joint operation or a joint venture, the Group considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, 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.

(Continued)



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

(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

A 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 expenditure

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: 2~35 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.

(Continued)



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

(m) Leases

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.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which 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

(Continued)

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

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.

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.

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

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

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and there is no substantive change in other terms and conditions of the lease.

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

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

(ii) As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. 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'.

(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)

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

(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 of 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 cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

(p) Provisions

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

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(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

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

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

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

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

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

#### (iii) Financing components

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

#### (r) Government grants and government assistance

The Group recognizes an unconditional government grant related to manufacture and research in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as reduction of depreciation expenses on a systematic basis over the useful life of the asset.

#### (s) Employee benefits

##### (i) Defined contribution plans

Obligations for contributions to the defined contribution pension plans are expensed as the related service 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.

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

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 assets 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.

(t) 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 vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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

(u) 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 are recognized in profit or loss.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the 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 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.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, 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.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(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 following period.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) The loss allowance of trade receivables

The Group has estimated the loss allowance of trade receivables that is based on the risk of default 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(c).

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

(b) Valuation of inventory

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(e) for further description on the valuation of inventories.

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash, checking accounts, and demand deposits	\$ 2,620,334	3,225,139
Time deposits	2,070,832	1,209,953
Bonds purchased under resale agreements	200,000	79,059
	<b><u>\$ 4,891,166</u></b>	<b><u>4,514,151</u></b>

(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 \$4,166,562 and \$4,574,117 as of December 31, 2022 and 2021, respectively. The non-current portion of the time deposits with maturities over three months from the acquisition date as recorded as other non-current financial assets amounting to \$0 and \$325,916 as of December 31, 2022 and 2021, respectively.

(ii) Please refer to note 6(y) 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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging	\$ 28,557	10,485
Listed convertible bonds	30,790	-
Structured deposits and financial products	581,035	460,979
Beneficiary certificate-funds	84,922	84,454
Stocks listed on domestic markets	58,019	650,931
Unlisted stocks	29,198	42,071
	<b><u>\$ 812,521</u></b>	<b><u>1,248,920</u></b>

(Continued)

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	\$ 783,323	1,206,849
Non-current	29,198	42,071
	<b><u>\$ 812,521</u></b>	<b><u>1,248,920</u></b>
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current financial liabilities held-for-trading (recorded as other current liabilities):		
Derivative instruments not used for hedging	\$ 8,212	82
	<b><u>\$ 8,212</u></b>	<b><u>82</u></b>

- (i) Listed convertible bonds are hybrid instruments. Even though it is required to record the host contract and embedded derivative separately, they are recognized as financial assets designated as at fair value through profit or loss because those investments can not be reliably measured at fair value as of the acquisition date.
- (ii) 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.
- (iii) The Group acquired \$585,151 of Ginko International Co., Ltd. shares in active market in 2021 and sold them at a fair value of \$609,965 upon disposal in May 2022, resulting in an accumulated realized gain on financial assets at fair value through profit or loss of \$24,814.
- (iv) The Group had sold its shares of Casetek Holding Limited at a fair value of \$588,853 in active market in January 2021. The accumulated realized gain on financial assets at fair value through profit or loss was \$11,668.
- (v) The Group had sold its unlisted stocks of Kaistar Lighting (Xiamen) Co., Ltd. at a fair value of \$171,265 in January 2021. The accumulated realized gain on financial assets at fair value through profit or loss was \$24,355.
- (vi) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net income pre-tax for 2022 and 2021 will be \$8,607 and \$38,873, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.
- (vii) 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:

(Continued)

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

1) Forward exchange contracts

December 31, 2022				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	30,000	USD to TWD	2023.01.10~2023.05.09
Forward exchange sold	USD	12,000	USD to RMB	2023.01.10~2023.03.14
Forward exchange sold	EUR	500	EUR to USD	2023.04.11~2023.04.20
Financial liabilities:				
Forward exchange sold	USD	18,000	USD to TWD	2023.03.16~2023.04.25
Forward exchange sold	USD	1,000	USD to RMB	2023.02.14
Forward exchange sold	EUR	5,000	EUR to USD	2023.01.10~2023.04.18

December 31, 2021				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	40,000	USD to TWD	2022.01.06~2022.04.07
Forward exchange sold	USD	13,000	USD to RMB	2022.01.06~2022.03.15
Forward exchange sold	EUR	3,000	EUR to USD	2022.01.06~2022.03.24
Financial liabilities:				
Forward exchange sold	USD	2,000	USD to TWD	2022.04.12
Forward exchange sold	USD	2,000	USD to RMB	2022.02.22~2022.03.10
Forward exchange sold	EUR	250	EUR to USD	2022.03.08

2) Other derivative financial instrument contracts

<b>December 31, 2022</b>			
<b>Contract amount (in thousands)</b>		<b>Rate</b>	<b>Maturity period</b>
<b>Financial assets:</b>			
RMB	130,000	2.90%~3.64%	2023.02.02~2023.05.22

<b>December 31, 2021</b>			
<b>Contract amount (in thousands)</b>		<b>Rate</b>	<b>Maturity period</b>
<b>Financial assets:</b>			
RMB	105,270	3.05%~3.45%	2022.01.21~2022.03.29

(viii) As of December 31, 2022 and 2021, the Group did not provide any aforementioned financial assets as collateral for its loans.

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

(c) Notes and accounts receivable (including related parties)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivable from operating activities	\$ 2,460	7,780
Accounts receivable-measured as amortized cost	<u>5,753,810</u>	<u>7,836,526</u>
	5,756,270	7,844,306
Less: Allowance for uncollectible accounts	<u>(443,538)</u>	<u>(173,403)</u>
	<b><u>\$ 5,312,732</u></b>	<b><u>7,670,903</u></b>
Notes and accounts receivable, net	\$ 4,711,866	6,998,255
Accounts receivable due from related parties, net	56,922	36,502
Long-term receivables (recorded as other non-current financial assets)	<u>543,944</u>	<u>636,146</u>
	<b><u>\$ 5,312,732</u></b>	<b><u>7,670,903</u></b>

(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 was determined as follows:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 4,264,127	0.976%	41,605
Overdue 0-90 days	34,819	40.317%	14,038
Overdue 91-180 days	32,662	69.570%	22,723
Overdue 181-270 days	4,270	99.344%	4,242
Overdue 271-365 days	44,859	100%	44,859
Overdue over one year	<u>231,334</u>	100%	<u>231,334</u>
	<b><u>\$ 4,612,071</u></b>		<b><u>358,801</u></b>

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

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 5,530,937	0.000%	-
Overdue 0-90 days	313,876	0.000%	-
Overdue 91-180 days	41,308	0.499%	206
Overdue 181-270 days	17,856	1.238%	221
Overdue 271-365 days	6,556	30.750%	2,016
Overdue over one year	150,276	100%	150,276
	<b>\$ 6,060,809</b>		<b>152,719</b>

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

	<b>December 31, 2022</b>		
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Rating A	\$ 1,061,824	0.319%	3,391
Rating B	82,375	98.751%	81,346
	<b>\$ 1,144,199</b>		<b>84,737</b>

	<b>Gross carrying amount</b>
Not overdue	\$ 1,020,258
Overdue 0-90 days	39,582
Overdue 91-180 days	1,837
Overdue 181-270 days	147
Overdue 271-365 days	1,030
Overdue over one year	81,345
	<b>\$ 1,144,199</b>

	<b>December 31, 2021</b>		
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Rating A	\$ 1,755,329	0.098%	1,725
Rating B	28,168	67.307%	18,959
	<b>\$ 1,783,497</b>		<b>20,684</b>

(Continued)

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

	<b>Gross carrying amount</b>
Not overdue	\$ 1,666,931
Overdue 0-90 days	86,057
Overdue 91-180 days	1,510
Overdue 181-270 days	831
Overdue 271-365 days	2,278
Overdue over one year	25,890
	<b>\$ 1,783,497</b>

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

	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 173,403	156,392
Impairment loss recognized	271,655	26,193
Amounts written off	(4,922)	(7,617)
Effects of foreign exchange	3,402	(1,565)
Balance on December 31	<b>\$ 443,538</b>	<b>173,403</b>

- (iii) The Group entered into an account receivable factoring agreement with certain banks, wherein the Group is not responsible for any inability of repayment by accounts receivable during the debt transfer and repayment period. As for the factoring of AR, the Group will receive prepayment and compensated deposit amounts in accordance with the factoring agreement under which 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 compensated deposit amount cannot be withdrawn prior to the repayment made by the customer, and the remaining amount as well as the pledged deposit will be received from the banks upon the actual payment from the customer and will also be recorded under the bank accounts. In addition, the Group has to pay the transaction fee at a certain percentage. As of December 31, 2022 and 2021, the compensated deposits amounting to \$0 and \$75,040, respectively, were recorded under other current financial assets.

The Group did not enter into an accounts receivable factoring agreement with banks as of December 31, 2022.

As of December 31 and 2021, the details of the factored accounts receivable were as follows:

<b>December 31, 2021</b>					
<b>Amount of sold A/R</b>	<b>Limitation amount</b>	<b>Amount advanced unpaid</b>	<b>Advance amount paid</b>	<b>Amount derecognized</b>	<b>Interest rate</b>
\$ 144,122	315,195	-	144,122	144,122	3.5%

(Continued)

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

**Notes to the Consolidated Financial Statements**

(iv) As of December 31, 2022 and 2021, 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 current financial assets) as collateral for the factoring of accounts receivable. Please refer to note 8 for details.

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other accounts receivable	\$ 123,608	99,274
Less: Loss allowance	<u>(64,535)</u>	<u>(35,762)</u>
	<b><u>\$ 59,073</u></b>	<b><u>63,512</u></b>

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

	<b>December 31, 2022</b>	
	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL- credit-impaired</b>
Not overdue	\$ 59,073	64,535
Overdue	<u>-</u>	<u>-</u>
Gross carrying amount	59,073	64,535
Impairment losses	<u>-</u>	<u>(64,535)</u>
Carrying amount	<b><u>\$ 59,073</u></b>	<b><u>-</u></b>

	<b>December 31, 2021</b>	
	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL- credit-impaired</b>
Not overdue	\$ 63,512	35,762
Overdue	<u>-</u>	<u>-</u>
Gross carrying amount	63,512	35,762
Impairment losses	<u>-</u>	<u>(35,762)</u>
Carrying amount	<b><u>\$ 63,512</u></b>	<b><u>-</u></b>

(Continued)



**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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The movements in the allowance for impairment loss with respect to other receivable were as follows:

	<b>2022</b>	<b>2021</b>
Balance of January 1	\$ 35,762	-
Recognition of (reversal gains) impairment loss on other receivables	(3,829)	35,762
Write-off provisions	<u>32,602</u>	<u>-</u>
Balance of December 31	<u><b>\$ 64,535</b></u>	<u><b>35,762</b></u>

As of December 31, 2022 and 2021, the Group did not provide any other receivables as collateral for its loans.

(e) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 195,136	270,696
Work in progress	291,651	253,634
Finished goods	<u>601,615</u>	<u>1,162,235</u>
	<u><b>\$ 1,088,402</b></u>	<u><b>1,686,565</b></u>

In 2022 and 2021, inventory cost (excluding construction cost) recognized as cost of sales amounted to \$14,027,154 and \$18,155,742, respectively.

The write-down of the inventories to net realizable value amounted to \$23,078 and \$25,834 which were recorded as cost of sales for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the Group did not provide any inventories as collateral for its loans.

(f) Investments accounted for using the equity method

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Associates	<u><b>\$ 202,872</b></u>	<u><b>92,754</b></u>

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
The carrying amount of equity of the individually insignificant associates	<u><b>\$ 202,872</b></u>	<u><b>92,754</b></u>

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	<u>2022</u>	<u>2021</u>
Attributable to the Group:		
Profit (loss) from continuing operations	\$ (9,515)	12,092
Other comprehensive income	<u>(12,253)</u>	<u>22</u>
	<u><b>\$ (21,768)</b></u>	<u><b>12,114</b></u>

- (iii) The Group had sold its entire 5.42% shares in Well and lost its significant influence over Well with the considerations of \$7,976 in August 2021. The gain on disposal of investment amounting to \$7,976 was recognized under net gain (loss) on disposal of investment.
- (iv) Tekcore Co., Ltd (Tekcore) had completed cash injection in September 2021. The Group did not invest in proportion to the percentage of ownership, which resulted in a change of the Group' s equity ownership in Tekcore, the difference was adjusted by increasing the capital surplus by \$963. In addition, the stockholders' equity of Tekcore was changed by issuing convertible bonds in September 2021. The difference was reflected by increasing the capital surplus by \$6,634 accounted for using the equity method. In September 2021, the Group had sold shares in Tekcore with the considerations of \$256. The gain on disposal of investment amounting to \$160 was recognized under net gain (loss) on disposal of investment. The aforementioned transactions decreased the Group' s percentage of ownership from 15.40% to 14.91%. Since the Group is still 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.
- (v) The Group had acquired 20% ownership of Anhui Hongming Technology Co., Ltd. (Anhui Hongming) through participation in cash injection with \$90,300 in January 2022. Therefore, the Group is able to exercise significant influence over Anhui Hongming' s operations and financial policies, thus, the long-term investment in Anhui Hongming was accounted for using the equity method.
- (vi) The Group had acquired 43.48% ownership of LeadTech Electronics Inc. (LeadTech) through participation in cash injection with \$30,000 in September 2022. Therefore, the Group is able to exercise significant influence over LeadTech, resulting in its long-term investment in LeadTech to be accounted for using the equity method. Though the Group is the single largest shareholder of the associate, the remaining shares are not concentrated within specific shareholders based on the comprehensive assessment, and the Group cannot obtain more than half of the total number of director seats, as well as the the voting rights during the shareholders' meeting. It is determined that the Group does not have absolute control and leading ability of the associate' s relevant activities and variable return; therefore, the Group doesn't have control over it.
- (vii) Pledges

As of December 31, 2022 and 2021, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

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

(g) Joint operation

The Group cooperated with the A3 Commerce LLP and Altocom Asia LLP in the joint operation of the government's 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.

The Group cooperated with Altocom Asia LLP in the joint operation of the government's streetlight project in the Republic of Kazakhstan. The joint operation ratio between the Group and the joint operators is 53.6% and 46.4%. The joint operators account for the input costs incurred in proportion, and share the income incurred by the project settlement and the expenses incurred jointly. The Group recognizes its direct rights (and its share) to the joint operation's assets, liabilities, income and expenses, which are included in the consolidated financial statements.

Disputes over the aforementioned joint operation projects had occurred in 2022 and 2021. Please refer to note 9(c) for details. As of December 31, 2022 and 2021, the Group accumulatively recognized losses of \$416,199 and \$198,878, respectively.

(h) Changes in a parent's ownership interest in a subsidiary

The Group had acquired shares of Evervision from a third party with the cash considerations of \$4,159, and its percentage of ownership increased from 65.5% to 66.75% in September 2021. In addition, the Group had acquired shares of Everlight Fujian from a third party with the cash considerations of \$68,629, and its percentage of ownership increased from 90% to 100% in July 2021.

The effects of the changes in shareholdings were as follows:

	<b>For the year ended December 31, 2021</b>
Carrying amount of non-controlling interest on acquisition	\$ 76,714
Consideration paid to non-controlling interests	(72,788)
Other equity	<u>6,998</u>
Capital surplus-differences between consideration and carrying amounts of subsidiaries acquired or disposed	<u><u>\$ 10,924</u></u>

(i) Loss control of subsidiaries

- (i) Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian) completed its liquidation process in May 2022, with a liquidating dividend of \$691,325 and a reversal of capital surplus of \$9,622 based on the change in shareholding. Everlight Fujian was no longer included in the consolidated financial statements from the date of liquidation completion.

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

The Group derecognized the assets, liabilities and the related equity components of Everlight Fujian and recognized a loss on disposal of \$43,751, which was recorded as net gains (losses) on disposal of investment.

The carrying amounts of assets and liabilities of Everlight Fujian on the date of liquidation completion were as follows:

Other current assets	\$ 707,464
Other current liabilities	<u>1,821</u>
Carrying amount of net assets	<u><u>\$ 705,643</u></u>
Other equity	<u><u>\$ (39,055)</u></u>

- (ii) Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS) completed its liquidation process in June 2022. ELMS was no longer included in the consolidated financial statements from the date of liquidation completion.

The Group derecognized the assets, liabilities and the related equity components of ELMS and recognized a gain on disposal of \$26,890, which was recorded as net gains (losses) on disposal of investment.

The carrying amounts of assets and liabilities of ELMS on the date of liquidation completion were as follows:

Other current assets	\$ 4
Other current liabilities	<u>-</u>
Carrying amount of net assets	<u><u>\$ 4</u></u>
Other equity	<u><u>\$ 26,894</u></u>

(j) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Constructio ns in progress and testing equip	Total
<b>Cost or deemed cost:</b>							
Balance on January 1, 2022	\$ 640,380	8,378,707	13,286,681	1,794,979	1,217,586	73,065	25,391,398
Add: additions	-	36,509	520,078	129,182	69,492	110,940	866,201
Add: reclassification	-	2,279	74,726	218	2,615	(81,493)	(1,655)
Less: sales	-	-	(301,213)	(113,517)	(6,445)	-	(421,175)
Less: retirement	-	(980)	(68,526)	(30,961)	(23,575)	-	(124,042)
Effect of movements in exchange rates	<u>1,568</u>	<u>84,520</u>	<u>149,814</u>	<u>25,141</u>	<u>19,090</u>	<u>6,454</u>	<u>286,587</u>
Balance on December 31, 2022	<u><u>\$ 641,948</u></u>	<u><u>8,501,035</u></u>	<u><u>13,661,560</u></u>	<u><u>1,805,042</u></u>	<u><u>1,278,763</u></u>	<u><u>108,966</u></u>	<u><u>25,997,314</u></u>

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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		Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Constructio ns in progress and testing equip	Total
	<u>Land</u>						
Balance on January 1, 2021	\$ 644,653	8,348,875	13,440,013	1,707,690	1,205,810	159,204	25,506,245
Add: additions	-	35,318	765,142	200,122	32,556	81,216	1,114,354
Add: reclassification	-	48,278	113,095	83	1,660	(165,587)	(2,471)
Less: sales	-	-	(921,840)	(35,948)	(648)	(1,175)	(959,611)
Less: retirement	-	-	(74,754)	(74,032)	(16,255)	-	(165,041)
Effect of movement in exchange rates	(4,273)	(53,764)	(34,975)	(2,936)	(5,537)	(593)	(102,078)
Balance on December 31, 2021	<u>\$ 640,380</u>	<u>8,378,707</u>	<u>13,286,681</u>	<u>1,794,979</u>	<u>1,217,586</u>	<u>73,065</u>	<u>25,391,398</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2022	\$ -	4,506,190	11,037,423	1,380,797	835,487	-	17,759,897
Add: depreciation for the year	-	302,067	809,861	154,393	66,551	-	1,332,872
Less: sales	-	-	(184,641)	(78,323)	(5,008)	-	(267,972)
Less: retirement	-	(701)	(42,299)	(30,608)	(22,877)	-	(96,485)
Effect of movements in exchange rates	-	60,331	112,381	11,807	10,614	-	195,133
Balance on December 31, 2022	<u>\$ -</u>	<u>4,867,887</u>	<u>11,732,725</u>	<u>1,438,066</u>	<u>884,767</u>	<u>-</u>	<u>18,923,445</u>
Balance on January 1, 2021	\$ -	4,182,535	11,122,999	1,311,360	779,906	-	17,396,800
Add: depreciation for the year	-	359,461	851,488	164,159	76,447	-	1,451,555
Less: sales	-	-	(836,836)	(18,734)	(648)	-	(856,218)
Less: retirement	-	-	(74,342)	(74,014)	(15,804)	-	(164,160)
Effect of movements in exchange rates	-	(35,806)	(25,886)	(1,974)	(4,414)	-	(68,080)
Balance on December 31, 2021	<u>\$ -</u>	<u>4,506,190</u>	<u>11,037,423</u>	<u>1,380,797</u>	<u>835,487</u>	<u>-</u>	<u>17,759,897</u>
<b>Carrying amounts:</b>							
Balance on December 31, 2022	<u>\$ 641,948</u>	<u>3,633,148</u>	<u>1,928,835</u>	<u>366,976</u>	<u>393,996</u>	<u>108,966</u>	<u>7,073,869</u>
Balance on January 1, 2021	<u>\$ 644,653</u>	<u>4,166,340</u>	<u>2,317,014</u>	<u>396,330</u>	<u>425,904</u>	<u>159,204</u>	<u>8,109,445</u>
Balance on December 31, 2021	<u>\$ 640,380</u>	<u>3,872,517</u>	<u>2,249,258</u>	<u>414,182</u>	<u>382,099</u>	<u>73,065</u>	<u>7,631,501</u>

(i) There was no indication that the property and equipment may be impaired in 2022 and 2021.

(ii) As of December 31, 2022 and 2021, the aforesaid property, plant and equipment were not pledged as collateral.

(k) Right-of-use assets

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

	Land	Buildings and construction	Office and other equipment	Total
Cost:				
Balance on January 1, 2022	\$ 354,116	83,585	45,044	482,745
Acquisitions	19,546	36,765	20,009	76,320
Disposal and cancellation	-	(11,203)	(21,464)	(32,667)
Effect of changes in foreign exchange rates	2,258	5,466	1,327	9,051
Balance on December 31, 2022	<u>\$ 375,920</u>	<u>114,613</u>	<u>44,916</u>	<u>535,449</u>

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

	<b>Land</b>	<b>Buildings and construction</b>	<b>Office and other equipment</b>	<b>Total</b>
Balance on January 1, 2021	\$ 355,387	98,608	37,861	491,856
Acquisition	-	26,903	20,526	47,429
Disposal and cancellation	(789)	(36,313)	(10,528)	(47,630)
Effect of changes in foreign exchange rates	(482)	(5,613)	(2,815)	(8,910)
Balance on December 31, 2021	<u><u>\$ 354,116</u></u>	<u><u>83,585</u></u>	<u><u>45,044</u></u>	<u><u>482,745</u></u>
Accumulated depreciation and impairment losses:				
Balance on January 1, 2022	\$ 32,448	30,599	20,019	83,066
Depreciation for the year	11,470	29,240	13,841	54,551
Disposal and cancellation	-	(11,203)	(18,825)	(30,028)
Effect of changes in foreign exchange rates	213	2,368	374	2,955
Balance on December 31, 2022	<u><u>\$ 44,131</u></u>	<u><u>51,004</u></u>	<u><u>15,409</u></u>	<u><u>110,544</u></u>
Balance on January 1, 2021	\$ 22,048	40,146	17,426	79,620
Depreciation for the year	10,927	27,770	13,923	52,620
Disposal and cancellation	(499)	(35,621)	(10,105)	(46,225)
Effect of changes in foreign exchange rates	(28)	(1,696)	(1,225)	(2,949)
Balance on December 31, 2021	<u><u>\$ 32,448</u></u>	<u><u>30,599</u></u>	<u><u>20,019</u></u>	<u><u>83,066</u></u>
Carrying amount:				
Balance on December 31, 2022	<u><u>\$ 331,789</u></u>	<u><u>63,609</u></u>	<u><u>29,507</u></u>	<u><u>424,905</u></u>
Balance on January 1, 2021	<u><u>\$ 333,339</u></u>	<u><u>58,462</u></u>	<u><u>20,435</u></u>	<u><u>412,236</u></u>
Balance on December 31, 2021	<u><u>\$ 321,668</u></u>	<u><u>52,986</u></u>	<u><u>25,025</u></u>	<u><u>399,679</u></u>

(l) Other current financial assets

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Time deposits with maturities over three months	\$ 4,166,562	4,574,117
Restricted time deposits	681,478	624,837
Restricted deposits	-	75,040
Other receivables	59,073	63,512
	<u><u>\$ 4,907,113</u></u>	<u><u>5,337,506</u></u>

The restricted time deposits are applicable to “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” for the Group. The restricted time deposits accounts are used for the purpose of offshore funds.

As of December 31, 2021, 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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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Short-term borrowings

The short-term borrowings are summarized as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unsecured bank loans	<u>\$ 537,705</u>	<u>2,489,960</u>
Unused short-term credit lines	<u>\$ 19,488,379</u>	<u>12,755,628</u>
Annual interest rates	<u>0.60%~2.96%</u>	<u>0.50%~2.55%</u>

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

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

(n) Provisions

(i) The carrying amounts of the provisions of the Group were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Provision - current	<u>\$ 257,225</u>	<u>77,934</u>
Provision - non-current	<u>-</u>	<u>51,895</u>
	<u><b>\$ 257,225</b></u>	<u><b>129,829</b></u>

(ii) The movements in provisions of the Group for the years ended December 31, 2022 and 2021 were as follows:

	<b>Onerous Contracts Provision</b>	<b>Law</b>	<b>Total</b>
Balance on January 1, 2022	\$ 129,829	-	129,829
Provision made during the year	66,723	141,316	208,039
Provision reversed during the year	(2,404)	-	(2,404)
Provision paid during the year	(53,912)	-	(53,912)
Offsetting allowance for other receivables	(32,602)	-	(32,602)
Effect of changes in foreign exchange rates	2,298	5,977	8,275
Balance on December 31, 2022	<u><b>\$ 109,932</b></u>	<u><b>147,293</b></u>	<u><b>257,225</b></u>
Balance on January 1, 2021	\$ 58,132	-	58,132
Provision made during the year	103,811	-	103,811
Provision reversed during the year	(32,114)	-	(32,114)
Balance on December 31, 2021	<u><b>\$ 129,829</b></u>	<u><b>-</b></u>	<u><b>129,829</b></u>

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# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- (iii) The provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The mentioned above provisions for the onerous contract, including the amount of provisions estimated by Kazakhstan Joint Operation Project, as of December 31, 2022 and 2021, were \$89,777 and \$114,113, respectively.

- (o) Other current liabilities

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Refund liabilities – current	\$ 51,316	64,630
Derivative instruments not used for hedging	8,212	82
Wages and salaries payable	157,775	233,518
Other payables	704,469	922,005
Others	<u>707,579</u>	<u>740,944</u>
	<b><u>\$ 1,629,351</u></b>	<b><u>1,961,179</u></b>

Refund liabilities mainly represent amounts expected to be paid to customers due to volume discounts under the sales contracts.

- (p) Long-term borrowings

The details were as follows:

<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	JPY	0.00%~0.90%	2030.10	9,372
Less: current portion				-
Total				<b><u>\$ 9,372</u></b>
Unsecured long-term credit lines				<b><u>\$ -</u></b>

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	KZT	6.75%~14.78%	2023.10	\$ 23,016
Unsecured bank loans	KZT	9.47%~13.16%	2025.9	70,435
Unsecured bank loans	JPY	0.00%~0.90%	2030.10	9,624
Less: current portion				(33,503)
Total				<b><u>\$ 69,572</u></b>
Unsecured long-term credit lines				<b><u>\$ -</u></b>

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (i) As mentioned in Note 6(h), the Group cooperated with other companies joint operations of the government' s streetlighting project in the Republic of Kazakhstan. According to the Consortium contracts, the Group borrowed long-term loans on behalf of the Consortium to meet the capital needs of the joint operation. The loan would be repaid by the cash in-flow generated from the joint operations. Other members of the Consortium are the joint guarantors of the long-term loans. The Group recognized its direct share (53.6%) to the joint operation's long-term loans in accordance with contracts. However, if the cash in-flow generated from the joint operation projects was not sufficient to repay all of the aforementioned long-term loans, the Group shall undertake the settlement obligation on the portion of other Consortium members (46.4%) in an amount of \$80,897. Due to the financial difficulties, other Consortium members failed to perform the obligations in accordance with the Consortium contract. Based on conservatism, the Group recognized a full provision of \$80,897 on the portion of other Consortium members long-term borrowings in 2021. Please refer to Note 6 (n) and Note 9 (c) for details.
- (ii) For information on the Group's interest risk and liquidity risk, please refer to Note 6(y) for details.
- (iii) The Group did not provide any assets as collateral for its loans as of December 31, 2022. The Group provided parts of bank deposits (recorded as other non-current financial assets) as a reserve for long-term borrowings on December 31, 2021. Please refer to Note 8 for details.
- (iv) Except as described below, there were no significant issues, repurchases, and repayments of long-term borrowings in 2022 and 2021. Information on interest expense for the periods is discussed in Note 6(x).
- (v) Considering the financial cost and risk, the Group repaid in advance its long-term bank loans of joint operation projects in the Republic of Kazakhstan in August 2022.
- (q) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	\$ 36,399	42,140
Non-current	\$ 310,159	274,444

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

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ 6,369	6,143
Variable lease payments not included in the measurement of lease liabilities	\$ 6,355	5,533
Expenses relating to short-term leases	\$ 37,176	29,947
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 614	439
Covid-19-related rent concessions (recognized in other income)	\$ 1,740	1,605

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

The amounts recognized in the consolidated statements of cash flows for the Group were as follows:

	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>96,572</u>	<u>88,804</u>

(i) Real estate leases

For the years ended December 31, 2022 and 2021, the Group leases land and buildings for its office space and factory. The leases of land typically run for a period for 3 years to 50 years, of office space for 1 to 5 years, and of factory for 3 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 10 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 5 years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(r) Employee benefits

(i) Defined benefit plans

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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ (132,156)	(157,613)
Fair value of plan assets	<u>95,903</u>	<u>77,789</u>
Net defined benefit obligations assets (liabilities)	<u>\$ (36,253)</u>	<u>(79,824)</u>
Defined benefit assets (recorded as other current asset)	\$ 12,320	9,926
Defined benefit liabilities	<u>(48,573)</u>	<u>(89,750)</u>
	<u>\$ (36,253)</u>	<u>(79,824)</u>

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

#### (ii) 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 \$95,903 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.

#### (iii) 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:

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ (157,613)	(169,848)
Benefits paid by the plan	10,429	20,318
Current service costs and interest	(2,468)	(2,833)
Remeasurement in net defined benefit assets (liability)	17,496	(5,250)
Defined benefit obligation at December 31	<u>\$ (132,156)</u>	<u>(157,613)</u>

#### (iv) 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:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 77,789	71,138
Contributions made	21,917	9,556
Benefits paid from the plan assets	(10,429)	(4,267)
Expected return on plan assets	565	516
Remeasurement in net defined benefit assets (liability)	6,061	846
Fair value of plan assets at December 31	<u>\$ 95,903</u>	<u>77,789</u>
Actual return on plan assets	<u>\$ 6,626</u>	<u>1,362</u>

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

(v) Expenses recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Service cost	\$ 1,301	1,572
Interest cost	1,167	1,261
Expected return on plan assets	(565)	(516)
	<u>\$ 1,903</u>	<u>2,317</u>

(vi) 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.750%	0.625%~0.750%
Future salary increasing rate	1.000%~3.500%	1.000%~3.500%

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 \$9,332 and \$0, respectively.

The weighted-average duration of the defined benefit obligation of the Company and Evervision TW are 14.61 years and 11.82 years, respectively.

(vii) Sensitivity analysis

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

	<u>Influences of defined benefit liabilities</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
The Company		
December 31, 2022		
Discount rate	\$ (3,951)	4,129
Future salary increasing rate	3,986	(3,837)
December 31, 2021		
Discount rate	(5,226)	5,468
Future salary increasing rate	5,229	(5,037)

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

	<b>Influences of defined benefit assets</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
Evervision TW		
December 31, 2022		
Discount rate	\$ (233)	241
Future salary increasing rate	238	(231)
December 31, 2021		
Discount rate	(283)	294
Future salary increasing rate	287	(278)

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.

(viii) 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, 2022 and 2021 were \$150,731 and \$107,192, respectively.

(s) Income taxes

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2022 and 2021 was as follows:

	<b>2022</b>	<b>2021</b>
Current tax expense		
Recognized during the period	\$ 551,710	606,602
Adjustment for prior periods	(35,886)	(4,540)
Surtax on unappropriated earnings	3,259	5,747
	<u>519,083</u>	<u>607,809</u>

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

	<u><b>2022</b></u>	<u><b>2021</b></u>
Deferred tax expense (income)		
Recognition and reversal of temporary differences	(95,618)	(41,940)
	<u>(95,618)</u>	<u>(41,940)</u>
Income tax expense	<u><b>\$ 423,465</b></u>	<u><b>565,869</b></u>
2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2022 and 2021 was as follows:		
	<u><b>2022</b></u>	<u><b>2021</b></u>
Exchange differences on translating foreign operations	\$ (3,334)	(1,820)
Actuarial gains (losses) on defined benefit plans	4,712	(881)
	<u><b>\$ 1,378</b></u>	<u><b>(2,701)</b></u>
3) Reconciliation of income tax and profit before tax for 2022 and 2021 was as follows:		
	<u><b>2022</b></u>	<u><b>2021</b></u>
Profit before income tax	<u><b>\$ 1,739,204</b></u>	<u><b>2,561,880</b></u>
Income tax using the Company's domestic tax rate	\$ 347,841	512,376
Effect of tax rates in foreign jurisdiction	90,419	172,089
Non-deductible expenses	9,304	5,182
Tax exemption of investment disposal income	(5,222)	(3,431)
Investment tax credits	(19,195)	(19,334)
Realized investment loss	(23,192)	-
Net gains or losses on domestic investments	(34,262)	(18,200)
Changes in unrecognized deferred tax assets and liabilities	67,422	(89,214)
Changes in unrecognized deferred tax assets arising from tax loss	(30,316)	(27,122)
Surtax on unappropriated earnings	3,259	5,747
Adjustment for prior periods and others	17,407	27,766
	<u><b>\$ 423,465</b></u>	<u><b>565,859</b></u>

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

Details of unrecognized deferred tax assets were as follow:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Deductible temporary differences	\$ 129,097	75,586
Tax losses	112,827	282,054
	<b><u>\$ 241,924</u></b>	<b><u>357,640</u></b>

Details of unrecognized deferred tax liabilities were as follow:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Temporary differences related to investments in subsidiaries	<b><u>\$ 590,311</u></b>	<b><u>604,222</u></b>

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, 2022 and 2021. 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, 2022, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets, and their expiry years thereof were as follows:

	<b>Year of occurrence</b>	<b>Deductible amount</b>	<b>Tax credit amount</b>	<b>Expiry year</b>
Subsidiaries in the ROC	2012~2022	\$ 60,361	12,073	2022~2032
Subsidiaries in the PRC	2017~2022	65,534	16,423	2022~2027
Subsidiaries in the United States	2008~2017	96,268	32,733	2028~2037
Subsidiaries in the United States	2018~2022	151,759	51,598	None
			<b><u>\$ 112,827</u></b>	

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

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	Defined benefit Plans	Investment loss accounted for using equity method	Loss for market price decline and obsolete inventories	Others	Total
<b>Deferred tax assets:</b>					
Balance on January 1, 2022	\$ 21,222	305,551	46,076	159,330	532,179
Recognized in profit or loss	(7,200)	108,329	(5,627)	9,692	105,194
Recognized in other comprehensive income	(4,245)	-	-	5,915	1,670
Balance on December 31, 2022	<u>\$ 9,777</u>	<u>413,880</u>	<u>40,449</u>	<u>174,937</u>	<u>639,043</u>
Balance on January 1, 2021	\$ 21,950	270,230	44,762	143,191	480,133
Recognized in profit or loss	(1,478)	35,321	1,314	15,897	51,054
Recognized in other comprehensive income	750	-	-	242	992
Balance on December 31, 2021	<u>\$ 21,222</u>	<u>305,551</u>	<u>46,076</u>	<u>159,330</u>	<u>532,179</u>
<b>Deferred tax liabilities:</b>					
	Defined benefit Plans	Difference between book and tax depreciation	Others	Total	
Balance on January 1, 2022	\$ 1,937	(1,871)	78,152	78,218	
Recognized in profit or loss	12	1,871	7,693	9,576	
Recognized in other comprehensive income	467	-	2,581	3,048	
Balance on December 31, 2022	<u>\$ 2,416</u>	<u>-</u>	<u>88,426</u>	<u>90,842</u>	
Balance on January 1, 2021	2,101	1,409	67,303	70,813	
Recognized in profit or loss	(33)	(3,280)	12,427	9,114	
Recognized in other comprehensive income	(131)	-	(1,578)	(1,709)	
Balance on December 31, 2021	<u>\$ 1,937</u>	<u>(1,871)</u>	<u>78,152</u>	<u>78,218</u>	

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.

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

- 4) The tax authorities have examined the Company's income tax returns through 2019.

The income tax returns of the Group and other consolidated entities in the ROC have been examined by the tax authorities through 2020.

(t) Capital and other equities

As of December 31, 2022 and 2021, the authorized common stocks amounted to \$10,000,000 (of which \$400,000 were reserved for the exercising of employee share options); face value of each share is \$10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,393 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Capital surplus

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Additional paid-in capital	\$ 7,817,145	7,817,145
Difference between consideration and carrying amount of subsidiaries disposed	69,273	78,895
Changes in equity of associates accounted for using the equity method	14,884	14,884
Treasury stock resulting from the redemption of convertible bonds	1,071,632	1,071,632
Share-based payment – employee stock options	119,974	119,974
Others	<u>1,260</u>	<u>1,065</u>
	<b><u>\$ 9,094,168</u></b>	<b><u>9,103,595</u></b>

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.

(ii) Retained earnings

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 the requirements issued by the FSC, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special reserve, and when the relevant assets were used, disposed of, or reclassified, this special reserve shall be reserved as distributable earnings proportionately. As of December 31, 2022 and 2021, the carrying amount of special reserve amounted to \$283,890 in both years.

In accordance with the ruling issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as 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. The amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. 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 17, 2022 and July 29, 2021, the appropriations of dividends from the earnings distribution for 2021 and 2020 were as follows:

(Continued)

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

	<b>2021</b>		<b>2020</b>	
	<b>Amount per share (dollars)</b>	<b>Total amount</b>	<b>Amount per share (dollars)</b>	<b>Total amount</b>
Dividends distributed to common shareholders:				
Cash	<u>\$ <b>3.50</b></u>	<u><b>1,551,876</b></u>	<u><b>2.25</b></u>	<u><b>997,634</b></u>

On March 13, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	<b>2022</b>	
	<b>Amount per share (dollars)</b>	<b>Total amount</b>
Dividends distributed to commons shareholders:		
Cash	<u>\$ <b>2.50</b></u>	<u><b>1,108,483</b></u>

(iii) Other equity (net of tax)

	<b>Foreign exchange differences arising from foreign operation</b>	<b>Unrealized gain (loss) from financial assets at fair value through other comprehensiv e income</b>	<b>Total</b>
<b>Balance of January 1, 2022</b>	<u>\$ (863,832)</u>	<u>-</u>	<u>(863,832)</u>
Foreign exchange differences:			
The Group	187,181	-	187,181
Disposal of other equity in foreign operations reclassified to profit or loss	12,161	-	12,161
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(12,869)	(12,869)
<b>Balance on December 31, 2022</b>	<u><b>\$ (664,490)</b></u>	<u><b>(12,869)</b></u>	<u><b>(677,359)</b></u>
<b>Balance of January 1, 2021</b>	<u>\$ (821,051)</u>	<u>-</u>	<u>(821,051)</u>
Foreign exchange differences:			
The Group	(42,781)	-	(42,781)
<b>Balance on December 31, 2021</b>	<u><b>\$ (863,832)</b></u>	<u><b>-</b></u>	<u><b>(863,832)</b></u>

(Continued)

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

(u) Earnings per share

For the years ended December 31, 2022 and 2021, the Group's basic and diluted earnings per share were calculated as follows:

	<u>2022</u>	<u>2021</u>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,230,836</u>	<u>1,939,688</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>443,393</u>	<u>443,393</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (basic) (equal to profit attributable to ordinary shareholders of the Company (diluted))	\$ <u>1,230,836</u>	<u>1,939,688</u>
Weighted-average number of outstanding ordinary shares (thousands) (basic)	443,393	443,393
Dilutive effect of potential ordinary shares:		
Employee stock bonus	<u>4,317</u>	<u>6,321</u>
Weighted-average number of outstanding ordinary shares (thousands) (diluted)	<u>447,710</u>	<u>449,714</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>				
	<u>LED</u>	<u>LCD</u>	<u>Illumination</u>	<u>Others</u>	<u>Total</u>
Primary geographical markets:					
Asia	\$ 15,569,119	272,666	752,837	79,827	16,674,449
Europe	1,549,141	244,764	397,591	-	2,191,496
Others	<u>704,981</u>	<u>296,472</u>	<u>20,891</u>	<u>-</u>	<u>1,022,344</u>
	<u>\$ 17,823,241</u>	<u>813,902</u>	<u>1,171,319</u>	<u>79,827</u>	<u>19,888,289</u>
Major products					
Construction revenue	\$ -	-	369,924	-	369,924
Sales revenue	<u>17,823,241</u>	<u>813,902</u>	<u>801,395</u>	<u>79,827</u>	<u>19,518,365</u>
	<u>\$ 17,823,241</u>	<u>813,902</u>	<u>1,171,319</u>	<u>79,827</u>	<u>19,888,289</u>

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

	2021				
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 20,625,442	306,612	686,077	65,848	21,683,979
Europe	1,580,358	155,277	739,965	-	2,475,600
Others	640,941	159,938	61,551	-	862,430
	<b>\$ 22,846,741</b>	<b>621,827</b>	<b>1,487,593</b>	<b>65,848</b>	<b>25,022,009</b>
Major products					
Construction revenue	\$ -	-	343,655	-	343,655
Sales revenue	22,846,741	621,827	1,143,938	65,848	24,678,354
	<b>\$ 22,846,741</b>	<b>621,827</b>	<b>1,487,593</b>	<b>65,848</b>	<b>25,022,009</b>

(ii) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 2,460	7,780	13,899
Accounts receivables	5,753,810	7,836,526	7,156,820
Less: allowance for impairment	(443,538)	(173,403)	(156,392)
	<b>\$ 5,312,732</b>	<b>7,670,903</b>	<b>7,014,327</b>
Contract assets-illumination	\$ 63,583	39,191	640,498
Less: allowance for impairment	(6,910)	-	-
	<b>\$ 56,673</b>	<b>39,191</b>	<b>640,498</b>
Contract liabilities-illumination	\$ 1,733	-	64,992
Contract liabilities-Advance receipt	\$ 16,974	68,297	22,121

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$59,157 and \$77,807, 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.

(w) Remuneration of employees and directors

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

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The remuneration to employees amounted to \$146,864 and \$286,630, and the remuneration to directors amounted to \$17,211 and \$26,042, in 2022 and 2021, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees and directors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These remunerations are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting. The amounts, as stated in the consolidated financial statements are identical to those of the actual distributions for 2022 and 2021.

(x) Non-operating income and expenses

The interest income and finance costs in 2022 and 2021 were as follows:

(i) Interest income

	<u>2022</u>	<u>2021</u>
Cash in banks	\$ 107,435	93,874
Other	<u>1,444</u>	<u>2,022</u>
	<u><u>\$ 108,879</u></u>	<u><u>95,896</u></u>

(ii) Finance costs – interest expenses

	<u>2022</u>	<u>2021</u>
Loans	\$ 43,001	43,410
Lease liabilities	<u>6,369</u>	<u>6,143</u>
	<u><u>\$ 49,370</u></u>	<u><u>49,553</u></u>

(y) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Credit risk of receivables

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

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

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

(ii) Liquidity Risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>December 31, 2022</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 537,705	(540,888)	(540,888)	-	-
Notes and accounts payable (including related parties)	3,200,410	(3,200,410)	(3,200,410)	-	-
Payables on construction and equipment	279,080	(279,080)	(279,080)	-	-
Other payables (recorded as other current liabilities)	1,546,559	(1,546,559)	(1,546,559)	-	-
Lease liabilities (including current and non-current)	346,558	(443,403)	(42,680)	(35,042)	(365,681)
Long-term borrowings (including current portion)	9,372	(9,671)	(237)	(1,415)	(8,019)
Guarantee deposits received	256,412	(256,412)	-	-	(256,412)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	8,212				
Outflow	-	(747,111)	(747,111)	-	-
Inflow	-	734,447	734,447	-	-
	<u><u>\$ 6,184,308</u></u>	<u><u>(6,289,087)</u></u>	<u><u>(5,622,518)</u></u>	<u><u>(36,457)</u></u>	<u><u>(630,112)</u></u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,489,960	(2,493,283)	(2,493,283)	-	-
Notes and accounts payable (including related parties)	5,090,680	(5,090,680)	(5,090,680)	-	-
Payables on construction and equipment	631,866	(631,866)	(631,866)	-	-
Other payables (recorded as other current liabilities)	1,894,243	(1,894,243)	(1,894,243)	-	-
Lease liabilities (including current and non-current)	316,584	(408,445)	(47,511)	(29,060)	(331,874)
Long-term borrowings (including current portion)	103,075	(124,524)	(45,422)	(32,492)	(46,610)
Guarantee deposits received	190,635	(190,635)	-	-	(190,635)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	82				
Outflow	-	(118,640)	(118,640)	-	-
Inflow	-	118,769	118,769	-	-
	<u><u>\$ 10,717,125</u></u>	<u><u>(10,833,547)</u></u>	<u><u>(10,202,876)</u></u>	<u><u>(61,552)</u></u>	<u><u>(569,119)</u></u>

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

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant financial assets and liabilities exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 146,554	USD/TWD =30.7080	4,500,380	176,639	USD/TWD =27.69	4,891,134
RMB	436,729	RMB/TWD =4.4526	1,944,580	665,090	RMB/TWD =4.3482	2,891,944
HKD	329,017	HKD/TWD =3.9351	1,294,715	480,141	HKD/TWD =3.5517	1,705,317
Financial liabilities						
Monetary items						
USD	22,665	USD/TWD =30.7080	695,966	92,004	USD/TWD =27.69	2,547,591
USD	17,801	USD/RMB =6.8967	546,633	50,363	USD/RMB =6.3681	1,394,511
RMB	749,268	RMB/TWD =4.4526	3,336,191	1,096,884	RMB/TWD =4.3482	4,769,471

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, 2022 and 2021 would have increased (decreased) the profit before tax by \$176,048 for the year ended December 31, 2022, and increased (decreased) the profit before tax by \$82,215 for the year ended December 31, 2021. 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, 2022 and 2021, the foreign exchange gains (losses), including both realized and unrealized, amounted to \$362,850 and \$3,202, respectively.

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

(iv) Interest rate analysis

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

	<b>Carrying amount</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Variable rate instruments:		
Financial assets	\$ 3,405,339	3,690,118
Financial liabilities	(505,705)	(1,414,499)
	<b>\$ 2,899,634</b>	<b>2,275,619</b>

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

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax for the years ended December 31, 2022 and 2021, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

	<b>2022</b>	<b>2021</b>
Increase by 0.25%	\$ 7,249	5,689
Decrease by 0.25%	(7,249)	(5,689)

(v) Fair value

1) Procedure of valuation

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- 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).

### 2) 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, 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 lease liabilities, disclosure of fair value information is not required.

	December 31, 2022				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>					
Derivative financial assets	\$ 28,557	-	28,557	-	28,557
Non-derivative financial assets mandatorily measured at fair value through profit or loss	783,964	173,731	610,233	-	783,964
	812,521				
<b>Financial assets at fair value through other comprehensive income:</b>					
Foreign unlisted stocks	18,363	-	-	18,363	18,363
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	4,891,166	-	-	-	-
Notes and accounts receivable (including related parties)	4,768,788	-	-	-	-
Other current financial assets	4,907,113	-	-	-	-
Refundable deposits (recorded as other non-current assets)	94,503	-	-	-	-
Other non-current financial assets	767,118	-	-	-	-
	15,428,688				
	<u>\$ 16,259,572</u>				
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities (recorded as other current liabilities)	\$ 8,212	-	8,212	-	8,212

(Continued)

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

		December 31, 2022			
		Book value	Fair value		
			Level 1	Level 2	Level 3
Financial liabilities measured at amortized cost:					
Short-term borrowings	537,705	-	-	-	-
Notes and accounts payable (including related parties)	3,200,410	-	-	-	-
Payable on construction and equipment	279,080	-	-	-	-
Lease liabilities	346,558	-	-	-	-
Other current payables (recorded as other current liabilities)	1,546,559	-	-	-	-
Long-term borrowings (including current portion)	9,372	-	-	-	-
Guarantee deposits received (recorded as other non-current liabilities)	256,412	-	-	-	-
	6,176,096				
	\$ 6,184,308				
		December 31, 2021			
		Book value	Fair value		
			Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 10,485	-	10,485	-	10,485
Non-derivative financial assets mandatorily measured at fair value through profit or loss	1,238,435	735,385	503,050	-	1,238,435
	1,248,920				
Financial assets measured at amortized cost:					
Cash and cash equivalents	4,514,151	-	-	-	-
Notes and accounts receivable (including related parties)	7,034,757	-	-	-	-
Other current financial assets	5,337,506	-	-	-	-
Refundable deposits (recorded as other non-current assets)	119,623	-	-	-	-
Other non-current financial assets	1,192,989	-	-	-	-
	18,199,026				
	\$ 19,447,946				

(Continued)

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

		December 31, 2021			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities (recorded as other current liabilities)	\$ 82	-	82	-	82
<b>Financial liabilities measured at amortized cost:</b>					
Short-term borrowings	2,489,960	-	-	-	-
Notes and accounts payable (including related parties)	5,090,680	-	-	-	-
Payables on construction and equipment	631,866	-	-	-	-
Lease liabilities	316,584	-	-	-	-
Other current payables (recorded as other current liabilities)	1,894,243	-	-	-	-
Long-term borrowings (including current portion)	103,075	-	-	-	-
Guarantee deposits received (recorded as other non-current liabilities)	190,635	-	-	-	-
	<u>10,717,043</u>				
	<b><u>\$ 10,717,125</u></b>				

3) 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:

- a) The book value of financial assets and liabilities at amortized cost are similar to their fair value.
- 4) Fair value valuation technique of financial instruments measured at fair value
- a) 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.
  - b) 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.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- c) 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.
- d) 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.
- 5) There were no transfers from one level to another of the Group for the years ended December 31, 2022 and 2021.
- 6) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Group for the year ended December 31, 2022:

	<b>Financial assets at fair value through other comprehensive income – unquoted equity instruments</b>
Balance on January 1, 2022	\$ -
Repurchased	31,232
Total gains and losses recognized:	
In other comprehensive income	(12,869)
Balance on December 31, 2022	<u><u>\$ 18,363</u></u>
	<u><b>2022</b></u>
Total gains and losses recognized:	
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	<u><u>\$ (12,869)</u></u>

- 7) 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.

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The quantitative information about significant unobservable inputs was as follows:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationships between significant unobservable inputs and fair value</b>
Financial assets at fair value through other comprehensive income - equity investments without an active market	Guideline Public Company method - Price-Book Method	<ul style="list-style-type: none"> <li>Price-to-Book ratio (P/B Ratio) (4.94 on December 31, 2022)</li> <li>Lack of marketability discount rate (20% on December 31, 2022)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the P/B ratio, the higher the fair value.</li> <li>The higher the lack of marketability discount, the lower the fair value.</li> </ul>

- 8) Fair value measurements in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

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 profit or loss or other comprehensive income or loss were as follows:

	<b>Input</b>	<b>Variation</b>	<b>Impacts of fair value changes on other comprehensive income</b>	
			<b>Advantageous change</b>	<b>Disadvantageous change</b>
<b>December 31, 2022</b>				
Financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ <u>725</u>	<u>(1,093)</u>
Financial assets at fair value through other comprehensive income	Lack of marketability discount	5%	\$ <u>43</u>	<u>(411)</u>

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The table above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- (z) 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

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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.

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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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, 2022 and 2021.

(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(p) for the unused credit lines of short-term and long-term loans as of December 31, 2022 and 2021.

(v) Market risk

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

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

1) Currency risk

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

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

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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.

(aa) 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:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 7,382,826	11,716,693
Total equity	18,731,352	18,808,744
Interest-bearing liabilities	547,077	2,593,035
Debt-to-equity ratio	39 %	62 %
Interest-bearing liabilities to equity ratio	3 %	14 %

(ab) 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, 2022 and 2021, were acquisition of right-of-use assets by lease; please refer to note 6(k). Reconciliations of liabilities arising from financing activities were as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>December 31, 2022</b>
			<b>Increase</b>	<b>Foreign exchange movement</b>	
Short-term borrowings	\$ 2,489,960	(1,952,255)	-	-	537,705
Long-term borrowings	103,075	(96,237)	-	2,534	9,372
Lease liabilities	316,584	(47,798)	73,630	4,142	346,558
Guarantee deposits received	190,635	65,777	-	-	256,412
Total liabilities from financing activities	<u>\$ 3,100,254</u>	<u>(2,030,513)</u>	<u>73,630</u>	<u>6,676</u>	<u>1,150,047</u>

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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	<b>January 1, 2021</b>	<b>Cash flow</b>	<b>Non-cash changes</b>		<b>December 31, 2021</b>
			<b>Increase</b>	<b>Foreign exchange movement</b>	
Short-term borrowings	\$ 4,031,895	(1,541,935)	-	-	2,489,960
Long-term borrowings	134,444	(23,406)	-	(7,963)	103,075
Lease liabilities	323,941	(48,347)	46,709	(5,719)	316,584
Guarantee deposits received	149,318	41,317	-	-	190,635
Total liabilities from financing activities	<u>\$ 4,639,598</u>	<u>(1,572,371)</u>	<u>46,709</u>	<u>(13,682)</u>	<u>3,100,254</u>

**(7) Related-party transactions**

**(a) Names and relationship with related parties**

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

<b>Name of related party</b>	<b>Relationship with the Group</b>
Tekcore Co., Ltd. (Tekcore)	The Group's associate
Well Service Company Ltd. (Well)	The Group's associate
Anhui Hongming Technology Co., Ltd. (Anhui Hongming)	The Group's associate
LeadTech Electronics Inc. (LeadTech)	The Group's associate

Note: After the director reelection by the shareholders' meeting of Well and the Group disposed all its shareholdings in August 2021, the Group was no longer the corporate director of Well and Well was 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:

	<b>2022</b>	<b>2021</b>
Associates	<u>\$ 120,678</u>	<u>68,171</u>

There were no significant differences in the collection periods and sales prices between the related parties and other customers, and the payment term was 60 to 165 days. There were no significant differences in the payment term between the related parties and other customers.

**(ii) Purchase**

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

	<b>2022</b>	<b>2021</b>
Associates	<u>\$ 516,102</u>	<u>671,198</u>

The payment term was 90 to 150 days for other related parties and third-party suppliers.

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(iii) Accounts receivable due from related parties

The accounts receivable due from related parties were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Associates	\$ <u>56,922</u>	<u>36,502</u>

(iv) Accounts payable to related parties

The accounts payable to related parties were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Associates	\$ <u>180,362</u>	<u>284,448</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 34,364	51,796
Others	<u>247</u>	<u>396</u>
	<u>\$ 34,611</u>	<u>52,192</u>

There are no termination benefits and other long-term benefits.

**(8) Pledged assets**

The carrying amounts of the pledged assets were as follows:

<b>Assets</b>	<b>Objectives</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Time deposits (recorded as other non-current financial assets)	Guarantee for contract grant and guarantee for construction contracts	\$ 223,174	220,559
Restricted deposits (recorded as other current financial assets)	Contract of accounts receivable factoring	-	75,040
Restricted deposits (recorded as other non-current financial assets)	Reserve account for long-term borrowings	<u>-</u>	<u>10,368</u>
		<u>\$ 223,174</u>	<u>305,967</u>

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**(9) Commitments and contingencies**

**(a) Litigation with Nichia Corporation (Nichia)**

On July 15, 2021, Nichia filed an action for damages against the Group's subsidiary, WOFI Leuchten Wortmann & Filz GmbH (hereinafter referred to as WOFI W&F GmbH), for infringement of patent EP0936682 (DE69702929) with the District Court of Dusseldorf, Germany, demanding for compensation of EUR 4,500 thousand. On October 31, 2022, the District Court of Dusseldorf, Germany ruled that WOFI W&F GmbH should pay the damage of EUR 3,225 thousand to Nichia. However, WOFI W&F GmbH disagreed with the decision made by the court. Hence, on November 31, 2022, WOFI W&F GmbH filed an appeal with the High Court of Justice in Dusseldorf, Germany. The case is currently still in progress. As of the financial reporting date, WOFI W&F GmbH have assessed the final judgment of the above case and possible amount for claim, for an estimated provision for liabilities of EUR 4,500 thousand (approximately \$141,316).

In September 2015, Nichia filed a lawsuit against the Group's subsidiary, WOFI W&F GmbH, for infringement of patent EP2276080 with the District Court of Dusseldorf, Germany. On December 15, 2016, the District Court of Dusseldorf, Germany, ruled against WOFI W&F GmbH in the first instance. On January 12, 2017, WOFI W&F GmbH filed an appeal with the High Court of Justice in Dusseldorf, Germany. In October 2017, a ruling notice had been received from the European Patent Office that the original scope of patent EP2276080 was invalid and that the revised scope of the patent was valid. However, in April 2022, patent EP2276080 was judged valid by the European Patent Office and the infringement lawsuit was reopened. On December 16, 2022, the High Court of Justice in Dusseldorf, Germany ruled against WOFI W&F GmbH in the second trial. Thereafter, the case proceeded to the execution of the litigation order. Based on the ruling, the Group was awarded the compensation payment of approximately EUR 65 thousand, wherein the Group assessed that the final ruling of this case do not have any material effects on the operations.

**(b) Lawsuit with Bench Walk Lighting LLC (BWL)**

In January 2020, Bench Walk Lighting LLC (BWL) filed a lawsuit against the Group in the United States District Court for the District of Delaware for infringement of BWL's U.S. patents US6806658, US7115428, US7145182, US7239080, US7470936, US7488990, US7519287, US7847300, US9887338 and US9209373, concerning holders, substrates, and package designs for the Group's LED products. The case is still in court proceedings, and the Group believes that the LED products have not infringed on patents mentioned above. Hence, the Group assessed that the final ruling of this case will not have any material effects on the operations.

**(c) The Group and local companies A3 Commerce LLP and Altocom Asia LLP in Kazakhstan (hereinafter "Consortium A") executed in 2017 a contract for the project of installation as well as maintenance and operation of intelligent street lights with the Pavlodar Government, the Republic of Kazakhstan. The project period is six years and the total contract price is USD 8,967 thousand. Consortium A has completed installation of light fixtures under the contract. On January 4, 2019, the Pavlodar Government completed the acceptance of the installation. Nevertheless, during the subsequent operation period, the Pavlodar Government found a shortage in certain equipment of the intelligent control system, installed by A3 Commerce LLP, a member of Consortium A, and suspended release of the project payments for the second quarter of 2020, as well as the ensuing quarters, and issued a letter on October 26, 2020, asking Consortium A to install the missing intelligent control system according to the contract as soon as possible.**

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The Group believes that Consortium members A3 Commerce LLP failed to diligently perform its obligations of installing the intelligent control system, and Altocom Asia LLP failed to exercise the duty of management of maintenance and operation, and that both entities have become incompetent. To protect its rights and interests, the Group sent a letter to the Pavlodar Government in December 2020, asking for a change by removing A3 Commerce LLP and Altocom Asia LLP from the Consortium. However, the Pavlodar Government only sent a letter in January 2021, reemphasizing its request to correct the issues of equipment shortage and defects as mentioned above, and then filed a lawsuit on February 9, 2021, at a Kazakhstan court, demanding a termination of the contract with Consortium A and a compensation of KZT 268,883 thousand (approximately \$18,203). The Group has retained Baker McKenzie Taipei Office and Almaty Office, with the goal of negotiating with Pavlodar Government to amend the contract and to allow the Group to complete the unfinished project individually. Because the Pavlodar Government failed to proceed with the negotiation with Consortium A before directly filing a lawsuit to terminate the contract, the local court in Kazakhstan has dismissed both the Pavlodar Government's action on March 10, 2021 and its appeal on April 22, 2021, for that the procedure was not compliant with the laws. The Pavlodar Government promptly started its negotiations with Consortium A after its action was dismissed.

According to the opinion issued by its lawyers on March 22, 2021, the Group is now trying to understand the claims and share of responsibilities of both parties, hoping to come up with a negotiation proposal to resolve the disputes. However, the actual outcome remains unpredictable. The maximum risk exposure in the case of contract termination is approximately \$141,599. As of December 31, 2020, the Group has estimated a projected loss of \$58,754 for 2020 based on reasonably estimated obligations. It also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Group's right caused by their project defects.

Furthermore, on June 21, 2021, the Energy and Utilities Department of the Pavlodar region filed a lawsuit against the Utilities, Road, and Passenger Traffic Department of the Pavlodar City, all members of Consortium A, as well as all its contractors, claiming to invalidate the acceptance of the project completion in January 2019. The Group has hired lawyers to defend in court arguing that because the very same lawsuit was initiated by the Pavlodar Government in December 2020, and the court already ruled that the lawsuit was baseless and dismissed the case, so on the basis of the principle of double jeopardy, as well as on the fact that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Government has no legal right to claim to verify the acceptance is invalid, the lawsuit shall be dismissed. The lawyers have also asked the court to transfer the case to another court. On July 21, 2021, the first instance court ruled for a change of venue. Later, the Energy and Utilities Department of the Pavlodar region filed an appeal against such ruling. On August 5, 2021, the second instance court reversed the ruling of change of venue, and the case was remanded to the first instance court to continue the review. On September 13, 2021, the first instance court decided to dismiss the Group's arguments regarding the principle of double jeopardy, as well as regarding that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Government has no legal right to claim to verify the acceptance is invalid, and the court issued a judgment determining the project acceptance in January 2019 is invalid. Nevertheless, the Group believes the decision is apparently inconsistent with the law, and filed an appeal on October 1, 2021, to dismiss the ruling and another appeal on October 19, 2021, against the above judgment that determines the acceptance is invalid. On December 28, 2021, the second instance court judge dismissed the Group's motion and appeal, a dismissal that has the effect of a final court judgment. The Group filed an appeal against the second instance ruling and judgment with the third instance court, and the third instance court dismissed the Group's appeal on April 4,

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2022. The claim of the case was only to confirm that the act of acceptance in January 2019 is invalid, and the Pavlodar Government did not seek any compensation.

Because the negotiations between the parties were not successful, the Pavlodar Government again filed a lawsuit against Consortium A, asking to terminate the contract with Consortium A and demanding a compensation of KZT 1,345,882 thousand (approximately \$85,733) on February 10, 2022. The Group has retained lawyers for defense to ensure protection of the maximum legal interest of the Group. In view that termination of agreement may not be the best possible outcome for the parties, efforts are being made to continue negotiations with the Pavlodar Government to seek a resolution that benefits both parties. On April 27, 2022, the first instance court in its judgment granted all claims from the Pavlodar Government. The Group believes that such judgment is apparently contrary to the laws, and on June 2, 2022, an appeal was filed against the first instance judgment. On July 19, 2022, the second instance court judge dismissed the Group's appeal, and finalized the judgement.

The Group and a local company Altocom Asia LLP in Kazakhstan (hereinafter "Consortium B") executed a contract for the project of installation as well as maintenance and operation for intelligent street lights with the Taraz Government, the Republic of Kazakhstan in 2019. The project period is six years. The total contract price is USD 14,196 thousand. Consortium B is installing light fixtures according to the contract. On March 18, 2021, the Taraz Government claimed that Consortium B performed certain project work before the corresponding design papers were ready and failed to complete the project as agreed by December 30, 2020, and therefore, the Government filed a lawsuit to terminate the contract. However, the Group believed that Consortium B has proceeded with the relevant work under the contract and that there were no delays or defects as claimed. According to the opinion issued by its lawyers on March 22, 2021, the Group is now trying to understand the claims and share of responsibilities of the parties. However, the actual outcome remains unpredictable. Because the Taraz Government failed to proceed with the negotiation with Consortium B before directly filing a lawsuit to terminate the contract, the lawyers representing the Group are expecting to make a defense against the Taraz Government's action by claiming that the procedure was not compliant with the laws. The Group's lawyers have also filed a motion for change of venue and have been trying to negotiate with the Taraz Government to resolve the disputes. On April 22, 2021, the local court of laws granted the motion for change of venue and decided to transfer the case to a local commercial court. On July 21, 2021, the commercial court of Taraz Province issued a ruling against the Group. The Group filed an appeal on August 19, 2021. On September 23, 2021, the second instance court issued a judgment to dismiss the appeal, and such judgment is final and binding. Because the Group believes Consortium B was not at fault, it filed an appeal against the second instance judgment with the third instance court, and the third instance court dismissed the appeal on April 18, 2022. In this case, the judgment is only to determine whether the termination of contract is valid, and the Taraz Government did not claim for compensations. On the other hand, the Group will continue to assess whether to request the Taraz Government to return of equipment to the Group or pay for it.

According to the opinion issued by its lawyers on March 17, 2022, the Group evaluated the outcome of the final judgments of the two cases and possible amount to be claimed, and entered an additional provision of \$55,981 for 2021 recorded as other expenses and losses. Further, in response to the expected uncollectible accounts receivable and expenditures of loans to other Consortium members, the Group entered an allowance for loss totaling \$84,143 recorded as expected credit loss. As of December 31, 2021, the accumulated losses of the above two cases was \$198,878, including impairment loss of \$84,143, other expenses and losses of \$622, and provisions of \$114,113.

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As of the financial reporting date, with the assistance of the lawyers, the Group believed that its litigation in Kazakhstan has exhausted the judicial procedures and reached the Supreme Court of Kazakhstan. Although there are special relief procedures similar to those retrials in Taiwan, the Group is of the opinion that its special relief procedures will not achieve a favorable outcome for the Group, considering the local political environment and judicial peculiarities.

Based on the above assessments for the year ended December 31, 2022, the Group recognized the additional allowance for its loss, write down of the inventories to net realizable value, and other reasonably determinable obligations/compensation of \$37,554, \$62,214, and \$117,553 as expected credit loss due to the expected uncollectible accounts receivable, cost of sales, as well as other expenses and losses for the above two cases, respectively. Further, the Group also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Group's right caused by their project defects. As of December 31, 2022, the accumulated losses of the above two cases was \$416,199.

(d) Significant commitments unrecognized:

- (i) As of December 31, 2022 and 2021, the Group's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$192,406 and \$756,448, respectively.
- (ii) As of December 31, 2022 and 2021, the unused balance of the Group's outstanding standby letters of credit amounted to \$2,577 and \$27,836, respectively.

**(10) Losses Due to Major Disasters: none**

**(11) Subsequent Events:**

The Group operated a retail channel for lighting products in Germany to expand its overseas lighting market. However, due to factors such as global recession and market competition, the Group's subsidiary, WOFI W&F GmbH, had been experiencing losses for consecutive years leading to insolvency. Thus, it decided to liquidate and dispose the assets actively and negotiate with creditors for debt repayment. However, in January 2023, the Group assessed that WOFI W&F GmbH's property was still insufficient to repay the remaining debt balance, resulting in a bankruptcy application filed by the liquidator on January 20, 2023, in accordance with the German local laws. On January 24, 2023, the German court granted the application for temporary bankruptcy management and appointed a temporary bankruptcy trustee. However, the relevant procedures for the bankruptcy application to Amtsgericht Arnberg, a German local court, filed by the temporary bankruptcy trustee, were still in progress. As of March 13, 2023, the final formal approval for bankruptcy has yet to be obtained from Amtsgericht Arnberg. Nevertheless, the Group had already recognized the accumulated losses of WOFI W&F GmbH, and therefore, the above matter did not have a significant impact on the Group's finance and business.

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**(12) Other**

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

By function By item	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,257,600	1,643,558	2,901,158	2,069,021	1,846,976	3,915,997
Labor and health insurance	84,403	136,612	221,015	89,025	134,522	223,547
Pension	97,067	55,567	152,634	74,075	35,434	109,509
Others	109,017	75,654	184,671	128,991	75,838	204,829
Depreciation	883,084	504,339	1,387,423	942,416	561,759	1,504,175
Amortization	36,433	26,330	62,763	41,352	28,446	69,798

- (b) On August 25, 2022, the Company's board of directors resolved to dissolve and liquidate WOFI Leuchten GmbH and its subsidiaries. In accordance with the aforementioned decision, the Group filed for liquidation and dissolution of WOFI W&F GmbH on August 29, 2022. Thereafter, the Group designated November 30, 2023 as the final operational day for WOFI W&F GmbH after prudent evaluation. The Group had been negotiating with the employee union of WOFI W&F GmbH since August 2022. On September 21, 2022, both parties reached a layoff agreement. Thereafter, WOFI W&F GmbH issued a notice regarding the termination, dissolution and placements of its employees, in which the related severance pay were recognized as management expenses in 2022 and had been fully paid. As of December 31, 2022, the Group did not have any significant obligations for the salary or severance pay arising from the aforementioned situation regarding layoff.

**(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, 2022:

- (i) Loans to other parties: Please refer to table 1.
- (ii) Guarantees and endorsements for other parties: Please refer to table 2.
- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 3.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to table 4.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (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: Please refer to table 5.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to table 6.
- (ix) Information derivative financial instruments transaction: Please refer to table 7.
- (x) Business relationships and significant intercompany transactions: Please refer to table 8.
- (b) Information on investees: Please refer to table 9.
- (c) Information on investment in Mainland China: Please refer to table 10.
- (d) Major shareholders: There is no shareholders holding more than 5% shares.

#### **(14) Segment information:**

##### **(a) General Information**

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

Other operating segments mainly engage in the sale of raw materials for electronic products, masks, and electrophoretic displays. The above operating segments did not meet the quantitative thresholds for the years ended December 31, 2022 and 2021.

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.

(Continued)

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

**Notes to the Consolidated Financial Statements**

- (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.

		2022					
		LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues							
Revenues from external customers	\$ 17,823,241	813,902	1,171,319	79,827	-	19,888,289	
Intersegment revenues	-	-	-	-	-	-	
Total revenues	<u>\$ 17,823,241</u>	<u>813,902</u>	<u>1,171,319</u>	<u>79,827</u>	<u>-</u>	<u>19,888,289</u>	
Reportable segment profit (loss)	<u>\$ 2,236,239</u>	<u>140,059</u>	<u>(923,485)</u>	<u>17,323</u>	<u>-</u>	<u>1,470,136</u>	
Reportable segment assets						<u>\$ 26,114,178</u>	
		2021					
		LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues							
Revenues from external customers	\$ 22,846,741	621,827	1,487,593	65,848	-	25,022,009	
Intersegment revenues	-	-	-	-	-	-	
Total revenues	<u>\$ 22,846,741</u>	<u>621,827</u>	<u>1,487,593</u>	<u>65,848</u>	<u>-</u>	<u>25,022,009</u>	
Reportable segment profit (loss)	<u>\$ 2,867,377</u>	<u>46,363</u>	<u>(505,311)</u>	<u>7,036</u>	<u>-</u>	<u>2,415,465</u>	
Reportable segment assets						<u>\$ 30,525,437</u>	

(Continued)

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

(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:

<u>Geographical information</u>	<u>2022</u>	<u>2021</u>
Asia	\$ 16,674,449	21,683,979
Europe	2,191,496	2,475,600
America	828,008	621,917
Others	<u>194,336</u>	<u>240,513</u>
	<u><b>\$ 19,888,289</b></u>	<u><b>25,022,009</b></u>

(ii) Non-current assets:

<u>Geographical information</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Asia	\$ 8,245,744	9,245,134
Europe	198,706	243,597
Others	<u>51,821</u>	<u>28,456</u>
	<u><b>\$ 8,496,271</b></u>	<u><b>9,517,187</b></u>

Non-current assets include property, plant and equipment, right-of-use, 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 2022 and 2021.

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 1 Loans to other parties  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 6)	Ending balance (Note 6)	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	Note
													Item	Value			
0	The Company	Everlight Lighting China	Other receivables	Yes	\$ 173,305	\$ -	-	-%	Short term financing	-	Business turnover	-		-	1,835,758	7,343,032	Note7
0	The Company	Everlight Lighting China	Other receivables	Yes	534,312	-	-	1.0%	Short term financing	-	Financing Services	-		-	1,835,758	7,343,032	Note7
0	The Company	Altocom Asia LLP	Other receivables	No	96,721	62,502	45,826	1.0%	Short term financing	-	Financing Services	45,826		-	1,835,758	7,343,032	-
0	The Company	A3 Commerce LLP	Other receivables	No	38,346	24,474	18,709	1.0%	Short term financing	-	Financing Services	18,709		-	1,835,758	7,343,032	-
						<b>\$ 86,976</b>	<b>64,535</b>										
1	Everlight Zhongshan	Zhongshan Everlight Lighting	Other receivables	Yes	20,037	-	-	2.5%	Short term financing	-	Financing Services	-		-	366,356	366,356	Note7
2	Everlight BVI	Everlight China	Other receivables	Yes	921,240	307,080	-	-%	Short term financing	-	Financing Services	-		-	2,830,664	2,830,664	Note7
2	Everlight BVI	WOFI Leuchten GmbH	Other receivables	Yes	261,854	261,854	-	-%	Short term financing	-	Financing Services	-		-	2,830,664	2,830,664	Note7
2	Everlight BVI	WOFI Leuchten GmbH	Other receivables	Yes	196,390	196,390	-	1.0%	Short term financing	-	Financing Services	-	Property	158,367	2,830,664	2,830,664	Note7
3	Everlight China	Everlight Lighting China	Other receivables	Yes	445,260	445,260	445,260	2.5%	Short term financing	-	Financing Services	-		-	2,205,080	2,205,080	Note7
4	Forever	WOFI Leuchten GmbH	Other receivables	Yes	180,024	180,024	-	1.0%	Short term financing	-	Financing Services	-		-	182,827	182,827	Note7
						<b>\$ 1,390,608</b>	<b>445,260</b>										

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

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

Note 4: According to Everlight China's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of loans to others cannot exceed 40% of the net worth of Everlight China; and to borrowers having business relationship with Everlight China, 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 China's net worth.

Note 5: According to Forever's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of loans to others cannot exceed 40% of the net worth of Forever; and to borrowers having business relationship with Forever, 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 Forever's net worth.

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

Note 7: The aforementioned transactions had been eliminated in the consolidated financial statements.

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 2 Guarantees and endorsements for other parties  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

No.	Name of guarantor	Counter party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements / guarantees to third parties on behalf of subsidiary (note 4)	Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note 4)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 4)
		Name	Relationship with the Company										
0	The Company	WOFI Leuchten GmbH	100% owned subsidiary	\$ 3,671,516	\$ 614,160	\$ 614,160	\$ 505,705	-	3.35%	\$ 9,178,791	Y	-	-

Note 1 : The company is coded as "0", and subsidiaries are sorted in a numerical order starting from "1".

Note 2 : The limitation on amount of the guarantees and endorsements: According to the Company's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of the guarantee provided by the Company and its subsidiary shall not exceed 50% of the Company's net worth; for those subsidiaries wherein the Company holds at least 50% of their voting shares, the guarantee shall not exceed 20% of the Company's net worth; and for those subsidiaries wherein the Company holds less than 50% of their voting shares, the guarantee shall not exceed 10% of the Company's net worth.

Note 3 : For the Company as the guarantor to its subsidiary, or the subsidiary as the guarantor to the Company, or wherein the guarantor is located in China, please fill in Y.

Note 4 : The names of guarantors mentioned above are the main principal for the preparation of the consolidated financial report.

Note 5 : The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 3 Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar, 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	SinoPac TWD Money Market Fund	None	Current financial assets at fair value through profit or loss	5,869	\$ 82,900	-%	\$ 82,900	5,869	-%	
The Company	Cathay Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	100	5,460	-%	5,460	100	-%	
The Company	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	666	23,909	-%	23,909	666	-%	
The Company	WT Microelectronics Co., Ltd. Preferred Stock A	None	Current financial assets at fair value through profit or loss	600	28,650	-%	28,650	600	-%	
The Company	the sixth domestic unsecured convertible bonds of Sercomm Corporation	None	Current financial assets at fair value through profit or loss	100	10,000	-%	10,000	100	-%	
The Company	the first domestic unsecured convertible bonds of Giant Manufacturing Co., Ltd.	None	Current financial assets at fair value through profit or loss	100	9,630	-%	9,630	100	-%	
The Company	the third domestic unsecured convertible bonds of Wistron NeWeb Corporation	None	Current financial assets at fair value through profit or loss	100	11,160	-%	11,160	100	-%	
					<b>\$ 171,709</b>					
Forever	ANJET Corporation Series B Preferred Shares	None	Non-current financial assets at fair value through other comprehensive income	200	<b>\$ 18,363</b>	-%	18,363	200	-%	
Pai yee	Taishin 1699 Money Market Fund	None	Current financial assets at fair value through profit or loss	147	<b>\$ 2,022</b>	-%	2,022	147	-%	
Pai yee	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	<b>\$ 29,198</b>	-%	29,198	3,000	-%	
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	<b>\$ 66,996</b>	-%	66,996	-	-%	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	<b>\$ 514,039</b>	-%	514,039	-	-%	

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

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar, thousand shares

Name of company	Category and name of security name	Account name	Name of counter party	Relationship with the company	Beginning Balance		Purchases		Sales				Other amount	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal		Shares	Amount
The Company	Ginko International Co., LTD.	Current financial assets at fair value through profit or loss	-	-	1,110	\$ 298,035	-	-	1,110	\$ 309,868	\$ 309,868	-	\$ 11,833 (Note 1)	-	-
The Company	WOFI Leuchten GmbH	Investments accounted for using the equity method, net	Cash injection	-	5,775	\$ 844,166	-	489,717	-	-	-	-	-	5,775	1,333,883 (Note 3)

Note 1: Gain on financial assets at fair value through other comprehensive income.

Note 2: The Company invested in WOFI through a cash injection of \$ 489,717 (EUR 16,000 thousand) in August 2022, wherein the registration procedures have yet to be completed.

Note 3: The aforementioned transactions had been eliminated in the consolidated financial statements.

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 5 Related party transactions for purchases and sales with amounts exceeding the lower of NTS100 million or 20% of the capital stock  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

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)	\$ (988,124)	(6%)	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 304,513	7%	Note 2
The Company	Everlight Europe	75% owned subsidiary	(Sales)	(1,071,402)	(6%)	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 193,433	5%	Note 2
The Company	Everlight Lighting China	100% owned sub-subsiary	(Sales)	(710,056)	(4%)	Depending on the credit conditions of the ultimate customers	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 98,790	2%	Note 2
The Company	ELA	99% owned subsidiary	(Sales)	(345,826)	(2%)	OA 140	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 135,770	3%	Note 2
The Company	Everlight China	100% owned sub-subsiary	Purchases	7,905,712	75%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (2,800,065)	(69%)	Note 2
The Company	Everlight Zhongshan	100% owned sub-subsiary	Purchases	281,295	3%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (120,841)	(3%)	Note 2
The Company	Everlight Lighting China	100% owned sub-subsiary	Purchases	220,154	2%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (93,955)	(2%)	Note 2
The Company	Tekcore	Equity accounted investee by the Company	Purchases	168,977	2%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90 days	Accounts Payable (80,384)	(2%)	-
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(306,772)	(100%)	OA 120	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 120,841	100%	Note 2
Everlight China	The Company	Ultimate holding company	(Sales)	(8,272,218)	(98%)	OA 120	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 2,800,065	98%	Note 2
Everlight China	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(154,214)	(2%)	OA 90	Terms not comparable to other general trading price	General export receivables in 90 days	Accounts Receivable 42,860	2%	Note 2
Everlight China	Tekcore	Equity accounted investee by the Company	Purchases	347,126	6%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90 days	Accounts Payable (99,978)	(6%)	-
Everlight Lighting China	The Company	Ultimate holding company	Purchases	717,359	38%	Depending on the credit conditions of the ultimate customers	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (98,790)	(19%)	Note 2
Everlight Lighting China	The Company	Ultimate holding company	(Sales)	(219,736)	(10%)	OA 120	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 93,955	14%	Note 2
Everlight Lighting China	Everlight China	With the same parent company	Outsourced manufacturing fee	179,516	9%	OA 90	Terms not comparable to other general trading price	General purchase payments in 90 days	Accounts Payable (47,292)	(11%)	Note 2
ELA	The Company	Parent company	Purchases	334,984	100%	OA 140	No significant difference to the general customers	General purchase payments in 30~120 days	Accounts Payable (136,030)	(100%)	Note 2
Everlight Europe	The Company	Parent company	Purchases	1,092,135	100%	OA 120	No significant difference to the general customers	General purchase payments in 30~120 days	Accounts Payable (180,320)	(100%)	Note 2
Evlite	The Company	Parent compnay	Purchases	1,008,923	100%	OA 90	No significant difference to the general customers	General purchase payments in 90~120 days	Accounts Payable (304,508)	(100%)	Note 2
Evervision TW	VBEST GmbH	Equity accounted subsidiary by Evervision TW	(Sales)	(184,683)	(21%)	OA 90	No significant difference to the general customers	General export receivables in 90~120 days	Accounts Receivable 16,496	10%	Note 2
Evervision TW	Vbest Kunshan	Equity accounted sub-subsiary by Evervision TW	Purchases	510,988	64%	OA 150	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (178,294)	(83%)	Note 2
VBEST GmbH	Evervision TW	66.75% owned subsidiary	Purchases	190,789	100%	OA 90	Terms not comparable to other general trading price	General purchase payments in 90~120 days	Accounts Payable (16,496)	(100%)	Note 2
Vbest Kunshan	Evervision TW	66.75% owned subsidiary	(Sales)	(510,859)	(97%)	OA 150	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 178,294	99%	Note 2

Note 1: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2022.

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 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.



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

Table 6 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

Name of company	Counterparty	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Evlite	100% owned subsidiary	\$ 304,513	2.52	-		\$ 138,503	-
The Company	Everlight Europe	75% owned subsidiary	193,433	6.21	-		187,265	-
The Company	ELA	99% owned subsidiary	135,770	2.67	-		55,215	-
The Company	Everlight China	100% owned sub-subsidiary	249,408 (Note 4)	-	-		31,690	-
Everlight China	Everlight Lighting China	With the same parent company	454,287 (Note 3)	-	-		454,287	-
Everlight China	The Company	Ultimate holding company	2,800,065	2.39	-		1,204,972	-
Everlight Zhongshan	The Company	Ultimate holding company	120,841	2.25	-		48,348	-
Vbest Kunshan	Evervision TW	66.75% owned subsidiary	178,294	3.16	-		56,236	-

Note 1: Information as of March 8, 2023.

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

Note 3: Lending funds (including interest).

Note 4: Receivables on machinery and equipment.

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

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

Table 7 Information derivative financial instruments transaction  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar 、 Foreign currency

Name of holder	Financial instrument	Notional Amount	Transaction date	Maturity date	Rate	Fair Value	Credit risk
The Company	Pre-sale forward exchange contract	USD 13,000	2022.09.28~2022.12.29	2023.01.10-2023.03.14	USD/RMB 6.9420~7.3143	\$ 7,682	7,682
The Company	Pre-sale forward exchange contract	USD 48,000	2022.09.21~2022.12.30	2023.01.10-2023.05.09	USD/NTD 30.1990~31.9520	19,281	19,281
The Company	Pre-sale forward exchange contract	EUR 5,500	2022.09.12~2022.12.30	2023.01.10-2023.04.20	EUR/USD 0.9730~1.0755	(6,618)	(6,618)
Everlight China	Other derivative financial instrument contracts	RMB 115,000	2022.11.02~2022.12.12	2023.2.2~2023.3.14	3.6%~3.64%	1,672	-
Everlight Zhongshan	Other derivative financial instrument contracts	RMB 15,000	2022.11.22	2023.5.22	2.90%	212	-

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 8 Business relationships and significant intercompany transactions  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

No. (Note 1)	Name of company	Counter-party	Relationship (Note 2)	Intercompany transactions			
				Financial statements accounts	Amount	Terms	Percentage of consolidated net revenue or total assets
0	The Company	Everlight Europe	1	Sales revenue	\$ 1,071,402	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	5%
			1	Accounts receivable	193,433	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	1%
0	The Company	Evlite	1	Sales revenue	988,124	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	5%
			1	Accounts receivable	304,513	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	1%
0	The Company	Everlight Lighting China	1	Sales revenue	710,056	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	4%
			1	Accounts receivable	98,790	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	0%
0	The Company	ELA	1	Sales revenue	345,826	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	2%
			1	Accounts receivable	135,770	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	1%
0	The Company	Everlight China	1	Other receivable due from related parties (Note 3)	249,408	OA 120 days, upon acceptance	1%
1	Everlight China	The Company	2	Sales revenue	8,272,218	There is no general price for comparison; and the credit period is OA 120 days.	42%
			2	Accounts receivable	2,800,065	There is no general price for comparison; and the credit period is OA 120 days.	11%
1	Everlight China	Everlight Lighting China	3	Outsourcing processing income	154,214	There is no general price for comparison; and the credit period is OA 90 days.	1%
			3	Accounts receivable	42,860	There is no general price for comparison; and the credit period is OA 90 days.	0%
			3	Other receivable due from related parties (Note 4)	454,287	Rate 2.5%	2%
2	Everlight Zhongshan	The Company	2	Sales revenue	306,772	There is no general price for comparison; and the credit period is OA 120 days.	2%
			2	Accounts receivable	120,841	There is no general price for comparison; and the credit period is OA 120 days.	0%
3	Everlight Lighting China	The Company	2	Sales revenue	219,736	There is no general price for comparison; and the credit period is OA 120 days.	1%
			2	Accounts receivable	93,955	There is no general price for comparison; and the credit period is OA 120 days.	0%
4	Vbest Kunshan	Evervision TW	3	Sales revenue	510,859	There is no general price for comparison, and the credit period is OA 150 days.	3%
			3	Accounts receivable	178,294	There is no general price for comparison, and the credit period is OA 150 days.	1%

Note 1: The numbers filled in as follows:

1. 0 represents the parent company.

2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

1. Represents the transactions from the parent company to the subsidiaries.

2. Represents the transactions from the subsidiaries to the parent company.

3. Represents the transactions between the subsidiaries.

Note 3: Receivables on machinery and equipment.

Note 4: Lending funds (including interest).

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 9 Information on investees  
December 31, 2022

Unit: In Thousands of New Taiwan Dollar

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, 2022	December 31, 2021	Shares (In thousands)	Percentage of ownership	Carrying value	Shares (In thousands)	Financing Services			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	\$ 4,762,934	\$ 4,762,934	1,540	98%	\$ 6,935,128	1,540	98%	(69,558)	(68,167)	Subsidiaries (Note 5)
The Company	Pai yee	New Taipei City	Investment	580,253	580,253	23,940	100%	485,172	23,940	100%	11,388	11,388	Subsidiaries (Note 5)
The Company	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	53,811	11,375	98.91%	42,819	42,352	Subsidiaries (Note 5)
The Company	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	258,127	4,477	24.27%	124,877	30,307	Subsidiaries (Note 5)
The Company	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	131,532	75	75%	148,117	111,088	Subsidiaries (Note 5)
The Company	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	93,573	38	100%	21,474	21,474	Subsidiaries (Note 5)
The Company	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	457,069	42,488	100%	35,893	35,893	Subsidiaries (Note 5)
The Company	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	222,621	20,000	100%	28,629	41,791	Subsidiaries (Note 5)
The Company	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	489,580	489,580	4,767	9.23%	56,417	4,767	9.66%	(24,366)	(2,249)	(Note 1)
The Company	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	153,438	7,000	100%	8,019	8,019	Subsidiaries (Note 5)
The Company	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	15,745	353	80%	4,723	3,778	Subsidiaries (Note 5)
The Company	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	12,769	200	100%	(508)	(508)	Subsidiaries (Note 5)
The Company	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	1,333,883	844,166	5,775	100%	(541,167)	5,775	100%	(819,321)	(819,321)	Subsidiaries (Note 3 and 5)
The Company	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	21,506	5	100%	3,353	3,353	Subsidiaries (Note 5)
Pai yee	Everlight BVI	Registered in British Virgin Islands	Investment	120,740	120,740	37	2%	141,533	37	2%	(69,558)	(1,391)	Subsidiaries (Note 5)
Pai yee	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	54,401	54,401	2,716	14.72%	137,156	2,716	14.72%	124,877	18,382	Subsidiaries (Note 5)
Pai yee	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	28,833	28,833	2,819	5.46%	33,373	2,819	5.46%	(24,366)	(1,331)	(Note 2)
Pai yee	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	2,728	254	100%	30	30	Sub-subsidiaries (Note 5)
Pai yee	ELI	India	Sale of LEDs	493	493	88	20%	3,934	88	20%	4,723	945	Subsidiaries (Note 5)
ELIT	ELIT KZ	Kazakhstan	Sale of LED lighting products	73	73	-	100%	2,649	-	100%	(3,974)	(3,974)	Sub-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%	226,670	5,120	27.76%	124,877	34,665	Subsidiaries (Note 5)
Forever	EleOcom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	45,000	45,000	4,500	32.14%	-	4,500	32.14%	-	-	-
Evervision TW	LeadTech	Hsinchu County	Wafer testing service	30,000	-	2,500	43.48%	30,774	2,500	43.48%	10,923	774	-

Note 1: The market price is \$60,063.

Note 2: The market price is \$35,523.

Note 3: The Company invested in WOFI through a cash injection of EUR 11,000 thousand and EUR 16,000 thousand in July 2020 and August 2022, respectively, wherein the registration procedures have yet to be completed.

Note 4: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2022.

Note 5: The transactions between companies mentioned in note 4 had been eliminated in the consolidated financial statements.

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 10 Information on investment in Mainland China  
December 31, 2022

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

Unit: In Thousands of New Taiwan Dollar ∙ Foreign currency														
Name of investee	Main businesses and products	Total amount of paid in capital (Note 6)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Highest balance 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, 2022 (Note 6)	Accumulated remittance of earnings as of December 31, 2022
					Outflow	Inflow		Shares/ Units (thousands)	Percentage of ownership					
<u>The Company and</u> <u>Pai yee:</u>														
Everlight China	Manufacture of LEDs	3,775,351 (US\$113,500 ∙ RMB65,129) (Note 7)	(Note 1)	3,388,935 (US\$110,360)	-	-	3,388,935 (US\$110,360)	-	100%	183,827	100%	183,827	5,512,701	(Note 8)
Everlight Lighting China	Sale of LEDs	307,080 (US\$10,000) (Note 11)	(Note 1)	159,682 (US\$5,200)	-	-	159,682 (US\$5,200)	-	100%	(6,503)	100%	(6,503) (Note 12)	325,770 (Note 12)	-
Everlight Electronic Guangzhou	Business development and customer services	204,298 (US\$128 ∙ RMB45,000) (Note 19)	(Note 1)	3,931 (US\$128)	-	-	3,931 (US\$128)	-	100%	(200,204)	100%	(200,204) (Note 20)	(2,627) (Note 20)	-
Everlight Zhongshan	Manufacture of LED related components	921,240 (US\$30,000)	(Note 1)	921,240 (US\$30,000)	-	-	921,240 (US\$30,000)	-	100%	(10,274)	100%	(10,274)	915,892	-
Everlight Fujian	Manufacture and sale of LED backlights and related	767,700 (US\$25,000)	(Note 1)	663,163 (US\$16,250 ∙ RMB36,868)	-	-	663,163 (US\$16,250 ∙ RMB36,868)	-	100%	(Note 23)	(Note 23)	(Note 23)	(Note 23)	-
ELMS	Research and sale of LED lighting products	422,997 (RMB95,000) (Note 21)	Direct investment	109,028 (US\$1,294 ∙ RMB15,562)	-	-	109,028 (US\$1,294 ∙ RMB15,562)	-	100%	(Note 18)	(Note 18)	(Note 18)	(Note 18)	-
<u>Evervision TW:</u> VBest Kunshan	Post assemble STN display and assemble module	552,744 (US\$18,000)	(Note 2)	552,744 (US\$18,000)	-	-	552,744 (US\$18,000)	-	66.75%	60,682	66.75%	40,505	479,162	-
<u>Everlight Lighting China:</u> Zhongshan Everlight Lighting	Research and sale of LED lighting products	146,936 (RMB33,000)	(Note 3)	-	-	-	-	-	100%	173	100%	173	5,681	-
<u>Everlight China</u> Anhui Hongming	Research and Manufacture of Mini LED lighting products	445,260 (RMB100,000)	(Note 3)	-	-	-	-	-	20%	(33,547)	20%	(6,709)	82,308	-

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 10 Information on investment in Mainland China  
December 31, 2022

(ii) Limitation on investment in Mainland China:

Unit: In Thousands of New Taiwan Dollar 、 Foreign currency

Company Name	Accumulated Investment in Mainland China as of December 31, 2022 (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)	5,451,967 (USD169,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 13 、 16 、 17 and 23)	5,584,860 (USD170,898 thousand 、 RMB75,669 thousand)	11,014,549
ELIT	145,478 (USD2,723 thousand 、 RMB13,893 thousand) (Notes 9 and 18)	145,478 (USD2,723 thousand 、 RMB13,893 thousand)	133,372
Evervision TW	649,044 (Notes 15 and 22) (USD21,136 thousand)	649,044 (USD21,136 thousand)	559,059 (Note 14)

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

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

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

Note 4 : Except for Everlight Electronic (Guangzhou), Zhongshan Everlight Lighting and Anhui Hongming, which recognized their gains and losses on investment in accordance with the investees' self-reported financial statements, the gains and losses on investment of the remaining companies were recognized according to the investees' financial statements audited by the certified public accountants of Taiwan parent company and other accountants, wherein the amounts were translated into New Taiwan Dollars at the yearly average exchange rate in 2022.

Note 5 : Including the investment amount of USD 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 USD 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.

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

Note 9 : The liquidation of Yi Yao was completed in January 2020; the aforesaid investment amounting to USD 48 thousand was included in the Company's accumulated outflow of investment from Taiwan and amounting to USD 723 thousand was included in the ELIT's accumulated outflow of investment from Taiwan.

Note 10 : The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to USD 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 USD 4,800 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 : Shanghai Yaming Lighting Co., Ltd. (Yaming) had been in the process of liquidation in 2020, the aforesaid investment amounting to USD 1,464 thousand was included in the Company's accumulated outflow of investment from Taiwan.

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 USD 2,750 thousand.

Note 16 : Including the investments amounting to USD 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 USD 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 USD 293 thousand.

Note 18 : The liquidation of ELMS was completed in June 2022; and the above investment amount includes ELIT's accumulated investment amount of USD 2,200 thousand and RMB 13,893 thousand remitted from Taiwan.

Note 19 : The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in Everlight Electronic (Guangzhou) from Everlight China's owned fund.

Note 20 : Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Electronic (Guangzhou) by Everlight China.

Note 21 : The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in ELMS from Everlight Electronic (Guangzhou)'s owned fund.

Note 22 : The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to USD 386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

Note 23 : The liquidation of Everlight Electronics (Fujian) Co.,Ltd. was completed in May 2022; and the above investment amount includes the Company's accumulated investment amount of USD 16,250 thousand and RMB 36,868 thousand remitted 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 31,2022.

6.6 In the most recent year and as of the date of publication of the annual report, if the Company and its affiliated companies had any difficulties in financial turnover, the impact of financial status should be stated: None

## 7. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	16,716,111	20,331,320	(3,615,209)	(17.78)
Fix Assets	7,073,869	7,631,501	(557,632)	(7.31)
Intangible Assets	36,842	58,654	(21,812)	(37.19)
Other Assets	2,287,356	2,503,962	(216,606)	(8.65)
Total Assets	26,114,178	30,525,437	(4,411,259)	(14.45)
Current Liabilities	6,639,921	10,923,197	(4,283,276)	(39.21)
Long-term Liabilities	742,905	793,496	(50,591)	(6.38)
Total Liabilities	7,382,826	11,716,693	(4,333,867)	(36.99)
Equity attribute to owners of parent	18,357,582	18,482,734	(125,152)	(0.68)
Capital Stock	4,433,931	4,433,931	-	-
Capital Surplus	9,094,168	9,103,595	(9,427)	(0.10)
Retained Earnings	5,506,842	5,809,040	(302,198)	(5.20)
Other Equity Interests	(677,359)	(863,832)	186,473	21.59
Treasury stock	-	-	-	-
Non-Controlling Interests	373,770	326,010	47,760	14.65
Total Equity	18,731,352	18,808,744	(77,392)	(0.41)
<p>(一) Analysis of changes in financial ratios: (Amount changes by more than 20%)</p> <ol style="list-style-type: none"> <li>1. The decrease in intangible assets mainly due to amortization in the current period.</li> <li>2. The decrease in current liabilities was mainly due to borrowings and accounts payable.</li> <li>3. The decrease in total liabilities was mainly due to long-term and short-term loans and accounts payable.</li> <li>4. The increase in other equity was mainly due to the impact of exchange rates.</li> </ol> <p>(二) Response plan: The above changes have no material impact on the Company.</p>				

- **Effect of changes on the company's financial condition:** The Company's financial condition has not changed significantly.
- **Future response actions:** Not applicable



## 7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2022	2021	Difference Amount	Difference (%)
Operating revenue		19,888,289	25,022,009	(5,133,720)	(20.52)
Cost of sales		14,286,502	18,323,414	(4,036,912)	(22.03)
Gross profit		5,601,787	6,698,595	(1,096,808)	(16.37)
Operating expenses		4,131,651	4,283,130	(151,479)	(3.54)
Operating Income		1,470,136	2,415,465	(945,329)	(39.14)
Non-operating income and expenses		269,068	146,415	122,653	83.77
Income before tax		1,739,204	2,561,880	(822,676)	(32.11)
Income tax expenses		423,465	565,869	(142,404)	(25.17)
Net Income		<u>1,315,739</u>	<u>1,996,011</u>	(680,272)	(34.08)

### Analysis of changes in financial ratios(Over 20%):

1. The decrease in operating income and operating costs was mainly due to the economic downturn in 2022, which resulted in a decrease in operating income and operating costs compared to last year.
2. The decrease in operating profit was mainly due to the decrease in operating income in 2022 compared with last year.
3. The increase in non-operating income and net benefits of expenses was mainly due to the increase in other income and the impact of exchange rates in 2022.
4. The decrease in net profit before tax was mainly due to the decrease in operating income in 2022 compared with last year.
5. The decrease in income tax expenses was mainly due to the decrease in net profit before tax in 2022.
6. The decrease in net profit for the current period was mainly due to the decrease in operating income in 2022 compared with last year.

## 7.3 Analysis of Cash Flow

### 7.3.1 Latest 2 years

NT\$, '000 ; %

Item \ Year	2022	2021	Difference (%)
Operating Activities	4,315,424	4,098,280	5.30
Investment Activities	(406,340)	(1,053,587)	61.43
Financing Activities	(3,625,468)	(2,659,900)	(36.3)

### Analysis of change in cash flow in the current year : (Amount changes by more than 20%)

- (1) Cash flows from investing activities decrease mainly due to decrease in other financial assets resulting in decrease cash from investing.
- (2) The difference in cash flow from financing activities was mainly due to the increase in the repayment of short-term loans and the increase in cash dividends this year, resulting in an increase in net cash flow from financing activities compared with last year.

### 7.3.2 Cash flow analysis in the coming year

NT\$, '000

Estimated Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow (Inflow)	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Investment Plans
4,891,166	1,383,842	1,625,358	4,649,650	-	-
1. Analysis of cash flow changes in the coming year: (1) Operating activities: Mainly due to the expected cash inflow from the operation of the company. (2) Investment activities: Mainly due to cash outflows from the purchase of machinery and equipment. (3) Financing activities: Mainly due to the net cash outflows arising from the full year financing activities such as cash dividends, employee bonuses, director remuneration, and financing activities. 2. Measures and liquidity analysis of expected cash shortfall: None					

7.4 Major Capital Expenditure Items: None

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

7.5.1 The most recent annual investment policy, the main reason for its profit or loss, and improvement plans:

NT\$, '000

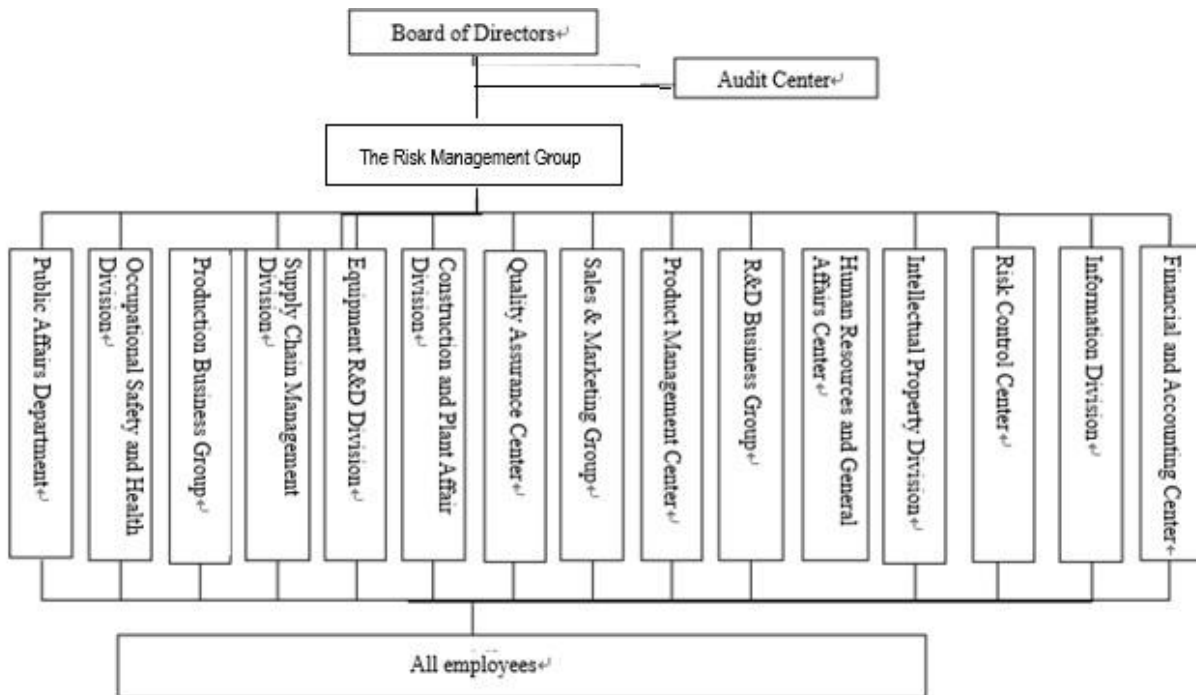
Our Investment	Profit/Loss	Business	Main Reason of Profit/Loss	Improvement Plan	Investment Plan
Everlight (BVI) Co., Ltd.	(69,558)	Holding company	The investment loss of equity method	Not applicable	None
Pai Yee Investment Co., Ltd.	11,388	Investment company	The investment benefits of equity method and dividend income	Not applicable	None
Everlight Americas, Inc.	42,352	LED Sales	Revenue increased and well expanding controled	Expand business	None
Evervision Electronics Co., Ltd.	83,354	Production and sales of LCD panel	Gross profit increased and well expanding controled	Not applicable	None
Everlight Electronic Europe GmbH	111,088	LED Sales	Revenue and Gross profit increased	Not applicable	None
Everlight Optoelectronics Korea Co., Ltd.	21,474	LED Sales	Well expanding controled	Not applicable	None
Forever Investment Co., Ltd.	35,893	Investment company	The investment loss of equity method	Not applicable	None
Everlight Lighting	41,791	Sale of LED	Revenue and Gross	Not applicable	None

Our Investment	Profit/Loss	Business	Main Reason of Profit/Loss	Improvement Plan	Investment Plan
Intelligence Technology Co., Ltd.		lighting products	profit increased		
Tekcore Co. Ltd	(3,580)	Production and sales of LED wafers and chips	Revenue and Gross profit decreased	Not applicable	None
Evlite Electronics Co., Ltd.	8,019	LED Sales	Well expanding controlled	Not applicable	None
Everlight Electronics India Private Limited	4,723	LED Sales	Revenue increased	Not applicable	None
Everlight Electronics Singapore Pte.Ltd.	(508)	LED Sales	Revenue increased	Not applicable	None
WOFI Leuchten GmbH	(819,321)	Lighting products and accessories sales	Not meet the expectation of sales and gross margin	The Company has incurred losses for several years, resulting in insufficient assets to meet its liabilities. The liquidation was announced in August, 2022.	None
Everlight Japan Corporation	3,353	LED Sales	Revenue increased	Not applicable	None

7.5.2 Investment plans for the coming year: The Company estimates no major investment plans for the future.

## 7.6 Risk Management

### 7.6.1 Risk Management Framework



To ensure that all potential risks are effectively managed, each risk management unit runs through a risk assessment procedure on a quarterly basis to ensure that risk management is implemented effectively within the possible range.

The management of various operational risks is assigned to the relevant units according to the nature of the business, and the risk management team is formed by the heads of each risk management group. The risk management group, with the executive vice president as the convener, conducts project analysis and control on important risks that affect the company's operations. The Audit Center reviews the existing or potential risks of operations and drafts a risk-oriented annual audit program based on the review.

The risk management group of all risks and their risk management policies are as follows:

**Public Affairs Department:** Handling of press and media, industry association, and welfare activity related matters and management of relevant risks to reduce media risks

**Occupational Safety and Health Division:** Environmental protection, safety, and health operations to prevent or reduce the risk of accidents or environmental pollution

**Production Business Group:** Production and manufacturing risk control, reduction or prevention of resource waste or production efficiency risks during the production process

**Supply Chain Management Division:** Hold accountable for the management on the quality of raw materials, substances and components as well as the forbidden or restricted substances that keep the quality meeting the standards of the company and customers. Avoid the work being held up through a lack of materials, ensure reasonable procurement prices, reduce inventory and increase the competitiveness of products. Hold accountable for the risk control on the external risks (including accident risks, price risks, procurement quality risks, and technology advance risks) and internal risks

(including contract risks, acceptance risks, and inventory risks) of procurement and to reduce or avoid the risks. Scheduling and allocation of production capacities to reduce or prevent the incidence of resource waste or production efficiency risks generated by production scheduling

Equipment R&D Division: Procurement, research, and development of production equipment to reduce or prevent risks generated by equipment needs or during the technology development process

Quality Assurance Center: Hold accountable for the risk control of the purchase of raw materials and production risks, reducing and avoiding the risks of internal or external failure resulting from defective raw materials quality or defective production process. This will improve the product quality of the company.

Sales and Marketing Group: Development of new clients and retention of old clients in line with annually planned sales targets and relevant KPI to maintain excellent report with customers and establish a sales performance management mechanism in order to reduce the risks associate with the inability to achieve annual sales targets; formulation and execution of marketing strategies for all business units to reduce the risks associated with product development and marketing.

Product Management Center: Hold accountable for planning and implementing the product strategy, life cycle, gross margin and future planning for the development of new products. Make suggestions to the company in compliance with the development trends of the industry and products from the market viewpoint to reduce or avoid the risk of failing to achieve the business goal of the company.

R&D Business Group: Control of risks related to the R&D and design of new products as well as the trial production stage, reduction and prevention of relevant risks through strategic thinking and control of R&D costs; assessment of key technologies and industry information, development and adoption of new materials and processes through integration of company resources and reduction or prevention of relevant risks.

Human Resources and General Affairs Center: Risks controls for human resource planning, training, recruitment, selection, appointment, and labor law compliance to reduce risks associated with human resource issues in order to achieve the goal of sustainable operations. The company's communications, power allocation, energy control, plant electrics, business equipment and other transactions to ensure smooth operations.

Information Division: Risk controls regarding the applicability, reliability, adaptability, and security of information systems to reduce or prevent the incidence of risks related to company systems and information technology project implementation as well as information security risks.

Legal Center: Divided into Legal division and Intellectual Property Division. Legal Division hold accountable for risk management of legal affairs and ESG planning, compliance of monitor policy of the competent authority, as well as handling contractual and litigation disputes to lower the legal risk concerning the company operations. And Intellectual Property Division is in charge of the risk management for IPR issues, compliance with regulatory policies of competent authorities and handling of litigation issues to reduce risks associated with patent right related matters.

Financial and Accounting Center: Hold accountable for planning and implementing the finance and taxes and risk control of financing, investment assessment, derivatives,

financing, accounting information, financial reports and tax compliance, as well as enhancing the functions of internal control systems to ensure the effectiveness of continuous operations of the company.

Audit Center: Supervising unit in the risk management framework, objective and independent audits of the functioning and implementation of risk management mechanisms to guarantee an effective functioning of the system.

#### 7.6.2 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

The Company's and subsidiaries' interest payments for 2021 and 2022 were NT\$49,553 thousand and NT\$49,370 thousand, respectively 0.20% and 0.25% of the consolidated net sales. Their ratios are very small and have no significant impact on the Company's profits. The Company and its subsidiaries consistently pay attention to the trend of interest rates by checking reports of various research institutions, and establish good relationships with financial institutions to keep lower capital costs. In addition to maintaining conservative and stable principles of working capital in the future, the Company and its subsidiaries will continue to strive to improve the financial structure to effectively control of the capital cost.

As for the exchange rate risk, the Company and its subsidiaries accounted for 85.12% of the total revenue are from export activities. Excessive exchange rate fluctuations would cost the profit of the Company and its subsidiaries. In 2021 and 2022, the Company and its subsidiaries recognized exchange benefits of NT\$ 3,202 thousand and profit NT\$ 362,850 thousand, accounting for 0.01% and 1.82% of the net sales of each period. The Company and its subsidiaries are in accordance with the "Procedures for Derivative Product Transaction Engagement " and maintain a certain hedge ratio to reduce the impact of exchange rate fluctuations on profitability.

The impact of inflation on the profit and loss currently is not yet obvious. The Company and its subsidiaries will also pay close attention to inflation continue to work on reducing various costs, monitor the supply and demand of raw materials and price changes, adjust inventory in due course and develop the high value-added products to respond.

#### 7.6.3 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions: The Company is not engaged in any high-risk, high-leverage investment. Please refer to the company's financial report for our loans to others and endorsement or guarantee for others. Everlight trades derivative products only for the risk aversion and only undertake structured financial products with lower risks for the trading purposes.

#### 7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales : None

#### 7.6.5 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures : None

7.6.6 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales : Please see 5.6 Information security, Page 126-133.

7.6.7 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures : None

7.6.8 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans : None

7.6.9 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans : Please see 4.8 Financing Plans and Implementation

7.6.10 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration : The Company's sources of purchases and sales are well diversified and will not greatly be affected by a single customer.

7.6.11 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, or Shareholders with Shareholdings of over 10% : None

7.6.12 Effects of, Risks Relating to and Response to the Changes in Management Rights : None

7.6.13 Litigation or Non-litigation Matters :

- (1) Nichia Corporation ("Nichia") filed a lawsuit against the Company and Everlight Europe in the German Dusseldorf District Court alleging the infringement of Nichia European patents EP2276080("Patent 080") and EP2197053("Patent 053") in December 2016. The patent infringement cases are related to white light LED using specific phosphor. Patent 053 and Patent 080 had both expired on July 29th, 2017, therefore they won't affect the sales of the current products of the Company. In addition, this litigation was filed against only certain obsolete products of the Company, therefore the operation and sales of the Company won't be seriously impacted by this patent. As a result, The Company had withdrawn litigation claims from this patent infringement case related to Patent 080. In October 2017, we received the European Patent Office's judgment that the claim scope of the European Patent No. EP2197053 was invalid. Therefore, the German Dusseldorf District Court withdrew the infringement lawsuit of the European patent EP2197053.
- (2) In April 2016, the Company filed opposition proceedings in the European Patent Office ("EPO") alleging that Nichia's Patent 080 and Patent 053 are invalid. In October 2017, EPO issued decisions that the original claims were invalid, and the narrowly amended claims were valid. Both Nichia and the Company appealed. In October 2017, we received the European Patent Office judgments that the patent scope of European patent EP2197053 was invalid, but the patent scope of European patent EP2276080 was valid.
- (3) In September, 2015, Nichia filed a litigation in the German Dusseldorf District Court alleging that WOFI Leuchten ("WOFI") infringes Nichia's European Patent

EP2276080("Patent 080") and EP2197053("Patent 053"). The Dusseldorf District Court ruled against Wofi in December 2016. WOFI then appealed the case in January 2017 in the Dusseldorf Higher Regional Court. In October 2017, we received the European Patent Office's judgment that the claim scope of the European Patent No. EP2197053 was invalid. Therefore, the German Dusseldorf District Court withdrew the infringement lawsuit of the European patent EP2197053. In October 2016, we received the European Patent Office's judgment that the claim scope of the European Patent No. EP2276080 was valid. On December 16, 2022, the Higher Court of Dusseldorf, Germany ruled that WOFI lost the case. Since then, the infringement lawsuit of European Patent No. EP2276080 has entered the coercive measure procedure.

(4) In January, 2020, Bench Walk Lighting LLC ("BWL") filed a litigation in the United States District Court for the District of Delaware alleging that the Company infringed BWL US patents US 6806658, US 7115428, US 7145182, US 7239080, US 7470936, US 7488990, US 7519287, US 7847300, US 9887338 及 US 9209,373. The patents are related to the design of lead frame, substrate and package in LED products. The Company believes that the LED products do not infringe and the patents should be invalid, so the Company evaluated the final judgment of the case should have no significant impact on the operation of the Company and its subsidiaries.

(5) The Group and local companies A3 Commerce LLP and Altocom Asia LLP in Kazakhstan (hereinafter "Consortium A") executed in 2017 a contract for the project of installation as well as maintenance and operation of intelligent street lights with the Pavlodar Government, the Republic of Kazakhstan. The project period is six years and the total contract price is USD 8,967 thousand. Consortium A has completed installation of light fixtures under the contract. On January 4, 2019, the Pavlodar Government completed the acceptance of the installation.

Nevertheless, during the subsequent operation period, the Pavlodar Government found a shortage in certain equipment of the intelligent control system, installed by A3 Commerce LLP, a member of Consortium A, and suspended release of the project payments for the second quarter of 2020, as well as the ensuing quarters, and issued a letter on October 26, 2020, asking Consortium A to install the missing intelligent control system according to the contract as soon as possible.

The Group believes that Consortium members A3 Commerce LLP failed to diligently perform its obligations of installing the intelligent control system, and Altocom Asia LLP failed to exercise the duty of management of maintenance and operation, and that both entities have become incompetent. To protect its rights and interests, the Group sent a letter to the Pavlodar Government in December 2020, asking for a change by removing A3 Commerce LLP and Altocom Asia LLP from the Consortium. However, the Pavlodar Provincial Government only sent a letter in January 2021, reemphasizing its request to correct the issues of equipment shortage and defects as mentioned above,



and then filed a lawsuit on February 9, 2021, at a Kazakhstan court, demanding a termination of the contract with Consortium A and a compensation of KZT 268,883 thousand, (approximately \$18,203). The Group has retained Baker McKenzie Taipei Office and Almaty Office, with the goal of negotiating with Pavlodar Government to amend the contract and to allow the Group to complete the unfinished project individually. Because the Pavlodar Government failed to proceed with the negotiation with Consortium A before directly filing a lawsuit to terminate the contract, the local court in Kazakhstan has dismissed both the Pavlodar Government's action on March 10, 2021 and its appeal on April 22, 2021, for that the procedure was not compliant with the laws. The Pavlodar Government promptly started its negotiations with Consortium A after its action was dismissed.

According to the opinion issued by its lawyers on March 22, 2021, the Group is now trying to understand the claims and share of responsibilities of both parties, hoping to come up with a negotiation proposal to resolve the disputes. However, the actual outcome remains unpredictable. The maximum risk exposure in the case of contract termination is approximately \$141,599. As of December 31, 2020, the Group has estimated a projected loss of \$58,754 for 2020 based on reasonably estimated obligations. It also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Group's right caused by their project defects.

Furthermore on June 21, 2021, the Energy and Utilities Department of the Pavlodar region filed a lawsuit against the Utilities, Road, and Passenger Traffic Department of the Pavlodar City, all members of Consortium A, as well as all its contractors, claiming to invalidate the acceptance of the project completion in January 2019. The Group has hired lawyers to defend in court arguing that because the very same lawsuit was initiated by the Pavlodar Government in December 2020, and the court already ruled that the lawsuit was baseless and dismissed the case, so on the basis of the principle of double jeopardy, as well as on the fact that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Government has no legal right to claim to verify the acceptance is invalid, the lawsuit shall be dismissed. The lawyers have also asked the court to transfer the case to another court. On July 21, 2021, the first instance court ruled for a change of venue. Later, the Energy and Utilities Department of the Pavlodar region filed an appeal against such ruling. On August 5, 2021 the second instance court reversed the ruling of change of venue, and the case was remanded to the first instance court to continue the review. On September 13, 2021, the first instance court decided to dismiss the Group's arguments regarding the principle of double jeopardy, as well as regarding that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Government has no legal right to claim to verify the acceptance is invalid, and the court issued a judgment determining the project acceptance in January 2019 is invalid. Nevertheless, the Group believes the decision is apparently inconsistent with the law, and filed an appeal on October 1, 2021

to dismiss the ruling and another appeal on October 19, 2021 against the above judgment that determines the acceptance is invalid. On December 28, 2021, the second instance court judge dismissed the Group's motion and appeal, a dismissal that has the effect of a final court judgment.. The Group filed an appeal against the second instance ruling and judgment with the third instance court, and the third instance court dismissed the Group's appeal on April 4, 2022. The claim of the case was only to confirm that the act of acceptance in January 2019 is invalid, and the Pavlodar Government did not seek any compensation.

Because the negotiations between the parties were not successful, the Pavlodar Government again filed a lawsuit against Consortium A, asking to terminate the contract with Consortium A and demanding a compensation of KZT 1,345,882, thousand (approximately \$ 85,733) on February 10, 2022. The Group has retained lawyers for defense to ensure protection of the maximum legal interest of the Group. In view that termination of agreement may not be the best possible outcome for the parties, efforts are being made to continue negotiations with the Pavlodar Government to seek a resolution that benefits both parties. On April 27, 2022, the first instance court in its judgment granted all claims from the Pavlodar Government. The Group believes that such judgment is apparently contrary to the laws, and on June 2, 2022, an appeal was filed against the first instance judgment. On July 19, 2022, the second instance court judge dismissed the Group's appeal, and finalized the judgment.

#### Taraz

The Group and a local company Altocom Asia LLP in Kazakhstan (hereinafter "Consortium B") executed a contract for the project of installation as well as maintenance and operation for intelligent street lights with the Taraz Government, the Republic of Kazakhstan in 2019. The project period is six years. The total contract price is USD 14,196 thousand. Consortium B is installing light fixtures according to the contract. On March 18, 2021, the Taraz Government claimed that Consortium B performed certain project work before the corresponding design papers were ready and failed to complete the project as agreed by December 30, 2020, and therefore, the Government filed a lawsuit to terminate the contract. However, the Group believed that Consortium B has proceeded with the relevant work under the contract and that there were no delays or defects as claimed. According to the opinion issued by its lawyers on March 22, 2021, the Group is now trying to understand the claims and share of responsibilities of the parties. However, the actual outcome remains unpredictable. Because the Taraz Government failed to proceed with the negotiation with Consortium B before directly filing a lawsuit to terminate the contract, the lawyers representing the Group are expecting to make a defense against the Taraz Government's action by claiming that the procedure was not compliant with the laws. The Group's lawyers have also filed a motion for change of venue and have been trying to negotiate with the Taraz Government to resolve the disputes. On April 22, 2021, the local court of laws granted

the motion for change of venue and decided to transfer the case to a local commercial court. On July 21, 2021, the commercial court of Taraz Province issued a ruling against the Group. The Group filed an appeal on August 19, 2021. On September 23, 2021, the second instance court issued a judgment to dismiss the appeal, and such judgment is final and binding. Because the Group believes Consortium B was not at fault, it filed an appeal against the second instance judgment with the third instance court, and the third instance court dismissed the appeal on April 18, 2022. In this case, the judgment is only to determine whether the termination of contract is valid, and the Taraz Government did not claim for compensations. On the other hand, the Group will continue to evaluate whether to claim against the Taraz Provincial Government for return of equipment or price.

According to the opinion issued by its lawyers on March 17, 2022, the Group evaluated the outcome of the final judgments of the two cases and possible amount to be claimed, and entered an additional provision of NT\$55,981 thousand for 2021 recorded as other expenses and losses. Further, in response to the expected uncollectible accounts receivable due to the above two cases and expenditures of loans to other Consortium members, the Group entered an allowance for loss totaling NT\$84,143 thousand recorded as expected credit loss, Other losses NT\$622 thousand and provision for liabilities amounted to NT\$114,113 thousand.

As of the financial reporting date, The Group with the assistance of lawyers, has determined that the relevant litigation in Kazakhstan has exhausted all judicial procedures and reached the Supreme Court in Kazakhstan. Although there are special relief procedures similar to retrial in Taiwan available locally, The Group believes that these procedures may not yield favorable results due to factors such as the local political environment and judicial peculiarities.

Based on the above assessment, The Group has increased its provision for bad debts by NT\$37,554 thousand for the two cases that are expected to be unrecoverable in 2022. This amount has been recognized as an expected credit loss under the allowance for credit losses account. In addition, the company has recognized inventory impairment losses of NT\$62,214 thousand under the cost of goods sold account, and has provided for obligations, compensation, and losses that can be reasonably inferred in the amount of NT\$117,553 thousand, which has been recorded under the other losses account. Furthermore, The Group has reserved its legal right to pursue claims against alliance members A3 Commerce LLP and Altocom Asia LLP for their engineering deficiencies and the company's equity losses.

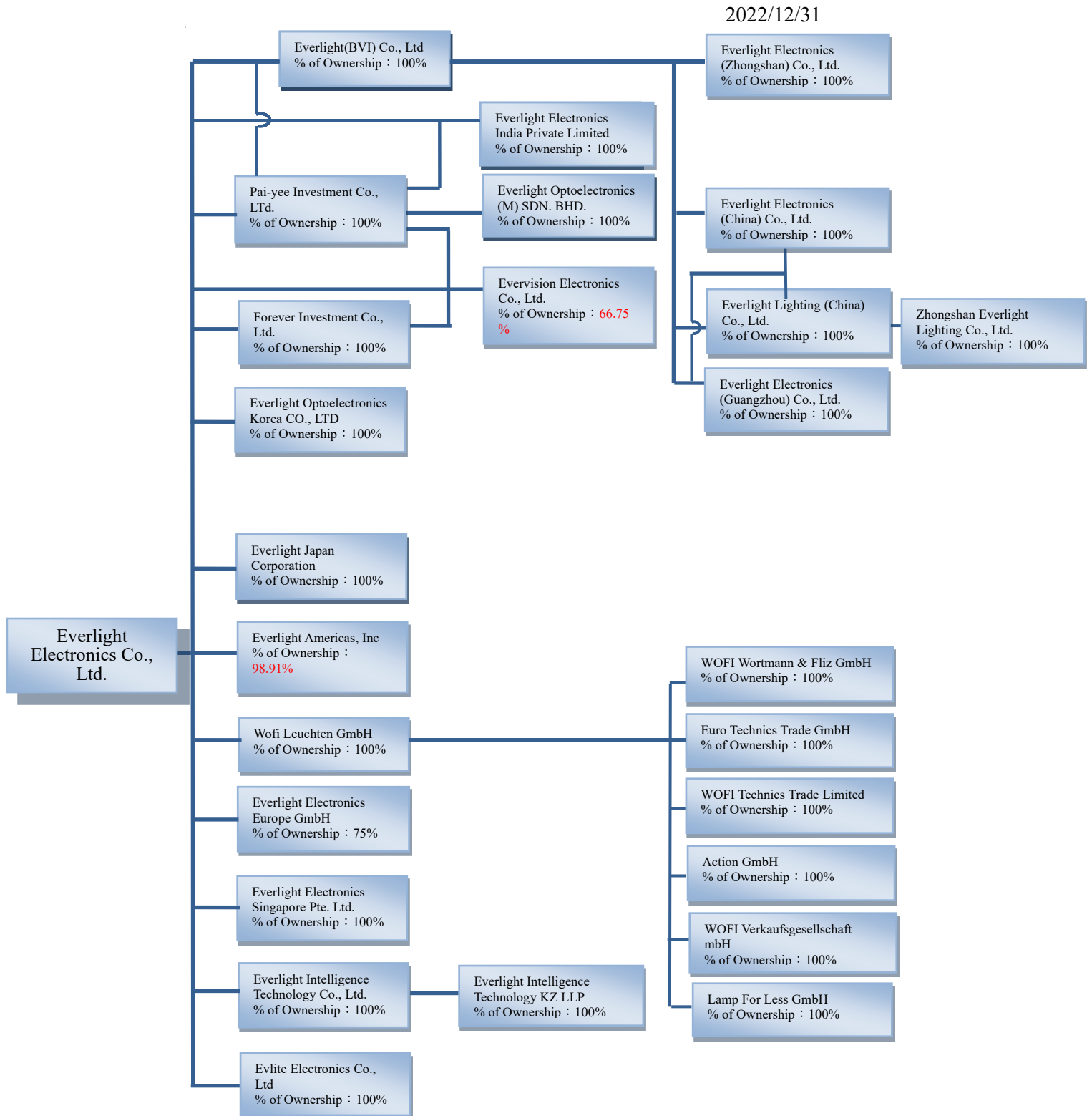
7.6.14 Other Major Risks : None

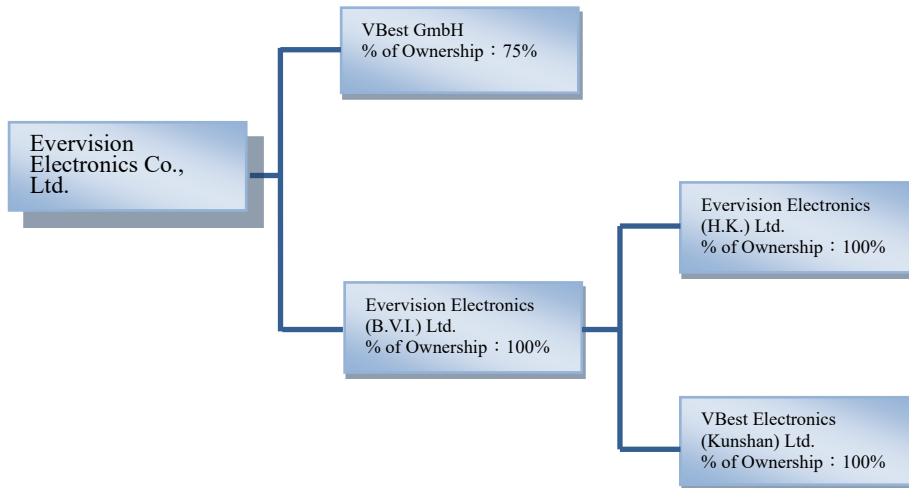
7.7 Other Major Items : None

## 8. Special Disclosure

### 8.1 Summary of Affiliated Companies :

#### 8.1.1 Organization Chart





### 8.1.2 Basic information of related companies

	Incorporate Date	Address	Capital ('000)	Business	Remark
Pai Yee Investment Co., Ltd.	1997.09.06	No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City	NTD239,400	Investment company	
Everlight (BVI) Co.,Ltd.	1995.10.06	Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands.	USD153,995	Holding company	
Everlight Americas, Inc.	2003.01.27	3220 Commander Drive, Suite 100, Carrollton, TX 75006	USD11,500	LED Sales	
Everlight Electronics Europe GmbH	2000.10.16	Siemensallee 84, Building 7302,5F,D-76187 KARLSRUHE GERMANY	EUR100	LED Sales	
Everlight Optoelectronics Korea Co.,Ltd.	2008.02.11	7F,S706-1 Garden 5 Works Choongmin Rd52., Songpa-gu, Seoul , KOREA	USD200	LED Sales	
Forever Investment Co., Ltd.	2007.04.11	No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City	NTD424,875	Investment company	
Everlight Lighting Intellgence Technology Co., Ltd.	2011.3.31	5F,No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City	NTD 200,000	Sale of LED lighting products	
Evlite Electronics Co.,Ltd.	1996.01.04	Units 1606~10, Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	HKD7,000	LED Sales	
Evervision Electronics Co., Ltd.	1998.04.15	6th Floor, No.186 Jianyi Road, Zhonghe District, New Taipei City	NTD184,441	Manufacture and sales of LCD and LED processing	
Everlight Electronics (China) Ltd.	2001.02.07	No. 2135, Zhongshan North Road,Wujiang Economic and Technological Development Zone	USD124,140	LED production	
Everlight Lighting (China) Ltd.	2002.09.28	Room 1327, No. 139, Futexiyi Road, China (Shanghai) Pilot Free Trade Zone ShangHai China	USD10,000	LED Sales	
Everlight Electronics (Guangzhou) Ltd.	2007.06.08	Room 501, No. 131 Dongxing Road, Shiqiao Street, Panyu District, Guangzhou City (Location: No. 8)	RMB45,968	Business development and customer services	
Everlight Electronics (Zhongshan) Ltd.	2008.01.09	1-2 Floor, Factory Building, No. 8, Industrial Avenue South, Xiaolan Town, Zhongshan City, Guangdong Province	USD30,000	Manufacture of LED-related components	
Everlight Optoelectronics (M) SDN. BHD.	1990.2.22	B-04-20, Krystal Point, 303, Jalan Sultan Azlan Shah, 11900 Sungai Nibong, Penang	MYR254	Sales promotion and customer service	

Everlight Electronics (Fujian) Ltd.	2010.07.20	3rd Floor, Building 1, Qinghua Road, Rongshen Industrial Park, Rongqiao Economic and Technological Development Zone, Fuqing City	USD25,000	LED and related backlight component sales and production	
Evervision Electronics (B.V.I.) Ltd.	1998.03.12	Mandar House, 3rd Floor, Suite 301, P.O. Box 3159, Road Town, Tortola, British Virgin Islands	USD20,567	Holding company	
VBest GmbH	2006.7.13	Siemensallee 84, Building 7302,5F,D-76187 KARLSRUHE GERMANY	EUR25	LCD display sales	
Evervision Electronics(H.K.) Ltd.	1998.09.23	Units 1606-1610 16/F Prosperity place 6 shing yip street kwun tong KL	HKD300	LCD display sales	
VBest Electronics (Kunshan) Ltd.	2001.05.25	No. 8, Chengbei Road, High-tech Industrial Park, Yushan Town Development Zone, Kunshan City, Jiangsu Province	USD18,000	LCD display production	
Everlight Electronics India Private Limited	2012.7.25	No. 606, 6th Floor, Surya Kiran Building, Connaught Place, KG Marg, Delhi 110001	INR4,410	LED Sales	
Everlight Electronics Singapore Pte. Ltd.	2013.5.21	GH30, 3RD FLOOR., #03-38,5 TAMPINES CENTRAL 6, TELEPARK, Singapore	USD200	LED Sales	
Everlight Japan Corporation	2013.10.21	7F, Taiju Life Kyoto Yamashina Bldg. 46-1,takehanadonomaechou, Yamashina Ku, Kyoto,607-8085,Japan	JPY50,000	LED Sales	
Zhongshan Everlight Lighting Ltd.	2015.10.9	3rd Floor, No. 8, Factory Building, Industrial Avenue South, Xiaolan Town, Zhongshan City, Guangdong Province, China	RMB33,000	LED and lighting products R&D and Sales	
WOFI Leuchten GmbH	2006.11.14	Im Langel 6, 59872 Meschede	EUR5,775	Lighting products and accessories sales	
WOFI Wortmann & Filz GmbH	2012.8.13	Im Langel 6, 59872 Meschede	EUR100	Lighting products and accessories sales	
Euro Technics Trade GmbH	2004.8.16	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	
WOFI Technics Trade Ltd.	2006.3.1	12/F Fortis Bank Tower, 77 Gloucester Rd, Hong Kong	HKD100	Lighting products and accessories sales	
Action GmbH	2000.9.13	Im Langel 6, 59872 Meschede	EUR 26	Lighting products and accessories sales	
WOFI Verkaufsgesellschaft mbH (WOFI VG)	2017.10.11	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	
Lamp For Less GmbH	2018.7.27	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and	

				accessories sales	
Everlight Intelligence Technology KZ LLP	2020.01.17	Kazakhstan, Almaty, Almalinskiy district, Nawruzbay Batyr str., 68	KZT 1,000	Sale of LED lighting products	

#### 8.1.3 Industries covered by all of our related subsidiaries:

Industries covered by all of our related subsidiaries includes the manufacture and sale of visible and sensing components, the manufacture and sale of LED, the processing and manufacture and sale of LCD products, the development of lighting products and electronic components, and some of the subsidiaries are investment business related.



#### 8.1.4 Director, Supervisors and Managers of Our Subsidiaries:

NT\$, '000, shares, %

Company	Position	Name	representative	Ownership		Remark
				Shares	Ownership %	
Pai Yee Investment Co., Ltd.	Chairman	Everlight Electronics Co., Ltd.	Robert Yeh	23,939,525	100	
	Director	Everlight Electronics Co., Ltd.	Alice Fu			
	Director	Everlight Electronics Co., Ltd.	Ding-Hao Yeh			
	Supervisor	Everlight Electronics Co., Ltd.	Bo-Wen Zhou	0	0	
Everlight (BVI) Co., Ltd.	President	Robert Yeh	Robert Yeh			
		Robert Yeh	Robert Yeh	1,539,954.94	98	
Everlight Americas, Inc.	Director	Everlight Electronics Co., Ltd.	Robert Yeh	11,375,000	99	
	Director	Everlight Electronics Co., Ltd.	Ting-Wei Yeh			
	President	Bernd Kammerer	Bernd Kammerer	125,000	1	
Everlight Electronics Europe GmbH	Director	Everlight Electronics Co., Ltd.	Robert Yeh	75,000	75	
	President	Bernd Kammerer	Bernd Kammerer	25,000	25	
Everlight Optoelectronics Korea Co., Ltd.	Director	Everlight Electronics Co., Ltd.	Robert Yeh	37,890	100	
	Director	Everlight Electronics Co., Ltd.	Ting-Wei Yeh			
	Director	Everlight Electronics Co., Ltd.	Chung-Wei Wang			
	Supervisor	Everlight Electronics Co., Ltd.	Chun-Yu Lu			
Forever Investment Co., Ltd.	Chairman	Everlight Electronics Co., Ltd.	Robert Yeh	42,487,490	100	
Everlight Lighting Intelligence Technology Co., Ltd.	President	Robert Yeh	Robert Yeh			
	Director	Everlight Electronics Co., Ltd.	Robert Yeh	20,000,000	100	
	Director	Everlight Electronics Co., Ltd.	Kai-Hung Cheng			
	Supervisor	Everlight Electronics Co., Ltd.	Li-Fu Lu			
Evlite Electronics Co., Ltd.	Director	Everlight Electronics Co., Ltd.	Alice Fu			
	Director	Everlight Electronics Co., Ltd.	Alice Fu	Note1	100	
Everlight Electronics (China) Ltd.	Chairman	Everlight (BVI) Co., Ltd.	Wu-Liu Tsai			
	Director	Everlight (BVI) Co., Ltd.	Robert Yeh			
	Director	Everlight (BVI) Co., Ltd.	Chen-En Ko	Note1	100	
	Supervisor	Everlight (BVI) Co., Ltd.	Chun-Yu Lu			
	President	Everlight (BVI) Co., Ltd.	Wu-Liu Tsai			
Everlight Lighting (China) Ltd.	Chairman	Everlight (BVI) Co., Ltd.	Robert Yeh			
	Director	Everlight (BVI) Co., Ltd.	Che-wei, Hsu			
	Director	Everlight Electronics (China) Ltd.	Wu-Liu Tsai	Note1	52	
	Supervisor	Everlight (BVI) Co., Ltd.	Alice Fu		48	
Everlight Electronics (Guangzhou) Ltd.	President	Che-wei, Hsu	Alice Fu			
	Chairman	Everlight (BVI) Co., Ltd.	Min-Ta Tsao	968,300	2.11	
	Director	Everlight (BVI) Co., Ltd.	Robert Yeh			
	Director	Everlight Electronics (China) Ltd.	Wu-Liu Tsai	45,000,000	97.89	
Everlight Electronics (Zhongshan) Ltd.	Director	Everlight (BVI) Co., Ltd.	Min-Ta Tsao			
	Supervisor	Everlight (BVI) Co., Ltd.	Chun-Yu Lu			
Everlight Electronics (Zhongshan) Ltd.	Chairman	Everlight (BVI) Co., Ltd.	Wu-Liu Tsai			
	Director	Everlight (BVI) Co., Ltd.	Robert Yeh			
	Director	Everlight (BVI) Co., Ltd.	Alice Fu	Note1	100	
	Supervisor	Everlight (BVI) Co., Ltd.	Chun-Yu Lu			

Company	Position	Name	representative	Ownership		Remark
				Shares	Shares	
Everlight Optoelectronics (M) SDN. BHD.	Director Director	Pai Yee Investment Co., Ltd. Pai Yee Investment Co., Ltd.	Low Khee Poay Wu-Liu Tsai	253,649	100	
Evervision Electronics Co., Ltd.	Director Supervisor President	Everlight Electronics Co., Ltd. Alice Fu Robert Yeh	Robert Yeh	12,313,105	66.75	
Evervision Electronics (BVI) Ltd.	Director	Evervision Electronics Co., Ltd.	Robert Yeh	20,566,735	100	
VBest GmbH	Shareholder	Evervision Electronics Co., Ltd.	Robert Yeh	1	75	
	Director	Bernd Kammerer			25	
Evervision Electronics (HK) Ltd.	Director	Evervision Electronics (BVI) Ltd.	Robert Yeh	300,000	100	
Vbest Kunshan Ltd.	Director	Evervision Electronics (BVI) Ltd.	Chen-Yu Liu		100	
	Supervisor	Evervision Electronics (BVI) Ltd.	Chi-Jung Huang	Note1		
	President	Chen-Yu Liu				
Everlight Electronics India Private Limited	Director	Pai Yee Investment Co., Ltd.	Robert Yeh	88,200	20	
	Director	Everlight Electronics Co., Ltd.	Alice Fu	352,800	80	
	Director	Everlight Electronics Co., Ltd.	Wu-Liu Tsai (Registering)			
	Director	Everlight Electronics Co., Ltd.	Anuradha Rajashekar			
Everlight Electronics Singapore Pte. Ltd.	Director	Everlight Electronics Co., Ltd.	Wu-Liu Tsai	200,000	100	
	Director	Everlight Electronics Co., Ltd.	Gooi Yih Chi			
Everlight Japan Corporation	Director	Everlight Electronics Co., Ltd.	Robert Yeh(Registering)	5,000	100	
	Director	Everlight Electronics Co., Ltd.	Wu-Liu Tsai			
	Director	Everlight Electronics Co., Ltd.	Chan-Li Lin (Registering)			
	Supervisor	Everlight Electronics Co., Ltd.	Chun-Yu Lu			
Zhongshan Everlight Lighting Ltd.	President	Robert Yeh(Registering)				
	Execute	Everlight Lighting (China) Ltd.	Cheng-Hsiung He		100	
	Director	Everlight Lighting (China) Ltd.	Alice Fu	Note1		
WOFI Leuchten GmbH	Supervisor	Cheng-Hsiung He				
	President					
WOFI Wortmann & Filz GmbH	Director	Everlight Electronics Co., Ltd.	Robert Yeh	5,775,000	100	
	President	Yu-He Chang				
WOFI Wortmann & Filz GmbH	Director	Everlight Electronics Co., Ltd.	Robert Yeh	100,000	100	
	President	Yu-He Chang				
Euro Technics Trade GmbH	Director	Everlight Electronics Co., Ltd.	Robert Yeh	25,000	100	
	President	Yu-He Chang				
WOFI Technics Trade Limited	Director	Everlight Electronics Co., Ltd.	Robert Yeh	100,000	100	
	President	Yu-He Chang				
Action GmbH	Director	Everlight Electronics Co., Ltd.	Robert Yeh	26,000	100	
	President	Yu-He Chang				
WOFI Verkaufsgesellschaft mbH (WOFI VG)	Director President	Everlight Electronics Co., Ltd. Yu-He Chang	Robert Yeh	25,000	100	

Lamp for less	Director President	Everlight Electronics Co., Ltd. Yu-He Chang	Robert Yeh	25,000	100	
Everlight Intelligence Technology KZ LLP	Director President	Everlight Electronics Co., Ltd. Kai-Hung Cheng	Robert Yeh	Note1	100	

Note1:Limited

### 8.1.5 Operating overview of our subsidiaries:

NT\$, '000

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Pai Yee Investment Co., Ltd.	239,400	502,446	4,394	497,052	-	(2,472)	11,388	0.48
Everlight (BVI) Co.,Ltd.	4,649,435	7,077,177	516	7,076,661	-	(274)	(69,558)	-
Everlight Americas,Inc.	353,142	236,075	181,671	54,404	456,193	(55,603)	42,819	-
Evlite Electronics Co., Ltd.	27,546	716,935	563,497	153,436	1,032,136	(50,807)	8,019	-
Everlight Electronics Europe GmbH	3,273	429,674	254,299	175,375	1,361,860	125,458	148,117	-
Everlight Electronics (China) Ltd.	3,775,352	7,900,057	2,387,356	5,512,701	8,433,527	81,999	183,827	-
Everlight Lighting (China) Ltd.	307,080	1,284,236	958,466	325,770	2,160,757	3,908	(6,503)	-
Forever Investment Co., Ltd.	424,875	457,740	671	457,069	-	(2,328)	35,893	0.84
Everlight Electronics (GuangZhou) Co., Ltd.	204,303	68,286	70,913	(2,627)	-	(39,380)	(200,204)	-
Everlight Electronics (Zhongshan) Ltd.	921,240	1,081,700	165,808	915,892	306,845	(27,796)	(10,274)	-
Everlight Optoelectronics Korea Co.,Ltd.	4,585	114,405	20,832	93,573	-	(58,193)	21,474	-

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Everlight Electronics (Fujian) Ltd. (Note2)	-	-	-	-	-	(1,564)	2,868	-
Evervision Electronics Co., Ltd.	184,441	1,154,202	202,916	951,286	963,200	122,548	124,877	6.77
Evervision Electronics (B.V.I.) Ltd.	631,563	718,915	0	718,915	0	0	60,637	-
VBest GmbH	818	94,656	16,571	78,086	236,615	29,635	23,538	-
Evervision Electronics (H.K.) Ltd.	1,181	1,098	17	1,081	0	(38)	(37)	-
VBest Electronics (Kunshan)	552,744	807,753	90,003	717,750	525,513	29,390	60,682	-
Everlight Lighting Intellengence Technology Co., Ltd.	200,000	384,954	162,666	222,288	459,183	954	28,629	1.43
Everlight Optoelectronics (M) SDN. BHD.	1,770	2,968	240	2,728	-	(4,036)	30	-
Everlight Electronics India Private Limited	1,637	21,629	1,950	19,679	-	(7,361)	4,723	-
Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (Note2)	-	-	-	-	-	-	(366)	-
Everlight Electronics Singapore Pte. Ltd.	5,764	13,133	364	12,769	-	(14,796)	(508)	-

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Everlight Japan Corporation	11,715	39,628	18,122	21,506	-	(35,748)	3,353	-
WOFI Leuchten GmbH	189,026	188,046	729,213	(541,167)	420,876	(672,561)	(819,321)	-
Zhongshan Everlight Lighting Ltd.	146,936	10,415	4,734	5,681	3,020	96	173	-
Everlight Intelligence Technology KZ LLP	66	30,159	27,510	2,649	0	(318)	(3,974)	-

Note1: All subsidiaries need to be explored, and the exchange rates are NT\$/US\$-30.708, NT\$/EUR-32.7317, NT\$/HK\$-3.9351, NT\$/RMB-4.4526, NT\$/KOW-0.0242, NT\$/INR-0.3712, NT\$/JPY-0.2343, NT\$/SIN-22.8772, NT\$/MYR-6.9791 , NT\$/KZT-0.0664.

Note2:

- (1) Everlight Electronics (Fujian) Co., Ltd. completed the liquidation procedure in May 2022.
- (2) Everlight Lighting Management Consulting(Shanghai) Co., Ltd. completed the liquidation procedure in June 2022.

8.1.6 Relationship Report: None

8.1.7 Affiliates Consolidated Financial Statements: Please see 6.5 Latest Audited Consolidated Financial Report

8.2 Private Placement Securities in the Most Recent Years: None

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the date of publication of the annual report: None

8.4 Other supplementary notes: None

8.5 Any Events in 2022 the most recent year and up to the Date of publication of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3, Paragraph 2 of Article 36 of Securities and Exchange Act of Taiwan: None.

Everlight Electronics Co., Ltd.

Chairman :