

# Everlight Electronics Co., Ltd.

## 2020 Annual Report

Taiwan Stock Exchange Market Observation Post System: [http:// mops.twse.com.tw](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: Yu-Keng Shih

Title: Director

TEL: +886-2-2685-6688

Email: kenshih@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

No.6-8, Chung-Hua Rd., Shu-Ling District, New Taipei City 23860, Taiwan, R.O.C.

TEL: +886-2-2685-6688

### Branch

No. 35, Guoguang Ln., Yuanli Township, Miaoli County 358, Taiwan (R.O.C.)

TEL: +886-37-740-776

## 3. Common Share Transfer Agent and Registrar

Company: The Transfer Agency Department of 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: Ou, Yao-Chun, Lo, Rui-Lan

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

## **Preface**

To our shareholders:

Thank you for coming our 2020 shareholders' meeting.

Due to the pandemic of COVID-19 in 2020, the global supply chain faced unprecedented challenges. Everlight responded the challenges properly and we resumed the production and even expanded the capacity in a short period time under our deployment in advance. In the beginning, everyone was worried that the epidemic would affect the demand of consumers, but due to the wide and various application of our product, Everlight was benefited from the work from home economy, driven by strong demand of networking communication, consumer electronics and home appliances. Our consolidated revenue increased 3% to NT\$ 21.64 billion in 2020 after past three years' decline. The gross profit margin reached 25%, benefitted from the improvement of the product mix. The net profit attributable to the owners of parent was NT\$1.236 billion, the annual growth was 50%, and the after-tax earnings per share (EPS) was NT\$2.79. The profit hit a new high in the past three years and our BOD purposed the dividends in cash of NT\$ 2.25 per share.

## **New technique and applications**

R&D and innovation are the driving forces for our growing and sustainable operations. Everlight continued to invest NT\$ 708 million in R&D in 2020, which was 0.3% lower than the Same period, mainly because the epidemic affected economic activities and slowed down the R&D progress. With the expected gradually release of the global epidemic this year, our input in R&D and innovation will be back the original level, and our focus will be on the application of 5G/electric vehicles/IoT/Mini LED and special lighting to create the Company's long-term growth momentum.

Lately, Everlight has expanded the field of special lighting to biological agricultural applications such as animal husbandry and aquaculture fishery. We used the full-spectrum of LED wavelength adjustment technology to poultry, fish and shrimp aquaculture, and among them, it has developed a technology that can effectively reduce grouper fingerling residue. This technology can increase the income of fishermen and create a win-win situation for farmers and the environment. In the future, we can push this technology to other aquaculture species to solve the residue problems and to increase the fishermen's income and to improve Taiwan's aquaculture industry. And for plant lighting, a special wave band that developed and tested with the Hsinchu Kansai Organic Strawberry Farm can effectively improve the brightness of red for the strawberry. Under the illumination of special lamps, the colour-change rate of the "Aroma" strawberries has increased by 30%, and has helped the strawberry farmers in the north part of Taiwan solved the problem of lack of sunlight in the winter caused redness issue of strawberry. In the future, it can also provide special bands through LED technology for various high value agricultural, fishery, and husbandry to overcome the dilemma of traditional agriculture, and create a win-win situation for the LED industry and agriculture.

## **Summary of 2021 business plan**

According to TrendForce's Optoelectronics Research, with the vaccines coming out this year, the demand of consumption is expected to be strong after the long-term depressed. Trendforce estimated that

the global LED output value is expected to reach US\$15.7 billion, an annual increase of 3.8%. Although the first quarter of 2021 is the traditional off-season, the LED is booming and completely different from the previous years. The overall industry has the opportunity to adjust product prices due to the increased capacity utilization and rising raw material prices. After the “normal life” is back this year, the demand will fluctuate sharply. Therefore, how to quickly adjust the production is the most important challenge for manufacturers. Everlight will keep our capacity flexible and quick response to the market. We will implement our zero-delay and zero-inventory production policy, keep the flexibility of our capacity by cross-strait allocation. Also, Everlight will try our best to give a warm experience to the customers with the equation, “service quality + delivery time + price + service = customer satisfaction”. We will also keep our core competitive advantages of technology, high quality manufacturing and customer trust to earn higher profits for the shareholders.

At last, wish all the shareholders healthy and well living

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	Pass ISO 9001 international certification
Nov 1997	Officially traded on Taipei Exchange.
1998	Paid-in capital increased to NTD\$911,150 thousand. Pass QS 9000 international certification.
Mar 1999	Pass ISO 14001 international certification
1999	Paid-in capital increased to NTD\$1,330,000 thousand
Nov 1999	Officially traded on TWSE.
Feb 2000	Offer 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	Invest Everlight Electronics (China) Ltd.-Suzhou
Mar 2001	Issua 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	Offer 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	Offer 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	Offer 2 <sup>nd</sup> employee stock option 8,000,000 shares.
Dec 2007	Offer 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	Offer 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	Move to Shunlin operation headquarter (Zhonghua Rd., Shulin)
Jan 2012	Offer 3 <sup>rd</sup> employee stock option 5,000,000 shares.
Jun 2012	Offer 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	Offer Year 2013 employee stock option with 10,000,000 shares.
Jul 2013	Purchased WOFI Leuchten GmbH 100% share to strengthen lighting distribution channel and sales development.
Dec 2013	Offer 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	Offer 6 <sup>th</sup> domestic convertible corporate bonds amounting to NTD\$5,000,000 thousand.
Aug 2015	Offer Year 2014 employee stock option with 5,000,000 shares.
Dec 2015	Paid-in capital increased to NTD\$4,361,890 thousand °

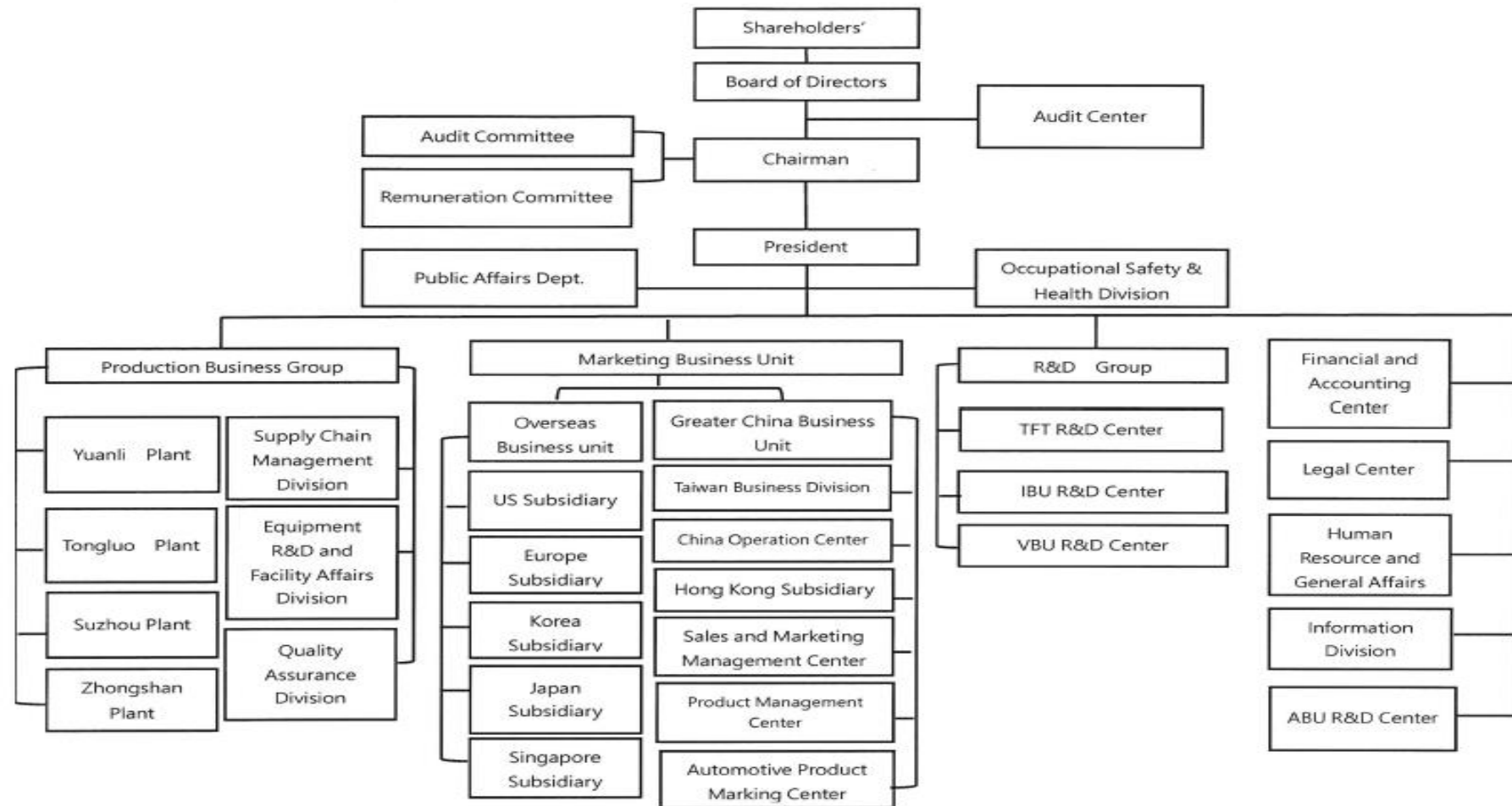


Aug 2016	Tongluo Plant completed factory registration. Everlight dedicated to auto LED R&D to fulfill high quality and diversified need of product. Tongluo Plant is a intelligent plant with human factor concept and mainly for auto LED component.
Dec 2016	Paid-in capital increased to NTD\$4,402,667 thousand °
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	Repay 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

### 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 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 the goal 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 cooperate risk to ensure the legitimacy of cooperate 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 think about the most adequate solution for strategy development and operation process to increase informative ability.</li> </ol>
Human Resource and General Affairs Division	<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> <li>4. Review and suggest on management system and execution of construction and safety and health in plant.</li> </ol>

Department	Functions
R&D Group	<ol style="list-style-type: none"> <li>1. Evaluate industrial key technology and information. New product research and development. R&amp;D process management and improvement. R&amp;D project management and improve product quality and yield.</li> <li>2. New product spec setting and test verification. Assist product department to test sample and spec verification.</li> <li>3. Integrate corporate resource to import new material and manufacturing process.</li> <li>4. New product development, improvement, and modification of production spec, BOM building, second source evaluation. R&amp;D professional service and patent application.</li> </ol>
ABU R&D Center	<ol style="list-style-type: none"> <li>1. Evaluate industrial Automotive key technology and information. New product research and development. R&amp;D process management and improvement. R&amp;D project management and improve product quality and yield.</li> <li>2. New product spec setting and test verification. Assist product department to test sample and spec verification.</li> <li>3. Integrate corporate resource to import new material and manufacturing process.</li> <li>4. New product development, improvement, and modification of production spec, BOM building, second source evaluation. R&amp;D professional service and patent application.</li> </ol>
Product Management Center	<ol style="list-style-type: none"> <li>1. Formulation and implementation of product marketing strategies.</li> <li>2. Achieve product performance goals assigned by the company.</li> <li>3. Responsible for new product development life cycle, gross profit and future planning.</li> <li>4. From a market point of view, it is recommended that the company cooperate with the development of the industry and product trends.</li> </ol>
Automotive Product Marking Center	<ol style="list-style-type: none"> <li>1. Formulation and implementation Automotive of product marketing strategies.</li> <li>2. Achieve product performance goals assigned by the company.</li> <li>3. Responsible for new product development life cycle, gross profit and future planning.</li> <li>4. From a market point of view, it is recommended that the company cooperate with the development of the industry and product trends.</li> </ol>
Overseas Business Unit	<ol style="list-style-type: none"> <li>1. Build sales performance management system and continuously promote sales process improvement on operation efficiency and quality.</li> <li>2. Develop new customer and maintain good relationship to achieve yearly sales goal.</li> <li>3. Set up and execute product marketing strategy.</li> </ol>
Greater China Business Unit	<ol style="list-style-type: none"> <li>1. Build sales performance management system and continuously promote sales process improvement on operation efficiency and quality.</li> <li>2. Manage distributor channel in Greater China.</li> <li>3. Develop new customer and maintain good relationship to achieve yearly sales goal.</li> <li>4. Set up and execute product marketing strategy.</li> </ol>
Supply Chain Management Division	<ol style="list-style-type: none"> <li>1. Allocate production capacity by open order and manage abnormal production condition to achieve goals of production and inventory turnover.</li> <li>2. Continuously grasp production status and reduce WIP.</li> <li>3. Manage raw material, product, and shipping to fulfill production needs.</li> </ol>
Equipment R&D and Facility Affairs Division	<ol style="list-style-type: none"> <li>1. Improve automation of machinery and develop mould.</li> <li>2. Develop, import, and apply new machine and new model.</li> <li>3. Execute factory construction project, factory affairs, and factory equipment maintenance to fulfill capacity expansion and production demand.</li> </ol>
Quality Assurance	<ol style="list-style-type: none"> <li>1. Manage corporate quality system, suppliers, prohibited and restricted substance, and internal audit system.</li> </ol>

Department	Functions
Division	<ul style="list-style-type: none"> <li>2. Manage and plan laboratory, approve reliance report, handle defective product, and promote quality assurance conscious and training to ensure product reliability.</li> <li>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.</li> </ul>
Production Plant	<ul style="list-style-type: none"> <li>1. Produce LED according to open order and achieve goals of production and inventory turnover..</li> <li>2. Continuously decrease manufacturing cost, grasp production status and reduce WIP.</li> <li>3. Manage raw material, product, and inventory to fulfill production needs.</li> </ul>

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

#### 3.2.1 Information about directors

Apr. 19, 2021 Unit:Share

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Yin-Fu Yeh	Male	2018.06	3	1983.6	18,968,553	4.31	16,168,553	3.65	651,333	0.15	0	0.00	National Taipei University of Technology Department of Electronic Engineering	Everlight Electronics Chairman & President King Core Electronics Inc. Director 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 Optoelectronics Korea Co., Ltd. Chairman VBest GmbH Director Evervision (HK) Ltd. Director Everlight (Fujian) Ltd. Chairman 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	Wu-Yan Yeh  Ting-Wei Yeh	Brother  , Son	Note

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	R.O.C.	Bo-Wen Zhou	Male	2018.06	3	1983.6	7,600,000	1.73	9,600,000	2.17	7,440,000	1.68	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.	Wu-Yan Yeh	Male	2018.06	3	1997.4	2,102,658	0.48	2,023,658	0.46	42,559	0.01	0	0.00	Department of Mechanism of Chien Hsin University of Science and Technology Everlight Senior Vice President	Everlight Electronics Director	Chairman	Yin-Fu Yeh	Brother	
Director	R.O.C.	Shinh Wum International Investment LTD	Male	2018.06	3	2012.6	3,718,000	0.84	4,785,000	1.08	0	0	0	0	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 & president	Chairman	Yin-Fu Yeh	Father	
		representative: Ting-Wei Yeh					500,000	0.11	500,000	0.11	0	0	0	0						
Director	R.O.C.	Bang-Yan Liu	Male	2018.06	3	2003.6	212,884	0.05	145,884	0.03	0	0.00	0	0.00	Hsieh Chih Vocational High School Everlight production business unit president	Everlight Electronics Director	-	-	-	

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	R.O.C.	King Core Electronics Inc.	Male	2018.06	3	2000.5	1,924,354	0.44	1,924,354	0.43	0	0.00	0	0.00	MBA of Tulan University	Everlight Electronics Director King Core Electronics Inc.Chairman King Core Electronics Inc. (Suzhou) Ltd. Chairman (representative) Allied Biotech Corporation Chairman (representative) I-Pao Shoe Material Chairman Academic Development Foundation of NCCU Director Everlight Electronics Co., Ltd. Director (representative) Litemaz Co., Ltd. Supervisor Sciencetech Corporation Independent Director Sheng Pao Investment Co., Ltd. Director Chin Pao Investment Co., Ltd. Director Cheng-Pao Investment Co., Ltd. Director KingCore (B.V.I.) Electronics Co., Ltd. director (representative) Yang Pao Investment Co., Ltd.Director ULTIMATE BEYOND LIMITED Director Guide Start Venture Capital Director (representative)				
		representative : Zheng-Li Yang					0	0.00	0	0.00	0	0.00	0	0.00			-	-	-	
Independent Director	R.O.C.	Johnsee Lee	Male	2018.06	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 Zhen Ding Tech. IndependentDirector San Fu Chemical Co., Ltd. Independent Director Personal Genomics, Inc. Chairman Hopax Chemicals. Mfg. Co., Ltd. Director Quark Biosciences, Inc.Chairman	-	-	-	



Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	R.O.C.	Chen-En Ko	Male	2018.06	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 of College of Management at National Taiwan University Supervisor of CBC Taiwan Corporate Governance Association Chairman	Everlight Electronics Independent Director Novatek Microelectronics Co. Independent director	-	-	-	
Independent Director	R.O.C.	Rong-Chun Lin	Male	2018.06	3	2018.06	0	0.00	0	0.00	0	0.00	0	0.00	Ph. D of Business Administration of NCCU Dean of College of Management at Shih Chien University Consultant of Taiwan Academy of Banking and Finance	Everlight Electronics Independent Director China Metal Products Co., Ltd. Independent Director Antec, Inc. Independent 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 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.

### Directors' Professional Qualifications and Independence Analysis:

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

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the Same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the Same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the Same person: **not** a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the Same parent.
7. 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: **not** a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the Same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the

Same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### 3.2.2 Major Shareholder of the institutional shareholder:

April 19, 2021

Name of institutional shareholder	Major Shareholder of the institutional shareholder (Note)	%
Shinh Wum International Investment LTD	Ting-Wei Yeh	100%
King Core Electronics Inc.	Sheng Pao Investment Co., Ltd.	11.58%
	Chin Pao Investment Co., Ltd.	9.48%
	Zheng-Li Yang	4.37%
	Yang Pao Investment Co., Ltd.	4.03%
	Kun-Chang Kuo	3.39%
	Yung-Shun Chuang	3.35%
	Sheng Pao Investment Co., Ltd. is entrusted with Zheng-Li Yang Trust Property Account	2.65%
	Chin Pao Investment Co., Ltd. is entrusted with Li-Hua Hsu Trust Property Account	2.19%
	Sheng Pao Investment Co., Ltd. is entrusted with Li-Hua Hsu Trust Property Account	1.84%
	Ta-Jen Wang	1.69%

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

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

April 19, 2021

Name of juridical persons	Major shareholder of the juridical persons	%
Chin Pao Investment Co., Ltd.	Yu-Chiang Tsai	0.04%
	Zheng-Li Yang	18.90%
	Li-Hua Hsu	21.36%
	Kun-Chang Kuo	0.04%
	Chen-Han Chen	0.04%
	Tzu-Hsuan Yang	30.99%
	Ssu-Chien Yang	23.73%
Sheng Pao Investment Co., Ltd.	Li-Hua Hsu	0.88%
	Zheng-Li Yang	0.09%
	Tzu-Hsuan Yang	99.02%
Yang Pao Investment Co., Ltd.	Zheng-Li Yang	99.8%
	Tzu-Hsuan Yang	0.2%

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

According to 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 20 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.

Diviersity of board members:

Name	Condition						
	Gender	Ages	Nationality	Professional background	Professional skill	Industrial experience	Academic proficiency
Yin-Fn Yeh	Male	70-75	R.O.C.	V	V	V	
Chen-En Ko	Male	65-70	R.O.C.	V	V	V	V
Johnsee Lee	Male	70-75	R.O.C.	V	V	V	V
Rong-Chun Lin	Male	65-70	R.O.C.	V	V	V	V
Bo-Wen Zhou	Male	65-70	R.O.C.	V	V	V	
Bang-Yan Liu	Male	60-65	R.O.C.	V	V	V	
Wu-Yan Yeh	Male	65-70	R.O.C.	V	V	V	
Zheng-Li Yang	Male	60-65	R.O.C.	V	V	V	
Ting-Wei Yeh	Male	40-45	R.O.C.	V	V	V	V

Nine directors in the Board including six directors and three independent directors. Percentage of independent director on the board is 33%. The terms of three independent directors is less than 3 sessions. the terms of one independent directos is less then 3 years and the other two is in 4-6 years. All independent directors meet the independence.

Two directors who are also employees account for 22% and external directos 78%. Four directors with academic proficiency accounts for 44%; two of them with material appliance,

and the other two with accounting, finance, and business administration background. The rest of directors who possess abundant knowledge, expertise, and 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 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%. At the same time, increase the number of directors with a background in science and engineering. Therefore, it is expected to add one more to the next board of directors. Independent directors with a background in science and engineering to achieve their goals.

### 3.2.5 Information Regarding Management Team

April 19, 2021 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	16,168,553	3.65	651,333	0.15	0	0.00	Department of Electronic Engineering of National Taipei University of Technology	King Core Electronics Inc. Director Tekcore Co. Ltd Chairman & President Evervision Electronics Co., Ltd. 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 Optoelectronics Korea Co., Ltd. Chairman VBest GmbH Director Evervision (HK) Ltd. Director Everlight (Fujian) Ltd. Chairman 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	-	-	-	Note
Executive Vice President	R.O.C.	Wu-Liu Tsai	Male	2019.01.07	5,000	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 Japan Corporation Director	-	-	-	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Vice President	Male	Li-Yu Huang	Male	2013.05.13	11,529	0.00	503	0.00	0	0.00	MBA, University of Illinois Sr. Director , Everlight Accounting Division	Everlight Optoelectronics Korea Supervisor Everlight Electronics (Gouzhou) Supervisor Everlight Electronics (Zonhshan) Supervisor Everlight Optoelectronics (M) SDN. BHD. Director Everlight Electronics Singapore Pte. Ltd. Director Everlight Electronice India Private Limited Director Everlight Lighting Management Consultation (Shanghai) Director & president Everlight Japan Corporation Supervisor Zhongshan Everlight Lighting Executive Director & president Everlight Lighting Intellengence Technology Co., Ltd. Director WOFI Leuchten GmbH GM WOFI Wortmann & Fliz GmbH GM Euro Technics Trade GmbH president WOFI Technics Trade Limited president Action GmbH president WOFI Verkaufsgesellschaft mbH (WOFI VG) president Lamp for Less GmbH president	-	-	-	
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.	Chih-Min Lin	Male	2018.02.26	0	0.00	10,000	0.00	0	0.00	MA, Chemical Engineering, Yuan Ze University Everlight QA Division Sr. Director Everlight RD group Sr. Director	Everlight Electronics (China) Director	-	-	-	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Sr. Director	R.O.C.	Chung-Wei Wang	Male	106.09.06	500	0.00	0	0.00	0	0.00	MA, Department of Architecture, National Taipei University of Technology	Everlight Optoelectronics Korea Co., Ltd. (ELK) Director	-	-	-	
Sr. Director	R.O.C.	Chi-Hui Chen	Male	2018.06.15	36,000	0.01	4,000	0.00	0	0.00	Minghsin University of Science and Technology Everlight Sales director	Everlight Electronics (Guanzhou) Chairman Everlight Lighting (China) Director & president Everlight Lighting Management Consultation (Shanghai) Vice Chairman	-	-	-	
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	None	-	-	-	
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 Major-Chemistry Nanya Institute of Technology ROC Military police Colonel- Leader of Cultural Mission	None	-	-	-	
Financial Officer	R.O.C.	Yu-Keng Shih	Male	2020.11.12	0	0.00	0	0.00	0	0.00	MBA, University of Illinois Everlight Financial Center Director YAGEO Corp. Financial Manager	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 CHENCHI University Everlight Financial and Accounting Center Manager	None	-	-	-	

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 Consolidat ed Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Director	Yin-Fut Yeh	0	0	0	0	11,208	11,208	360	360	0.94%	0.94%	13,431	13,431	544	544	3,530	0	0	0	2.35%	2.35%	None
	Bo-Wen Zhou																					
	Wu-Yan Yeh																					
	Bang-Yan Liu																					
	Shinh Wum International																					
	Investment Ltd. representative: Ting-Wei Yeh																					
	King Core Electronics Inc. representative: Zheng-Li Yang																					
Independent Director	Johnsee Lee	2,400	2,400	0	0	5,604	5,604	180	180	0.66%	0.66%	0	0	0	0	0	0	0	0.66%	0.66%	None	
	Chen-En Ko																					
	Rong-Chun Lin																					
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 、Wu-Yan Yeh 、Bang-Yan Liu 、Shinh Wum International Investment LTDrepresentative : Ting-Wei Yeh 、King Core Electronics Inc. representative:Zheng-Li Yang 、	Yin-Fu Yeh 、Bo-Wen Zhou 、Wu-Yan Yeh 、Bang-Yan Liu 、Shinh Wum International Investment LTDrepresentative : Ting-Wei Yeh 、King Core Electronics Inc. representative:Zheng-Li Yang	Bo-Wen Zhou 、Bang-Yan Liu 、Wu-Yan Yeh 、King Core Electronics Inc. representative:Zheng-Li Yang	Bo-Wen Zhou 、Bang-Yan Liu 、Wu-Yan Yeh 、King Core Electronics Inc. representative:Zheng-Li Yang
NT\$2,000,000~NT\$3,500,000	Chen-En Ko 、Johnsee Lee 、Rong-Chun Lin	Chen-En Ko 、Johnsee Lee 、Rong-Chun Lin	Chen-En Ko 、Johnsee Lee 、Rong-Chun Lin	Chen-En Ko 、Johnsee Lee 、Rong-Chun Lin
NT\$3,500,000~NT\$5,000,000				
NT\$5,000,000~NT\$10,000,000			Shinh Wum International Investment LTDrepresentative : Ting-Wei Yeh	Shinh Wum International Investment LTDrepresentative : Ting-Wei Yeh
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				
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)		Compensation Received from Non- consolidated From Affiliates
		The Company	All Consolidat ed Entities	The Company	All Consolidat ed 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	16, 882	18, 244	1, 013	1, 013	4, 012	4, 012	8, 228	0	8, 228	0	2. 44%	2. 55%	None
Executive Vice President	Wu-Liu Tsai													
Vice President	Li-Yu Huang													
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	Li-Yu Huang	
NT\$3,500,000~NT\$5,000,000	Wu-Liu Tsai、Chia-Hao Lee	Li-Yu Huang、Wu-Liu Tsai、Chia-Hao Lee
NT\$5,000,000~NT\$10,000,000	Yin-Fu Yeh	Yin-Fu Yeh
NT\$10,000,000~NT\$15,000,000		
NT\$15,000,000~NT\$30,000,000		
NT\$30,000,000~NT\$50,000,000		
NT\$50,000,000~NT\$100,000,000		
100,000,000 and above		
Total	6	6

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

Dec. 31, 2020 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	11,495	11,495	0.93
Executive Vice President	Wu-Liu Tsai				
Vice President	Li-Yu Huang				
Vice President	Chia-Hao Lee				
Sr. Director	Chung-Wei Wang				
Sr. Director	Chi-Hui Chen				
Sr. Director	Chih-Min Lin				
Sr. Director	Min-Ta Tsao				
Sr. Director	Yu-Keng Shih				
Sr. Director	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.			
	2019		2020	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Directors	1.63%	1.63%	1.60%	1.60%
President and Vice President	2.45%	2.58%	2.44%	2.55%

The earnings before tax in 2020 is more than 2019 due to increased revenue, therefore the higher remuneration allocated in 2020. The ratio of directors and managers remuneration to the net profit in 2020 is slightly down.

The remuneration paid by the Company and all the consolidated entities of the Company is mainly according to the relevant regulations such as the Company's Articles of Incorporation, the distribution approval of the shareholders meeting, and the regulation of employee bonus, and will be discussed by the compensation committee and approval of the board of directors.

According to the Article 15-1, 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. A separate distribution of compensation will be conducted in accordance with Article 20 hereto in the event that the Company makes profit from business. According to the Article 20, 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.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors Meeting Status

A total of 7 (A) meetings of the Board of Directors were held in 2020. The directors' attendance status is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Yin-Fu Yeh	7	0	100	
Director	Bo-Wen Zhou	7	0	100	
Director	Bang-Yan Liu	7	0	100	
Director	Wu-Yan Yeh	7	0	100	
Director	Shinh Wum International Investment LTD representative : Ting-Wei Yeh	7	0	100	
Director	King Core Electronics Inc. representative : Zheng-Li Yang	6	0	86	
Independent director	Chen-En Ko	7	0	100	
Independent director	Johnsee Lee	7	0	100	
Independent director	Rong-Chun Lin	7	0	100	

\*The overall Attendance rate of the board of directors is 98%

#### Other special disclosure:

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

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

Term/___st/ nd/rd/th time Date	Contents of motion	Resolution
13-12 2020. 3. 24	Approved 2019 financial report and business report.	It was approved and as per the resolution was executed.
	Evaluate the independence, eligibility, and contents of service and remuneration 2020 about appointment of CPAs	
	Recommendation of the distribution of earnings for the year of 2019.	
	Approval of the Statement of Declaration on Internal Control System 2019.	
	Discussion of some contents of "Internal control system".	

	Employee stock option execution and replacement of common stock	
	Approved the amendments to “Procedures for Loaning of Funds and Making of Endorsements, Guarantees”	
Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		
13-13 2020. 4. 29	Discussion on hiring internal audit officer	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		
13-14 2020. 5. 13	Approved 2020 financial report of Q1	It was approved and as per the resolution was executed.
	Employee stock option execution and replacement of common stock	
	Approved Everlight lend the EUR 9 million loan to WOFI	
Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		
13-15 2020. 6. 12	Capital injection of German lighting subsidiary	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		
13-16 2020. 8. 12	Approved 2020 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	
	Employee stock option execution and replacement of common stock	
Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		
13-17 2020. 11. 12	Approved 2020 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 2020.	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
	Discussion of the corporation lending	
	Approval of changing accounting and financial officer	
Independent director’s opinion:None		
The Company’s handling of independent director’s opinion:N/A		
13-18 2020. 12. 23	Approval of auditing plan for 2020	It was approved and as per the resolution was executed.
	Approval the amendments to”Internal control system” and “Internal audit implementation regulation”	
	Discussion of the application of tariff guarantee	
	Approval of changing accounting officer	
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 2020.

(2) Recusals of Directors due to conflicts of interests in 2020:

Term/____st/nd/rd/th time Date	Persons recusing themselves	Contents of motion	Status	Resolution
13-12 2020.3.24	Yin-Fu Yeh Wu-Yan Yeh Ting-Wei Yeh	Adjustment of managers' salary	Yin-Fu Yeh, Wu-Yan Yeh and Ting-Wei Yeh in relation to the individual's interest conflicts, each of the directors temporarily left and avoided each other, and did not participate in the discussion and voting.	Chen-En Ko was the acting chairman, avoidance directors did not vote and the other directors had no objection to the approval
13-16 2020.8.12	Yin-Fu Yeh Ting-Wei Yeh	Allocation of 2019 employee remuneration to managers and/or directors who were also employees.	Yin-Fu Yeh and Ting-Wei Yeh in relation to the individual's interest conflicts, each of the directors temporarily left and avoided each other, and did not participate in the discussion and voting.	Chen-En Ko was the acting chairman, avoidance directors did not vote and the other directors had no objection to the approval
13-17 2020.11.12	Yin-Fu Yeh Wu-Yan Yeh Ting-Wei Yeh	Authorization of approval of the interal report	Yin-Fu Yeh, Wu-Yan Yeh and Ting-Wei Yeh in relation to the individual's interest conflicts, each of the directors temporarily left and avoided each other, and did not participate in the discussion and voting.	Chen-En Ko was the acting chairman, avoidance directors did not vote and the other directors had no objection to the approval

(3) Evaluation of Board performance:

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

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Scope of evaluation (Note 3)	Evaluation method (Note 4)	Evaluation items (Note 5)
Once a year	2020.1.1- 2020.12.31	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	2020.1.1- 2020.12.31	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	2020.1.1- 2020.12.31	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
Once every 3 years	2019.9.1- 2020.8.31	All Board of Directors	Appoint an external professional organization to evaluate, such	1. Composition of the board of directors 2. Guidance from the board of



			as Taiwan Corporate Governance Association	directors 3. Authorization of the board of directors 4. Supervision by the board of directors 5. Communication with the board of directors 6. Internal control and risk management 7. Self-discipline of the board of directors 8. Others, such as board meetings and support systems...etc.
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Note 1: Refers to the cycle of Board evaluations, such as: Once a year.

Note 2: Refers to the period covered by the Board evaluation, such as: evaluation of Board performance between January 1, 2019 and December 31, 2019.

Note 3: The scope of performance evaluations includes the Board of Directors, individual directors, and functional committees.

Note 4: The evaluation method includes internal self-evaluation by the Board of Directors, self-assessment by directors, peer evaluation, and entrusting external professional institutions and experts or using other appropriate methods for performance evaluation.

Note 5: According to the scope of evaluation, evaluation items must at least include the following items:

- (1) Board performance evaluation: At least includes level of participation in company operations, the quality of Board decisions, Board composition and structure, appointment of directors and their continued development, and internal controls.
- (2) Individual director performance evaluation: At least includes grasp of company targets and missions, understanding of the director's role and responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continued development, and internal controls.
- (3) Functional committee performance evaluation: Participation in company operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees, and member selection and internal control.

- (4) Measures taken to strengthen the functionality of the Board:

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

Everlight has set up audit committee to replace supervisor in 2018 by Securities and Exchange Act. Audit committee consisted three 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 is going to add one more independent director, 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 audit committee of the Company is composed of three 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.
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. Compliance with the laws and regulations.
9. Risk control of the Company.
10. Operation status of subsidiaries.
11. Self evaluation of the performance in audit committee.
12. 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 2020. 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	7	0	100	
Independent Director	Johnsee Lee	7	0	100	
Independent Director	Rong-Chun Lin	7	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
1-12 2020.3.24	Approved 2019 financial report and business report.	The motion was approved by all present directors
	Recommendation of the distribution of earnings for the year	

	of 2019.	unanimously, and approved by board meeting on March 24, 2020.
	Evaluate the independence, eligibility, and contents of service and remuneration 2020 about appointment of CPAs	
	Approved the Statement of Declaration on Internal Control System 2019.	
	Approved the amendments to”Internal control system”.	
	Approved the amendments to “Procedures for Loaning of Funds and Making of Endorsements, Guarantees”	
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
1-13 2020.4.29	Discussion on hiring internal audit officer	The motion was approved by all present directors unanimously, and approved by board meeting on April 29, 2020.
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
1-14 2020.5.13	Approved 2020 financial report of Q1	The motion was approved by all present directors unanimously, and approved by board meeting on May 13, 2020.
	Approved Everlight lend the EUR 9 million loan to WOFI	
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
1-15 2020.6.12	Capital injection of German lighting subsidiary	The motion was approved by all present directors unanimously, and approved by board meeting on June 12, 2020.
Independent director’s opinion:None		
The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
1-16 109.8.12	Approved 2020 financial report of Q2	The motion was approved by all present directors unanimously, and approved by board meeting on August 12, 2020.
	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		
1-17 2020.11.12	Approved 2020 financial report of Q3	The motion was approved by all present directors unanimously, and approved by board meeting on November 12, 2020.
	Approval of the professional service fee of the CPAs for the year of 2020.	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
	Discussion of the corporation lending	
	Approval of changing financial and accounting officer	
Independent director’s opinion:None		

The Company’s (the board of directors’) handling of Audit Committee’s opinion: N/A		
1-18 2020.12.23	Approval of auditing plan for 2021	The motion was approved by all present directors unanimously, and approved by board meeting on December 23, 2020.
	Approved the amendments to”Internal control system” and “Internal audit implementation regulation”	
	Discussion of the application of tariff guarantee	
	Approval of changing accounting officer	
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 2020.

(2) There were no recusals of independent directors due to conflicts of interests in 2020.

(3) Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2020:

**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 2020 was outlined as following:

Date	Points of communication	Communication result
2020/3/23	<p>Summary:</p> <ol style="list-style-type: none"> <li>1. External auditor's responsibility of audit in annual financial report.</li> <li>2. Audit and review scope</li> <li>3. External auditor's Independence</li> <li>4. Other important notice</li> <li>5. The impact to auditing and to the financial report under COVID-19 pneumonia in 2019</li> <li>6. Preparing the consolidated financial statements of the Company</li> <li>7. Important update on accounting standards or explanation and securities and tax regulations:</li> </ol>	Independent director's opinion: None
2020/5/13	<p>Summary:</p> <ol style="list-style-type: none"> <li>1. External auditor's responsibility of auditing annual financial report.</li> <li>2. Audit and review scope</li> <li>3. Audit and review discovery</li> <li>4. External auditor's Independence</li> <li>5. Other important notice</li> <li>6. Important update on accounting standards or explanation and securities and tax regulations</li> </ol>	Independent director's opinion: None

2020/8/12	Summary: 1. External auditor's responsibility of audit in annual financial report. 2. Audit and review scope 3. Audit and review discovery 4. External auditor's Independence 5. Other important notice 6. Important update on accounting standards or explanation and securities and tax regulations	Independent director's opinion:None
2020/11/12	Summary: 1. External auditor's responsibility of audit in annual financial report. 2. Audit and review scope 3. Audit and review discovery 4. External auditor's Independence 5. Other important notice 6. Matters which authority concern 7. Annual audio plan	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 2020 was outlined as following:

Date	Points of communication	Communication result
2020/5/30	Head of internal auditor give independent director Ko a call to discuss the standard cost system.	Independent director Ko provided adequate instructions on cost system and sufficient suggestions.
2020/6/3	Independent director Lin reviewed, signed his name on the internal audit working paper and discuss some audit issues with the head of internal audit at the office of audit center.	No objection to the internal audit report after review.
2020/7/21	Independent director Lin reviewed, signed his name on the internal audit working paper and discuss the issue regarding standard cost system.	No objection to the internal audit report after review.
2020/9/8	Head of internal audit took business trip to a factory and Independent director Lin reviewed, signed his name on the internal audit working paper and discuss some audit issues	No objection to the internal audit report after review.

	with the head of internal audit at the office of audit center.	
2020/10/16	<ol style="list-style-type: none"> <li>1. Independent director Lin reviewed, signed his name on the internal audit working paper and discuss some audit issues with the head of internal audit at the office of audit center.</li> <li>2. Independent director Lin discuss the issues regarding supervising subsidiaries and independence of internal auditor in SuZhou Subsidiary.</li> <li>3. Independent director Lin had initial discussions regarding 2021 audit plan.</li> </ol>	<ol style="list-style-type: none"> <li>1. No objection to the internal audit report after review °</li> <li>2. Independent director Lin provided instructions and suggestions regarding the independency of internal auditor in SuZhou and supervision and management of subsidiaries.</li> <li>3. Independent director Lin provided adequate suggestions about the 2021 annual audit plan.</li> </ol>
2020/12/1	Independent director Lin reviewed, signed his name on the internal audit working paper at the office of audit center. °	No objection to the internal audit report after review.
2020/12/23	<ol style="list-style-type: none"> <li>1. Independent director Lin reviewed, signed his name on the internal audit working paper at the office of audit center.</li> <li>2. Independent director Lin gave appropriate suggestions about 2021 audit point °</li> </ol>	<ol style="list-style-type: none"> <li>1. No objection to the internal audit report after review °</li> <li>2. Independent director Lin provided adequate suggestions about the 2021 audit point</li> </ol>

(4) The function and authority of Audit Committee:

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

(5) Continuing Education/Training of Directors in 2020

Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
Chairman	Yin-Fu Yeh	2020/12/11	2020/12/11	Taiwan Corporate Governance Association	Global Trend Analysis-Risks and Opportunities	3.0	6.0
		2020/4/29	2020/4/29	Taiwan Corporate Governance Association	Business Operation and Risk Management	3.0	
Director	Bo-Wen Zhou	2020/4/29	2020/4/29	Taiwan Corporate Governance Association	Business Operation and Risk Management	3.0	6.0
		2020/12/11	2020/12/11	Taiwan Corporate Governance Association	Global Trend Analysis-Risks and Opportunities	3.0	
Director	Wu-Yan Yeh	2020/4/29	2020/4/29	Taiwan Corporate Governance Association	Business Operation and Risk Management	3.0	6.0
		2020/12/11	2020/12/11	Taiwan Corporate Governance Association	Global Trend Analysis-Risks and Opportunities	3.0	
Director	Bang-Yan Liu	2020/4/29	2020/4/29	Taiwan Corporate Governance Association	Business Operation and Risk Management	3.0	6.0
		2020/10/21	2020/10/21	Securities & Futures Institute	Seminar of preventing inside trading and stock trading for insiders in 2021	3.0	
Director	Zheng-Li Yang	2020/4/29	2020/4/29	Taiwan Corporate Governance Association	Business Operation and Risk Management	3.0	9.0
		2020/5/8	2020/5/8	Taiwan Corporate Governance Association	How to supervise risk management, detect and prevent fraud and build up the whistle blowing system for directors	3.0	
		2020/12/11	2020/12/11	Taiwan Corporate Governance Association	To see mergers and acquisitions and how to make successful investments from the height of directors and supervisors	3.0	

Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
Director	Ting-Wei Yeh	2020/4/29	2020/4/29	Taiwan Corporate Governance Association	Business Operation and Risk Management	3.0	6.0
		2020/12/11	2020/12/11	Taiwan Corporate Governance Association	Global Trend Analysis-Risks and Opportunities	3.0	
Independent Director	Chen-En Ko	2020/2/18	2020/2/18	Taiwan Corporate Governance Association	Impact investing-Do Well by Doing Good	1.0	11.0
		2020/6/23	2020/6/23	Taiwan Corporate Governance Association	Issues which directors and supervisors need to consider in risk management, corporate sustainability and ESG after the impact of the epidemic	1.0	
		2020/8/25	2020/8/25	Taiwan Corporate Governance Association	The impact of collapse on corporate governance from Tatung case	1.0	
		2020/10/29	2020/10/29	Taiwan Corporate Governance Association	The proxy fight, from the supreme court's view	1.0	
		2020/11/4	2020/11/4	Taiwan Corporate Governance Association	Risk management and internal control of business	3.0	
		2020/11/4	2020/11/4	Taiwan Corporate Governance Association	Detecting and preventing fraud of business	3.0	
		2020/12/31	2020/12/31	Taiwan Corporate Governance Association	Company strategy for using capital market under current environment	1.0	
Independent Director	Johnsee Lee	2020/10/28	2020/10/28	Zhong Dao Association of Leadership & Culture	Deepen corporate governance and corporate social responsibility culture, strengthen the board of directors and corporate decision-making	6.0	12.0
		2020/9/22	2020/9/22	Taiwan Stock Exchange Corp.	"Corporate Governance 3.0-the Blueprint for Sustainable Development" Summit Forum	3.0	
		2020/8/6	2020/8/6	Taiwan Corporate Governance Association	Global Trend Analysis-Risks and Opportunities	3.0	



Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
Independent Director	Rong-Chun Lin	2020/4/29	2020/4/29	Taiwan Corporate Governance Association	Business Operation and Risk Management	3.0	18.0
		2020/9/10	2020/9/10	Taiwan Corporate Governance Association	The macro vision of the sustainable development of global enterprises-from vision 2050 to action 2020	3.0	
		2020/9/22	2020/9/22	Taiwan Institute of Directors	Leadership Academy Forum: responding to drastic changes and risks, improving corporate governance	3.0	
		2020/10/15	2020/10/15	Taiwan Corporate Governance Association	Trends and risk management of digital technology and artificial intelligence	3.0	
		2020/11/5	2020/11/5	Taiwan Corporate Governance Association	The opportunity of corporation transformation-a business model of circular economy	3.0	
		2020/12/11	2020/12/11	Taiwan Corporate Governance Association	Global Trend Analysis-Risks and Opportunities	3.0	

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

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
1. Does the Company follow “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance principles?	V		The Company has established, via Board resolution on Nov. 12, 2015, corporate governance best-practice principles and updated on Mar. 24, 2020. Under these principles, the Company has established a comprehensive corporate internal governance framework, and fairly treats shareholders while protecting their rights.	As explanation
2. Shareholding Structure & Shareholders’ Rights (1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?  (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?  (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?  (4) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	V		(1) The related operations would be handled by the Spokesperson and personnel of Finance department pursuant to the relevant laws and important regulations. Except spokesperson, there is exclusive area for investor to contact with the Company. (2) The Company keeps close relationship to the directors, officers and major shareholders of the Company. The Company takes advantage of annual shareholder meeting and dividend distribution to learn the change of main shareholders. (3) The responsibilities between the Company and its affiliates were defined clearly and definitely. The Company and its affiliates abide by the regulations of internal control system. (4) The Company established the operating procedure for prevention of insidertrading. The subjects referred to therein include but are not limited to insiders, including their related parties, persons who forfeit the identity of insider for less than 6 months, and persons	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	
			who access the information from said persons. The Company also requires employees and insiders to undergo education and training when insiders take office and at various times to prevent from insider trading.	
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) Nine directors in the Board elected on June 15, 2018 including six directors and 3 independent directors. Percentage of independent director on the board is 33%. The terms of office of three independent directors is less than 3 sessions. the terms of one independent director is less than 3 years and the other two is in 4-6 years. All independent directors meet the independence. Two directors who are also employees account for 22% and external directors 78%. Four directors with academic proficiency accounts for 44%; two of them with material appliance, and the other two with accounting, finance, and business administration background. The rest of directors who possess abundant knowledge, expertise, and 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.	None
(2) Other than the Remuneration Committee and the Audit Committee that are required by law, does the Company plan to set up other Board			(2) The Company has set up Audit and Remuneration Committee and the committees executed related motions pursuant to laws. The Company will	The Company would plan to set up functional committee according to the Company's

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	
committees?			establish other functional committees pursuant to laws, or if necessary.	need and regulation.
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?			(3) The Board approved rules for “Board of Directors Self-Assessment of Performance” on December 26, 2019. From 2020, all Board Directors annually assess the functioning of the Board, Audit Committee and Remuneration Committee. The evaluation result would be the reference for the future nomination.	None
(4) Does the Company regularly evaluate its external auditors’ independence?			(4) The Board of Directors of the Company evaluates the independence and suitability of its CPA on March 23, 2021. The Company also evaluates the accounting firm with regard to its financial interests, funding and guarantees, commercial relations, family and personal relations, employment relations, rotation of CPAs, and non-audit services, and obtains a statement of independence issued by the accounting firm.	None
4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders’ meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of board meetings and shareholders meetings, etc.	V		The corporate governance unit is Finance Division. Primary duties are to handle related matters according to law and make meeting minutes for board of director meetings and shareholder meetings, assist in the matters of director appointment and profession enhancement, provide directors with related information required in conducting business, and assist directors in compliance with laws.	None

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
5. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has established a Corporate Social Responsibility section with contact information of responsible person on the Company website. The Company has also established a Stakeholder section to timely respond issues which stakeholders care about	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has engaged Capital Securities Corporation's agency department to handle matters relating to Shareholder Meetings.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		(1) The Company discloses financial information and corporate governance items on its company website: <a href="http://www.everlight.com">http://www.everlight.com</a> (2) Besides Chinese version, the Company also provides English version of official website. The Company has designated appropriate persons as spokesperson to handle information collection and disclosure. The Company disclose related information through MOPs, media, investor conference. (3) The company announced and declared the quarterly within 45 days and annual financial reports within 90 days and the monthly operating situation within 10 days after the month end.	None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate	V		(1) The Company has got the certification of ISO9001, TS16949, ISO14001, OHSAS18001, TOSHMS,	None

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?			<p>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 disclosed in Everlight official website annually and also disclosed in MOPS on 2020/8/31.</p> <p>(2) Training/Education of directors is disclosed in MOPS. Training hours of each director in board are more than 6 hours.</p> <p>(3) The Company has annually purchased liability insurance since 1998 and declared in MOPS.</p>	
<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 2020 announced by Taiwan Stock Exchange, the Company was one of the companies ranking in the 20%~35% which is the same as 2019. The Company will strengthen the disclosure of English information such as English material information, annual report, and shareholders' meeting handbook, and also complete the external evaluation of the performance on the board of directors in 2020, and plan to do external evaluation every three years to regularly evaluate the effectiveness of the board of directors.</p> <p>In 2021, the Company will focus on increasing the number of independent directors, reducing the number of board members who are second-degree relatives, setting up the corporate governance officer, and formulating risk management policies. After the re-election of the board of directors this year, the list of candidates proposed by the board of directors will increase from three to four independent directors, and the number of directors who are second-degree relatives will reduce from three to two to strengthen the independence and diversity of the company's board of directors. On 2021/5/12, the company's board of directors approved the corporate governance officer and declared on MOPS0. At the same time, the risk management policy is expected to be discussed in the second half of the year, and the formulation of the risk management policy will be also completed in the second half of the year.</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.

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

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

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

public company).

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

10. Not been a person of any conditions defined in Article 30 of the Company Act.

#### 3.4.4.2 Remuneration Committee Meeting Status

- (1) The Company's Remuneration Committee consists of 3 members for the time being, who are all independent directors.
- (2) The current members shall hold the position from June 15, 2018 until June 14, 2021. In 2020, the Remuneration Committee has held 3 (A) meetings. The members' attendance is stated as following:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Note
Chairman	Chen-En Ko	3	0	100%	
Member	Johnsee Lee	3	0	100%	
Member	Rong-Chun Lin	3	0	100%	

##### Annotation:

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



### 3.4.5 Status of corporate social responsibility

Assessment Item	Implementation Status			Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
1. Has the Company carried out a risk assessment of environmental, social and corporate governance-related issues based on the principle of materiality, and establish related risk management policies or strategies? (Note: Principle of materiality refers to environmental, social and corporate governance issues that have a material impact on investors and other stakeholders. )	V		Everlight has adopted a systematically analytical model to identify the sustainable issues which are concerned by our stakeholders and to assess risks related to issues regarding social responsibilities. In order to control risk efficiently, meeting of risk management is held in response to specific case with an attempt to mitigate or avoid the impact. The risk management is conducted by relevant departments based on the nature of the business and directly under the control of the chairman. Audit center performs review on the existing and potential risk underlie in the each activity to prepare and conduct the risk-oriented audit plan.	None
2. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	V		The legal affair division is concurrently in charge of social responsibilities, such as assist promoting corporate social responsibility work, release relevant news internally and externally and prepare the annual corporate social responsibility report. The committee of corporate social responsibility should deal with any economic, environmental and social issues arose from the company's operations and report the result to the board according to the company's Corporate Social Responsibility	None

			Best Practice Principles. .	
<p>3. Environmentally</p> <p>(1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?</p> <p>(2) Has the Company set a suitable Environmental management system based on the characteristics of its industry?</p> <p>(3) Has the Company assessed potential risks and opportunities arose from climate change in the business now and in the future, and adopted measures in response to climate-related issues?</p> <p>(4) Has the Company calculated its greenhouse gas emissions, water consumption and total amount of</p>	V		<p>(1) The Company has been certified by ISO14001 and ISO45001 and dedicate an exclusive personnel to deal with activities related to the environmental protection in plant, such as prevention of air pollution and disposal of wasted water</p> <p>(2) As a member of optoelectronics industry, the Company attaches great importance to corporate social responsibility. During the R&amp;D phase, the Company keeps pursuing new technology and energy-saving effect to reduce the side effect on environment.</p> <p>The Company has electronized and encouraged paperless for many years to decrease waste of paper. The Company classifies the trash and implements recycling strictly.</p> <p>(3) The company pays close attention to the trend of climate change and the direction of international reactions and dedicates to the adaption and mitigation of greenhouse gas. In addition to the consideration of the product, equipment and management, continuous development of green designation, management of energy and high energy-saving are the company's strategies carried out by the energy management system in an early response to the impact contributed by the climate change.</p>	<p>None</p> <p>Please refer to the Corporate Social Responsibility Area of Everlight's official website for sustainable development plan, execution, and result.</p>

waste in the past two years, and formulated policies on energy conservation and carbon reduction, greenhouse gas reduction, as well as the reduction of water consumption and other wastes?			(4) Please refer to chapter 5 of the CSR report.	
<p>4. Society</p> <p>(1) Has the Company the company formulated relevant management policies and procedures in accordance with relevant laws and international human rights conventions?</p> <p>(2) Has the Company established and implemented reasonable employee benefits (including remuneration, leave and other benefits), and is business performance or results appropriately reflected in employee remuneration?</p>	V		<p>(1) The Company abides by relevant regulations, protects legal rights of employees and has formulated Everlight working right policy in accordance with UN Global Compact, Universal Declaration of Human Rights and local regulations. The company has also formulated working standards in accordance the labor standard acts in order to have employees work contentedly and not to worry about their lives. Additionally, the company has formulated appropriate regulations in accordance with GRI standards, RBA(formerly EICC) to protect employee's legal right. The company has internally established a "RBA management brochure and has been continuously qualified the SA8000 certification.</p> <p>(2) Everlight's remuneration policy is established according to the following principles:</p> <ol style="list-style-type: none"> <li>1. Understand and comply with relevant local laws, create a harmony in the relationship between the labor and the management within the regulatory requirements in order to achieve a sustainable operation.</li> </ol>	<p>None</p> <p>Please refer to the Corporate Social Responsibility Area of Everlight's official website for sustainable development plan, execution, and result.</p>

			<p>2. Formulated and adjusted based on the supply and demand in the manpower market as well as the profitability of production line with an attempt to achieve certain competitiveness in the manpower market..</p> <p>3. Reasonable remuneration is provided based on the market value of each expertise, contribution made by the duty which an employee undertakes and integrated performance management system to achieve the effectiveness of encouraging employees.</p> <p>4. Periodically review relevant system of remuneration to adopt a remuneration level superior to that of the market.</p> <p>Moreover, as the company look upon retention of employees and employee welfare, the company has continuously improved its employee welfare systems, such as: Group comprehensive insurance, Gifts for three main national holidays, Annual and quarterly trips, Health checkup, Birthday gifts, Consolation for hospital stays, miscarriages and funerals, Club activities, Employee restaurant, Arts and cultural activities, Nursing room, competition, subsidy for employees' advanced education, Bursary for employees or their children, Gym, Aerobics classroom, Department dinner, Convenience</p>	
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<p>(3) Does the Company provide employees with a safe and healthy working environment and with regular safety and health training?</p>			<p>stores, Contracted sports and fitness centers etc.</p> <p>(3) The company has been certified with ISO45001 occupational safety, health management system certification and ISO 14001 environmental management system certification. The company is committed to reduce workplace hazards and to provide employees with a health and safe working environment. In addition, the company also complies with the customer requirements and relevant laws and regulations in order to seek the sustainable development of the company. In the environmental safety and health policy of Everlight, the company emphasizes on the safe and health working environment Everlight regularly arranges free employee health checkups and conducts special health checks for those who are engaged in high-risk jobs. In addition, smoking is prohibited in the Company, inspecting drinking water quality, and carrying out disinfection regularly to provide a safe and healthy working environment. The Company also periodically holds the training of labor safety education and promotes 5S self-management to effectively manage and maintain a safe working environment. The company is committed to reduce workplace hazards and to provide employees with a safe and healthy working environment by providing necessary healthy and emergency measures and regular safety and healthy training.</p>	
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<p>(6) Has the Company defined a supplier management policy that requires suppliers to comply with the relevant guidelines on environmental protection, occupational health and safety, and human rights issues? How is the policy being implemented?</p>			<p>safety to demonstrate the advantage of the quality and manufacturing ability and strengthen the competitiveness in the market. Meanwhile, we provide customers with products which meets their safety standard to ensure the safety in the final product and satisfies the dual goals of product quality and efficiency. The company's products are all verified by RoHS 、REACH 、Pb free. There is no incident regarding mislabeling the product, prohibition from selling or recalling. The company has established a procedure to deal with customers' complaints.</p> <p>(6) The company has paid great attention to the field regarding social responsibility, code of conducts and operation management for a long time. Accordingly, the company has established Code of Conduct for Supplier in accordance with some essences regarding human rights, labor standard, environment and anti-corruption in the UN Global Compact, Universal Declaration of Human Rights and RBA. The business of the company's suppliers should comply with this code of conducts, laws and regulations of the places where they locate. The company take the supplier's compliance with the company's code of conducts for supplies in to the account of future business cooperation and ask all suppliers have to read carefully and sign off the "Supplier Social Responsibility Undertaking" and</p>	
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			<p>“Responsible Business Alliance Code of Conduct Compliance Declaration.” The company also defines clearly the criteria and standard to select suppliers in the supplier management procedure and describes that those suppliers which perform well in social responsibility or will be willing to improve in the future will be the first priority for the company to choose.</p> <p>The company has devoted to the research and manufacture green product, carried out a systematic track and manage the prohibited and restricted Substances in the material and completely prohibited from using. The company has requested the supplies to follow by the same standard and considered this the goal for the both parties to strive for</p>	
5. Has the company prepared its corporate social responsibility report to disclose non-financial information in accordance with the internationally accepted principles or guidance Has the aforementioned report been verified with assurance and guarantee statement issued by a third-party certification body	V		<p>The CSR report referred to the newest GRI Standards and certified by the third party. The CSR report also disclose in Everlight’s official website.</p>	None
<p>6. If the Company has established its corporate social responsibility code of practice according to “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe the operational status and differences.</p> <p>The board of directors has approved “Corporate Social Responsibility Best Practice Principles” on March 25, 2016 to fulfill the responsibility of being a citizen and demonstrate the commitment to employee, shareholder, and consumer. The company prepares corporate social responsibility report” periodically and publishes the report in the official website and Market Observation Post System. The CSR report includes issues such as corporate governance, environmental protection, and social participation. Please refer to Everlight CSR report for detailed information.</p>				
7. Other important information to facilitate better understanding of the Company’s implementation of corporate social responsibility:				



Please refer to the Everlight official website for the CSR related information: <https://www.everlight.com/csrl>

### 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	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) Has the Company established an ethical management policy approved by the Board, declared its ethical corporate management policies and procedures in its guidelines and external guidelines, as well as the commitment from its board and senior management to implement the policies?	√		(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.	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>(2) Has the Company established a mechanism for evaluating the risk of unethical behavior? Do business activities with a higher risk of unethical behavior undergo regular analysis and assessments so that measures for the prevention of unethical behavior can be formulated, including at a minimum the behaviors defined under Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles”?</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>(2) Everlight has formulated prevention of unethical behavior in "Electron's Work Rules", the "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</p>	V		(1) Everlight conducts its business transparently and	None

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
<p>business relationship with and included business conduct and ethics related clauses in the business contracts?</p> <p>(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>			<p>fairly. Before dealing business with any party, Everlight evaluates the trading partner carefully in 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. 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>(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) 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. Everlight has established an effective and complete accounting and internal control system and carried</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>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 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>	
<b>3. Implementation of Complaint Procedures</b> (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?	V		(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	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>(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>			<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 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. The Company would protect reporters or investigators from maltreatment or any form of retaliation which clearly defined in reporting instruction. °</p>	
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")?	√		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	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	
			Management,” in in the Corporate Social Responsibility Area of Everlight’s official website. The Company discloses the information related to the Company in the investor service section and stakeholder section on the Company’s official website at: <a href="http://www.everlight.com">http://www.everlight.com</a>	
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 Declaration on Internal Control System

Everlight Electronics Co., Ltd.

#### Statement of Declaration on Internal Control System

March 23, 2021

Everlight has conducted a self-check on internal control in 2020. The results are as follows:

1. Everlight acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. Said system has already been duly established at Epistar. The purposes of the Internal Control System are to provide a reasonable assurance for the Company's efficient and effective operations (including profit, performance, safeguard of assets, etc.), reliability of financial reports, and compliance with applicable laws and regulations.
2. Everlight also acknowledges that the Internal Control System possesses inherent constraints irrespective of the intended impeccability of the system design and therefore could only provide a reasonable assurance of the three goals referred to above. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
3. The Company evaluates the effectiveness of the design and implementation of its Internal Control System in accordance with the "Guidelines for the Establishment of Internal Control System by Public Companies" (referred to as the "Guidelines" hereinafter). The evaluation on the internal control system adopted by the said Guidelines has the internal control system divided into the following five factors based on the process of the management control: (1) Environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each component comprises certain factors. Please refer to the Guidelines for the preceding items.
4. Everlight has assessed and evaluated the effectiveness of the internal control system design and implementation in accordance with the internal control system criteria referred to above.
5. Based on the evaluation of said system, Everlight considered the Internal Control System as of December 31, 2020 (including supervision and management of subsidiaries), which, including the Design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and compliance with the related internal control system under the relevant laws, are all effective. It can ensure that said goals will be reasonably reached.
6. This Statement of Declaration on Internal Control System is the main content of the annual report and prospectus, and will be publicly disclosed. Upon any unlawful acts like pretense and concealment involved in the above-mentioned statement, Everlight will assume the legal responsibilities according to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement of Declaration on Internal Control System had been approved by Everlight's Board of Directors at the meeting of March 23, 2021 with nine directors presented at the meeting and none disagreeing with this Statement of Declaration on Internal Control System.

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 2020 Shareholder' Meeting

Date	Motion	Resolution	Execution
2020/6/12	Approved the 2019 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 2019 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 10, 2020 and paid on August 31, 2019
	Approved the amendments to "Procedures for Loaning of Funds and Making of Endorsements, Guarantees"	All attending members unanimously agree to pass the proposal.	The resolution shall be fully implemented and the revised regulation shall be uploaded to the company's official website and M.O.P.S..

3.4.11.2 Implementation of Board Meeting Resolutions in 2020(Article 14-3 of the Securities Exchange Law)

Term/ d/rd/th time Date	Motion	Resolution	Execution
13-12 2020. 3. 24	Approved 2019 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 2020 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 2019.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval of the Statement of Declaration on Internal Control System 2019.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Discussion of some of the contents of "Internal control system".	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Employee stock option execution and replacement of common stock	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the amendments to "Procedures for Loaning of Funds and Making of Endorsements, Guarantees"	All attending members unanimously agree to pass the proposal.	Execute as resolution

13-13 2020. 4. 29	Discussion on hiring internal audit officer	All attending members unanimously agree to pass the proposal.	Execute as resolution
13-14 2020. 5. 13	Approved 2020 financial report of Q1	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Employee stock option execution and replacement of common stock	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved Everlight lend the EUR 9 million loan to WOFI	All attending members unanimously agree to pass the proposal.	Execute as resolution
13-15 2020. 6. 12	Capital injection of German lighting subsidiary	All attending members unanimously agree to pass the proposal.	Execute as resolution
13-16 2020. 8. 12	Approved 2020 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
	Employee stock option execution and replacement of common stock	All attending members unanimously agree to pass the proposal.	Execute as resolution
13-17 2020. 11. 12	Approved 2020 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 2020.	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 the corporation lending	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval of changing accounting and financial officer	All attending members unanimously agree to pass the proposal.	Execute as resolution
13-18 2020. 12. 23	Approval of auditing plan for 2020	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval the amendments to "Internal control system" and "Internal audit implementation regulation"	All attending members unanimously agree to pass the proposal.	
	Discussion of the application of tariff guarantee	All attending members unanimously agree to pass the proposal.	
	Approval of changing accounting officer	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	Chia-Wen Yang	2019.11.7	2020.4.29	Resignation with personal reason
Financial and Accounting Officer	Li-Yu Huang	2019.11.7	2020.11.12	Postion adjustment
Accounting Officer	Yu-Keng Shih	2020.11.12	2020.12.23	Postion adjustment

### 3.5 Audit Fee

NT\$, '000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Remark
			System Design	Company Registration	Human Resource	Others (Note2)	Subtotal		
KPMG	Ou, Yao-Chun & Lo, Rui-Lan	8,240	-	90	-	1,320	1,410	2020.01.01~2020.12.31	Tax service

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

- (1) Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee: None.
- (2) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclose : None.
- (3) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclose : None.

### 3.6 Replacement of CPAs:None

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

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

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

Unit: Share

Title	Name	2019		2020		2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	Until April 14	
						Net Change in Shareholding	Net Change in Shares Pledged
Chairman& President	Yin-Fu Yeh	(1, 000, 000)	–	(1, 000, 000)	–	0	–
Director	Bo-Wen Zhou	2, 000, 000	–	0	–	0	–
Director	Wu-Yan Yeh	0	–	0	–	0	–
Director	Shinh Wum International Investment LTD	0	–	867, 000	–	0	–
	representative : Ting-Wei Yeh	0	–	0	–	0	–
Director	King Core Electronics Inc.	0	–	0	–	0	–
	representative : Zheng-Li Yang	0	–	0	–	0	–
Director	Bang-Yan Liu	(50, 000)	–	(17, 000)	–	0	–
IndependentDirector	Johnsee Lee	0	–	0	–	0	–
IndependentDirector	Chen-En Ko	0	–	0	–	0	–
IndependentDirector	Rong-Chun Lin	0	–	0	–	0	–
Vice President	Li-Yu Huang	(63, 000)	–	7, 200	–	0	–
Vice President	Chia-Hao Lee	5, 000	–	0	–	0	–
Executive Vice President	Wu-Liu Tsai	–	–	0	–	5, 000	–
Sr. Director	Chi-Hui Chen	(18, 000)	–	(34, 000)	–	0	–
Sr. Director	Chih-Min Lin	(10, 000)	–	(91, 800)	–	0	–
Sr. Director	Chung-Wei Wang	0	–	(22, 500)	–	0	–
Sr. Director	Min-Ta Tsao	Not Assume Yet	–	–	–	0	–
Sr. Director	Chien-Ming Ting	Not Assume Yet	–	Not Assume Yet	Not Assume Yet	1, 000	–
Financial Officer	Yu-Keng Shih	Not Assume Yet	–	–	–	0	–
Accounting Officer	Chun-Yu Lu	Not Assume Yet	–	–	–	0	–

Note1 : Dismissed on 2020/4/2

#### 3.8.2 Stock Traded with Related Party: None

#### 3.8.3 Stock Pledged with Related Party: None

### 3.9 Relationship among the Top Ten Shareholders

2021/4/19

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The Relationship between Any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Cathay Bank in Custody for Eversun Investment Group Co., Ltd.	20,766,548	4.68%	-	-	-	-	-	-	
Yin-Fu Yeh	16,168,553	3.65%	651,333	0.15%	-	-	Chuan Yi Investment Co., Ltd. representative : Ting-Wei Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Father	
Chuan Yi Investment Co., Ltd. representative:Ting-Wei Yeh	12,959,772	2.92%	-	-	-	-	Yin-Fu Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Son Brother	
Bo-Wen Zhou	9,600,000	2.17%	7,440,000	1.68%	-	-	Hsiu-Man Chien	Spouse	
Yuanta Life Insurance(Former New York Life)	7,803,000	1.76%	-	-	-	-	-	-	
Hsiu-Man Chien	7,440,000	1.68%	9,600,000	2.17%	-	-	Bo-Wen Zhou	Spouse	
Yu Ming Investment Co., Ltd. representative:Ding-Hao Yeh	6,493,469	1.46%			-	-	Yin-Fu Yeh Chuan Yi Investment Co., Ltd.representative : Ting-Wei Yeh	Son Brother	
Chase custodial JP Morgan Securities Limited investment account	5,964,254	1.35%	-	-	-	-	-	-	
JP Morgan hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account	5,645,410	1.27%	-	-	-	-	-	-	
JPMorgan Managed Advanced Stars advanced agreegate International Index	5,464,687	1.23%	-	-	-	-	-	-	

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, 2020 ; 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	7,605,037	41.23	12,082,065	65.50
Everlight Electronics (Europe) GmbH	75,000	75.00	—	—	75,000	75.00
Everlight Optoelectronics Korea Co., Ltd.	37,890	100.00	—	—	37,890	100.00
Forever Investment Co., Ltd.	42,487,490	100.00	—	—	42,487,490	100.00
Everlight Lighting Intelligence Technology Co., Ltd.	20,000,000	100.00	—	—	20,000,000	100.00
Tekcore Co. Ltd	4,181,094	9.66	2,482,857	5.74	6,663,951	15.4
Evlite Electronics Co., Ltd.	7,000,000	100.00	—	—	7,000,000	100.00
Everlight Electronics India Private Limited	352,800	80.00	88,200	20.00	441,000	100.00
Everlight Electronics Singapore Pte. Ltd.	200,000	100.00	—	—	200,000	100.00
Wofi Leuchten GmbH	5,775,000	100.00	—	—	5,775,000	100.00
Everlight Japan Corporation	5,000	100.00	—	—	5,000	100.00
Everlight Lighting Management Consultant (Shanghai) Ltd	Limited company	52.63	Limited company	47.37	Limited company	100.00
Everlight Intelligence Technology KZ LLP			Limited company	100.00	Limited company	100.00

Note : Investments accounted for using equity method.

## 4. CAPITAL OVERVIEW

### 4.1. Capital and Shares

#### 4.1.1 Source of Capital

May 1, 2021 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	5,000,000,000	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 Restricted 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 19, 2021 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 19, 2021 Unit:share

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	2	11	107	40,693	311	41,124
Shareholding	4,196,000	23,372,105	37,630,529	218,314,459	159,879,993	443,393,086
Percentage (%)	0.94%	5.27%	8.49%	49.24%	36.06%	100.00%

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

#### 4.1.3 Distribution Profile of Share Ownership

##### 4.1.3.1 Common Share

April 19, 2021 ; Unit : Share

Shareholder Ownership	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	7,938	1,177,688	0.28
1,000 ~ 5,000	26,463	53,035,198	11.96
5,001 ~ 10,000	3,671	29,311,970	6.61
10,001 ~ 15,000	957	12,184,443	2.75
15,001 ~ 20,000	657	12,251,046	2.76
20,001 ~ 30,000	492	12,652,480	2.85
30,001 ~ 40,000	225	8,163,306	1.84
40,001 ~ 50,000	136	6,399,311	1.44
50,001 ~100,000	291	20,742,353	4.68
100,001 ~200,000	110	15,752,667	3.55
200,001 ~400,000	58	16,808,731	3.79
400,001 ~600,000	34	17,007,253	3.84
600,001 ~800,000	20	13,922,803	3.14
800,001~1,000,000	10	8,745,268	1.97
1,000,001 and above	62	215,238,569	48.54
Total	41,124	443,393,086	100

4.1.3.2 Preferred Share: None.

#### 4.1.4 Major Shareholders

April 19, 2021 ; Unit : Share

Shareholders	Total Shares Owned	Ownership (%)
Cathay Bank in Custody for Eversun Investment Group Co., Ltd.	20,766,548	4.68%
Yin-Fu Yeh	16,168,553	3.65%
Chuan Yi Investment Co., Ltd. representative:Ting-Wei Yeh	12,959,772	2.92%
Bo-Wen Zhou	9,600,000	2.17%
Yuanta Life Insurance(Former New York Life)	7,803,000	1.76%
Hsiu-Man Chien	7,440,000	1.68%
Yu Ming Investment Co., Ltd. representative:Ding-Hao Yeh	6,493,469	1.46%
Chase custodial JP Morgan Securities Limited investment account	5,964,254	1.35%
JP Morgan hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account	5,645,410	1.27%
JPMorgan Managed Advanced Stars advanced agreegate International Index	5,464,687	1.23%

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

Unit:NTD

Item \ Year		2019	2020	Until March 31,2021
Market Price Per Share	Highest Market Price	35.95	42.20	49.90
	Lowest Market Price	26.25	20.65	40.90
	Average Market Price	29.96	34.34	44.95
Net Worth Per Share	Before Distribution	38	39.62	Note2
	After Distribution	38	(註 1)	
Earnings Per Share	Weighted Average Shares (thousand shares)		443,120	443,361
	EPS	1.86	2.79	1.86
		1.86	2.79	1.86
Dividends Per Share	Cash Dividends		1.39957753	2.25(Note 1)
	Stock Dividends	-	-	-
		-	-	-
	Accumulated Undistributed Dividend		-	-
Return on Investment	Price/Earnings Ratio (Note 1)		16.11	12.31
	Price/Dividend Ratio (Note 2)		21.4	15.26
	Cash Dividend Yield (%)		4.6	6.6 (Note 1)

Note 1: The appropriation of earnings for 2019 shall be determined by the 2020 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 2021

## 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 2020 was approved by the Directors' meeting on March 23, 2021. The proposed distribution of NTD\$2.25 per share and a total cash dividend of NTD\$ 997,634,444 are not approved yet by the shareholders' general meeting.

### 4.1.7 Impact to 2020 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\$ 163,907 thousand and directors' compensation-NT\$ 16,812 thousand 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 2020 Remuneration to Directors and Employees' Profit Sharing Bonus: Our employees' compensation-NT\$ 163,906,710 and directors' compensation-NT\$ 16,811,716 will be approved by our meeting of directors are the same as our annual estimation.

4.1.8.4 2019 Remuneration to Directors and Employees' Profit Sharing Bonus: Our employees' compensation-NT\$ 97,931,068 and directors' compensation-NT\$ 10,485,565 approved by our meeting of directors and shareholders' meeting for the annual earnings in 2019 are the same as the actual distribution last year.

4.1.9 Buyback of Treasury Stock: None.

## 4.2 Issuance of Corporate Bonds:

### (1) 6th unsecured conversion corporate bonds

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

Corporate bond type		6 <sup>th</sup> Unsecured Convertible Corporate Bond		
Item	Year	2018	2019	As of May 18th,2020
Market price of the convertible bond	Highest	99.6	100	100.45
	Lowest	96.8	98.6	99.5
	Average	98.69	99.29	99.85
Convertible Price		66.1(61.0 after distribution)	61.0(57.9 after distribution)	57.9
Issue date and conversion price at issuance		Issue Date: 2015/05/18 Conversion price at issuance: NT\$80.0/share		
Conversion methods		Issuing of new stocks		

4.3 Preferred Shares: None.

4.4 Issuance of Overseas Depositary Shares:None

4.5 Status of Employee Stock Option Plan:

4.5.1 Issuance of Employee Stock Options

March 31, 2021

Type of Stock Option	1 <sup>st</sup> Tranche in 2014	2 <sup>nd</sup> Tranche in 2014
Approval date	2014.08.06	2014.08.06
Issue date	2015.04.02	2015.08.06
Duration	5 years	5 years
Units issued	4,800,000	200,000
Shares of stock options to be issued as a percentage of outstanding shares	1.11%	0.05%
Conditional conversion periods and percentages	5 years	5 years
Conversion measures	New common share	New common share
Vesting Schedule	2nd Year: Up to 65% 3rd Year: Up to 90% 4th Year: Up to 100%	2nd Year: Up to 65% 3rd Year: Up to 90% 4th Year: Up to 100%
Converted shares	2,676,150	50,000
Exercised amount	51,451,965	1,032,000
Number of shares yet to be converted	—	—
Adjusted exercise price for those who have yet to exercise their rights	—	—
Unexercised shares as a percentage of total issued shares	—	—
Impact on possible dilution of shareholdings	Dilution to original shareholders' holding is limited	

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

2021/4/19 (Unit/NT\$)

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Executive officers	Chairman/President	Yin-Fu Yeh	276,000	0.06	260,300	19.8 18.3 17.4	4,920,360	0.05	—	—	—	—
	Executive Vice President	Wu-Liu Tsai										
	Vice President	Li-Yu Huang										
	Vice President	Chia-Hao Lee										
	Sr. Director	Chih-Min Lin										
	Sr. Director	Chi-Hui Chen										
	Sr. Director	Chung-Wei Wang										
	Sr. Director	Min-Ta Tsao										
	Sr. Director	Chien-Ming Ting										
	Sr. Director	Yu-Keng Shih										
	Sr. Director	Chun-Yu Lu										
Employees	Employee	Yijun Chen	451,000	0.09	400,000	19.8 18.3 17.4	7,660,680	0.08	—	—	—	—
	Employee	Ting-Wei Yeh										
	Employee	Jia-hao Liang										
	Employee	Jhih-Cheng Chen										
	Employee	Zong-Yuan Chen										
	Employee	Ta-Chuan Tsai										
	Employee	Hung-Wen Tsai										
	Employee	Jui-Min Li										
	Employee	Kuei-Hsiang Chiu										
	Employee	Chun-Hung Liao										

4.6 Status of New Restricted Employee Shares: None.

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



## 4.8 Financing Plans and Implementation:

### 4.8.1 Content

#### 6<sup>th</sup> Unsecured Convertible Corporate Bond

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

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

(3). Projects and application progress

Unit : NTD\$thousand

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

(4). Expected benefits

#### A.Acquirement of building

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

#### B.Acquirement of equipment

Unit : NT\$, pieces inthousand

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

#### C.Working Capital enhancement

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

### (5). Implementation

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

## 5. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Our Operation

##### 5.1.1.1 Our Main 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	86.66%
Lighting	General lighting and professional lighting lamp	9.98%
LCD and Others	Electronic product displays, such as sphygmomanometers, phones, computers, satellite navigation, car displays, etc.	3.36%

##### 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

The LED backlighting has many advantages such as power saving mode, small size, able to be mass production, PWM brightness control, high color uniformity, high

reliability, and color saturation exceeding NTSC 100%, etc. Due to low power consumption, high brightness, fast response time, instant lighting, and long operating life, the product can be widely used in portable communication displays, TFT-LCD backlight modules, in various types of the flat-panel displays' consumer electronics and industrial instruments.

(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 LEDs in Europe, America, Japan and other advanced countries has a long history, and with the rising of IoT in recent years, the related applications of infrared LEDs for light source is becoming widely, such as optical sensing, optical touch panel, security monitoring system, biometrics, virtual reality devices. Total output power of infrared LED products could be low, medium and high power, depends on customers' design.

(8) Photo Sensor & Module

Optical Sensor is a light-sensing component, which can sensing visible or non-visible light. For example, an ambient light sensor that can simulates human eye sensitivity for light intensity, and a color sensor 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. Common related applications: Such as various LED for light-controlled switches, fire smoke sensors, optical touch panel, coin-operated devices or simple light-sensing signal controllers.

(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-light-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 and isolation, 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 control 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, which can accurately control the brightness, and increase the HDR contrast effect, enhance the color and three-dimensional effect, and then improve the display quality and increase the reliability of the product. It can be used for automotive exterior display and industrial control display.

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

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

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

Infrared receiver modules are used in the field of various remote control devices. There are a variety of frequency bands that can be used in various household appliances and consumer electronic products. At present, IRM products has both DIP type and SMD type.

#### (16) Ultraviolet LED

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

In the future, it will be an important source of technology for water purification and air purification.

(17) Energy-saving LED intelligent lighting system products

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

(18) LED Customized Module

We meet the market demand to provide either a series of standard products or 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.

#### 5.1.1.4 Projected Development of New Products

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

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

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

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

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

Compared with 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) 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.

##### (7) Optical Proximity Sensor

The optical proximity sensor can detect proximity distance with non-visible band

light source. Such sensor which can also combine ambient light sensor into one package.

(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, such as high speed type, SSR MOSFET, Power Photo Triac, and IGBT Driver, etc.

(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

Demand for industrial control applications has increased. At present, Everlight continue to develop optical encoders (digital signal output), which can be used for various motor control system.

## 5.1.2 Industry Overview

### 5.1.2.1 Industry Current Status and Development

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

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

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

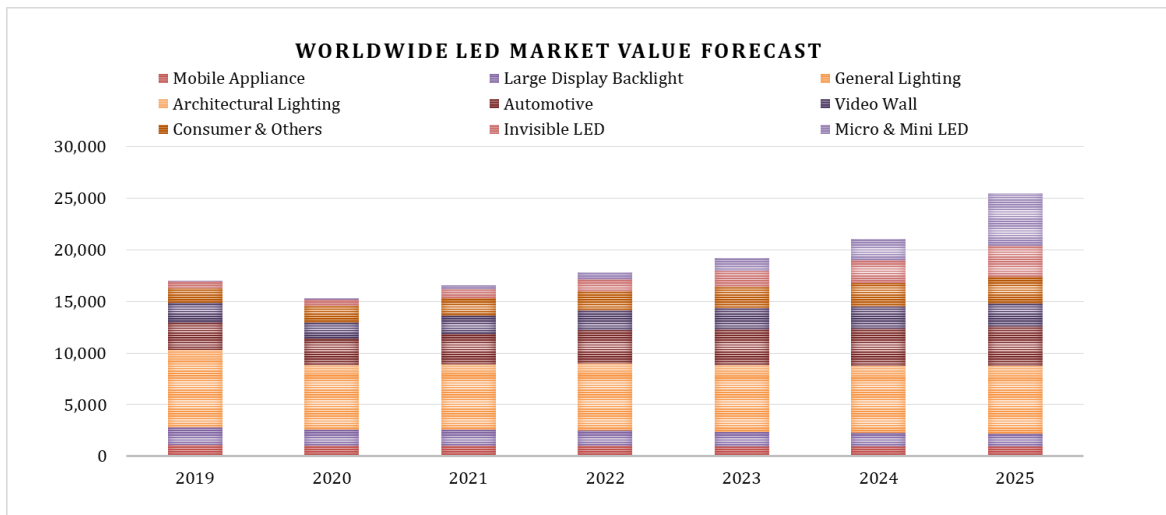
Looking forward to 2021, the growth momentum of LED demand will mainly come from four major applications, including backlight demand from IT product, sensors demand of non-contact product, electric vehicle charging station demand, and Mini LED application products. With the changes in life style due to the COVID-19 epidemic in 2020, the demand for home office, on-line teaching, and non-contact sensing will not decrease. The global electric vehicle industry will benefit from EU and Chinese environment policies and expect to emerge soon. After entering the high-speed growth period of electric vehicles, it means that the demand for charging station infrastructure will also enter the high-speed growth period. In addition, many leading manufacturers such as Apple, Huawei, Oppo, Xiaomi, and Vivo have also begun to use Mini LED technology in 2021. Since May 2020, the expansion of Mini LED production in China has emerged, according to LEDinside, The total planned investment for Mini/Micro LED in 2020 is approximately RMB 25 billion.

LEDinside expects that total LED market revenue will be US\$16.5 billion in 2021, although it cannot return to the pre-epidemic level of US\$16.9 billion in 2019, compared to US\$ 15.3 billion revenue in 2020, the demand declined in lighting, automotive, and displays applications impacted by the epidemic. The revenue can grow by about 8% in 2021, and the compound annual growth rate from 2020 to 2025 is expected to reach 11%, which is a rare double-digit compound annual growth rate in recent years. In addition, as Mini LED technology gradually penetrates into various application products, the revenue of Mini LED used in displays is estimated to be US\$80 million in 2021, and it is estimated to grow to US\$480 million by 2025, a compound annual growth rate will reach 148%, said by TrendForce. The revenue of Mini LED used in backlight products is estimated to be US\$280 million in 2021, and it is estimated to grow to US\$850 million by 2025, with a compound annual growth rate of 71%, and the main demand for backlight Mini LEDs is for TVs. By 2025, the demand will account for about 70% of the total, about 3.07 million 4-inch wafers, followed by tablets 9% and laptops 7%.



2019-2025 Worldwide LED Market Value Forecast

(Unit: Mil. USD)



Source : LEDinside(2021/4)

2019-2025 Mini and Micro LED Market Value Forecast

(Unit: Mil. USD)

	2019	2020	2021	2022	2023	2024	2025	CAGR 2020-2025
Micro LED	0	0	23	84	391	1,056	3,814	N.A
Mini LED	3	46	80	149	220	327	482	60%
<b>Total LED Revenue</b>	<b>3</b>	<b>46</b>	<b>103</b>	<b>233</b>	<b>611</b>	<b>1,383</b>	<b>4,295</b>	<b>148%</b>

Source : LEDinside(2021/4)

2019-2025 Mini LED Market Value Forecast-By Application

(Unit: Mil. USD)

	2019	2020	2021	2022	2023	2024	2025	CAGR 2020-2025
Head-Mounted Display	0	0	0	0	0	1	9	N.A
Wearable Display	0	0	0	0	0	0	0	N.A
Tablet Display	0	0	68	87	92	84	80	N.A
NB Display	0	1	34	43	53	54	60	136%
MNT Display	0	1	2	5	9	13	23	83%
Automotive Display	0	0	1	7	15	21	45	N.A
TV display	0	57	174	339	418	499	632	62%
<b>Total Mini LED Revenue</b>	<b>0</b>	<b>59</b>	<b>277</b>	<b>480</b>	<b>586</b>	<b>672</b>	<b>849</b>	<b>71%</b>

Source : LEDinside(2021/4)

2019-2025 Mini LED Chip Usage Forecast-By Application

(Unit: 4" chip/Unit)

	2019	2020	2021	2022	2023	2024	2025	CAGR 2020-2025
Head-Mounted Display	0	0	0	0	0	3	44	N.A
Wearable Display	0	0	0	0	0	0	0	N.A
Tablet Display	0	0	228	308	384	389	388	N.A
NB Display	0	2	113	152	220	248	291	178%
MNT Display	0	2	5	17	36	62	112	116%
Automotive Display	0	0	2	25	62	98	218	N.A
TV display	0	120	583	1,196	1,735	2,302	3,072	91%
<b>Total Mini LED Units</b>	<b>0</b>	<b>125</b>	<b>931</b>	<b>1,697</b>	<b>2,437</b>	<b>3,102</b>	<b>4,126</b>	<b>101%</b>

Source : LEDinside(2021/4)

The LED development pattern in Taiwan is different from the vertical integration of upstream and downstream in the United States, Japan, Europe and other countries, we divided into upstream(Epitaxy), midstream(Chip), and downstream(Package) three different stages, and produce separately. But after GaN-based LEDs are mass produced in Taiwan,

for the reasons of reducing internal communication costs, improving quality and increasing the revenue for each manufacturers, the industry transformed into upstream(Epitaxy and Chip) and downstream(packages and modules) two stages, and also the LED lighting applications for the end use. In recent years, Taiwan LED industry has mainly focused on LED packages and modules.

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

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

LED industry in Taiwan produce separately in a vertical supply chain, the product of upstream is epitaxial wafers, using various epitaxial technologies to grow multiple layers of multi-material thin films of different thicknesses on the substrate. After midstream 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 30 years, it has been widely used in home appliances due to its small size, fast response, good resistance, and long product life(more than 100,000 hours). With the development and the improvement of visibility, LED now have used on displays, traffic signals, automobile lighting and general lighting. The application of infrared components are very extensive and valuable, such as industrial quantity control, security systems, various consumer electronic products, and also the field of network transmission.

##### A. Hight Power Packaging

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

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

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

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

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

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

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

### 5.1.3 Research and Development

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

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

unit : NT\$, '000

Year	2019	2020	2021/3/31
Amount	750,665	708,239	171,963

#### 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 2021 are approximately NT \$ 700-800 million. The research and development expenses in 2022 is expected to be 3-4% of total revenue, same as previous years.

#### (1) New Products Developed in 2019

- IR LED for long wavelength applications (>1000nm)
- Photo Diode for long wavelength applications (>1000nm)
- IR LED in thin MID process package
- IR LED for smart meter
- IR LED Multi-chip packaging IR LED for electronic label application
- High power VCSEL package
- Automotive-level ambient light sensor
- Low-power consumption Proximity Sensor
- Photo encoder
- Modular optical switch ITR
- High-power IR LED
- Automotive photo coupler
- Automotive high-power VCSEL laser component
- Automotive high-power IR LED
- High-performance IGBT gate driver
- Isolating an amplifying photo coupler
- Ultra high withstand voltage (1200~1500V) optronics relay

- Broadband infrared receiver module
- High efficient energy-saving lighting products
- Home sterilization light module
- ES8.0 high-performance sideview LED
- 2204 small size sideview LED
- Backlight LED for Local dimming HDR display
- 4-in-1 fine-pitch LED for signage board
- High efficient energy-saving street light system

## (2) New Products Developed in 2020

- Slim CSP LED
- Slim sideview RGB LED
- EUV UVC LED sterilization and purification module
- Special light guide modult
- High brightness / contrast / power-saving signage LED
- Fine pitch 4 in 1 led PKG
- Special light source LED for plant / livestock / fishery
- Automotive high power VCSEL
- Automotive high power IR LED
- High-sensitivity/high-speed photo coupler
- New Anti-noise infrared receiver module
- Optical encoder
- Miniaturized proximity sensor module
- Multi chip packaging sensor module
- Miniature VCSEL package
- Slim bezel sideview high performance LED
- High power direct lit LED(> 3W)
- Sideview type high reliability automotive LED
- Mini LED module for automotive display panel
- Low-energy consume sideview LED (upgrading continuously)
- Flicker-low and ultra energy-saving light source module
- MEPS energy-saving lamps
- Mobile UVC sterilization device
- Multi chip packaging
- Mini LED
- Automotive standard light source
- 3D tail light
- Curve tail light by mini LED
- Automotive UVC sterilization module
- Smart Street lighting system

## (3) New Products Project in 2021

- High Performance 850nm Infrared LED
- High Sensitivity Light Sensor
- Encoder

- Precise Proximity Sensor
- High Performance High Speed Photo Coupler
- High Performance IGBT Driver
- Isolation Amplifier Device
- VCSEL Device
- FPC Module Application
- 3002 package ultra-thin side-emitting LED development
- 4008 Edge type thinning development
- POB Module developing (ultra-thin type)
- RGB CSP development
- Edge type RGB flip chip development
- EMC type flip chip development
- Automotive middle power (0.5w) RGB LED
- 0.2w IC embedded RGB LED
- ALFSE series with 0.5mm<sup>2</sup> LES
- Automotive 0.7-3w LED with 2820 platform
- Automotive L/F type 2-in-1 LED package
- Smart office lighting system
- LED Bulb and tube with energy-saving mark
- LED for Horticulture application(0.2W/0.5W/1W product)
- Horticulture PPE 4.0 development
- UVA & UVC to Air purifier application
- UVC for clean water application
- RGB gaming module application

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

1. The purpose of developing CSP packaging products is to reduce the thermal resistance and related costs effectively of the product, and to achieve the highest cost-effective products
2. 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 have 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 developing sensors with special light wavelengths, such as multi-band optical spectrum or ultra-long wavelength spectrum. In the proximity sensor module, we continue to develop miniaturized white-balance sensing technologies and components.
6. The Company continues to develop a variety of infrared LED / VCSEL package components that meet market needs, and extend to longer-wavelength emission spectrum. The main applications are all kinds of biometrics, ToF, LiDAR and other new applications.
7. In terms of photo coupler, we develop our products for green energy industry, industrial control, power management systems, automotive applications, and other related market, such as high-speed photo coupler, high-current output drive photo coupler, linear isolation and amplifiers, smart driver photo coupler...etc.
8. Wide band-gap power devices (SiC/GaN) is an important field of compound semiconductors in the future. The scope of product development will 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.
10. The demand for UV LEDs is increasing and applications, such as sterilization and purification, will gradually be replaced by UVC LEDs in the future. The UV product development will focus on water purification and ambient air purification to offer our technology solutions to the global public health issues.
11. Everlight continues to introduce more outstanding ALFS automotive headlight series products to meet the needs of the niche market. In order to make the interior design of the indicator lights more flexible and diverse, a variety of color options allow our users to design the indicator lights more effectively. At the Same time, the products already passed the strict automotive reliability test, AEC-Q101.

## 12. Automotive components

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

We provides not only a variety of options to meet the needs of our customers, but the

ALFS series also will come out a second-generation headlamp model, the G series, in 2020 with better economic benefit. In addition, combined with the functions of indicators and daytime running lights, the white/yellow dual-color temperature model got very warm response from our customers at the development stage. The product integrated different functions provides customers with a thinner and lighter design.

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 ( $<100\text{ }\mu\text{m}$ ). 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 350 lm to 385 lm (10%). This product is named for ALFSG (LES  $1\text{mm}^2$ ). In addition, an ALFSE series (LES  $0.5\text{mm}^2$ ) 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-Q101, even in such a small size. We not only meet our clients' requirements of miniaturization, but also take the quality of automotive products into account on the 67-21, 67-41 and A09K 0.2W and 0.5W products, the most commonly used LEDs in the automotive industry. In terms of the improvement of light efficiency, this series allows clients to maintain the best cost-effectiveness and the best competitiveness. (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 street lighting, architectural lighting, display lighting, low temperature lighting, indoor lighting, etc., which meet not only market demand but also environmental protection and energy saving trends. These high-end technologies will be used in general lighting products, consumers can easily purchase high-efficiency and competitive-priced lighting products, which will promote the idea of energy saving and carbon reduction for everyone and improve the penetration rate of LED in the lighting market.

(4) Mini LED for backlight

Based on the fact that the Company has developed a wide variety of backlight products, we estimate that the amount of LEDs using for traditional direct-lit backlight modules is relatively low at the beginning, and it is a big disadvantage on the cost if using more LEDs for the traditional direct-lit backlight modules. Therefore, we focus on the pricey and bright product, such as the automotive backlights and large-size TVs, to develop 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 optoelectronics 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	2019		2020	
	Net Sales	(%)	Net Sales	(%)
LED	18,340,772	87.48	18,750,279	86.66
LCD	674,717	3.22	620,298	2.87
Lighting Module	1,883,423	8.98	2,160,403	9.98
Other	67,629	0.32	106,055	0.49
Total	20,966,541	100.00	21,637,035	100.00

##### (2) Sales of regions

NT\$, '000

Region \ Year	2019		2020	
	Net Sales	(%)	Net Sales	(%)
Asia	17,511,370	83.52	18,604,230	85.98
Europe	2,551,005	12.17	2,311,708	10.69
America	611,805	2.92	471,670	2.18
Other	292,361	1.39	249,427	1.15
Total	20,966,541	100.00	21,637,035	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、Nichia、Samsung、Cree、SSC、Hongli and Nation Star
Backlighting components	For all size LCD screen back-light Unit, such as TV, Monitor, NB...etc.	Nichia、SSC、Samsung、LGIT、Lumens、Jufei and Zhaochi
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、Lumileds、Jufei、SSC、Samsung、Zhaochi and Changfang

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	Osram 、Nichia 、Lumileds 、Stanley 、SSC
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.	Broadcom 、Toshiba 、Lite-On 、Vishay 、Osram 、Kodenshi 、OPTEK

According to LEDinside, the output value of Taiwan's LED packaging components is approximately US\$1.9 billion in 2020, with a global market share of 13%. 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

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

According to LEDinside, the global packaging output value reached 15.3 billion US dollars in 2020, a year-on-year decrease about 10%. In terms of regions, China ranked first with 36% market share, followed by Japan with 17%, and Taiwan ranked fourth with 13% market share. As the global economy in 2020 was affected by the epidemic in the first half of the year, the LED market conditions have reached a bottom. However, in the second half of the year, due to the rise of Work from Home and at-home entertainment, the demand for various consumer electronics and home appliances products increased sharply, and the demand for LEDs became hot. We expected that this trend will continue until at least for the first half of 2021. The supply side also slowed down, the expansion of production capacity are pending due to the epidemic, therefore improved the imbalance between supply and demand in the industry in the past few years, and the market temporarily restored equilibrium.

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

	2018	Share%	2019	Share%	2020	Share%
Japan	3,242	18%	2,894	17%	2,544	17%
Korea	2,583	14%	2,451	14%	2,371	16%
Taiwan	2,007	11%	1,782	11%	1,926	13%
Europe	1,707	9%	1,420	8%	1,443	9%
USA	1,935	11%	1,619	10%	1,398	9%
China	6,783	37%	6,619	39%	5,465	36%
Others	117	1%	122	0.7%	139	1%
<b>Total</b>	<b>18,372</b>	<b>100%</b>	<b>16,907</b>	<b>100%</b>	<b>15,287</b>	<b>100%</b>

Source : LEDinside, 2021/04

According to LEDinside, the global LED market is impacted by COVID-19 epidemic in 2020, a 10% decline from 2019, with a scale of approximately 15.3 billion U.S. dollars. In 2021, the total market size is expected to return to the equivalent level of output value in 2019, about 16.5 billion U.S. dollars, a growth of about 8%. LEDinside estimates that the main growth momentum in the next five years will come from the emerging applications of Mini and Micro LEDs and the popularization of invisible LEDs. Mini and Micro LED are expected to become the second largest application after general lighting by 2025. The market size will reach 5.1 billion U.S. dollars, and the 5-year CAGR will be as high as 118%. In addition, with the impact of the epidemic's lifestyle and the continuous expansion of the 5G and electric vehicle markets, sensing and infrared applications and power control applications will be the second fastest-growing market, and the market size is expected to reach nearly US\$1.7 billion, the CAGR will reach 36% in 2020-2025.

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

	2019	2020	2021	2022	2023	2024	2025	CAGR 2020-2025
Mobile Appliance	1,093	1,002	988	989	972	963	965	-1%
Large Display Backlight	1,670	1,585	1,573	1,477	1,374	1,326	1,248	-5%
General Lighting	6,466	5,328	5,428	5,530	5,462	5,376	5,353	0%
Architectural Lighting	1,052	897	941	975	1,027	1,115	1,178	6%
Automotive	2,672	2,572	2,926	3,237	3,468	3,599	3,845	8%
Video Wall	1,872	1,591	1,780	1,921	2,030	2,119	2,173	6%
Consumer & Others	1,441	1,556	1,687	1,859	2,076	2,309	2,583	11%
Invisible LED	638	651	828	1,132	1,560	2,180	3,007	36%
Micro & Mini LED	3	104	380	713	1,198	2,055	5,144	118%
<b>Total Revenue</b>	<b>16,907</b>	<b>15,287</b>	<b>16,531</b>	<b>17,833</b>	<b>19,167</b>	<b>21,042</b>	<b>25,497</b>	<b>11%</b>

Source : LEDinside, 2021/04

### 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 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 develop capability

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

Solution:

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

## 5.2.2 The applications of major products and the production procedures

### 5.2.2.1 The applications of major products

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

### 5.2.2.2 The production procedures

#### The production procedures

##### Gluing Process

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

##### General Molding Process

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

##### Light Molding Process

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



### 5.2.3 The supply of our main material

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

### 5.2.4 Major Suppliers and Clients

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

NT\$, '000

	2019				2020				2021 (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
1	Epistar	1,228,675	15.49	NA	Epistar	957,517	11.59	NA	NA			
2	Other	6,705,639	84.51		Other	7,302,698	88.41					
	Net Total Supplies	7,934,314	100		Net Total Supplies	8,260,215	100		Net Total Supplies	2,536,896	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	2019			2020		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
LED	41,089,917	24,497,775	16,480,690	39,561,070	24,915,986	16,998,368
LCD	24,389	22,288	674,717	20,993	17,356	620,299
Lighting Module	44	56	302,212	72	76	183,152
Other	19	13	58,999	20	13	60,841
Total	41,114,369	24,520,132	17,516,618	39,582,155	24,933,431	17,862,660

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

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

Major Products \ Shipments/Sales \ Year	2019				2020			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LED	1,979,802	2,797,486	25,198,425	15,543,286	2,821,919	3,198,095	23,650,565	15,552,184
LCD	4,116	113,533	18,276	561,184	6,044	181,976	11,338	438,322
Lighting Module	2,516	701,142	2,375	1,182,281	1,938	1,125,391	1,429	1,035,012
Other	150,589	60,333	6,963	7,296	100,375	62,149	190,976	43,906
Total	2,137,023	3,672,494	25,226,039	17,294,047	2,930,276	4,567,611	23,854,308	17,069,424

### 5.3 Human Resources

Items \ Year		2019	2020	Data as of ending data in the current year-2021/3/31
Number of Employees	Direct Employees	3464	3639	3315
	Indirect Employees	2471	2604	2640
	Total	5935	6243	5955
Average Age		31.9	31.8	33.3
Average Years of Service		4.4	3.8	4.1
Education	Ph.D.	11	10	10
	Masters	264	249	240
	Bachelor's Degree	3521	3308	3180
	Senior High School and Below	2139	2676	2525
Total		5935	6243	5955

### 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. 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	2025/2/11	No. K0981-00 issued by Miaoli County
Air pollution control personnel (Class A)	Certified	No. FA040335 issued by EPA, 2020
<b>Tongluo Plant</b>		
Operational permit for stationary	2023/1/10	No. K0951-00 issued by Miaoli County
Air pollution control personnel (Class A)	Certified	No. FA270060 issued by EPA, 2013

(2) Water pollution prevention

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

Professional personnel: wastewater control personnel(Class A)

Items	Validity Period	Approval No.
<b>Yuan-li Plant</b>		
Operational permit for stationary	2022/08/10	No. 00444-03 issued by Miaoli County
wastewater control personnel(Class A)	Certified	No. GA430072 issued by EPA, 2019
<b>Tongluo Plant</b>		
Operational permit for stationary	2022/3/30	No. 00637-00 issued by Miaoli County
wastewater control personnel(Class A)	Certified	No. GA200027 issued by EPA, 2007

(3) Waste management

The general and hazardous business wastes derived from our production process are properly recycled and stored, and have been submitted to the local environmental protection bureau for the cleanup plan (Yuanli plant: No. 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. HA150567 issued by EPA, 2020
<b>Tongluo Plan</b>		
Waste control personnel(Class A)	Certified	No. HA211661 issued by EPA, 2003

#### 5.4.1.3 Industrial waste reduction

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

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

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	19,726.8	1,333.5	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	9337.1	Processing the exhaust gas generated in the manufacturing process to meet the emission standards of environmental protection requirements, and which can reduce the annual air pollution fee by about 500,000.
Wastewater process equipment and the improvement	1	98.12.25	13,225.2	1197.6	Processing the waste water generated in the manufacturing process to meet the standards of environmental protection requirements and reach the recyclable standards.
Wastewater process equipment and the improvement	1	105.12.30	10,826.2	4534	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	1183.1	Processing the polluted water generated by the personnel of production activities and meet the recyclable standard.
Polluted water process equipment and the improvement (MBR)	1	105.7.25	431	223.4	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):

Yuan-li plant has violated the item 1 , article 31 of Waste disposal Act and fined NT\$ 60,000 and has been corrected.

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

5.5 Relationship between the management and the labor

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

#### 5.5.1.1 Our salaries

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

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

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

#### 5.5.1.2 Our welfare

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

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

#### 5.5.1.3 Our continuous training

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

(1) Our education and training programs in all aspects

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

(3) Implementation status of education and training

In 2020, in addition to the scheduled annual courses, there were more than 27,000 times that employees used and logged in the e-learning platform to learn and browse the existing Everlight e-learning courses. And to ensure the correct operation methods and the consistency of inspection standards, we combine the theory and actual operation screens to make it easier for all the staff to understand and catch up the necessary skills through the education and training of each station in the product lines by continuous video teaching and pre-work training all year long.

In order to continue and enhance the competitiveness of the Company, we continue to organize various training activities every year. Through our multiple training and learning, the average training hours of general employees are about 60 hours, and the average training hours of management staff are about 45 hours.

We have not only the various management, professional, and general courses, the Company also arranges 4 hours of internal training for each department to increase the understanding internally. Topics such as systems introduction and laws and regulations are used to conduct education, training, and learning through the 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

Everlight has established employee retirement methods based on the "Labor Standards



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

#### 5.5.1.5 Labor agreements and employee rights protection

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

#### 5.5.1.6 Employee code of conduct or ethics

The company clearly communicates the corporate culture, employee work rules, and team spirit to each employee through "new comers training", "employee memo card", "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 makes 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 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

<div> <div></div> <div>Year</div> <div>Item</div> </div>		Financial Summary for The Last Five Years(Note 1)					As of the printing date 2021/3/31 of this annual report
		2016	2017	2018	2019	2020	
Current assets		24,428,410	24,068,351	17,360,421	17,386,636	19,728,192	20,110,598
Property, Plant and Equipment		11,328,119	11,427,695	10,239,693	8,909,437	8,109,445	7,819,013
Intangible assets		219,047	186,440	124,585	82,650	83,572	89,813
Other assets		1,949,571	1,492,362	1,359,444	1,970,349	2,345,941	2,407,060
Total assets		37,925,147	37,174,848	29,084,143	28,349,072	30,267,150	30,426,484
Current liabilities	Before distribution	12,321,735	18,349,977	9,961,920	10,280,488	11,489,146	11,182,839
	After distribution	13,644,120	19,671,110	10,626,475	10,901,051	Note 2	Note 2
Non-current liabilities		7,932,069	652,223	1,769,597	874,156	839,314	861,253
Total liabilities	Before distribution	20,253,804	19,002,200	11,731,517	11,154,644	12,328,460	12,044,092
	After distribution	21,576,189	20,323,333	12,396,072	11,775,207	Note 2	Note 2
Equity attributable to shareholders of the parent		17,331,621	17,848,938	16,987,956	16,842,893	17,567,302	18,003,629
Capital stock		4,390,357	4,404,486	4,429,996	4,432,457	4,433,931	4,433,931
Capital surplus		9,108,900	9,139,711	9,159,142	9,089,121	9,084,110	9,084,276
Retained earnings	Before distribution	5,251,617	5,135,535	4,623,095	4,782,354	4,870,312	5,328,375
	After distribution	3,929,232	3,814,402	3,958,540	4,161,791	Note 2	Note 2
Other equity interest		(1,419,253)	(830,794)	(1,224,277)	(1,461,039)	(821,051)	(842,953)
Treasury stock		—	—	—	—	—	—
Non-controlling interest		339,722	323,710	364,670	351,535	371,388	378,763
Total equity	Before distribution	17,671,343	18,172,648	17,352,626	17,194,428	17,938,690	18,382,392
	After distribution	16,348,958	16,851,515	16,688,071	16,573,865	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 110th Annual Shareholders' Meeting.

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

NT\$, '000

Year Item		Financial Summary for The Last Five Years(Note 1)				
		2016	2017	2018	2019	2020
Current assets		18,233,114	18,804,448	12,349,315	12,067,548	13,792,446
Property, Plant and		6,563,265	6,885,351	6,146,287	5,480,059	4,857,393
Intangible assets		181,446	153,374	89,880	55,727	64,703
Other assets		10,474,385	10,238,444	9,761,767	9,809,065	9,912,741
Total assets		35,452,210	36,081,617	28,347,249	27,412,399	28,627,283
Current liabilities	Before	10,063,033	17,559,446	9,551,652	9,693,001	10,178,638
	After distribution	11,385,418	18,880,579	10,216,207	10,313,564	Note 2
Non-current liabilities		8,057,556	673,233	1,807,641	876,505	881,343
Total liabilities	Before	18,120,589	18,232,679	11,359,293	10,569,506	11,059,981
	After distribution	19,442,974	19,553,812	12,023,848	11,190,069	Note 2
Capital stock		4,390,357	4,404,486	4,429,996	4,432,457	4,433,931
Capital surplus		9,108,900	9,139,711	9,159,142	9,089,121	9,084,110
Retained earnings	Before	5,251,617	5,135,535	4,623,095	4,782,354	4,870,312
	After distribution	3,929,232	3,814,402	3,958,540	4,161,791	Note 2
Other equity interest		(1,419,253)	(830,794)	(1,224,277)	(1,461,039)	(821,051)
Treasury stock		—	—	—	—	—
Total equity	Before	17,331,621	17,848,938	16,987,956	16,842,893	17,567,302
	After distribution	16,009,236	16,527,805	16,323,401	16,222,330	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 110th 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 2021/3/31 of this annual report
	2016	2017	2018	2019	2020	
Operating revenue	29,347,250	27,310,581	24,089,291	20,966,541	21,637,035	5,885,823
Gross profit	7,179,858	6,346,412	5,654,578	5,128,448	5,418,769	1,532,309
Income from operations	2,136,020	1,692,463	889,068	835,193	1,353,502	523,796
Non-opr. income/Expense	83,643	(184,744)	234,891	230,515	273,833	52,850
Income before tax	2,219,663	1,507,719	1,123,959	1,065,708	1,627,335	5,76,646
Net income (Loss)	1,839,518	1,245,991	863,079	851,329	1,249,680	469,320
Discontinued Operation	—	—	—	—	—	—
Net Income incl. Discontinued Operation	1,839,518	1,245,991	863,079	851,329	1,249,680	469,320
Other comprehensive income (income after tax)	(852,236)	589,721	(388,274)	(240,723)	112,256	(25,784)
Total comprehensive income	987,282	1,835,712	474,805	610,606	1,361,936	443,536
Net income attributable to shareholders of the parent	1,805,624	1,203,508	793,069	822,244	1,236,141	458,063
Net income attributable to non-controlling interest	33,894	42,483	70,010	29,085	13,539	11,257
Comprehensive income attributable to Shareholders of the parent	994,335	1,794,762	410,915	593,478	1,342,083	436,161
Comprehensive income attributable to non-controlling interest	(7,053)	40,950	63,890	17,128	19,853	7,375
Earnings per share	4.13	2.74	1.80	1.86	2.79	1.03

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

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

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

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	24,336,509	22,480,597	19,775,854	17,390,373	18,216,403
Gross profit	4,953,853	4,074,823	3,621,427	3,207,589	3,513,980
Income from operations	2,028,994	1,329,112	845,527	757,764	1,097,840
Non-opr. income/Expense	(7,545)	(17,460)	73,440	182,376	402,613
Income before tax	2,021,449	1,311,652	918,967	940,140	1,500,453
Net income (Loss)	1,805,624	1,203,508	793,069	822,244	1,236,141
Discontinued Operation	—	—	—	—	—
Net Income incl. Discontinued Operation	1,805,624	1,203,508	793,069	822,244	1,236,141
Other comprehensive income (income after tax)	(811,289)	591,254	(382,154)	(228,766)	105,942
Total comprehensive income	994,335	1,794,762	410,915	593,478	1,342,083
Earnings per share	4.13	2.74	1.80	1.86	2.79

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



## 6.2 Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	CPA	Audit Opinion
2016	KPMG	Lo, Rui Lan/ Guo,Guan-Ying	Unqualified Opinion
2017	KPMG	Lo, Rui Lan/ Guo,Guan-Ying	Unqualified Opinion
2018	KPMG	Au, Yiu Kwan/ Lo, Rui Lan	Unqualified Opinion
2019	KPMG	Au, Yiu Kwan/ Lo, Rui Lan	Unqualified Opinion
2020	KPMG	Au, Yiu Kwan/ Lo, Rui Lan	Unqualified Opinion

### 6.2.1 Parent Financial Analysis – Based on IFRS

Item		Year	Financial Analysis for the Last Five Years				
			2016	2017	2018	2019	2020
Financial structure (%)	Debt Ratio		51	51	40	39	39
	Ratio of long-term capital to property, plant and equipment		376	259	295	308	364
Solvency (%)	Current ratio		181	107	129	124	136
	Quick ratio		171	101	122	117	127
	Interest earned ratio (times)		18	12	10	19	39
Operating performance	Accounts receivable turnover (times)		3.14	2.77	2.71	2.79	2.93
	Average collection period		116	132	135	131	124
	Inventory turnover (times)		18.23	18.05	19.12	20.54	19.64
	Accounts payable turnover (times)		2.78	2.69	2.55	2.54	2.55
	Average days in sales		20	20	19	18	19
	Property, plant and equipment turnover (times)		3.71	3.34	3.04	2.99	3.52
	Total assets turnover (times)		0.69	0.63	0.61	0.62	0.65
Profitability	Return on total assets (%)		5.39	3.65	2.73	3.10	4.52
	Return on stockholders' equity (%)		10	7	5	5	7
	Pre-tax income to paid-in capital (%)		46	30	21	21	34
	Profit ratio (%)		7	5	4	5	7
	Earnings per share (NT\$)		4.13	2.74	1.80	1.86	2.79
Cash flow	Cash flow ratio (%)		19	16	24	22	12
	Cash flow adequacy ratio (%)		NA	121	115	105	114
	Cash reinvestment ratio (%)		2	6	4	6	2
Leverage	Operating leverage		1.47	1.76	2.23	2.29	1.77
	Financial leverage		1.06	1.10	1.14	1.07	1.04
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)							
1. Interest earned ratio (times) increased due to paying back the corporate bonds payable, therefore interest expenses reduced this period. The earning before tax and interest expenses increase than previous period.							
2. Profitability : increased due to the increase in net income.							
3. Cash flow ratio (%) decreased mainly due to the increase in notes and accounts receivable (include related parties) and financial assets at fair value through profit or loss for this period, resulting in a lower net cash flow from operating activities.							
4. Cash reinvestment ratio (%) decreased mainly due to the increase in other current financial assets(Time deposits with maturities over three months) for this period, resulting in a higher cash from operations.							
5. Financial leverage decreases mainly due to the increase in operating profit for this 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)

## 6.2.2 Consolidated Financial Analysis – Based on IFRS

Item		Financial Analysis for the Last Five Years					As of the printing date of this annual report
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	53	51	40	39	41	40
	Ratio of long-term capital to property, plant and equipment	220	159	181	193	222	236
Solvency (%)	Current ratio	198	131	174	169	172	180
	Quick ratio	178	117	155	151	155	162
	Interest earned ratio (times)	17	13	10	16	29	44
Operating performance	Accounts receivable turnover (times)	3.25	3.04	3.11	3.23	3.23	3.19
	Average collection period	112	120	117	113	113	114
	Inventory turnover (times)	8.71	8.39	8.41	8.71	8.99	9.76
	Accounts payable turnover (times)	3.16	3.27	3.62	3.57	3.46	3.56
	Average days in sales	42	44	43	42	41	37
	Property, plant and equipment turnover (times)	2.63	2.40	2.22	2.19	2.54	2.96
	Total assets turnover (times)	0.77	0.73	0.83	0.74	0.71	0.77
Profitability	Return on total assets (%)	5.19	3.61	2.91	3.16	4.42	6.33
	Return on stockholders' equity (%)	10	7	5	5	7	10
	Pre-tax income to paid-in capital (%)	51	34	25	24	37	52
	Profit ratio (%)	6	5	4	4	6	8
	Earnings per share (NT\$)	4.13	2.74	1.80	1.86	2.79	1.03
Cash flow	Cash flow ratio (%)	34	15	35	40	16	8
	Cash flow adequacy ratio (%)	(Note 2)	113	110	114	126	131
	Cash reinvestment ratio (%)	7	4	6	10	4	2
Leverage	Operating leverage	1.87	2.16	3.23	3.35	2.27	1.74
	Financial leverage	1.07	1.08	1.16	1.09	1.05	1.03
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)							
1. Interest earned ratio (times) increased due to paying back the corporate bonds payable, therefore interest expenses reduced this period. The earning before tax and interest expenses increase than previous period.							
2. Profitability : increased due to the increase in net income.							
3. Cash flow ratio (%) decreased mainly due to the increase in notes and accounts receivable (include related parties) and financial assets at fair value through profit or loss for this period, resulting in a lower net cash flow from operating activities.							
4. Cash reinvestment ratio (%) decreased mainly due to the increase in other current financial assets(Time deposits with maturities over three months) for this period, resulting in a higher cash from operations.							
5. Financial leverage decreases mainly due to the increase in operating profit for this 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 2020 Business Report, Financial Statements and Proposal for Earnings Distribution of the Company for the year 2020. Yiu-Kwan Au CPA and Rui-Lan 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 2020 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

2021 Annual General Shareholders' General Meeting

Chairman of the Audit Committee: Chen-en Ko

Date: March 23th,2021



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, 2020 and 2019, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

#### 1. Inventory valuation

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

Description of key audit matters:

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

#### Audit procedures:

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

### 2. Accounts receivable valuation

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

#### Description of key audit matters:

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

#### Audit procedures:

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

### 3. Revenue recognition

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

#### Description of key audit matters:

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

#### Audit Procedures:

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





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

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

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

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

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

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

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

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



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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 23, 2021

#### **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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2020		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 1,496,956	5	2,071,163	8	2100	Short-term borrowings (note 6(k))	\$ 2,663,664	9	1,899,493	7
1110	Current financial assets at fair value through profit or loss (note 6(b))	473,861	2	116,188	-	2130	Current contract liabilities (note 6(t))	2,236	-	8,884	-
1141	Current contract assets (note 6(t))	45,542	-	106,363	-	2170	Notes and accounts payable	1,566,066	6	1,437,366	5
1170	Notes and accounts receivable, net (note 6(d))	4,855,718	17	4,501,034	17	2180	Accounts payable to related parties (note 7)	4,231,363	15	3,878,931	14
1180	Accounts receivable due from related parties, net (notes 6(d) and 7)	1,310,295	4	1,286,865	5	2213	Payable on machinery and equipment	267,987	1	238,495	1
1210	Other receivables due from related parties, net (notes 6(e) and 7)	475,663	2	337,110	1	2220	Other payables to related parties (note 7)	159,425	1	162,520	1
1310	Inventories (note 6(f))	754,398	3	689,253	3	2230	Current tax liabilities	283,267	1	169,038	1
1470	Other current assets	270,490	1	129,819	-	2280	Current lease liabilities (note 6(n))	9,152	-	8,991	-
1476	Other current financial assets (notes 6(a) and 6(e))	<u>4,109,523</u>	<u>14</u>	<u>2,829,753</u>	<u>10</u>	2300	Other current liabilities (notes 6(b) and 9(b))	964,275	3	753,846	3
		<u>13,792,446</u>	<u>48</u>	<u>12,067,548</u>	<u>44</u>	2321	Bonds payable, current portion (note 6(m))	-	-	1,119,659	4
						2322	Long-term borrowings, current portion (note 6(l))	<u>31,203</u>	<u>-</u>	<u>15,778</u>	<u>-</u>
								<u>10,178,638</u>	<u>36</u>	<u>9,693,001</u>	<u>36</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	-	-	325,758	1	2527	Non-current contract liabilities (note 6(t))	64,992	-	-	-
1550	Investments accounted for using equity method (note 6(g))	8,315,855	29	8,458,173	31	2540	Long-term borrowings (note 6(l))	92,197	-	37,866	-
1560	Non-current contract assets (note 6(t))	594,956	2	-	-	2570	Deferred tax liabilities(note 6(p))	61,814	-	94,492	-
1600	Property, plant and equipment (note 6(i))	4,857,393	17	5,480,059	20	2580	Non-current lease liabilities (note 6(n))	236,024	1	241,577	1
1755	Right-of-use assets (note 6(j))	241,586	1	248,731	1	2640	Non-current provisions for employee benefits (note 6(o))	109,442	1	124,282	1
1780	Intangible assets	64,703	-	55,727	-	2670	Other non-current liabilities, others (note 6(g))	<u>316,874</u>	<u>1</u>	<u>378,288</u>	<u>1</u>
1840	Deferred tax assets (note 6(p))	419,805	2	401,474	2			<u>881,343</u>	<u>3</u>	<u>876,505</u>	<u>3</u>
1900	Other non-current assets (notes 6(d) and 8)	<u>340,539</u>	<u>1</u>	<u>374,929</u>	<u>1</u>			<u>11,059,981</u>	<u>39</u>	<u>10,569,506</u>	<u>39</u>
		14,834,837	52	15,344,851	56		<b>Total liabilities</b>				
							<b>Equity (note 6(q)):</b>				
						3110	Ordinary shares	<u>4,433,931</u>	<u>15</u>	<u>4,432,457</u>	<u>16</u>
						3200	Capital surplus (notes 6(g) and 6(m))	<u>9,084,110</u>	<u>32</u>	<u>9,089,121</u>	<u>33</u>
							Retained earnings:				
						3310	Legal reserve	2,671,978	9	2,589,754	9
						3320	Special reserve	1,461,039	5	1,224,277	4
						3350	Unappropriated retained earnings (note 6(g))	<u>737,295</u>	<u>3</u>	<u>968,323</u>	<u>4</u>
								<u>4,870,312</u>	<u>17</u>	<u>4,782,354</u>	<u>17</u>
						3400	Other equity interests	<u>(821,051)</u>	<u>(3)</u>	<u>(1,461,039)</u>	<u>(5)</u>
							<b>Total equity</b>	<u>17,567,302</u>	<u>61</u>	<u>16,842,893</u>	<u>61</u>
<b>Total assets</b>		<u>\$ 28,627,283</u>	<u>100</u>	<u>27,412,399</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 28,627,283</u>	<u>100</u>	<u>27,412,399</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, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	<b>Operating revenue (notes 6(t) and 7)</b>	\$ 18,216,403	100	17,390,373	100
5110	<b>Cost of sales (notes 6(f), 7, 9(b) and 12)</b>	<u>14,702,423</u>	<u>81</u>	<u>14,182,784</u>	<u>82</u>
5900	<b>Gross profit</b>	<u>3,513,980</u>	<u>19</u>	<u>3,207,589</u>	<u>18</u>
	<b>Operating expenses (notes 7 and 12):</b>				
6100	Selling expenses	916,973	5	874,251	5
6200	Administrative expenses	907,643	5	910,868	5
6300	Research and development expenses	583,030	3	622,503	4
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	<u>8,494</u>	<u>-</u>	<u>42,203</u>	<u>-</u>
		<u>2,416,140</u>	<u>13</u>	<u>2,449,825</u>	<u>14</u>
6900	<b>Net operating income</b>	<u>1,097,840</u>	<u>6</u>	<u>757,764</u>	<u>4</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (note 6(v))	40,521	-	30,711	-
7190	Other income (note 6(g) and 6(n))	83,744	-	76,003	-
7210	Gains (loss) on disposals of property, plant and equipment (note 7)	79,676	-	36,486	-
7230	Foreign exchange (loss) gains (note 6(w))	(25,671)	-	83,738	1
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method (note 6(g))	276,429	2	53,324	-
7235	Gains (loss) on financial assets (liabilities) at fair value through profit or loss, net	(11,649)	-	(26,483)	-
7050	Finance costs (note 6(m) and 6(v))	(39,130)	-	(51,891)	-
7590	Other expenses and losses	<u>(1,307)</u>	<u>-</u>	<u>(19,512)</u>	<u>-</u>
		<u>402,613</u>	<u>2</u>	<u>182,376</u>	<u>1</u>
7900	<b>Profit before tax</b>	1,500,453	8	940,140	5
7950	Less: Income tax expenses (note 6(p))	<u>264,312</u>	<u>1</u>	<u>117,896</u>	<u>1</u>
	<b>Profit</b>	<u>1,236,141</u>	<u>7</u>	<u>822,244</u>	<u>4</u>
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	11,488	-	9,210	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	51,947	-	(5,298)	-
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	2,071	-	628	-
8349	Less: income tax related to items that will not be reclassified to profit or loss (note 6(p))	<u>2,298</u>	<u>-</u>	<u>1,842</u>	<u>-</u>
		<u>63,208</u>	<u>-</u>	<u>2,698</u>	<u>-</u>
8360	<b>Items that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(13,689)	-	74	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, items that will be reclassified to profit or loss	53,685	-	(231,523)	(1)
8399	Less: income tax related to items that will be reclassified to profit or loss (note 6(p))	<u>(2,738)</u>	<u>-</u>	<u>15</u>	<u>-</u>
	Items that will be reclassified to profit or loss	<u>42,734</u>	<u>-</u>	<u>(231,464)</u>	<u>(1)</u>
8300	<b>Other comprehensive income</b>	<u>105,942</u>	<u>-</u>	<u>(228,766)</u>	<u>(1)</u>
	<b>Total comprehensive income</b>	<u>\$ 1,342,083</u>	<u>7</u>	<u>593,478</u>	<u>3</u>
	<b>Earnings per share (note 6(s))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 2.79</u>		<u>1.86</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 2.74</u>		<u>1.80</u>	

See accompanying notes to financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translation of foreign financial statements	Other equity interest	Total	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
<b>Balance at January 1, 2019</b>	\$ 4,429,996	9,159,142	2,510,447	830,794	1,281,854	(632,321)	(591,956)	(1,224,277)	16,987,956
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	79,307	-	(79,307)	-	-	-	-
Special reserve	-	-	-	393,483	(393,483)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(664,555)	-	-	-	(664,555)
	-	-	79,307	393,483	(1,137,345)	-	-	-	(664,555)
Profit for the year	-	-	-	-	822,244	-	-	-	822,244
Other comprehensive income for the year	-	-	-	-	7,996	(231,464)	(5,298)	(236,762)	(228,766)
Total comprehensive income for the year	-	-	-	-	830,240	(231,464)	(5,298)	(236,762)	593,478
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(72,690)	-	-	-	-	-	-	(72,690)
Changes in ownership interests in investee companies	-	-	-	-	(6,426)	-	-	-	(6,426)
Share-based payments transactions	2,461	2,669	-	-	-	-	-	-	5,130
Balance at December 31, 2019	4,432,457	9,089,121	2,589,754	1,224,277	968,323	(863,785)	(597,254)	(1,461,039)	16,842,893
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	82,224	-	(82,224)	-	-	-	-
Special reserve	-	-	-	236,762	(236,762)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(620,563)	-	-	-	(620,563)
	-	-	82,224	236,762	(939,549)	-	-	-	(620,563)
Profit for the year	-	-	-	-	1,236,141	-	-	-	1,236,141
Other comprehensive income for the year	-	-	-	-	11,261	42,734	51,947	94,681	105,942
Total comprehensive income for the year	-	-	-	-	1,247,402	42,734	51,947	94,681	1,342,083
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(6,426)	-	-	6,426	-	-	-	-
Share-based payments transactions	1,474	1,092	-	-	-	-	-	-	2,566
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(545,307)	-	545,307	545,307	-
Other	-	323	-	-	-	-	-	-	323
<b>Balance at December 31, 2020</b>	<b>\$ 4,433,931</b>	<b>9,084,110</b>	<b>2,671,978</b>	<b>1,461,039</b>	<b>737,295</b>	<b>(821,051)</b>	<b>-</b>	<b>(821,051)</b>	<b>17,567,302</b>

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 1,500,453	940,140
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	987,635	1,088,969
Expected credit loss	8,494	42,203
Net loss on financial assets or liabilities at fair value through profit or loss	13,838	79,286
Interest expense	39,130	51,891
Interest income	(40,521)	(30,711)
Share-based payments compensation cost	-	748
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(276,429)	(53,324)
Gain on disposal of property, plan and equipment	(79,676)	(36,486)
Unrealized foreign exchange gain on long-term loans	(7,439)	(1,678)
Others	375	986
<b>Total adjustments to reconcile profit (loss)</b>	<b>645,407</b>	<b>1,141,884</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	(351,429)	9,426
Increase in contract assets	(534,135)	(27,813)
Decrease (increase) in notes and accounts receivable (including related parties)	(347,918)	628,580
Increase in inventories	(65,145)	(7,611)
Decrease (increase) in other current assets	(144,597)	34,900
Increase in contract liabilities	58,344	3,525
Increase (decrease) in notes and accounts payable (including related parties)	481,132	(441,830)
Increase (decrease) in provisions	43,277	(16,765)
Increase (decrease) in other current liabilities	132,778	(11,754)
Decrease in non-current provisions for employee benefits	(3,352)	(3,992)
<b>Total changes in operating assets and liabilities</b>	<b>(731,045)</b>	<b>166,666</b>
Cash inflow generated from operations	1,414,815	2,248,690
Interest received	37,330	28,283
Interest paid	(33,627)	(37,441)
Income taxes paid	(196,726)	(131,018)
<b>Net cash flows from operating activities</b>	<b>1,221,792</b>	<b>2,108,514</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	377,705	-
Increase in prepayments for long-term investments	(368,794)	-
Proceeds from liquidation and capital reduction of investments accounted for using equity method	-	235,643
Acquisition of property, plant and equipment	(291,999)	(420,055)
Proceeds from disposal of property, plant and equipment	107,486	77,647
Decrease in refundable deposits	16,933	21,425
Decrease (increase) in other receivables due from related parties	(21,196)	274,981
Acquisition of intangible assets	(68,360)	(36,991)
Increase in other financial assets	(707,036)	(1,231,834)
Increase in restricted deposits	(569,543)	(215,109)
Dividends received	706,262	126,082
<b>Net cash flows used in investing activities</b>	<b>(818,542)</b>	<b>(1,168,211)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	764,171	(604,079)
Repayments of bonds	(1,126,100)	-
Proceeds from long-term borrowings	88,067	-
Repayments of long-term borrowings	(10,872)	(9,467)
Increase (decrease) in guarantee deposits received	(58,035)	55,365
Decrease in other payables due to related parties	(6,863)	(12,665)
Payment of lease liabilities	(10,151)	(9,594)
Cash dividends paid	(620,563)	(664,555)
Exercise of employee stock options	2,566	4,382
Other financing activities	323	-
<b>Net cash flows used in financing activities</b>	<b>(977,457)</b>	<b>(1,240,613)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(574,207)</b>	<b>(300,310)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,071,163</b>	<b>2,371,473</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,496,956</b>	<b>2,071,163</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

**December 31, 2020 and 2019**

**(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 23, 2021.

**(3) New standards, amendments and interpretations adopted:**

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

The details of impact on the Company's adoption of the new amendments beginning January 1, 2020 are as follows:

(i) Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(m).

The Company has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$1,204.

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

- (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, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

- (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:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.  The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: <ul style="list-style-type: none"> <li>● the incremental costs – e.g. direct labor and materials; and</li> <li>● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.</li> </ul>	

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

(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 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 IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

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

##### (a) Statement of compliance

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

##### (b) Basis of preparation

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

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

- 1) Financial assets at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

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

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

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

(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.

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

(Continued)

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

### **Notes to the 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 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 near term are measured at FVTPL; however, they are included in accounts receivable line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

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

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### 5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

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

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

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

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

#### 6) Derecognition of financial assets

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)



## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### 5) Derecognition of financial liabilities

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

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

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

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

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

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

#### (g) Inventories

Inventories are measured at the lower of cost and net realizable value. 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 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.

(Continued)

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

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

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.

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

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

#### **(i) Investments in subsidiaries**

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

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

#### **(j) Joint arrangements**

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

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

(k) Investment property

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

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

Land is not depreciated.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

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

#### (m) Lease

##### (i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset throughout the period of use only if either:
  - the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

(ii) As a 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 is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

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

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

(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:

- (i) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- (ii) 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;
- (iii) any reduction in lease payments that affects only those payments originally due on, or before 30 June 2021; and
- (iv) 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

(v) 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, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

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

(n) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent Expenditure

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

(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.

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## **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 assets for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

related to defined benefit plans are recognized in profit or loss.

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

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

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

#### (s) Share-based payment

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

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

#### (t) Income taxes

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

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

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

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

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

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## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities ; and
- (i) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

#### (u) Business combination

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

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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:

(a) Valuation of inventories

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

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

(b) The loss allowance of trade receivable

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

### (6) Explanation of significant accounts

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash, checking accounts and demand deposits	\$ 809,576	1,464,331
Time deposits	<u>687,380</u>	<u>606,832</u>
	<b><u>\$ 1,496,956</u></b>	<b><u>2,071,163</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 \$3,523,000 and \$2,783,840 as of December 31, 2020 and 2019, respectively.

(ii) Please refer to note 6(w) 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, 2020</b>	<b>December 31, 2019</b>
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging	\$ 13,011	15,393
Listed convertible bonds	21,641	47,093
Beneficiary certificate-Funds	47,354	47,188
Stocks listed on domestic markets	<u>391,855</u>	<u>6,514</u>
	<b><u>\$ 473,861</u></b>	<b><u>116,188</u></b>

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current financial liabilities held-for-trading (recorded as other current liabilities):		
Derivative instruments not used for hedging	\$ 59,522	39,440
	<u>\$ 59,522</u>	<u>39,440</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 can not be reliably measured at fair value as of the acquisition date.
- (ii) The Company had acquired \$298,026 in shares of Casetek Holding Limited, which the Company intended to sell in the near term, from active markets in 2020. The aforementioned investments were recognized as financial assets designated as at fair value through profit or loss.
- (iii) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net income pre-tax for 2020 and 2019 will be \$21,960 and \$2,685, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.
- (iv) The Company uses derivative financial instruments to hedge certain foreign exchange and interest risk the Company is exposed to, arising from its operating and financing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

1) Forward exchange contracts

		<u>December 31, 2020</u>		
		<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
<b>Financial assets:</b>				
Forward exchange sold	USD	14,000	USD to TWD	2021.01.07~2021.03.09
Forward exchange sold	USD	15,000	USD to RMB	2021.01.07~2021.02.25
<b>Financial liabilities:</b>				
Forward exchange sold	USD	14,000	USD to TWD	2021.01.28~2021.03.30
Forward exchange sold	USD	1,000	USD to RMB	2021.03.09
Forward exchange sold	EUR	750	EUR to USD	2021.01.26~2021.03.23

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

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

2) Cross currency swap

<b>December 31, 2020</b>					
<b>Contract amount (in thousands)</b>		<b>Contract Period</b>	<b>Interest rate payable</b>	<b>Interest rate receivable</b>	<b>Maturity date</b>
Financial assets:					
USD	10,000	2020.12.17~2021.01.19	0.16%	0.58%	2021.01.19
Financial liabilities:					
USD	10,000	2020.03.17~2021.03.17	0.55%	0.45%+3LIBOR	2021.03.17
USD	30,000	2020.06.10~2021.03.10	0.37%	0.50%+3LIBOR	2021.03.10

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

(v) As of December 31, 2020 and 2019, the Company did not provide any aforementioned financial assets as collateral for its loans.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	\$ -	323,505
Stocks unlisted on domestic markets	-	2,253
	<u>\$ -</u>	<u>325,758</u>

(Continued)



# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

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

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

For the year ended December 31, 2020, the Company disposed parts of its financial assets at fair value through other comprehensive income, with the fair value of \$377,705, and recognized a gain of \$545,307, which was accounted for as other comprehensive income. The gain had been transferred to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 31, 2019.

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

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

### (d) Notes and accounts receivable

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable from operating activities	\$ 4,192	7,616
Accounts receivable-measured as amortized cost	<u>6,317,545</u>	<u>5,944,970</u>
	6,321,737	5,952,586
Less: allowance for uncollectible accounts	<u>(137,053)</u>	<u>(128,559)</u>
	<b><u>\$ 6,184,684</u></b>	<b><u>5,824,027</u></b>
Notes and accounts receivable, net	\$ 4,855,718	4,501,034
Accounts receivable due from related parties, net	1,310,295	1,286,865
Long-term receivables (recorded as other non-current assets)	<u>18,671</u>	<u>36,128</u>
	<b><u>\$ 6,184,684</u></b>	<b><u>5,824,027</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 provision were determined as follows:

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 6,050,360	-%	-
Overdue 0-90 days	128,258	-%	-
Overdue 91-180 days	5,923	0.101%	6
Overdue 181-270 days	149	-%	-
Overdue 271-365 days	-	84.065%	-
Overdue over one year	137,047	100%	137,047
	<b>\$ 6,321,737</b>		<b>137,053</b>

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

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

	<b>2020</b>	<b>2019</b>
Balance on January 1	\$ 128,559	94,081
Impairment loss recognized	8,494	42,203
Amounts written off	-	(7,725)
Balance on December 31	<b>\$ 137,053</b>	<b>128,559</b>

- (iii) As of December 31, 2020 and 2019, the Company did not provide any notes and accounts receivable as collateral for its loans.

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(e) Other receivables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other receivables due from related parties	\$ 475,663	337,110
Other receivables (recorded as other current financial assets)	<u>16,980</u>	<u>45,913</u>
	<b><u>\$ 492,643</u></b>	<b><u>383,023</u></b>

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

	<b>December 31, 2020</b>	
	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL- credit-impaired</b>
Not overdue	\$ 492,643	-
Overdue	<u>-</u>	<u>-</u>
Gross carrying amount	492,643	-
Impairment losses	<u>-</u>	<u>-</u>
Carrying amount	<b><u>\$ 492,643</u></b>	<b><u>-</u></b>

	<b>December 31, 2019</b>	
	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL- credit-impaired</b>
Not overdue	\$ 383,023	-
Overdue	<u>-</u>	<u>-</u>
Gross carrying amount	383,023	-
Impairment losses	<u>-</u>	<u>-</u>
Carrying amount	<b><u>\$ 383,023</u></b>	<b><u>-</u></b>

As of 2020 and 2019, the allowance for impairment loss with respect to other receivables didn't change.

As of December 31, 2020 and 2019, the Company did not provide any other receivables as collateral for its loans.

(f) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Raw materials	\$ 185,531	92,455
Work in progress	92,430	95,056
Finished goods	<u>476,437</u>	<u>501,742</u>
	<b><u>\$ 754,398</u></b>	<b><u>689,253</u></b>

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

In 2020 and 2019, inventory cost (excluding construction cost) recognized as cost of sales amounted to \$14,139,503 and \$14,047,836, respectively.

The Company reversed its allowance for inventory valuation and obsolescence loss amounting to \$43,959 and \$17,400 in 2020 and 2019, and recorded them as reduction of cost of sales because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

As of December 31, 2020 and 2019, the Company did not provide any inventories as collateral for its loans.

(g) Investments accounted for using equity method

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	\$ 7,647,493	8,026,507
Associates	<u>36,605</u>	<u>41,589</u>
	7,684,098	8,068,096
Prepayment for long-term investment	368,794	-
Recorded as deduction of assets:		
Accounts receivable due from related parties	66,472	87,705
Other receivables due from related parties	-	117,357
Recorded as other non-current liabilities:		
Credit balance of investments in equity method	<u>196,491</u>	<u>185,015</u>
Total	<b><u>\$ 8,315,855</u></b>	<b><u>8,458,173</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, 2020 and 2019 were as follow:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	\$ 281,560	64,879
Associates	<u>(5,131)</u>	<u>(11,555)</u>
	<b><u>\$ 276,429</u></b>	<b><u>53,324</u></b>

(ii) Subsidiaries

- 1) Please refer to the consolidated financial statements for the year ended December 31, 2020.

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# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

- 2) The Company had invested its subsidiary, WOFI Wortmann & Filz GmbH, with cash injection of \$368,794 in 2020. The investment was recorded as prepayment for long-term investment because the registration procedures of the cash injection had not been completed as of December 31, 2020.
- 3) As of December 31, 2020 and 2019, the credit balance generated by the Company's investment in the subsidiary of Everlight Americas, Inc. (ELA) which used the equity method, were \$66,472 and \$87,705, respectively. Since that there were accounts receivable for ELA on the Company's account, the credit balance of \$66,472 and \$87,705 were reclassified to a deduction of accounts receivable due from related parties. Please refer to note 7 for details.
- 4) As of December 31, 2020 and 2019, the credit balances generated by the Company's investment in the subsidiary of Everlight Lighting Management Consulting (Shanghai) Co., Ltd. which used the equity method were \$196,491 and \$185,015, respectively, which were recorded as non-current liabilities.
- 5) As of December 31, 2019, the credit balance generated by the Company's investment in the subsidiary of WOFI Wortmann & Filz GmbH (WOFI), was \$117,357. Since that there were other receivables for WOFI on the Company's account, the credit balance of \$117,357 was reclassified to a deduction of other receivables due from related parties. Please refer to note 7 for details.
- 6) Zenaro Lighting Co., Ltd., a subsidiary of the Company, had completed its liquidation process in 2019. The Company recognized a gain on disposal of \$14, and recorded it as other income.

### (iii) Associates

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
The carrying amount of individually insignificant associates equity	<b>\$ <u>36,605</u></b>	<b><u>41,589</u></b>
	<b><u>2020</u></b>	<b><u>2019</u></b>
Attributable to the Company:		
Profit (loss) from continuing operations	\$ (5,131)	(11,555)
Other comprehensive income	<u>3</u>	<u>(6)</u>
	<b>\$ <u>(5,128)</u></b>	<b><u>(11,561)</u></b>

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

- 2) As of December 31, 2020 and 2019, the Company had 9.66% ownership of Tekcore. Since the Company is able to exercise significant influence over Tekcore's operations and financial policies, the long-term investment in Tekcore is accounted for using equity method.
- (iv) The Company's investee company accounted for using equity method had reduced its capital and refunded the cash amounting to \$184,629 to the Company during 2019. All the amounts had been fully received.
- (v) The new shares acquired by the Company in subsidiaries in 2020 and 2019 was not in proportion to the percentage of ownership in investment; therefore, the ownership of equity in subsidiaries was changed in 2020 and 2019, respectively. The differences resulting from the change in percentage of ownership were reflected by increasing the retained earnings by \$6,426 and decreasing the capital surplus by \$6,426.
- (vi) For the years ended December 31, 2020 and 2019, the Company received cash dividend of \$706,262 and \$126,082, respectively.

(vii) Pledges

As of December 31, 2020 and 2019, the Company did not provide any investment accounted for using the equity method as collaterals for its loans.

(h) 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 consolidated 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 consolidated financial statements.

Disputes over the aforementioned joint operation projects had occurred in 2020. Please refer to note 9(b) for details.

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(i) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Modeling equipment</u>	<u>Office and other equipment</u>	<u>Prepaid Property, plant and equipment</u>	<u>Total</u>
<b>Cost or deemed cost:</b>							
Balance on January 1, 2020	\$ 599,610	4,609,897	6,855,059	991,395	492,862	149,304	13,698,127
Add: additions	-	11,624	133,519	101,250	30,655	44,462	321,510
Add: reclassification	-	119,214	22,741	2,387	(247)	(144,342)	(247)
Less: sales	-	-	(467,699)	(14,069)	(1,205)	(3,500)	(486,473)
Less: retirement	-	(136)	(4,225)	(10,177)	(4,707)	-	(19,245)
Balance on December 31, 2020	<u>\$ 599,610</u>	<u>4,740,599</u>	<u>6,539,395</u>	<u>1,070,786</u>	<u>517,358</u>	<u>45,924</u>	<u>13,513,672</u>
Balance on January 1, 2019	\$ 599,610	4,589,116	6,904,712	1,117,354	491,483	125,568	13,827,843
Add: additions	-	17,458	228,699	68,914	5,291	62,055	382,417
Add: reclassification	-	3,390	27,149	1,260	716	(33,609)	(1,094)
Less: sales	-	-	(243,306)	(52,604)	(329)	(4,710)	(300,949)
Less: retirement	-	(67)	(62,195)	(143,529)	(4,299)	-	(210,090)
Balance on December 31, 2019	<u>\$ 599,610</u>	<u>4,609,897</u>	<u>6,855,059</u>	<u>991,395</u>	<u>492,862</u>	<u>149,304</u>	<u>13,698,127</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2020	\$ -	1,459,633	5,549,677	794,444	414,314	-	8,218,068
Add: depreciation for the year	-	214,582	555,297	102,420	44,048	-	916,347
Add: reclassification	-	-	-	-	(228)	-	(228)
Less: sales	-	-	(452,726)	(4,889)	(1,097)	-	(458,712)
Less: retirement	-	(136)	(4,216)	(10,157)	(4,687)	-	(19,196)
Balance on December 31, 2020	<u>\$ -</u>	<u>1,674,079</u>	<u>5,648,032</u>	<u>881,818</u>	<u>452,350</u>	<u>-</u>	<u>8,656,279</u>
Balance on January 1, 2019	\$ -	1,242,692	5,193,022	877,258	368,584	-	7,681,556
Add: depreciation for the year	-	217,008	627,273	111,914	50,199	-	1,006,394
Add: reclassification	-	-	-	-	(4)	-	(4)
Less: sales	-	-	(208,483)	(51,317)	(181)	-	(259,981)
Less: retirement	-	(67)	(62,135)	(143,411)	(4,284)	-	(209,897)
Balance on December 31, 2019	<u>\$ -</u>	<u>1,459,633</u>	<u>5,549,677</u>	<u>794,444</u>	<u>414,314</u>	<u>-</u>	<u>8,218,068</u>
<b>Carrying amounts:</b>							
Balance on December 31, 2020	<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 January 1, 2019	<u>\$ 599,610</u>	<u>3,346,424</u>	<u>1,711,690</u>	<u>240,096</u>	<u>122,899</u>	<u>125,568</u>	<u>6,146,287</u>
Balance on December 31, 2019	<u>\$ 599,610</u>	<u>3,150,264</u>	<u>1,305,382</u>	<u>196,951</u>	<u>78,548</u>	<u>149,304</u>	<u>5,480,059</u>

As of December 31, 2020 and 2019, the aforesaid property, plant and equipment were not pledged as collateral.

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(j) Right-of-use assets

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

	<u>Land</u>	<u>Vehicles equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	\$ 250,473	9,689	260,162
Acquisitions	909	3,850	4,759
Disposal	(481)	(3,852)	(4,333)
Balance on December 31, 2020	<u>\$ 250,901</u>	<u>9,687</u>	<u>260,588</u>
Balance on January 1, 2019	\$ 250,473	3,784	254,257
Acquisitions	-	5,905	5,905
Balance on December 31, 2019	<u>\$ 250,473</u>	<u>9,689</u>	<u>260,162</u>
Accumulated depreciation and impairment losses:			
Balance on January 1, 2020	\$ 7,294	4,137	11,431
Depreciation for the year	7,293	4,611	11,904
Disposal	(481)	(3,852)	(4,333)
Balance on December 31, 2020	<u>\$ 14,106</u>	<u>4,896</u>	<u>19,002</u>
Balance on January 1, 2019	\$ -	-	-
Depreciation for the year	7,294	4,137	11,431
Balance on December 31, 2019	<u>\$ 7,294</u>	<u>4,137</u>	<u>11,431</u>
Carrying amount:			
Balance on December 31, 2020	<u>\$ 236,795</u>	<u>4,791</u>	<u>241,586</u>
Balance on January 1, 2019	<u>\$ 250,473</u>	<u>3,784</u>	<u>254,257</u>
Balance on December 31, 2019	<u>\$ 243,179</u>	<u>5,552</u>	<u>248,731</u>

(k) Short-term borrowings

The short-term loans were summarized as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank loans	<u>\$ 2,663,664</u>	<u>1,899,493</u>
Unused short-term credit lines	<u>\$ 8,640,610</u>	<u>9,553,619</u>
Annual interest rates	<u>0.47%~0.73%</u>	<u>0.44%~2.56%</u>

(i) For information on the Company's foreign currency risk, please refer to note 6(w) 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**

(l) Long-term loans

The details were as follows:

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	KZT	6.75%~14.50%	2023.10	\$ 35,333
Unsecured bank loans	KZT	9.47%~12.91%	2025.9	88,067
Less: current portion				(31,203)
Total				<u>\$ 92,197</u>
Unused long-term credit lines				<u>\$ -</u>

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

- (i) As mentioned in note 6(h), 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 final settlement obligation on the portion of other consortium's members (46.4%) in an amount of \$106,824.
- (ii) For information on the Company's interest risk and liquidity risk, please refer to 6(w) for details.
- (iii) The Company did not provide any assets as collateral for its loans.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (m) Convertible bonds payable

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total convertible bonds issued	\$ 5,000,000	5,000,000
Unamortized discounted bonds payable	-	(6,066)
Cumulated repurchased and redeemed amount	<u>(5,000,000)</u>	<u>(3,873,900)</u>
	-	1,120,034
Unamortized amount of the cost of issuing convertible bonds	-	(375)
Bonds payable, current portion	<u>-</u>	<u>(1,119,659)</u>
Equity components – conversion options (recognized as capital surplus – redemption rights)	<u>\$ -</u>	<u>87,820</u>

The effective rates of the sixth convertible bonds payable were 1.46854%.

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

- 1) Interest rate: 0%
- 2) Duration:
  - a) The sixth: five years (May 18, 2015 to May 18, 2020)
- 3) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:
 

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

The bondholders have the right to request the Company to repurchase the bonds at face value three years after the issuance date.
- 5) Terms of conversion:
  - a) The sixth: Bondholders may opt to have the bonds converted into common stock of the Company within the period between one month after the issuance date and the last convertible date, instead of the final cash redemption upon expiration of the bonds.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### b) Conversion price:

- i) The sixth: After adjustments for distributions of retained earnings, the conversion price was NT\$57.9 (dollars) per share of common stock.
- (ii) The Company issued the sixth domestic unsecured convertible bonds with a face value of \$5,000,000 on May 18, 2015. The Company separated the equity, asset and liability components of the convertible option as follow:

	<u>The sixth</u>
The compound interest present value of the convertible bonds' face value at issuance	\$ 4,623,500
The embedded derivative asset at issuance – call option	(2,000)
The embedded derivative liability at issuance – put option	33,500
The equity components at issuance	<u>345,000</u>
The total amount of the convertible bonds at issuance	<u><u>\$ 5,000,000</u></u>

- (iii) The sixth convertible bonds expired on May 18, 2020. The Company redeemed the remaining fifth convertible bonds with a principal of \$1,126,100 at their face value. Thereafter, the Company offset the paid-in capital-redemption rights and recognized the paid-in capital-treasury stock amounting to \$87,820.

### (n) Lease liabilities

The carrying amount of lease liabilities were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	<u>\$ 9,152</u>	<u>8,991</u>
Non-current	<u>\$ 236,024</u>	<u>241,577</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u>\$ 4,181</u>	<u>4,251</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>	<u>-</u>
Expenses relating to short-term leases	<u>\$ 1,383</u>	<u>2,613</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>\$ 1,204</u>	<u>-</u>

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

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

	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	\$ <u><u>14,511</u></u>	<u><u>16,458</u></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 4 years to 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(ii) Other leases

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

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

(o) 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, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligations	\$ (161,390)	(200,527)
Fair value of plan assets	<u>51,948</u>	<u>76,245</u>
Net defined benefit obligations assets (liabilities)	<u><u>\$ (109,442)</u></u>	<u><u>(124,282)</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.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### 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 \$51,948 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:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ (200,527)	(210,549)
Benefits paid by the plan	33,376	7,200
Current service costs and interest	(3,597)	(4,087)
Remeasurement in net defined benefit assets (liability)	<u>9,358</u>	<u>6,909</u>
Defined benefit obligation at December 31	<u>\$ (161,390)</u>	<u>(200,527)</u>

### 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>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 76,245	73,065
Contributions made	6,078	3,136
Benefits paid from the plan assets	(33,376)	(3,281)
Expected return on plan assets	871	1,024
Remeasurement in net defined benefit assets (liability)	<u>2,130</u>	<u>2,301</u>
Fair value of plan assets at December 31	<u>\$ 51,948</u>	<u>76,245</u>
Actual return on plan assets	<u>\$ 3,001</u>	<u>3,325</u>

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

4) Expenses recognized in profit or loss

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

	<b>2020</b>	<b>2019</b>
Service cost	\$ 1,344	1,239
Interest cost	2,253	2,848
Expected return on plan assets	(871)	(1,024)
	<b><u>\$ 2,726</u></b>	<b><u>3,063</u></b>

5) Actuarial assumptions

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Discount rate	0.750 %	1.125 %
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 \$9,422.

The weighted-average duration of the defined benefit obligation of the Company is 15.62 years.

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, 2020		
Discount rate	\$ (5,286)	5,556
Future salary increasing rate	5,312	(5,101)
December 31, 2019		
Discount rate	(6,614)	6,908
Future salary increasing rate	6,636	(6,393)

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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, 2020 and 2019 amounted to \$45,337 and \$47,839, respectively. The pension costs have been allocated to the Bureau of the Labor Insurance and provision of life insurance account.

(p) Income taxes

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Recognized during the period	\$ 319,518	227,609
Adjustment for prior periods	<u>(4,637)</u>	<u>(9,954)</u>
	<u>314,881</u>	<u>217,655</u>
Deferred tax expense		
Recognition and reversal of temporary differences	<u>(50,569)</u>	<u>(99,759)</u>
	<u>(50,569)</u>	<u>(99,759)</u>
Income tax expense	<u><u>\$ 264,312</u></u>	<u><u>117,896</u></u>

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

- 2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Items that may not be reclassified subsequently to profit or loss:		
Remeasurements from defined benefit plans	\$ <u>2,298</u>	<u>1,842</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	\$ <u>(2,738)</u>	<u>15</u>

- 3) Reconciliation of income tax and profit before tax for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ <u>1,500,453</u>	<u>940,140</u>
Income tax using the Company's domestic tax rate	\$ 300,091	188,028
Non-deductible expenses	1,213	14,967
Exemption of investment disposal income	(525)	(795)
Increase in investment tax credits	(18,379)	(24,183)
Effect of tax rates in overseas dividends received	(80,729)	-
Realized investment gains or losses	(18,477)	(30,678)
Net gains or losses on domestic investments	(10,277)	(5,234)
Changes in unrecognized deferred tax assets and liabilities	87,982	(37,980)
Others	<u>3,413</u>	<u>13,771</u>
	<u>\$ 264,312</u>	<u>117,896</u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets and liabilities

The Company is able to control the timing of the reversal of the part of temporary differences associated with investments in subsidiaries as at December 31, 2020 and 2019. 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.

(Continued)



**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

Details of unrecognized deferred tax assets were as follow:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Deductible temporary differences	<b>\$ 26,457</b>	<b>14,706</b>

Details of unrecognized deferred tax liabilities were as follow:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Temporary differences related to investments in subsidiaries	<b>\$ 528,692</b>	<b>604,923</b>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	<b>Defined benefit Plans</b>	<b>Investment loss accounted for using equity method</b>	<b>Loss for market price decline and obsolete inventories</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax assets:</b>					
Balance on January 1, 2020	\$ 24,918	249,026	52,821	74,709	401,474
Recognized in profit or loss	(670)	21,204	(8,792)	6,149	17,891
Recognized in other comprehensive income	(2,298)	-	-	2,738	440
Balance on December 31, 2020	<b>\$ 21,950</b>	<b>270,230</b>	<b>44,029</b>	<b>83,596</b>	<b>419,805</b>
Balance on January 1, 2019	\$ 27,559	220,775	56,301	73,156	377,791
Recognized in profit or loss	(799)	28,251	(3,480)	1,568	25,540
Recognized in other comprehensive income	(1,842)	-	-	(15)	(1,857)
Balance on December 31, 2019	<b>\$ 24,918</b>	<b>249,026</b>	<b>52,821</b>	<b>74,709</b>	<b>401,474</b>
<b>Deferred tax liabilities:</b>					
		<b>Difference between book and tax depreciation</b>	<b>Others</b>	<b>Total</b>	
Balance on January 1, 2020	\$	43,092	51,400	94,492	
Recognized in profit or loss		(41,683)	9,005	(32,678)	
Balance on December 31, 2020	<b>\$</b>	<b>1,409</b>	<b>60,405</b>	<b>61,814</b>	
Balance on January 1, 2019	\$	96,253	72,458	168,711	
Recognized in profit or loss		(53,161)	(21,058)	(74,219)	
Balance on December 31, 2019	<b>\$</b>	<b>43,092</b>	<b>51,400</b>	<b>94,492</b>	

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### 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 2018.

#### (q) Capital and other equities

As of December 31, 2020 and 2019, 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 and 443,246 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2020 and 2019 were as follows:

(in thousands of shares)	<u>2020</u>	<u>2019</u>
Balance on January 1	443,246	443,000
Employee stock options exercised	147	246
Balance on December 31	<u><u>443,393</u></u>	<u><u>443,246</u></u>

#### (i) Ordinary shares

The employee stock options exercised amounting to \$1,474 in year ended December 31, 2020 which resulted in a capital surplus of \$6,868 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$5,776). The registration procedures of the employee stock options had been completed.

The employee stock options exercised amounting to \$2,461 in year ended December 31, 2019 which resulted in capital surplus of \$11,506 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$9,585). The registration procedures of the employee stock options had been completed.

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (ii) Capital surplus

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Additional paid-in capital	\$ 7,817,145	7,810,277
Difference between consideration and carrying amount of subsidiaries disposed	67,971	74,397
Changes in equity of associates accounted for using equity method	6,489	6,489
Redemption rights resulting from issuance of convertible bonds	-	87,820
Treasury stock resulting from the redemption of convertible bonds	1,071,632	983,812
Share-based payment – employee stock options	119,974	125,750
Others	899	576
	<b><u>\$ 9,084,110</u></b>	<b><u>9,089,121</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.

### (iii) Retained earnings

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

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

#### 1) Legal reserve

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

#### 2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), the unrealized land revaluation increment and foreign currency translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. According to the regulations, the retained earnings increased by \$283,890 on the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special reserve, and when the relevant assets were used, disposed of, or reclassified, this special reserve shall be reserved as distributable earnings proportionately. As of December 31, 2020 and 2019, the carrying amount of special reserve amounted to \$283,890 in both years.

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

#### 3) Earnings distribution

Based on a resolution of the annual shareholder's meeting held on June 12, 2020 and June 14, 2019, the appropriations of dividends from the earnings distribution for 2019 and 2018 were as follows:

	2019		2018	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ <u>1.40</u>	<u>620,563</u>	<u>1.50</u>	<u>664,555</u>

On March 23, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	2020	
	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ <u>2.25</u>	<u>997,634</u>

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(iv) 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 comprehensive income</b>	<b>Total</b>
<b>Balance of January 1, 2020</b>	\$ (863,785)	(597,254)	(1,461,039)
Foreign exchange differences (net of taxes):			
The Company	(10,951)	-	(10,951)
Subsidiaries	53,682	-	53,682
Associates	3	-	3
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Company	-	51,947	51,947
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	545,307	545,307
<b>Balance on December 31, 2020</b>	<b>\$ (821,051)</b>	<b>-</b>	<b>(821,051)</b>
<b>Balance of January 1, 2019</b>	\$ (632,321)	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):			
The Company	59	-	59
Subsidiaries	(231,517)	-	(231,517)
Associates	(6)	-	(6)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Company	-	(5,298)	(5,298)
<b>Balance on December 31, 2019</b>	<b>\$ (863,785)</b>	<b>(597,254)</b>	<b>(1,461,039)</b>

(r) Share-based payment

(i) Employee stock options

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

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

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

For the year ended December 31, 2020								
Date of issuance	2020.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2020.12.31 Outstanding units	2020.12.31 Exercisable units	Remaining duration
August 6, 2015	1,000	-	1,000	-	-	-	-	- years
April 2, 2015	419,450	-	146,400	273,050	-	-	-	- years
	<u>420,450</u>	<u>-</u>	<u>147,400</u>	<u>273,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Weighted-average exercise price (dollars)	\$ <u>17.40</u>	<u>-</u>	<u>17.41</u>	<u>17.40</u>	<u>-</u>	<u>-</u>	<u>-</u>	
For the year ended December 31, 2019								
Date of issuance	2019.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2019.12.31 Outstanding units	2019.12.31 Exercisable units	Remaining duration
August 6, 2015	17,500	-	6,500	10,000	-	1,000	1,000	0.6 years
April 2, 2015	712,850	-	239,600	53,800	-	419,450	419,450	0.4 years
	<u>730,350</u>	<u>-</u>	<u>246,100</u>	<u>63,800</u>	<u>-</u>	<u>420,450</u>	<u>420,450</u>	
Weighted-average exercise price (dollars)	\$ <u>18.33</u>	<u>-</u>	<u>17.81</u>	<u>17.60</u>	<u>-</u>	<u>17.40</u>	<u>17.40</u>	

The weighted-average fair price of the Company's stock amounted to NT\$34.34 (dollars) and NT\$29.96 (dollars) for the years ended December 31, 2020 and 2019, respectively.

The issuance terms of the stock options are as follows:

- Exercise price: After the adjustment for stock dividends over the years, the exercise prices of the first phase of the sixth and the second phase of the sixth issued stock options were NT\$17.4 (dollars) and NT\$18.7 (dollars), respectively.
- Exercisable duration: The employees who received the stock options can exercise a specific percentage in each period as below. The exercisable duration of the options is five years. No transference, pledge or donation is allowed except for inheritance. After the expiration of the exercisable duration, the Company will retire the unexercised options and not re-issue the options.

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

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

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

- d) Exercise procedure: In accordance with the Company's issuance and exercise rules, the employees who received the stock options can apply to exercise the options during a certain period. In addition, the entitlement certification of stock options exercised is registered as common stock after every quarter.
- 3) The compensation cost of the stock options amounted to \$0 and \$748 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, all of the stock options had expired.
- 4) The Company adopted the Black-Scholes model to compute the fair value of the stock options on the grant date, and the assumptions are summarized as follows:

	<b>The first phase of the sixth</b>	<b>The second phase of the sixth</b>
Original exercise price (New Taiwan dollars)	24	24
Fair value per share of the Company's stock at the measurement date (New Taiwan dollars)	70.10	44
Expected volatility	30.43~35.66%	30.43~35.66%
Risk-free interest rate	0.61~1.04%	0.61~1.04%
Expected life of the option	five years	five years
Weighted-average fair value (New Taiwan dollars/unit)	46.40~47.70	20.70~23.10

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

### (s) Earnings per share

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

	<b>2020</b>	<b>2019</b>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	<b>\$ 1,236,141</b>	<b>822,244</b>
Weighted-average number of outstanding ordinary shares (thousands)	<b>443,361</b>	<b>443,120</b>

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

	<u>2020</u>	<u>2019</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 1,236,141	822,244
Dilutive effect of potential ordinary shares:		
Convertible bonds	<u>6,066</u>	<u>16,134</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 1,242,207</u>	<u>838,378</u>
Weighted-average number of outstanding ordinary shares (thousands)	443,361	443,120
Dilutive effect of potential ordinary shares:		
Employee stock bonus	4,830	2,979
Convertible bonds	4,862	18,873
Employee stock options	<u>42</u>	<u>211</u>
Weighted-average number of outstanding ordinary shares (thousands) (diluted)	<u><b>453,095</b></u>	<u><b>465,183</b></u>

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

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2020</u>			
	<u>LED</u>	<u>Illumination</u>	<u>Others</u>	<u>Total</u>
Primary geographical markets:				
Asia	\$ 15,876,546	728,503	45,208	16,650,257
Europe	1,143,977	-	-	1,143,977
Others	<u>422,163</u>	<u>-</u>	<u>6</u>	<u>422,169</u>
Total	<u><b>\$ 17,442,686</b></u>	<u><b>728,503</b></u>	<u><b>45,214</b></u>	<u><b>18,216,403</b></u>
Major products				
Construction revenue	\$ -	685,232	-	685,232
Sales revenue	<u>17,442,686</u>	<u>43,271</u>	<u>45,214</u>	<u>17,531,171</u>
	<u><b>\$ 17,442,686</b></u>	<u><b>728,503</b></u>	<u><b>45,214</b></u>	<u><b>18,216,403</b></u>

(Continued)



**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

	2019			
	LED	Illumination	Others	Total
Primary geographical markets:				
Asia	\$ 15,398,708	227,803	8,630	15,635,141
Europe	1,181,892	-	-	1,181,892
Others	573,340	-	-	573,340
Total	<u>\$ 17,153,940</u>	<u>227,803</u>	<u>8,630</u>	<u>17,390,373</u>
Major products				
Construction revenue	\$ -	192,534	-	192,534
Sales revenue	17,153,940	35,269	8,630	17,197,839
	<u>\$ 17,153,940</u>	<u>227,803</u>	<u>8,630</u>	<u>17,390,373</u>

(ii) Contract balance

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable	\$ 4,192	7,616	1,606
Accounts receivables	6,317,545	5,944,970	6,646,024
Less: allowance for impairment	(137,053)	(128,559)	(94,081)
	<u>\$ 6,184,684</u>	<u>5,824,027</u>	<u>6,553,549</u>
Contract assets-illumination	<u>\$ 640,498</u>	<u>106,363</u>	<u>78,550</u>
Contract liabilities	<u>\$ 67,228</u>	<u>8,884</u>	<u>5,359</u>

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

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the periods were \$1,703 and \$4,472, 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.

(u) Remuneration of employees and directors

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

The remuneration to employees amounted to \$163,907 and \$97,931, and the remuneration to directors amounted to \$16,812 and \$10,486, in 2020 and 2019, 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 remuneration are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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 2020 and 2019.

(v) Non-operating income and expenses

The interest income and finance costs in 2020 and 2019 were as follows:

(i) Interest income

	<b>2020</b>	<b>2019</b>
Cash in banks	\$ 38,256	27,230
Loans and receivables	1,581	3,315
Others	684	166
	<b><u>\$ 40,521</u></b>	<b><u>30,711</u></b>

(ii) Finance costs – interest expenses

	<b>2020</b>	<b>2019</b>
Loans	\$ 28,883	31,506
Lease liabilities	4,181	4,251
Convertible Bonds	6,066	16,134
	<b><u>\$ 39,130</u></b>	<b><u>51,891</u></b>

(w) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Credit risk of receivables

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

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

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**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(ii) Liquidity Risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>December 31, 2020</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,663,664	(2,663,664)	(2,663,664)	-	-
Notes and accounts payable (including related parties)	5,797,429	(5,797,429)	(5,797,429)	-	-
Payable on construction and equipment	267,987	(267,987)	(267,987)	-	-
Lease liabilities (including current and non-current)	245,176	(337,895)	(13,221)	(35,773)	(288,901)
Other payables to related parties	159,425	(159,425)	(159,425)	-	-
Other payables (recorded as other current liabilities)	754,149	(754,149)	(754,149)	-	-
Long-term loans (including current portion)	123,400	(123,400)	(31,203)	(28,485)	(63,712)
Guaranteed deposits received	81,182	(81,182)	-	-	(81,182)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	2,910				
Outflow	-	(453,737)	(453,737)	-	-
Inflow	-	450,919	450,919	-	-
Cross currency swap:	56,612				
Outflow	-	(1,197,000)	(1,197,000)	-	-
Inflow	-	1,140,320	1,140,320	-	-
	<u>\$ 10,151,934</u>	<u>(10,244,629)</u>	<u>(9,746,576)</u>	<u>(64,258)</u>	<u>(433,795)</u>

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>December 31, 2019</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,899,493	(1,899,493)	(1,899,493)	-	-
Notes and accounts payable (including related parties)	5,316,297	(5,316,297)	(5,316,297)	-	-
Payable on construction and equipment	238,495	(238,495)	(238,495)	-	-
Other payables to related parties	162,520	(162,520)	(162,520)	-	-
Other payables (recorded as other current liabilities)	680,889	(680,889)	(680,889)	-	-
Lease liabilities (including current and non-current)	250,568	(347,417)	(13,151)	(20,530)	(313,736)
Unsecured convertible bonds	1,120,034	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	53,644	(53,644)	(15,778)	(15,778)	(22,088)
Guaranteed deposits received	139,217	(139,217)	-	-	(139,217)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	1,128				
Outflow	-	(118,174)	(118,174)	-	-
Inflow	-	117,355	117,355	-	-
Cross currency swap:	38,312				
Outflow	-	(942,000)	(942,000)	-	-
Inflow	-	903,180	903,180	-	-
	<u>\$ 9,900,597</u>	<u>(10,003,711)</u>	<u>(9,492,362)</u>	<u>(36,308)</u>	<u>(475,041)</u>

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

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (iii) Currency risk

#### 1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follow:

	December 31, 2020			December 31, 2019		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 149,521	USD/TWD =28.5080	4,262,545	126,983	USD/TWD =30.106	3,822,950
RMB	551,928	RMB/TWD =4.3690	2,411,373	365,914	RMB/TWD =4.3245	1,582,395
HKD	407,122	HKD/TWD =3.6770	1,496,988	385,974	HKD/TWD =3.8647	1,491,674
Financial liabilities						
Monetary items						
USD	113,176	USD/TWD =28.5080	3,226,421	73,127	USD/TWD =30.106	2,201,561
RMB	1,050,631	RMB/TWD =4.3690	4,590,207	979,661	RMB/TWD =4.3245	4,236,544

#### 2) Sensitivity analysis

The Company's exposure to foreign currency risk of monetary items arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of each major foreign currency against the Company's functional currency as of December 31, 2020 and 2019 would have increased (decreased) the net profit before tax by \$20,782 and \$32,549 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the foreign exchange gains or losses, including both realized and unrealized, amounted to losses \$25,671 and gains \$83,738, respectively.

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# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### 4) 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, 2020</b>	<b>December 31, 2019</b>
Variable rate instruments:		
Financial assets	\$ 813,576	1,895,331
Financial liabilities	(1,263,720)	(535,340)
	<b>\$ (450,144)</b>	<b>1,359,991</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 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, 2020 and 2019, were as following, which would be mainly resulted from bank borrowings and cash in banks with variable interest rates.

	<b>2020</b>	<b>2019</b>
Increase by 0.25%	\$ (1,125)	3,400
Decrease by 0.25%	1,125	(3,400)

### 5) Fair value

#### a) Procedure of valuation

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

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

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# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

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

### b) The kinds of financial instruments and fair value

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

		December 31, 2020			
		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	\$ 13,011	-	13,011	-	13,011
Non derivative financial assets mandatorily measured at fair value through profit or loss	460,850	460,850	-	-	460,850
	<u>473,861</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	1,496,956	-	-	-	-
Notes and accounts receivable (including related parties)	6,166,013	-	-	-	-
Other receivables due from related parties	475,663	-	-	-	-
Other current financial assets	4,109,523	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	18,671	-	-	-	-
Refundable deposits (recorded as other non-current assets)	76,496	-	-	-	-
Restricted deposits (recorded as other non-current assets)	219,109	-	-	-	-
	<u>12,562,431</u>				
	<b><u>\$ 13,036,292</u></b>				

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

<b>December 31, 2020</b>					
	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities	\$ 59,522	-	59,522	-	59,522
	<u>59,522</u>				
<b>Financial liabilities measured at amortized cost:</b>					
Short-term borrowings	2,663,664	-	-	-	-
Notes and accounts payable (including related parties)	5,797,429	-	-	-	-
Payable on construction and equipment	267,987	-	-	-	-
Lease liabilities	245,176	-	-	-	-
Other payables to related parties	159,425	-	-	-	-
Other payables (recorded as other current liabilities)	754,149	-	-	-	-
Long-term loans (including current portion)	123,400	-	-	-	-
Guaranteed deposits received	81,182	-	-	-	-
	<u>10,092,412</u>				
	<u><b>\$ 10,151,934</b></u>				
<b>December 31, 2019</b>					
	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss:</b>					
Derivative financial assets	\$ 15,393	-	15,393	-	15,393
Non derivative financial assets mandatorily measured at fair value through profit or loss	100,795	100,795	-	-	100,795
	<u>116,188</u>				
<b>Financial assets at fair value through other comprehensive income:</b>					
Stocks listed on domestic markets	323,505	323,505	-	-	323,505
Unquoted equity instruments	2,253	-	-	2,253	2,253
	<u>325,758</u>				

(Continued)



**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

December 31, 2019					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	2,071,163	-	-	-	-
Notes and accounts receivable (including related parties)	5,787,899	-	-	-	-
Other receivables due from related parties	337,110	-	-	-	-
Other current financial assets	2,829,753	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	36,128	-	-	-	-
Refundable deposits (recorded as other non-current assets)	93,429	-	-	-	-
Restricted deposits (recorded as other non-current assets)	219,109	-	-	-	-
	<u>11,374,591</u>				
	<u><b>\$ 11,816,537</b></u>				
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities	\$ <u>39,440</u>	-	39,440	-	39,440
	<u>39,440</u>				
<b>Financial liabilities measured at amortized cost:</b>					
Short-term borrowings	1,899,493	-	-	-	-
Notes and accounts payable (including related parties)	5,316,297	-	-	-	-
Payable on construction and equipment	238,495	-	-	-	-
Lease liabilities	250,568	-	-	-	-
Other payables to related parties	162,520	-	-	-	-
Other payables (recorded as other current liabilities)	680,889	-	-	-	-
Bonds payable (including current portion)	1,120,034	-	-	-	-
Long-term loans (including current portion)	53,644	-	-	-	-
Guaranteed deposits received	139,217	-	-	-	-
	<u>9,861,157</u>				
	<u><b>\$ 9,900,597</b></u>				

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

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

- d) Fair value valuation technique of financial instruments measured at fair value
- i) The fair value of financial assets and liabilities traded in active markets, including listed stocks, fund beneficiary certificates, emerging stocks and listed convertible bonds, etc., is based on quoted market prices.
  - ii) The fair value of unlisted shares without an active market is assessed by using the net asset value per share approach, P/E ratio approach, and P/B ratio approach.
  - iii) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated by adapting a valuation technique using the estimates and hypothesis referred from those used by financial instruments, or the binomial options pricing model which is generally accepted by the market participants.
  - iv) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.
- e) There was no transfers from one level to another of the Company for the years ended December 31, 2020 and 2019.
- f) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Company for the years ended December 31, 2020 and 2019:

	<b>Current financial assets at fair value through other comprehensive income– unquoted equity instruments</b>
Balance on January 1, 2020	\$ 2,253
Disposal	(7,000)
Total gains and losses recognized:	
In profit (loss)	-
In other comprehensive income	4,747
Balance on December 31, 2020	<u>\$ -</u>
Balance on January 1, 2019	\$ 75,052
Total gains and losses recognized:	
In profit (loss)	-
In other comprehensive income	(72,799)
Balance on December 31, 2019	<u><u>\$ 2,253</u></u>

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

The above total gains and losses are included in "unrealized gain (loss) from financial assets at fair value through other comprehensive income". The amount of total gains or losses for the years in above that were attributable to gains or losses relating to those assets and liabilities held at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</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)	\$ 4,747	(72,799)
In profit or loss (recorded as gains (losses) from financial assets (liabilities) at fair value through profit or loss)	-	-

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

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

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

The quantitative information about significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
Current financial assets at fair value through other comprehensive income (equity instruments without quoted prices)	Guideline Public Company method - Price-Book Method	<ul style="list-style-type: none"> <li>Price-to-Book ratio (P/B Ratio) (0.405 and on December 31, 2019)</li> <li>Lack of marketability discount rate (20% on both December 31 2019)</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>

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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

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

	Input	Variation	Impacts of fair value change on other comprehensive income	
			Advantageous change	Disadvantageous change
<b>December 31, 2019</b>				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ <u>110</u>	<u>110</u>
Current financial assets at fair value through other comprehensive income	Lack of marketability discount	5%	\$ <u>110</u>	<u>110</u>

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

#### (x) 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

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

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

policies. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

#### **(iii) Credit risk**

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

##### **1) 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, 2020 and 2019.

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

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

#### **(iv) Liquidity risk**

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

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to notes 6(k) and 6(l) for the unused credit lines of short-term and long-term loans as of December 31, 2020 and 2019.

#### **(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.

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# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

### (y) 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, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 11,059,981	10,569,506
Total equity	17,567,302	16,842,893
Interest-bearing liabilities	2,787,064	3,073,171
Debt-to-equity ratio	63 %	63 %
Interest-bearing liabilities to equity ratio	16 %	18 %

### (z) Investing and financial activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow for the year ended December 31, 2020 and 2019, were acquisition of right-of-use assets by lease; please refer to note 6(j).

Reconciliations of liabilities arising from financing activities were as follows:

	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Acquisition</b>	<b>Non-cash changes Amortization of interest and issuance costs</b>	<b>Foreign exchange movement</b>	<b>December 31, 2020</b>
Short-term borrowings	\$ 1,899,493	764,171	-	-	-	2,663,664
Long-term borrowings	53,644	77,195	-	-	(7,439)	123,400
Lease liabilities	250,568	(10,151)	4,759	-	-	245,176
Bonds payable	1,119,659	(1,126,100)	-	6,441	-	-
Guarantee deposits received	139,217	(58,035)	-	-	-	81,182
Total liabilities from financing activities	<u>\$ 3,462,581</u>	<u>(352,920)</u>	<u>4,759</u>	<u>6,441</u>	<u>(7,439)</u>	<u>3,113,422</u>

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

				Non-cash changes		
	January 1, 2019	Cash flows	Acquisition	Amortization of interest and issuance costs	Foreign exchange movement	December 31, 2019
Short-term borrowings	\$ 2,503,572	(604,079)	-	-	-	1,899,493
Long-term borrowings	64,789	(9,467)	-	-	(1,678)	53,644
Lease liabilities	254,257	(9,594)	5,905	-	-	250,568
Bonds payable	1,102,525	-	-	17,134	-	1,119,659
Guarantee deposits received	83,852	55,365	-	-	-	139,217
Total liabilities from financing activities	<u>\$ 4,008,995</u>	<u>(567,775)</u>	<u>5,905</u>	<u>17,134</u>	<u>(1,678)</u>	<u>3,462,581</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
Zenaro Lighting Co., Ltd. (Zenaro TW)	The Company's subsidiary
Wofi Leuchten GmbH (WOFI Holding)	The Company's subsidiary
Everlight Electronic India Private Limited (ELI)	The Company's subsidiary
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

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# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	The Company's subsidiary
Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	The Company's subsidiary
Eralite Optoelectronics (Jiangsu) Co., Ltd. (Eralite)	The Company's subsidiary
Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	The Company's subsidiary
Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	The Company's subsidiary
Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	The Company's subsidiary
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
Topbest Holding (Samoa) Limited (Topbest)	The Company's subsidiary
Epistar Corporation (Epistar)	The Company is the corporate director of this company (note)
Tekcore Co. Ltd (Tekcore)	Equity-accounted investee by the Company

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

# 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:

	2020	2019
Subsidiaries	<u>\$ 3,247,324</u>	<u>3,325,123</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 is no significant differences in the sales price of end product between the related parties and other customers. The payment term of sales to Everlight China and Everlight Zhongshan was OA 120 days. 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:

	2020	2019
Subsidiaries:		
Everlight China	\$ 8,861,462	8,833,769
Others	<u>510,312</u>	<u>371,837</u>
	<u>9,371,774</u>	<u>9,205,606</u>
Associates	<u>111,670</u>	<u>75,583</u>
Other related parties:		
Epistar (Note)	<u>-</u>	<u>283,245</u>
	<u>\$ 9,483,444</u>	<u>9,564,434</u>

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

The Company purchases finished products and semi-finished products directly from Everlight China and Everlight Zhongshan. The amounts of purchase from triangular trade included the amounts of the Company's sales of raw materials and semi-finished products, which amounting to \$350,086 and \$332,601 in 2020 and 2019, respectively. The aforementioned amounts had been eliminated in the financial statements, and were not regarded as sales and purchase transactions. Purchase prices from Everlight China, Everlight Zhongshan, Epistar 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.

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**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(iii) Receivables from related parties

The receivables due from related parties were as follows:

<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
Everlight Lighting China	\$ 576,386	561,747
Evlite	522,650	443,980
Everlight Europe	198,990	200,092
ELA	78,741	161,736
Others	<u>-</u>	<u>7,015</u>
	1,376,767	1,374,570
Less: Credit balance of investments in equity method	<u>(66,472)</u>	<u>(87,705)</u>
	<u><b>\$ 1,310,295</b></u>	<u><b>1,286,865</b></u>

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
Everlight China	\$ 3,956,648	3,699,980
Others	<u>206,966</u>	<u>148,277</u>
	4,163,614	3,848,257
Associates	<u>67,749</u>	<u>30,674</u>
Other related parties:		
	<u><b>\$ 4,231,363</b></u>	<u><b>3,878,931</b></u>

(v) Property transaction

Details of machinery and equipment sold to related parties were as follows:

<u>Related parties Categories</u>	<u>2020</u>		<u>2019</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	\$ 234,364	31,835	89,650	2,724
Others	<u>11</u>	<u>5</u>	<u>337</u>	<u>1</u>
	<u><b>\$ 234,375</b></u>	<u><b>31,840</b></u>	<u><b>89,987</b></u>	<u><b>2,725</b></u>

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# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

The aforementioned sale price included the amounts that the Company purchasing fixed assets on behalf of related parties, which amounted to \$186,685 and \$50,449 in 2020 and 2019, respectively.

### (vi) Commissions expenses

In order to develop overseas market, the Company signed commission contracts with subsidiaries. The commissions fees were calculated in a certain percentage of the sales prices. Details of commissions' expenses were as follows:

<u>Related parties Categories</u>	<u>2020</u>	<u>2019</u>
Subsidiaries:		
Everlight Lighting China	\$ 100,939	100,660
Evlite	67,571	77,796
ELK	74,700	64,491
ELA	81,837	63,673
ELJ	44,471	49,282
Others	<u>66,927</u>	<u>81,286</u>
	<u><u>\$ 436,445</u></u>	<u><u>437,188</u></u>

### (vii) Services expenses

Evervision TW and ELIT were commissioned to manage projects and to implement warranty services by the Company. The services expenses due to these services amounted to \$42,082 and \$11,483 in 2020 and 2019, 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 \$221,743 and \$303,875 as of December 31, 2020 and 2019, respectively. The actual usage amounts were as follows:

	<u>Highest balance of financing to other parties</u>		<u>Interest income</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Subsidiaries:				
WOFI	<u>\$ 626,805</u>	<u>641,514</u>	<u>1,581</u>	<u>3,315</u>
Everlight Lighting China	<u>\$ 524,280</u>	<u>-</u>	<u>-</u>	<u>-</u>

### (ix) Guarantees and endorsements for other parties

There were no guarantees and endorsements between the Company and related parties as of December 31, 2020 and 2019, respectively.

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**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(x) Others

- 1) As of December 31, 2020 and 2019, the amounts which were not remitted to the Company by the related parties due to collecting account receivables in China region on behalf of the Company, interest receivables, purchasing fixed assets from the Company, loans to other parties were recorded as other receivables—related parties. The details were as follows:

<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
Everlight China	\$ 220,828	77,685
Everlight Lighting China	221,743	-
Evlite	26,574	65,566
WOFI	6,518	308,583
Others	-	2,633
Less: credit balance of investment in equity method	-	(117,357)
	<u><u>\$ 475,663</u></u>	<u><u>337,110</u></u>

- 2) As of December 31, 2020 and 2019, the unpaid amounts to related parties due to related parties paying freight on behalf of the Company, the Company collecting receivables on behalf of related parties, commissions payables and services payables, were recorded as other account payables—related parties. The details were as follows:

<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
Everlight China	\$ 68,513	62,195
ELIT	36,003	35,540
Everlight Lighting China	31,403	38,038
Others	23,506	26,747
	<u><u>\$ 159,425</u></u>	<u><u>162,520</u></u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 46,333	24,138
Others	2,966	4,800
	<u><u>\$ 49,299</u></u>	<u><u>28,938</u></u>

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# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

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

### (8) Pledged assets

The carrying amounts of the pledged assets are as follows:

<u>Assets</u>	<u>Objectives</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Time deposits (recorded as other non-current assets)	Guarantee for contract grants and guarantee for construction contracts	\$ <u>219,109</u>	<u>219,109</u>

### (9) Commitments and contingencies

#### (a) The lawsuits between Nichia Corporation

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

Nichia then filed a lawsuit against the Company and Everlight Europe in the Dusseldorf District Court alleging the infringement of EP2197053 and EP2276080 in December 2016. The patent infringement case related to EP2197053 is currently suspended.

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

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

#### (b) 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 Provincial Government, the Republic of Kazakhstan. The project period is six years and the total contract price is USD 8,967 thousand dollars. Consortium A has completed installation of light fixtures under the contract. On January 4, 2019, the Pavlodar Provincial Government completed the acceptance of the installation. Nevertheless, during the subsequent operation period, the Pavlodar Provincial 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 subsequent 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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## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

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 Provincial 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 filed a lawsuit on February 9, 2021, in Kazakhstan, demanding a termination of the contract with Consortium A and a compensation of KZT 268,883 thousand dollars (approximately \$18,203). The Company has retained Baker McKenzie Taipei Office and Almaty Office, with the goal of negotiating with Pavlodar Provincial Government to amend the contract and to allow the Company to complete the unfinished project. Because the Pavlodar Provincial 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 the Pavlodar Provincial Government's action on March 10, 2021, for that the procedure was not compliant with the laws. The Provincial Government promptly started its negotiations with Consortium A.

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 \$141,599. In view that the termination of contract may not be the best possible outcome for the parties, the Company expects to continue the negotiations with the Pavlodar Provincial Government to seek a solution that benefits both parties to the greatest possible extent. As of March 23, 2021, based on the obligations that can be reasonably inferred, the Company has recognized a provision of \$58,132, which was recorded in the profits and losses in 2020. For the protection of its rights and interests, the Company has also reserved its right to seek legal recourse against consortium members A3 Commerce LLP and Altocom Asia LLP for losses caused by the defects in their work. The rest of the obligations requires further evaluations when the development of the lawsuit becomes clear. Notwithstanding, the Company believes that the above-mentioned matters will not have any material effects on the finance and operations of the Company.

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 Provincial Government, the Republic of Kazakhstan in 2019. The project period is six years. The total contract price is USD 14,196 thousand dollars. Consortium B is installing light fixtures according to the contract. On March 18, 2021, the Taraz Provincial 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 Baker McKenzie Almaty Office and Taipei office 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 Provincial 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 Provincial Government's action by claiming that the procedure was not compliant with the laws. As of 23 March 2021, the court has yet set the date for a hearing. Notwithstanding, the Company believes that the above-mentioned matters will not have any material effects on the finance and operations of the Company.

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**EVERLIGHT ELECTRONICS CO., LTD.**

**Notes to the Financial Statements**

(c) Significant commitments unrecognized:

- (i) As of December 31, 2020 and 2019, the Company's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$185,549 and \$872,196, respectively.

**(10) Losses Due to Major Disasters: none**

**(11) Subsequent Events: none**

**(12) Other**

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

By function By item	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	509,177	786,943	1,296,120	486,488	723,514	1,210,002
Labor and health insurance	39,982	56,476	96,458	39,444	58,540	97,984
Pension	13,713	34,350	48,063	13,735	37,167	50,902
Remuneration of directors	-	19,752	19,752	-	13,426	13,426
Others	48,849	40,966	89,815	48,025	39,193	87,218
Depreciation	543,016	385,235	928,251	612,828	404,997	1,017,825
Amortization	38,181	21,203	59,384	42,585	28,559	71,144

The followings are additional information of numbers of the Company's employees and employee benefits expense:

	2020	2019
Employees	<u>1,734</u>	<u>1,741</u>
Non-employees of directors	<u>8</u>	<u>7</u>
Average employee benefit expenses	\$ <u>887</u>	\$ <u>834</u>
Average salary expense	\$ <u>751</u>	\$ <u>698</u>
Average salary expense adjustment	<u>7.59 %</u>	
Supervisor's remuneration	\$ <u>-</u>	\$ <u>-</u>

The Company's salary and remuneration policy (including directors, managers and employees) is as follows:

- (a) 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.

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## EVERLIGHT ELECTRONICS CO., LTD.

### Notes to the Financial Statements

If there is annual net earnings, the Company shall appropriate an additional remuneration to directors not exceeding 1% of net earnings.

- (b) 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.

#### (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, 2020:

- (i) Loans to other parties: Please refer to table 1.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 2.
- (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 3.
- (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 4.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to table 5.
- (ix) Information derivative financial instruments transaction: Please refer to table 6.

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD.**  
**Notes to the Financial Statements**

- (b) Information on investees: Please refer to table 7.
- (c) Information on investment in Mainland China: Please refer to table 8.
- (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, 2020.

**Everlight Electronics Co., Ltd.**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Checking accounts		\$ 3,549
Demand deposits		307,836
Foreign currency deposits	Including USD12,880 thousand @28.5080, JPY 38,411 thousand @0.2761, HKD 10,065 thousand @3.6770, EUR 118 thousand @34.8225, CNY 9,658 thousand @4.3690 and KZT 547,996 thousand @0.0677	498,191
Time deposits	NTD(Maturity date : 2021.01.19)	281,500
Time deposits	CNY 92,900 thousand(Maturity date : 2021.01.05)	405,880
		<u>\$ 1,496,956</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	\$ 4,192
Accounts Receivable:		
Client B009	Third party sales	464,660
Client B014	"	266,955
Client B015	"	294,245
Others (Note)	"	3,962,719
		4,988,579
Less: Loss allowance		137,053
		4,851,526
Total		<u>\$ 4,855,718</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**Everlight Electronics Co., Ltd.**

**Statement of Accounts Receivables from Related Parties**

**December 31, 2020**

**(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	\$ 576,386
Evlite	"	522,650
Everlight Europe	"	198,990
Others (Note)	"	<u>12,269</u>
Total		<u><u>\$ 1,310,295</u></u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**Statement of Inventories**

<u>Item</u>	<u>Amount</u>	
	<u>Cost</u>	<u>Net Realizable Value</u>
Finished goods	\$ 611,912	
Less: Allowance for inventory market decline and obsolescence	<u>(135,475)</u>	
	476,437	551,887
Work in Process	92,430	
Less: Allowance for inventory market decline and obsolescence	<u>-</u>	
	92,430	92,430
Raw Materials	270,203	
Less: Allowance for inventory market decline and obsolescence	<u>(84,672)</u>	
	185,531	185,533
Total	<u><u>\$ 754,398</u></u>	<u><u>829,850</u></u>

**Everlight Electronics Co., Ltd.**  
**Statement of Other Current Assets**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Payment in advance	Prepaid of construction payments	\$ 122,335
Prepaid expenses	Prepaid certification expenses and insurance expenses	29,729
		<u>152,064</u>
Other current assets:		
VAT Refund	Value-added tax refund	35,307
Inventory—fixed assets	Inspection-awaited assets	46,082
Income tax refund receivable	Corporation income tax refund receivable	17,528
Others (Note)	Excess business tax paid, fund of cooperation project and temporary payments of employee's bonuses	<u>19,509</u>
Total		<u>118,426</u>
		<u><u>\$ 270,490</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	\$ 3,523,000
Restricted time deposits	Offshore funds with restricted usage	569,543
Others	Estimated interest receivable, etc.	<u>16,980</u>
		<u><u>\$ 4,109,523</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, 2020

(Expressed in thousands of New Taiwan Dollars)

Investees Company	Balance, January 1, 2020		Increase (Note 1)		Decrease (Note 2)		Reclassification		Share of profit (loss) Recognized	Amounts for Exchanges Differences on Translation Foreign Operations	Unrealized Gains (losses) on Financial Assets	Other Adjustment Amount (Note 3)	Balance, December 31, 2020			2020.12.31 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	\$ 6,847,928	-	-	-	(670,092)	-	-	288,938	46,866	-	-	1,540	98.00	6,513,640	6,513,640	None
Pai-yee	23,940	464,775	-	-	-	(11,970)	-	-	11,039	1,999	-	4,232	23,940	100.00	470,075	482,954	None
Forever	42,488	425,506	-	-	-	-	-	-	(15,670)	2,557	-	781	42,488	100.00	413,174	413,174	None
Everlight Europe	75	52,111	-	-	-	-	-	-	42,122	2,983	-	-	75	75.00	97,216	97,216	None
Evervision TW	4,477	215,450	-	-	-	-	-	-	(2,211)	2,235	-	682	4,477	24.27	216,156	184,168	None
ELA	11,375	(87,705)	-	-	-	-	-	-	17,196	4,037	-	-	11,375	98.91	(66,472)	(66,472)	None
ELK	38	35,218	-	-	-	-	-	-	13,291	717	-	-	38	100.00	49,226	49,226	None
Evlite	7,000	106,113	-	-	-	-	-	-	18,776	(5,823)	-	-	7,000	100.00	119,066	119,066	None
Tekcore	9,291	41,589	-	-	(5,110)	-	-	-	(5,131)	3	-	144	4,181	9.66	36,605	62,507	None
ELIT	20,000	230,634	-	-	-	(24,200)	-	-	63,360	24	-	-	20,000	100.00	269,818	269,818	None
ELI	353	12,507	-	-	-	-	-	-	(1,094)	(913)	-	-	353	80.00	10,500	10,500	None
ELS	200	13,459	-	-	-	-	-	-	(2,278)	(510)	-	-	200	100.00	10,671	10,671	None
ELJ	5	12,883	-	-	-	-	-	-	(1,263)	(37)	-	-	5	100.00	11,583	11,583	None
WOFI	5,775	(117,357)	-	368,794	-	-	-	-	(141,254)	(12,058)	-	-	5,775	100.00	98,125	98,125	None
ELMS	-	(185,015)	-	-	-	-	-	-	(9,392)	(2,084)	-	-	-	100.00	(196,491)	(196,491)	None
		8,068,096		368,794		(706,262)		-	276,429	39,996	-	5,839			8,052,892		
Recorded as deduction of assets :																	
Accounts receivable		87,705		-		-		-	-	-	-	(21,233)			66,472		
Other receivables -related parties		117,357		-		-		-	-	-	-	(117,357)			-		
Credit balance of investments in equity method		185,015		-		-		-	-	-	-	11,476			196,491		
Total		<u>\$ 8,458,173</u>		<u>368,794</u>		<u>(706,262)</u>		<u>-</u>	<u>276,429</u>	<u>39,996</u>	<u>-</u>	<u>(121,275)</u>			<u>8,315,855</u>		

Note 1: Increase in current period includes prepaid long-term investment \$368,794.

Note 2: Decrease in current period includes cash dividend of \$706,262, and a decrease in 5,110 thousand shares of the investee Company due to an capital reduction against accumulated deficits.

Note 3: Other adjustment amounts included an increase in equity of investee companies of \$3,768, an increase in actuarial gains of \$2,071, and a decrease in credit balance of investments in equity method of \$127,114 .

**Everlight Electronics Co., Ltd.**  
**Statement of Changes in Property, Plant and Equipment**  
**For the year ended December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

Please refer to note (6)(i).

**Statement of Right-of-use Assets**

Please refer to note (6)(j).

**Statement of Intangible Assets**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Intangible Assets	Patent right	\$ 30,137
	ERP software system	<u>34,566</u>
Total		<u><u>\$ 64,703</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.	\$ 76,496
Investment property	Land	26,263
Pledged deposits	Pledged deposits - construction performance guarantee	219,109
Long-term receivables	Installment construction receivables	<u>18,671</u>
		<u><u>\$ 340,539</u></u>

**Everlight Electronics Co., Ltd.**  
**Statement of short-term borrowings**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Bank</b>	<b>Description</b>	<b>Contract Period</b>	<b>Range of Interest Rates (%)</b>	<b>Credit lines (Credit lines)</b>	<b>Amount</b>	<b>Collaterals or pledged assets</b>
HSBC	Credit Loans	2020.12~2021.03	0.68%~0.73%	USD45,000	\$ 1,140,320	None
Citibank	"	2020.10~2021.01	0.47%~0.58%	USD36,000	867,660	None
HNBK	"	2020.12~2021.01	0.57%	NTD300,000	142,540	None
Cathay	"	2020.11~2021.01	0.56%~0.58%	USD20,000	513,144	None
					<u><u>\$ 2,663,664</u></u>	

**Statement of Notes and Accounts Payables to Third Parties**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Vendor C	Third party operating cost	\$ 146,766
Vendor D	"	88,460
Vendor Q	"	315,721
Others(Note)	"	<u>1,015,119</u>
Total		<u><u>\$ 1,566,066</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 Accounts Payables to Related Parties**

**December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Everlight China	Related party operating cost	\$ 3,956,648
Others(Note)	"	274,715
Total		\$ 4,231,363

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

**Statement of Bonds Payable**

Please refer to note (6)(m).

**Statement of Lease Liabilities**

<u>Item</u>	<u>Lease-term</u>	<u>Discount rate</u>	<u>Amount</u>
Land	4~20 years	1.154%~1.305%	\$ 240,365
Vehicles	2~4 years	1.021%~1.154%	4,811
			\$ 245,176

**Everlight Electronics Co., Ltd.**  
**Statement of Other Current Liabilities**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accrued payroll and bonuses	December 2020 wages and salaries expense, estimated year-end bonuses of 2020, and remuneration of employees and directors.	\$ 553,159
Financial liabilities held for trading	Derivative not used for hedging	59,522
Provision	Provision of construction losses—onerous contracts	58,132
Others (Note)	Payables for professional service, patents, commissions, receipts under custody and payment on behalf of others, labor and health insurances, utilities expenses, etc..	293,462
		<u>\$ 964,275</u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

**Statement of Other Non-current Liabilities**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Guarantee deposits received		\$ 81,182
Credit balance of investments in equity method		196,491
Provisions	Warranties	39,201
Total		<u>\$ 316,874</u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

**Everlight Electronics Co., Ltd.**  
**Statement of Sales Revenue**  
**For the year ended December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantity (in thousands)</u>	<u>Net Sales</u>
Sales Revenue:		
Luminous element	18,887,065	\$ 10,452,937
Sensing element	7,569,229	6,989,749
Illumination	24	43,271
Others	291,337	<u>45,214</u>
		17,531,171
Construction revenue	-	<u>685,232</u>
Net sales revenue		<u><b>\$ 18,216,403</b></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, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
Raw materials, beginning of the year	\$ 177,073
Add: Purchases of raw materials	3,537,465
Gains on physical counts of raw materials	12,911
Less: Raw materials, end of the year	(270,203)
Cost of sales on raw materials(including that for processing)	(337,620)
Transferred to expenses for requisition by indirect and research departments	<u>(40,044)</u>
Raw materials used for current period	3,079,582
Direct labor	371,471
Manufacturing expenses	<u>1,177,234</u>
Manufacturing cost for the current period	4,628,287
Add: Work in process, beginning of the year	95,056
Purchases	5,853
Less: Work in process, end of the year	(92,430)
Cost of goods manufactured	4,636,766
Add: Finished goods, beginning of the year	681,230
Purchases (including costs of raw materials and semi-finished products which from processing)	9,828,665
Less: Finished goods, end of year	(611,912)
Transferred to expenses for requisition by indirect and research department	(13,462)
Transferred to construction costs and others	(396,519)
Cost of selling finished goods	14,124,768
Add: Costs of selling tools	28,076
Allowance for inventory valuation and obsolescence loss	(43,959)
Construction costs	606,879
Others	12,378
Less: Gains from sales of scraps	<u>(25,719)</u>
Total	<u><u>\$ 14,702,423</u></u>

**Everlight Electronics Co., Ltd.**  
**Statement of Operating Expenses**  
**For the year ended December 31, 2020**  
**(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	\$ 200,040	370,528	270,477
Advertisements	53,069	991	-
Professional service fees	40,212	64,245	6,473
Depreciation	1,826	268,003	115,406
Commission expenses	440,703	-	-
Export charges	103,373	2,075	-
Research expenses	-	-	66,802
Utility expense	2,709	20,971	31,502
Others (Note)	75,041	180,830	92,370
<b>Total</b>	<b>\$ 916,973</b>	<b>907,643</b>	<b>583,030</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, 2020

Unit: thousand dollars

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	WOFI Holding	Other current financial assets	Yes	\$ 626,805	\$ 313,403	-	1.0%	Short term financing	-	Business turnover	-		-	\$ 1,756,730	\$ 7,026,920
0	The Company	Everlight Lighting China	Other receivables	Yes	524,280	524,280	-	1.0%	Short term financing	-	Business turnover	-		-	1,756,730	7,026,920
0	The Company	Everlight Lighting China	Other receivables	Yes	402,203	402,203	221,743	-%	Short term financing	-	Business turnover	-		-	1,756,730	7,026,920
						<b>\$ 1,239,886</b>	<b>221,743</b>									
1	Everlight Zhongshan	Zhongshan Everlight Lighting	Other receivables	Yes	65,404	\$ 45,743	45,743	2.5%	Short term financing	-	Business turnover	-		-	360,229	360,229
2	Everlight BVI	WOFI Holding	Other receivables	Yes	69,645	-	-	-%	Short term financing	-	Business turnover	-		-	2,658,628	2,658,628
2	Everlight BVI	Everlight China	Other receivables	Yes	570,160	570,160	570,160	-%	Short term financing	-	Business turnover	-		-	2,658,628	2,658,628
						<b>\$ 615,903</b>	<b>615,903</b>									

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

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

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

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

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 2 Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)  
December 31, 2020

Unit: thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	
The Company	SinoPac TWD Money Market Fund	None	Current financial assets at fair value through profit or loss	3,377	\$ 47,354	-%	\$ 47,354	
The Company	Cathay Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	100	6,290	-%	6,290	
The Company	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	666	28,205	-%	28,205	
The Company	Casatek Holding Limited Stocks	None	Current financial assets at fair value through profit or loss	3,500	305,550	-%	305,550	
The Company	WT Microelectronics Co., Ltd. Preferred Stock A	None	Current financial assets at fair value through profit or loss	600	29,130	-%	29,130	
The Company	Jih Sun Financial Holding Co., Ltd. Stocks	None	Current financial assets at fair value through profit or loss	1,800	22,680	-%	22,680	
The Company	Gigasolar Materials Corporation convertible bonds	None	Current financial assets at fair value through profit or loss	210	21,641	-%	21,641	
					<b>\$ 460,850</b>			
Forever	Casatek Holding Limited Stocks	None	Current financial assets at fair value through profit or loss	1,390	<b>\$ 121,347</b>	-%	121,347	
Pai yee	Taishin 1699 Money Market Fund	None	Current financial assets at fair value through profit or loss	220	\$ 3,003	-%	3,003	
Pai yee	Casatek Holding Limited Stocks	None	Current financial assets at fair value through profit or loss	1,860	162,378	-%	162,378	
					<b>\$ 165,381</b>			
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>\$ 41,822</b>	-%	41,822	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	<b>\$ 105,196</b>	-%	105,196	
Everlight Fujian	Kaistar Lighting (Xiamen) Co., Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	\$ 171,265	1.946%	171,265	
Everlight Fujian	Country Lighting(B.V.I) Ltd.	None	Current financial assets at fair value through profit or loss	(Note 2)	19,686	8.21%	19,686	
					<b>\$ 190,951</b>			

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

Note 2 : Company Limited.

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 3 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock  
December 31, 2020

Unit: thousand dollars, 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	Epistar Co., Ltd. (Epistar) Stocks	Non current financial assets at fair value through other comprehensive income	-	-	10,000	\$ 323,505	-	-	10,000	\$ 370,708	\$ 370,708	-	\$ 47,203 (Note 1)	-	-

Note 1: Gain on financial assets at fair value through other comprehensive income.



**EVERLIGHT ELECTRONICS CO., LTD.**  
**Notes to the Financial Statements**

Table 4 Related party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock  
December 31, 2020

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)	\$ (1,343,687)	(7%)	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 522,650	8%	Note 2
The Company	Everlight Europe	75% owned subsidiary	(Sales)	(862,247)	(5%)	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 198,990	3%	Note 2
The Company	Everlight Lighting China	100% owned sub-subsidiary	(Sales)	(719,571)	(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 651,768	10%	Note 2
The Company	ELA	99% owned subsidiary	(Sales)	(246,091)	(1%)	OA 140	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 78,741	1%	Note 2
The Company	Everlight China	100% owned sub-subsidiary	Purchases	8,861,462	73%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (3,956,648)	(68%)	Note 2
The Company	Everlight Zhongshan	100% owned sub-subsidiary	Purchases	328,837	3%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (164,203)	(3%)	Note 2
The Company	Everlight Lighting China	100% owned sub-subsidiary	Purchases	175,031	1%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (75,382)	(1%)	Note 2
The Company	Tekcore	Equity accounted investee by the Company	Purchases	111,670	1%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90 days	Accounts Payable (67,749)	(1%)	-
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(366,491)	(100%)	OA 120	-	-	Accounts Receivable 164,203	100%	Note 2
Everlight China	The Company	Ultimate holding company	(Sales)	(9,173,666)	(99%)	OA 120	-	-	Accounts Receivable 3,956,000	98%	Note 2
Everlight China	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(153,712)	(1%)	OA 90	Terms not comparable to other general trading price	General export receivables in 90 days	Accounts Receivable 89,989	2%	Note 2
Everlight China	Tekcore	Equity accounted investee by the Company	Purchases	391,452	6%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90 days	Accounts Payable (175,927)	(8%)	-
Everlight Lighting China	The Company	Ultimate holding company	(Sales)	(175,142)	(8%)	OA 120	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 75,382	8%	Note 2
Everlight Lighting China	The Company	Ultimate holding company	Purchases	816,944	37%	Depending on the terms of the ultimate customer	-	General purchases payments in 90~120 days	Accounts Payable (651,768)	(46%)	Note 2
Everlight Lighting China	Everlight China	With the same parent company	Outsourced manufacturing fee	152,713	7%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	Accounts Payable (89,989)	(6%)	Note 2
ELA	The Company	Parent company	Purchases	265,278	100%	OA 140	-	-	Accounts Payable (79,594)	100%	Note 2
Everlight Europe	The Company	Parent company	Purchases	873,111	100%	OA 120	-	-	Accounts Payable (199,079)	100%	Note 2
Evlite	The Company	Parent company	Purchases	1,352,640	100%	OA 90	-	General purchases payments in 90~120 days	Accounts Payable (522,994)	100%	Note 2
Evervision TW	VBEST GmbH	65.5% owned subsidiary	(Sales)	(124,695)	(16%)	OA 90	No significant difference to the general customers	General export receivable in 90~120 days	Accounts Receivable 4,804	3%	Note 2
Evervision TW	Vbest Kunshan	65.5% owned sub-subsidiary	Purchases	395,877	58%	OA 60	No significant difference to the general customers	General purchases payments in 90~120 days	Accounts Payable (157,521)	78%	Note 2
VBEST GmbH	Evervision TW	65.5% owned subsidiary	Purchases	123,245	100%	OA 90	Terms not comparable to other general trading price	-	Accounts Payable (4,963)	-%	Note 2
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(394,855)	(98%)	OA 150	Terms not comparable to other general trading price	General export receivable in 90~120 days	Accounts Receivable 157,676	100%	Note 2

Note 1: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2020.  
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.  
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 5 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock  
December 31, 2020

Unit: In Thousands of New Taiwan Dollar

Name of company	Counter party	Nature of relationship	Ending balance (Note 2)	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Evlite	100% owned subsidiary	\$ 522,650	2.78	-		\$ 389,203	-
The Company	Everlight Europe	75% owned subsidiary	198,990	4.32	-		198,990	-
The Company	Everlight China	100% owned sub-subsidiary	220,828 (Note 4)	-	-		-	-
The Company	Everlight Lighting China	100% owned sub-subsidiary	651,768	1.19	274,222	Improve accounts receivable collection	2,301	-
The Company	Everlight Lighting China	100% owned sub-subsidiary	221,743 (Note 3)	-	-		132,567	-
Everlight BVI	Everlight China	100% owned subsidiary	570,160 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	3,956,000	2.40	-		1,792,799	-
Everlight Zhongshan	The Company	Ultimate holding company	164,203	2.35	-		95,491	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	157,676	2.36	-		67,902	-

Note 1 : Information as of March 23, 2021.

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.

**EVERLIGHT ELECTRONICS CO., LTD.**  
**Notes to the Financial Statements**

Table 6 Information derivative financial instruments transaction  
December 31, 2020

Unit: foreign currency in thousand dollars

Name of holder	Financial instrument	Notional Amount	Transaction date	Maturity date	Rate	Fair Value	Credit risk
The Company	Pre-sale forward exchange contract	USD 16,000	109.10.26~109.12.31	110.01.07~110.03.09	USD/RMB 6.5140~6.7640	\$ 8,134	8,134
The Company	Pre-sale forward exchange contract	USD 28,000	109.10.19~109.12.31	110.01.07~110.03.30	USD/NTD 28.0830~28.6960	(1,311)	-
The Company	Pre-sale forward exchange contract	EUR 750	109.12.02~109.12.28	110.01.26~110.03.23	EUR/USD 1.2089~1.2238	(287)	-
The Company	Cross currency swap	USD 50,000	109.03.17~109.12.17	110.01.19~110.03.17	USD/NTD 28.1500~30.0000	(53,047)	-
Everlight China	Other derivative financial instrument contracts	RMB 24,000	109.11.19~109.12.09	110.03.24	2.33%~3.05%	329	-

**EVERLIGHT ELECTRONICS CO., LTD.**  
**Notes to the Financial Statements**

Table 7 Information on investees  
December 31, 2020

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 3)	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	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%	\$ 6,513,640	294,835	288,938	Subsidiaries
The Company	Pai yee	New Taipei City	Investment	580,253	580,253	23,940	100%	470,075	11,039	11,039	Subsidiaries
The Company	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(66,472)	17,385	17,196	Subsidiaries
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%	216,156	(9,112)	(2,211)	Subsidiaries
The Company	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	97,216	56,162	42,122	Subsidiaries
The Company	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	49,226	13,291	13,291	Subsidiaries
The Company	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	413,174	(15,670)	(15,670)	Subsidiaries
The Company	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	269,818	76,339	63,360	Subsidiaries
The Company	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	4,181	9.66%	36,605	(53,117)	(5,131)	(Note 1)
The Company	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	119,066	18,776	18,776	Subsidiaries
The Company	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	10,500	(1,368)	(1,094)	Subsidiaries
The Company	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	10,671	(2,278)	(2,278)	Subsidiaries
The Company	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	98,125	(159,529)	(141,254)	Subsidiaries
The Company	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	11,583	(1,263)	(1,263)	Subsidiaries
Pai yee	Everlight BVI	Registered in British Virgin Islands	Investment	120,740	124,508	37	2%	132,931	294,835	5,897	Subsidiaries
Pai yee	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	102,215	(9,112)	(1,227)	Subsidiaries
Pai yee	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	23,732	18,867	2,483	5.74%	21,751	(53,117)	(2,805)	(Note 2)
Pai yee	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	1,621	884	884	Sub-sub-sidiaries
Pai yee	ELI	India	Sale of LEDs	493	493	88	20%	2,623	(1,368)	(274)	Subsidiaries
ELIT	ELIT KZ	Kazakhstan	Sale of LED lighting products	73	-	-	100%	(587)	(690)	(690)	Sub-sub-sidiaries
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%	178,663	(9,112)	(2,530)	Subsidiaries
Forever	EleOcom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	45,000	45,000	4,500	32.14%	-	-	(14,792)	-
Evervision	Well	Hsinchu County	Electronic material trading	28,000	14,000	400	40%	-	(19,093)	(7,868)	-

Note 1: The market price is \$62,507 thousand dollars.

Note 2: The market price is \$37,119 thousand dollars.

Note 3: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2020.

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 8 Information on investment in Mainland China  
December 31, 2020

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

Unit: In Thousands of New Taiwan Dollar

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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	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, 2020 (Note 6)	Accumulated remittance of earnings as of December 31, 2020
					Outflow	Inflow						
<u>The Company and Payee:</u>												
Everlight China	Manufacture of LEDs	3,520,207 (US\$113,500 、 RMB65,129) (Note 7)	(Note 1)	3,146,143 (US\$110,360)	-	-	3,146,143 (US\$110,360)	223,445	100%	223,445	4,991,532	(Note 8)
Everlight Lighting China	Sale of LEDs	228,064 (US\$8,000) (Note 11)	(Note 1)	148,242 (US\$5,200)	-	-	148,242 (US\$5,200)	23,953	100%	23,953 (Note 12)	192,673 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	200,254 (US\$128 、 RMB45,000) (Note 19)	(Note 1)	3,649 (US\$128)	-	-	3,649 (US\$128)	(195)	100%	(195) (Note 20)	195,528 (Note 20)	-
Everlight Zhongshan	Manufacture of LED related components	855,240 (US\$30,000)	(Note 1)	855,240 (US\$30,000)	-	-	855,240 (US\$30,000)	4,971	100%	4,971	900,573	-
Everlight Fujian	Manufacture and sale of LED backlights and related	712,700 (US\$25,000)	(Note 1)	624,331 (US\$16,250 、 RMB36,868)	-	-	624,331 (US\$16,250 、 RMB36,868)	7,226	90%	6,503	601,717	-
ELMS	Research and sale of LED lighting products	415,055 (RMB95,000) (Note 22)	Direct investment	104,800 (US\$1,294 、 RMB15,562)	-	-	104,800 (US\$1,294 、 RMB15,562)	(9,392)	100%	(9,392) (Note 21)	114 (Note 21)	-
<u>Evervision TW:</u> Vbest Kunshan	Post assemble STN display and assemble module	513,144 (US\$18,000)	(Note 2)	513,144 (US\$18,000)	-	-	513,144 (US\$18,000)	(21,541)	65.50%	(14,110)	421,664	-
<u>Everlight Lighting China:</u> Zhongshan Everlight Lighting	Research and sale of LED lighting products	87,380 (RMB20,000)	(Note 3)	-	-	-	-	(39)	100%	(39)	(50,795)	-

# EVERLIGHT ELECTRONICS CO., LTD.

## Notes to the Financial Statements

Table 8 Information on investment in Mainland China  
December 31, 2020

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of Accumulated Investment in Mainland China as of December 31, 2020 (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)	5,075,237 (USD169,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 13 、 16 and 17)	5,133,107 (USD170,829 thousand 、 RMB60,223 thousand)	10,540,381
ELIT	138,326 (USD2,723 thousand 、 RMB13,893 thousand) (Notes 9 and 18)	138,326 (USD2,723 thousand 、 RMB13,893 thousand)	169,644
Evervision TW	602,545 (Notes 15 and 23) (USD21,136 thousand)	602,545 (USD21,136 thousand)	461,937 (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), ELMS and Zhongshan Everlight Lighting, which recognized their gains and losses on investment in accordance with self reported financial statements of investees, the gains and losses on investment of the remaining companies were recognized according to the investees' financial statements which had been reasonably audited by the certified public accountants of the parent company and other accountants, and the amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2020.  
 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 USD48 thousand was included in the Company's accumulated outflow of investment from Taiwan and amounting to USD723 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 2,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.  
 Note 12 : Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.  
 Note 13 : 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 Interpoint Touch Solutions (ShenZhen) Limited and Interpoint Systems (Shenzhen) Limited through Interpoint 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 : ELIT sold 100% equity of ELMS to the Company in January 2014. The aforesaid investment amounting to USD 2,000 thousand and RMB 13,893 thousand were included in ELIT's accumulated outflow of investment 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 carrying value of investment in Everlight Electronic (Guangzhou) by Everlight China.  
 Note 21 : Including the gains or losses on investment and ending balance of the carrying value of investment in ELMS by Everlight Electronic (Guangzhou).  
 Note 22 : The difference from the Company's outflow of investment was due to the amount of RMB45,000 thousand invested in ELMS from Everlight Electronic (Guangzhou)'s own fund.  
 Note 23 : The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to USD386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Group and the investee companies in Mainland China for the year ended December 31, 2020.

### **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, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Everlight Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Everlight Electronics Co., Ltd.

Chairman: Robert Yeh

Date: March 23, 2021



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, 2020 and 2019, the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

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

#### 1. Inventory valuation

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



Description of key audit matters:

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

Audit procedures:

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

2. Accounts receivable valuation

Please refer to note 4(g) (i) 5) for accounting policy of accounts receivable valuation; note 5 for uncertainty of accounts receivable valuation; note 6(d) and note 6(e) for information regarding accounts receivable 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(x) 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, 2020 and 2019, on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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



5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 23, 2021

#### **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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 4,186,992	14	4,982,698	18	2100	Short-term borrowings (note 6(n))	\$ 4,031,895	13	2,582,152	9
1110	Current financial assets at fair value through profit or loss (note 6(b))	1,056,736	3	596,882	2	2130	Current contract liabilities (note 6(x))	22,121	-	23,752	-
1140	Current contract assets (note 6(x))	45,542	-	106,363	-	2170	Notes and accounts payable	4,478,504	15	4,199,131	15
1170	Notes and accounts receivable, net (note 6(d))	6,832,904	22	6,027,709	21	2180	Accounts payable to related parties (note 7)	243,676	1	168,285	-
1180	Accounts receivable due from related parties, net (notes 6(d) and 7)	33,332	-	34,684	-	2213	Payable on machinery and equipment	472,570	2	298,852	1
1310	Inventories (note 6(f))	1,708,033	6	1,785,349	6	2230	Current tax liabilities	331,921	1	201,077	1
1470	Other current assets	530,860	2	423,006	2	2280	Current lease liabilities (note 6(r))	37,033	-	49,958	-
1476	Other current financial assets (notes 6(a),6(d), 6(e), 6(m) and 8)	<u>5,333,793</u>	<u>18</u>	<u>3,429,945</u>	<u>12</u>	2300	Other current liabilities (notes 6(b), 6(o) and 9)	1,840,223	6	1,621,844	6
		<u>19,728,192</u>	<u>65</u>	<u>17,386,636</u>	<u>61</u>	2410	Bonds payable, current portion (note 6(q))	-	-	1,119,659	4
<b>Non-current assets:</b>						2322	Long-term borrowings, current portion (note 6(p))	<u>31,203</u>	<u>-</u>	<u>15,778</u>	<u>-</u>
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	41,822	-	41,201	-			<u>11,489,146</u>	<u>38</u>	<u>10,280,488</u>	<u>36</u>
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	-	-	325,758	1	<b>Non-Current liabilities:</b>					
1550	Investments accounted for using the equity method, net (note 6(g))	58,356	-	79,013	-	2527	Non-current contract liabilities (note 6(x))	64,992	-	-	-
1560	Non-current contract assets (note 6(x))	594,956	2	-	-	2540	Long-term borrowings (note 6(p))	103,241	-	37,866	-
1600	Property, plant and equipment (note 6(k))	8,109,445	27	8,909,437	32	2570	Deferred tax liabilities (note 6(t))	70,813	-	183,169	1
1755	Right-of-use assets (note 6(l))	412,236	1	404,510	2	2580	Non-current lease liabilities (note 6(r))	286,908	1	262,852	1
1780	Intangible assets	83,572	-	82,650	-	2640	Non-current provisions for employee benefit (note 6(s))	109,442	1	124,282	-
1840	Deferred tax assets (note 6(t))	480,133	2	457,663	2	2600	Other non-current liabilities	<u>203,918</u>	<u>1</u>	<u>265,987</u>	<u>1</u>
1900	Other non-current assets (notes 6(a), 6(d), 6(s), 6(x) and 8)	<u>758,438</u>	<u>3</u>	<u>662,204</u>	<u>2</u>			<u>839,314</u>	<u>3</u>	<u>874,156</u>	<u>3</u>
		10,538,958	35	10,962,436	39	<b>Total liabilities</b>		<u>12,328,460</u>	<u>41</u>	<u>11,154,644</u>	<u>39</u>
<b>Total assets</b>		<u>\$ 30,267,150</u>	<u>100</u>	<u>28,349,072</u>	<u>100</u>	<b>Equity:</b>					
						<b>Equity attributable to owners of parent (note 6(u)):</b>					
						3110	Ordinary shares	<u>4,433,931</u>	<u>15</u>	<u>4,432,457</u>	<u>16</u>
						3200	Capital surplus (note 6(q))	<u>9,084,110</u>	<u>30</u>	<u>9,089,121</u>	<u>32</u>
							Retained earnings:				
						3310	Legal reserve	2,671,978	9	2,589,754	9
						3320	Special reserve	1,461,039	5	1,224,277	4
						3350	Unappropriated retained earnings	<u>737,295</u>	<u>2</u>	<u>968,323</u>	<u>4</u>
								<u>4,870,312</u>	<u>16</u>	<u>4,782,354</u>	<u>17</u>
						3400	Other equity interests	<u>(821,051)</u>	<u>(3)</u>	<u>(1,461,039)</u>	<u>(5)</u>
								<u>17,567,302</u>	<u>58</u>	<u>16,842,893</u>	<u>60</u>
						3610	Non-controlling interests	<u>371,388</u>	<u>1</u>	<u>351,535</u>	<u>1</u>
							<b>Total equity</b>	<u>17,938,690</u>	<u>59</u>	<u>17,194,428</u>	<u>61</u>
						<b>Total liabilities and equity</b>		<u>\$ 30,267,150</u>	<u>100</u>	<u>28,349,072</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, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	<b>Operating revenue (notes 6(x) and 7)</b>	\$ 21,637,035	100	20,966,541	100
5110	<b>Cost of sales (notes 6(f), 6(s), 7 and 12)</b>	16,218,266	75	15,838,093	76
5900	<b>Gross profit</b>	5,418,769	25	5,128,448	24
<b>Operating expenses (notes 6(s) and 12):</b>					
6100	Selling expenses	1,381,074	7	1,524,014	7
6200	Administrative expenses	1,963,636	9	1,981,921	9
6300	Research and development expenses	708,239	3	750,665	4
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	12,318	-	36,655	-
		4,065,267	19	4,293,255	20
6900	<b>Net operating income</b>	1,353,502	6	835,193	4
<b>Non-operating income and expenses:</b>					
7100	Interest income (note 6(z))	66,828	-	47,956	-
7190	Other income (notes 6(g) and 6(l))	186,005	1	144,259	1
7210	Gains on disposals of property, plant and equipment	101,268	1	92,912	-
7225	Gains on disposals of investments (note 6(j))	-	-	37,038	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	26,293	-	17,018	-
7050	Finance costs (notes 6(q), 6(r) and 6(z))	(58,564)	-	(70,034)	-
7590	Other expenses and losses	(10,813)	-	(35,877)	-
7630	Foreign exchange gains (losses), net (note 6(aa))	3,793	-	73,131	-
7670	Impairment loss (note 6(g))	(10,381)	-	(45,657)	-
7770	Share of profit (loss) of associates accounted for using the equity method (note 6(g))	(30,596)	-	(30,231)	-
		273,833	2	230,515	1
7900	<b>Profit before tax</b>	1,627,335	8	1,065,708	5
7950	Less: Income tax expenses (note 6(t))	377,655	2	214,379	1
	<b>Profit</b>	1,249,680	6	851,329	4
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified to profit or loss</b>				
8311	Gain (loss) on remeasurements of defined benefit plans	15,002	-	10,401	-
8316	Unrealized gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	51,947	-	(5,298)	-
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, of items that will not be reclassified to profit or loss (note 6(g))	229	-	4	-
8349	Less: income tax related to items that will not be reclassified to profit or loss (note 6(t))	3,001	-	2,080	-
		64,177	-	3,027	-
8360	<b>Items that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	47,600	-	(249,426)	(1)
8399	Less: income tax related to items that will be reclassified to profit or loss (note 6(t))	(479)	-	(5,676)	-
		48,079	-	(243,750)	(1)
8300	<b>Other comprehensive income</b>	112,256	-	(240,723)	(1)
	<b>Total comprehensive income</b>	\$ 1,361,936	6	610,606	3
	<b>Profit, attributable to:</b>				
8610	Owners of parent	\$ 1,236,141	6	822,244	4
8620	Non-controlling interests	13,539	-	29,085	-
		\$ 1,249,680	6	851,329	4
	<b>Total comprehensive income attributable to:</b>				
8710	Owners of parent	\$ 1,342,083	6	593,478	3
8720	Non-controlling interests	19,853	-	17,128	-
		\$ 1,361,936	6	610,606	3
	<b>Earnings per share (note 6(w))</b>				
9750	<b>Basic earnings per share</b>	\$ 2.79		1.86	
9850	<b>Diluted earnings per share</b>	\$ 2.74		1.80	

(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, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent					Other equity interest		Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings		Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
			Legal reserve	Special reserve							
Balance at January 1, 2019	\$ 4,429,996	9,159,142	2,510,447	830,794	1,281,854	(632,321)	(591,956)	(1,224,277)	16,987,956	364,670	17,352,626
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	79,307	-	(79,307)	-	-	-	-	-	-
Special reserve	-	-	-	393,483	(393,483)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(664,555)	-	-	-	(664,555)	-	(664,555)
	-	-	79,307	393,483	(1,137,345)	-	-	-	(664,555)	-	(664,555)
Profit for the period	-	-	-	-	822,244	-	-	-	822,244	29,085	851,329
Other comprehensive income for the period	-	-	-	-	7,996	(231,464)	(5,298)	(236,762)	(228,766)	(11,957)	(240,723)
Total comprehensive income for the period	-	-	-	-	830,240	(231,464)	(5,298)	(236,762)	593,478	17,128	610,606
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(72,690)	-	-	-	-	-	-	(72,690)	-	(72,690)
Changes in ownership interests in investee companies	-	-	-	-	(6,426)	-	-	-	(6,426)	-	(6,426)
Share-based payments transactions	2,461	2,669	-	-	-	-	-	-	5,130	-	5,130
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(30,263)	(30,263)
Balance at December 31, 2019	4,432,457	9,089,121	2,589,754	1,224,277	968,323	(863,785)	(597,254)	(1,461,039)	16,842,893	351,535	17,194,428
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	82,224	-	(82,224)	-	-	-	-	-	-
Special reserve	-	-	-	236,762	(236,762)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(620,563)	-	-	-	(620,563)	-	(620,563)
	-	-	82,224	236,762	(939,549)	-	-	-	(620,563)	-	(620,563)
Profit for the period	-	-	-	-	1,236,141	-	-	-	1,236,141	13,539	1,249,680
Other comprehensive income for the period	-	-	-	-	11,261	42,734	51,947	94,681	105,942	6,314	112,256
Total comprehensive income for the period	-	-	-	-	1,247,402	42,734	51,947	94,681	1,342,083	19,853	1,361,936
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(6,426)	-	-	6,426	-	-	-	-	-	-
Share-based payments transactions	1,474	1,092	-	-	-	-	-	-	2,566	-	2,566
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(545,307)	-	545,307	545,307	-	-	-
Others	-	323	-	-	-	-	-	-	323	-	323
Balance at December 31, 2020	\$ 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

(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, 2020 and 2019**  
(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 1,627,335	1,065,708
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	1,866,471	2,089,477
Expected credit loss	12,318	36,655
Net loss on financial assets or liabilities at fair value through profit or loss	8,230	82,487
Interest expense	58,564	70,034
Interest income	(66,828)	(47,956)
Share-based payments compensation cost	-	748
Share of loss of associates and joint ventures accounted for using the equity method	30,596	30,231
Gain on disposal of investments	-	(37,038)
Gain on disposal of property, plant and equipment	(101,268)	(92,912)
Impairment loss	10,381	45,657
Others	4,413	5,094
<b>Total adjustments to reconcile profit (loss)</b>	<b>1,822,877</b>	<b>2,182,477</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	(444,865)	675,405
Increase in contract assets	(534,135)	(27,813)
Decrease (increase) in notes and accounts receivable (including related parties)	(835,858)	637,801
Decrease in inventories	77,316	65,518
Decrease (increase) in other current assets	(105,991)	46,244
Increase (decrease) in notes and accounts payable (including related parties)	354,764	(134,967)
Increase (decrease) in provisions	43,276	(16,764)
Increase (decrease) in other current liabilities	139,061	(133,846)
Decrease in non-current provisions for employee benefits	(3,352)	(3,992)
Increase (decrease) in current contract liability	63,361	(2,439)
Others	6,413	39,871
<b>Total changes in operating assets and liabilities</b>	<b>(1,240,010)</b>	<b>1,145,018</b>
Cash inflow generated from operations	2,210,202	4,393,203
Interest received	55,168	46,963
Interest paid	(51,394)	(55,441)
Income taxes paid	(325,955)	(283,047)
<b>Net cash flows from operating activities</b>	<b>1,888,021</b>	<b>4,101,678</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	377,705	-
Acquisition of investments accounted for using the equity method	(20,086)	(50,465)
Acquisition of property, plant and equipment	(851,821)	(898,237)
Proceeds from disposal of property, plant and equipment	268,185	171,183
Decrease in refundable deposits	15,069	18,572
Acquisition of intangible assets	(72,026)	(48,423)
Increase in other financial assets	(1,529,652)	(1,224,833)
Increase in restricted deposits	(507,196)	(198,448)
Decrease (increase) in prepayments for equipment	2,075	(46,796)
<b>Net cash flows used in investing activities</b>	<b>(2,317,747)</b>	<b>(2,277,447)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	1,449,743	(529,818)
Repayments of bonds	(1,126,100)	-
Repayments of long-term borrowings	(10,872)	(9,467)
Proceeds from long-term borrowings	99,111	-
Increase (decrease) in guarantee deposits received	(48,934)	66,883
Payment of lease liabilities	(56,247)	(51,947)
Cash dividends paid	(620,563)	(664,555)
Exercise of employee stock options	2,566	4,382
Change in non-controlling interests	-	(30,263)
Other financing activities	323	-
<b>Net cash flows used in financing activities</b>	<b>(310,973)</b>	<b>(1,214,785)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(55,007)</b>	<b>(157,133)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(795,706)</b>	<b>452,313</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,982,698</b>	<b>4,530,385</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 4,186,992</b>	<b>4,982,698</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, 2020 and 2019**

**(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 23, 2021.

**(3) New standards, amendments and interpretations adopted:**

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

The details of impact on the Group's adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note (4)(g).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$1,264.

(Continued)



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

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

(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, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"

(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:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

(Continued)

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	<p>The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows:</p> <ul style="list-style-type: none"> <li>● the incremental costs – e.g. direct labor and materials; and</li> <li>● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.</li> </ul>	January 1, 2022

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

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 IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

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

**(a) Statement of compliance**

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

(Continued)

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

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial assets at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.
- 3) The defined benefit liabilities (assets) is measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

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

(Continued)

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

(ii) List of subsidiaries in the consolidated financial statements

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

Investor	Name of subsidiary	Nature of business	Percentage of ownership		Description
			December 31, 2020	December 31, 2019	
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 %	
The Company and Pai-yee	Everlight Electronic India Private Limited (ELI)	Sale of LEDs	100 %	100 %	
The Company	Evlite Electronics Co., Ltd. (Evlite)	Sale of LEDs	100 %	100 %	
The Company	Everlight Electronics Singapore Pte. Ltd. (ELS)	Sale of LEDs	100 %	100 %	
The Company	Everlight Japan Corporation (ELJ)	Sale of LEDs	100 %	100 %	
The Company 、 Pai-yee and Forever	Evervision Electronics Co., Ltd. (Evervision TW)	Manufacture and sales of liquid crystal displays and LED processing	65.50 %	65.50 %	
Pai-yee	Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia)	Business development and customer services	100 %	100 %	
ELIT	Everlight Intelligence Technology KZ LLP (ELIT KZ)	Sale of LED lighting products	100 %	- %	Note 2
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	90 %	90 %	
The Company and Everlight Electronic (Guangzhou)	Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	Research and sale of LED lighting products	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, 2020	December 31, 2019	
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	
The Company and ELIT	Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	Research of electronic components	- %	100 %	Note 1
WOFI Holding	WOFI Wortmann & Filz GmbH (WOFI W&F GmbH)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	Euro Technics Trade GmbH (ETT)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	WOFI Technics Trade Limited (WTT)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	Action GmbH (Action)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	WOFI Verkaufsgesellschaft GmbH (WOFI VG)	Sale of lighting products, pendants and accessories	100 %	100 %	
WOFI Holding	Lamp For Less GmbH (LFL)	Sale of lighting products, pendants and accessories	100 %	100 %	
Evervision TW	Evervision Electronics (B.V.I.) Limited (Evervision BVI)	Investment	100 %	100 %	
Evervision TW	VBest GmbH (VBest)	Sale of LCDs	75 %	75 %	
Evervision	VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	Manufacture of LCDs	100 %	100 %	
Evervision	Evervision Electronics (H.K.) Limited (Evervision HK)	Sale of LCDs	100 %	100 %	

Note 1: The subsidiary completed the liquidation procedure in January 2020.

Note 2: The subsidiary was incorporated in July 2020.

(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.

(Continued)

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

(ii) Foreign operations

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

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

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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.

(Continued)

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### 2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

#### 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.

(Continued)



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

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

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

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

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

5) Impairment of financial assets

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

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

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

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

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

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

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset 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 a change to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### 6) Derecognition of financial assets

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

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

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

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

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

##### 2) Equity instrument

An equity 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 share at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

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

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### 4) Financial liabilities

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

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

#### 5) Derecognition of financial liabilities

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

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

#### 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.

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

(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 recognized as operating costs.

(i) Investment in associates

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

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

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

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

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

(j) Joint Arrangements

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

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

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

(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: 1~6 years
- 5) Office and other equipment: 1~11 years

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

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

(m) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset throughout the period of use only if either:
  - the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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

(ii) As a 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

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there are any lease modifications

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

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

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

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

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.

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, 2021; and
- there is no substantive change in other terms and conditions of the lease.

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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.

(iii) As a lessor

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

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

If an arrangement contains lease and non-lease components, the Group applies 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.

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(ii) Subsequent Expenditure

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

(iii) Amortization

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

- 1) Patents: the shorter of contract period and estimated useful lives
- 2) ERP software system: 1~10 years

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

(o) Impairment – non financial assets

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

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

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

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

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

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

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

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.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (ii) Construction contracts

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

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

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

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

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

#### (iii) Financing components

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

#### (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.

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

(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.

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 asset 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.

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(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 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 shall be recognized in profit or loss.

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

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

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

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

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

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities ; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

(v) Business combination

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

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

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

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

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(w) 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.

(x) Operating segments

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

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

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

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

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

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:

(a) The loss allowance of trade receivable

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

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(b) Valuation of inventories

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

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash, checking accounts, and demand deposits	\$ 3,270,386	4,040,872
Time deposits	905,606	765,619
Bonds purchased under resale agreements	11,000	176,207
	<b><u>\$ 4,186,992</u></b>	<b><u>4,982,698</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 \$4,630,544 and \$3,207,851 as of December 31, 2020 and 2019, 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 \$218,450 and \$77,331 as of December 31, 2020 and 2019, respectively.

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

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging	\$ 13,011	15,393
Listed convertible bonds	21,641	47,093
Structured deposits	105,196	86,499
Beneficiary certificate-funds	50,357	75,937
Stocks listed on domestic markets	675,580	6,514
Unlisted common shares	232,773	406,647
	<b><u>\$ 1,098,558</u></b>	<b><u>638,083</u></b>
Current	\$ 1,056,736	596,882
Non-current	41,822	41,201
	<b><u>\$ 1,098,558</u></b>	<b><u>638,083</u></b>

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	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current financial liabilities held-for-trading (recorded as other current liabilities):		
Derivative instruments not used for hedging	\$ 59,522	39,440
	<u>\$ 59,522</u>	<u>39,440</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 can not be reliably measured at fair value as of the acquisition date.
- (ii) The Group had acquired \$577,185 in shares of Casetek Holding Limited, which the Group intended to sell in the near term, from active markets in 2020. The aforementioned investments were recognized as financial assets designated as at fair value through profit or loss.
- (iii) Capital guarantee financial products (Structured deposits) held by the Group, which were recognized as financial assets mandatorily measured at fair value through profit or loss, because the interest was not based on the time value on principal amount outstanding.
- (iv) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net income pre-tax for 2020 and 2019 will be \$47,936 and \$24,455, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.
- (v) The Group uses derivative financial instruments to hedge certain foreign exchange and interest risks the Group is exposed to, arising from its operating and financing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

1) Forward exchange contracts

		<u>December 31, 2020</u>		
		<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
<b>Financial assets:</b>				
Forward exchange sold	USD	14,000	USD to TWD	2021.01.07~2021.03.09
Forward exchange sold	USD	15,000	USD to RMB	2021.01.07~2021.02.25
<b>Financial liabilities:</b>				
Forward exchange sold	USD	14,000	USD to TWD	2021.01.28~2021.03.30
Forward exchange sold	USD	1,000	USD to RMB	2021.03.09
Forward exchange sold	EUR	750	EUR to USD	2021.01.26~2021.03.23

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

December 31, 2020					
Contract amount (in thousands)		Contract period	Interest rate payable	Interest rate receivable	Maturity period
Financial assets:					
USD	10,000	2020.12.17~2021.01.19	0.16%	0.58%	2021.01.19
Financial liabilities:					
USD	30,000	2020.06.10~2021.03.10	0.37%	0.50%+3LIBOR	2021.03.10
USD	10,000	2020.03.17~2021.03.17	0.55%	0.45%+3LIBOR	2021.03.17

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

3) Other derivative financial instrument contracts

December 31, 2020			
Contract amount (in thousands)		Rate	Maturity period
Financial assets:			
RMB	24,000	2.33%~3.05%	2021.03.24
December 31, 2019			
Contract amount (in thousands)		Rate	Maturity period
Financial assets:			
RMB	20,000	3.6%	2020.04.02

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(vi) As of December 31, 2020 and 2019, the Group did not provide any aforementioned financial assets as collateral for its loans.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	\$ -	323,505
Stocks unlisted on domestic markets	<u>-</u>	<u>2,253</u>
	<b><u>\$ -</u></b>	<b><u>325,758</u></b>

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

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

In the year ended December 31, 2020, the Group disposed all of its financial assets at fair value through other comprehensive income, with the fair value of \$377,705, and recognized an accumulated loss of \$545,307, which was accounted for as other comprehensive income. The loss had been transferred to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments in the year ended December 31, 2019.

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

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

(d) Notes and accounts receivable (including related parties)

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable from operating activities	\$ 13,899	27,542
Accounts receivable-measured as amortized cost	<u>7,156,820</u>	<u>6,310,794</u>
	7,170,719	6,338,336
Less: Allowance for uncollectible accounts	<u>(156,392)</u>	<u>(147,549)</u>
	<b><u>\$ 7,014,327</u></b>	<b><u>6,190,787</u></b>
Notes and accounts receivable, net	\$ 6,832,904	6,027,709
Accounts receivable due from related parties, net	33,332	34,684
Long-term receivables (recorded as other non-current assets)	<u>148,091</u>	<u>128,394</u>
	<b><u>\$ 7,014,327</u></b>	<b><u>6,190,787</u></b>

(Continued)

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

(i) Impairment loss on notes and accounts receivables

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

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

<b>December 31, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 5,322,026	0.010%	535
Overdue 0-90 days	15,601	0.788%	123
Overdue 91-180 days	1,762	6.413%	113
Overdue 181-270 days	535	8.224%	44
Overdue 271-365 days	-		-
Overdue over one year	142,927	100%	142,927
	<u><u>\$ 5,482,851</u></u>		<u><u>143,742</u></u>

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

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

<b>December 31, 2020</b>			
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Rating A	\$ 1,674,307	0.154%	2,568
Rating B	13,561	74.3460%	10,082
	<u><u>\$ 1,687,868</u></u>		<u><u>12,650</u></u>

(Continued)

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

	<b>Gross carrying amount</b>		
Not overdue	\$ 1,620,692		
Overdue 0-90 days	46,271		
Overdue 91-180 days	5,457		
Overdue 181-270 days	1,887		
Overdue 271-365 days	2,681		
Overdue over one year	10,880		
	<u><u>\$ 1,687,868</u></u>		

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

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

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

	<b>2020</b>	<b>2019</b>
Balance on January 1	\$ 147,549	127,287
Impairment loss recognized	12,318	36,655
Amounts written off	(3,690)	(15,823)
Foreign exchange (gains) losses	215	(570)
Balance on December 31	<u><u>\$ 156,392</u></u>	<u><u>147,549</u></u>

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

- (iii) The Group entered into an accounts receivable factoring agreement with banks. Based on the terms of agreement, the Group is not responsible for any inability of repayment by accounts receivable during the debt transfer and repayment period. From the factoring of AR, the Group will receive prepayment and pledged deposit amounts in accordance with the factoring agreement. The Group will pay interest to the bank, calculated based on the agreed interest rate for the repayment period made by the customer. Furthermore, the pledged deposit amount cannot be withdrawn prior to the repayment made by the customer, the remaining amount and pledged deposit will be received from banks upon the actual payment from customer and will be recorded under bank accounts. In addition, the Group has to pay the transaction fee with a certain percentage. As of December 31, 2020, and 2019, the pledged deposits amounted to \$60,591 and \$121,414, respectively, were recorded under other current financial assets.

As of December 31, 2020 and 2019, the details of the factored accounts receivable were as follows:

<b>December 31, 2020</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>
<b>\$ 138,643</b>	<b>348,225</b>	<b>-</b>	<b>138,643</b>	<b>138,643</b>	<b>3.5%</b>

<b>December 31, 2019</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>
<b>\$ 217,728</b>	<b>337,639</b>	<b>-</b>	<b>217,728</b>	<b>217,728</b>	<b>2.2%</b>

- (iv) As of December 31, 2020, and 2019, the Group did not provide any notes and accounts receivable as collateral for its loans. Furthermore, the Group provided part of its bank deposits (recorded as other financial assets) as collateral for the factoring of accounts receivable. Please refer to note 8 for details.
- (e) Other receivables (recorded as other current financial assets)

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other accounts receivable	\$ 73,115	105,658
Less: Loss allowance	-	(4,978)
	<b>\$ 73,115</b>	<b>100,680</b>

(Continued)



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

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

<b>December 31, 2020</b>		
	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL- credit-impaired</b>
Not overdue	\$ 73,115	-
Overdue	-	-
Gross carrying amount	73,115	-
Impairment losses	-	-
Carrying amount	<u><u>\$ 73,115</u></u>	<u><u>-</u></u>

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

For the year ended December 31, 2020, the amount written off for uncollected receivable was \$4,978. For the year ended December 31, 2019, the allowance for financial assets of other receivables had no change.

As of December 31, 2020 and 2019, the Group did not provide any other receivables as collateral for its loans.

(f) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Raw materials	\$ 299,602	233,262
Work in progress	277,744	301,293
Finished goods	<u>1,130,687</u>	<u>1,250,794</u>
	<u><u>\$ 1,708,033</u></u>	<u><u>1,785,349</u></u>

In 2020 and 2019, inventory cost (excluding construction cost) recognized as cost of sales amounted to \$15,610,768 and \$15,786,377, respectively.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group reversed its allowance for inventory valuation and obsolescence loss amounting to \$39,404 and \$102,145 for the years ended December 31, 2020 and 2019, respectively, and recorded them as reduction of cost of sales, because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

As of December 31, 2020 and 2019, the Group did not provide any inventories as collateral for its loans.

(g) 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, 2020</b>	<b>December 31, 2019</b>
Associates	<b>\$ 58,356</b>	<b>79,013</b>

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
The carrying amount of equity of the individually insignificant associates	<b>\$ 58,356</b>	<b>79,013</b>

	<b>2020</b>	<b>2019</b>
Attributable to the Group:		
Profit (loss) from continuing operations	\$ (30,596)	(30,231)
Other comprehensive income	229	4
	<b>\$ (30,367)</b>	<b>(30,227)</b>

- (iii) The Group had acquired 1.47% and 4.27% ownership of Tekcore CO., Ltd.(Tekcore) from the third parties, with the cash considerations of \$6,086 and \$21,465 in 2020 and 2019, respectively. The Group's cash consideration less, the net amount of the identifiable assets acquired and liabilities assumed, was recognized as gain on a bargain purchase in other income amounting to \$1,220 and \$2,598, in 2020 and 2019, respectively. The percentage of ownership in Tekcore increased from 13.93% to 15.40% and 9.66% to 13.93% in 2020 and 2019, respectively. Since the Group is able to exercise significant influence over Tekcore's operations and financial policies, the long-term investment in Tekcore was accounted for using the equity method.

- (iv) The additional cash invested by the Group in EleOcom Inc. (EleOcom) in 2020 and 2019 was not in proportion to the percentage of ownership in investment; therefore, the ownership of equity in EleOcom was changed in 2020 and 2019, respectively. The differences resulting from the change in percentage of ownership were reflected by increasing the retained earnings by \$6,426 and decreasing the capital surplus by \$6,426.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (v) In April 2020 and May 2019, the Group had acquired both 200,000 shares of Well Service Company Ltd.,(Well), with the cash considerations of \$14,000 and \$14,000, resulting in its shareholding ratio to increase from 20% to 40% and 0% to 20%, respectively. Since the Group is able to exercise significant influence over Well's operations and financial policies, the long-term investment in Well was accounted for using the equity method. The differences between the amount invested by the Group in Well and its net equity as of December 31, 2020 and 2019 were attributed to Goodwill \$10,381 and \$10,973, respectively, which was included in the carrying amount of the investment.
- (vi) As of December 31,2020 and 2019, the Group evaluated the carrying amount of part of associates in excess of its recoverable amount, and the Group recognized an impairment loss of \$10,381 and \$45,657, respectively.

(vii) Pledges

As of December 31, 2020, and 2019, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

(h) Joint operation

The Group cooperated with the A3 Commerce LLP and Altocom Asia LLP in the joint operation of the 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 2020. Please refer to note 9 for details.

(i) Acquisition of a subsidiary

The Group had invested in Everlight Intelligence Technology KZ LLP through Everlight Intelligence Technology Co., Ltd. amounting to \$73 in July 2020, with the main purpose of selling LED lighting products. The capital increase and the registration procedures had been completed.

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

(j) Loss control of subsidiaries

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

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

Other current assets	\$ 299,705
Other current liabilities	<u>518</u>
Carrying amount of net assets	<u><u>\$ 299,187</u></u>
Other equity	<u><u>\$ (51,501)</u></u>

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

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

Other current assets	\$ 47,302
Other current liabilities	<u>70</u>
Carrying amount of net assets	<u><u>\$ 47,232</u></u>
Other equity	<u><u>\$ -</u></u>

- (iii) Yi-Yao had completed its liquidation process in January 2020, and the Group received the liquidating dividend of \$19. Yi-Yao is no longer included in the consolidation since the liquidation date.

The Group derecognized the assets, liabilities and the related equity. The carrying amount of assets and liabilities of Yi-Yao on the date of liquidation was as follows:

Other current assets	\$ 19
Other current liabilities	<u>-</u>
Carrying amount of net assets	<u><u>\$ 19</u></u>

(Continued)

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

(k) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
<b>Cost or deemed cost:</b>							
Balance on January 1, 2020	\$ 643,283	8,206,006	13,405,431	1,573,733	1,152,344	149,304	25,130,101
Add: additions	-	45,917	589,555	164,396	70,060	155,611	1,025,539
Add: reclassification	-	160,084	27,382	2,387	2,184	(144,342)	47,695
Less: sales	-	(105,630)	(597,683)	(27,325)	(11,387)	(3,500)	(745,525)
Less: retirement	-	(136)	(55,193)	(12,319)	(12,793)	-	(80,441)
Effect of movements in exchange rates	1,370	42,634	70,521	6,818	5,402	2,131	128,876
Balance on December 31, 2020	<u>\$ 644,653</u>	<u>8,348,875</u>	<u>13,440,013</u>	<u>1,707,690</u>	<u>1,205,810</u>	<u>159,204</u>	<u>25,506,245</u>
Balance on January 1, 2019	\$ 645,175	8,209,170	13,707,628	1,706,878	1,163,726	125,568	25,558,145
Add: additions	-	81,467	511,730	97,995	26,649	62,055	779,896
Add: reclassification	-	31,830	27,543	1,274	716	(33,609)	27,754
Less: sales	-	-	(603,431)	(56,508)	(1,855)	(4,710)	(666,504)
Less: retirement	-	(134)	(39,225)	(156,507)	(15,551)	-	(211,417)
Effect of movement in exchange rates	(1,892)	(116,327)	(198,814)	(19,399)	(21,341)	-	(357,773)
Balance on December 31, 2019	<u>\$ 643,283</u>	<u>8,206,006</u>	<u>13,405,431</u>	<u>1,573,733</u>	<u>1,152,344</u>	<u>149,304</u>	<u>25,130,101</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2020	\$ -	3,759,924	10,591,974	1,158,879	709,887	-	16,220,664
Add: depreciation for the year	-	409,227	1,071,914	168,699	88,501	-	1,738,341
Add: reclassification	-	-	-	-	(228)	-	(228)
Less: sales	-	(17,483)	(545,324)	(8,816)	(7,750)	-	(579,373)
Less: retirement	-	(136)	(54,835)	(12,241)	(12,464)	-	(79,676)
Effect of movements in exchange rates	-	31,003	59,270	4,839	1,960	-	97,072
Balance on December 31, 2020	<u>\$ -</u>	<u>4,182,535</u>	<u>11,122,999</u>	<u>1,311,360</u>	<u>779,906</u>	<u>-</u>	<u>17,396,800</u>
Balance on January 1, 2019	\$ -	3,401,783	10,083,877	1,194,248	638,544	-	15,318,452
Add: depreciation for the year	-	431,794	1,231,304	186,436	97,078	-	1,946,612
Add: reclassification	-	-	-	-	(4)	-	(4)
Less: sales	-	-	(534,280)	(53,194)	(1,088)	-	(588,562)
Less: retirement	-	(134)	(39,144)	(156,389)	(15,421)	-	(211,088)
Effect of movements in exchange rates	-	(73,519)	(149,783)	(12,222)	(9,222)	-	(244,746)
Balance on December 31, 2019	<u>\$ -</u>	<u>3,759,924</u>	<u>10,591,974</u>	<u>1,158,879</u>	<u>709,887</u>	<u>-</u>	<u>16,220,664</u>
<b>Carrying amounts:</b>							
Balance on December 31, 2020	<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 January 1, 2019	<u>\$ 645,175</u>	<u>4,807,387</u>	<u>3,623,751</u>	<u>512,630</u>	<u>525,182</u>	<u>125,568</u>	<u>10,239,693</u>
Balance on December 31, 2019	<u>\$ 643,283</u>	<u>4,446,082</u>	<u>2,813,457</u>	<u>414,854</u>	<u>442,457</u>	<u>149,304</u>	<u>8,909,437</u>

(i) There was no indication that the property, plant and equipment may be impaired in 2020 and 2019.

(ii) As of December 31, 2020 and 2019, the aforesaid property, plant and equipment were not pledged as collateral.

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

(l) 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:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Office and other equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2020	\$ 354,542	72,207	34,357	461,106
Acquisitions	909	50,956	15,454	67,319
Disposal	(481)	(23,571)	(12,695)	(36,747)
Lease amendment	(652)	-	-	(652)
Effect of changes in foreign exchange rates	1,069	(984)	745	830
Balance on December 31, 2020	<u>\$ 355,387</u>	<u>98,608</u>	<u>37,861</u>	<u>491,856</u>
Balance on January 1, 2019	\$ 357,906	65,058	24,891	447,855
Acquisition	-	8,913	10,409	19,322
Effect of changes in foreign exchange rates	(3,364)	(1,764)	(943)	(6,071)
Balance on December 31, 2019	<u>\$ 354,542</u>	<u>72,207</u>	<u>34,357</u>	<u>461,106</u>
Accumulated depreciation and impairment losses:				
Balance on January 1, 2020	\$ 11,295	31,268	14,033	56,596
Depreciation for the year	11,148	29,794	15,744	56,686
Disposal	(481)	(19,899)	(12,695)	(33,075)
Effect of changes in foreign exchange rates	86	(1,017)	344	(587)
Balance on December 31, 2020	<u>\$ 22,048</u>	<u>40,146</u>	<u>17,426</u>	<u>79,620</u>
Balance on January 1, 2019	\$ -	-	-	-
Depreciation for the year	11,398	31,952	14,301	57,651
Effect of changes in foreign exchange rates	(103)	(684)	(268)	(1,055)
Balance on December 31, 2019	<u>\$ 11,295</u>	<u>31,268</u>	<u>14,033</u>	<u>56,596</u>
Carrying amount:				
Balance on December 31, 2020	<u>\$ 333,339</u>	<u>58,462</u>	<u>20,435</u>	<u>412,236</u>
Balance on January 1, 2019	<u>\$ 357,906</u>	<u>65,058</u>	<u>24,891</u>	<u>447,855</u>
Balance on December 31, 2019	<u>\$ 343,247</u>	<u>40,939</u>	<u>20,324</u>	<u>404,510</u>

For the year ended December 31, 2020, the Group disposed right-of-use assets and recognized a gain of \$137, which was accounted for as other income.

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

(m) Other current financial assets

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Time deposits with maturities over three months	\$ 4,630,544	3,207,851
Restricted time deposits	569,543	-
Restricted deposits	60,591	121,414
Other receivables	73,115	100,680
	<b><u>\$ 5,333,793</u></b>	<b><u>3,429,945</u></b>

The restricted time deposits \$569,543 are applicable to “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” for the Group in 2020. The restricted time deposits accounts are used for the purpose of offshore funds.

As of December 31, 2020 and 2019, 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.

(n) Short-term borrowings

The short-term loans were summarized as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unsecured bank loans	<b><u>\$ 4,031,895</u></b>	<b><u>2,582,152</u></b>
Unused short-term credit lines	<b><u>\$ 11,952,194</u></b>	<b><u>15,356,175</u></b>
Annual interest rates	<b><u>0.45%~3.28%</u></b>	<b><u>0.43%~3.28%</u></b>

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

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

(o) Other current liabilities

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Refund liabilities – current	\$ 7,508	7,308
Derivative instruments not used for hedging	59,522	39,440
Provisions	58,132	-
Wages and salaries payable	232,959	228,081
Other payables	919,378	896,328
Others	562,724	450,687
	<b><u>\$ 1,840,223</u></b>	<b><u>1,621,844</u></b>

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

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

(p) Long-term loans

The details were as follows:

<b>December 31, 2020</b>				
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	KZT	6.75%~14.50%	2023.10	\$ 35,333
Unsecured bank loans	KZT	9.47%~12.91%	2025.9	88,067
Unsecured bank loans	JPY	0.00%~0.90%	2030.10	11,044
Less: current portion				(31,203)
Total				<u><u>\$ 103,241</u></u>
Unsecured long-term credit lines				<u><u>\$ -</u></u>

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

- (i) The Group 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 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 Company shall undertake the final settlement obligation on the portion of other consortium's members (46.4%) in an amount of \$106,824.
- (ii) For information on the Group's interest risk and liquidity risk, please refer to Note 6(aa) for details.
- (iii) The Group did not provide any asset as collateral for its loans.

(Continued)



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

(q) Convertible bonds payable

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total convertible bonds issued	\$ 5,000,000	5,000,000
Unamortized discounted bonds payable	-	(6,066)
Cumulated repurchased and redeemed amount	<u>(5,000,000)</u>	<u>(3,873,900)</u>
	-	1,120,034
Unamortized amount of the cost of issuing convertible bonds	-	(375)
Bonds payable, current portion	<u>-</u>	<u>(1,119,659)</u>
Non-current	<u>\$ -</u>	<u>-</u>
Equity components – conversion options (recognized as capital surplus – redemption rights)	<u>\$ -</u>	<u>87,820</u>
	<u>2020</u>	<u>2019</u>
Interest expense	<u>\$ (6,066)</u>	<u>(16,134)</u>

The effective rates of the sixth convertible bonds payable were 1.46854%.

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

- 1) Interest rate: 0%
- 2) Duration:
  - a) The sixth: five years (May 18, 2015 to May 18, 2020)
- 3) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:
 

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

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

(Continued)

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

5) Terms of conversion:

- a) The sixth: Bondholders may opt to have the bonds converted into common stock of the Company within the period between one month after the issuance date and the last convertible date, instead of the final cash redemption upon expiration of the bonds.
- b) Conversion price:
  - i) The sixth: After adjustments for distributions of retained earnings, the conversion price was NT\$57.9 (dollars) per share of common stock.
- (ii) The Company issued the sixth domestic unsecured convertible bonds with a face value of \$5,000,000 on May 18, 2015. The Company separated the equity, asset and liability components of the convertible option as follow:

	<u>The sixth</u>
The compound interest present value of the convertible bonds' face value at issuance	\$ 4,623,500
The embedded derivative asset at issuance – call option	(2,000)
The embedded derivative liability at issuance – put option	33,500
The equity components at issuance	<u>345,000</u>
The total amount of the convertible bonds at issuance	<u>\$ 5,000,000</u>

- (iii) The sixth convertible bonds expired on May 18, 2020. The Company redeemed the remaining sixth convertible bonds with a principal of \$1,126,100 at their face value. Thereafter, the Company offset the paid-in capital-redemption rights and recognized the paid-in capital-treasury stock amounting to \$87,820.

(r) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	<u>\$ 37,033</u>	<u>49,958</u>
Non-current	<u>\$ 286,908</u>	<u>262,852</u>

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

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

The amounts recognized in profit or loss were as follows:

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>5,911</u>	<u>6,097</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>5,570</u>	<u>7,039</u>
Expenses relating to short-term leases	\$ <u>26,424</u>	<u>35,579</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>388</u>	<u>257</u>
Covid-19-related rent concessions (recognized in other income)	\$ <u>1,264</u>	<u>-</u>

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

	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>93,276</u>	<u>100,919</u>

(i) Real estate leases

As of December 31, 2020 and 2019, the Group leases land and buildings for its office space and factory. The leases of land typically run for a period for 4 years to 50 years, of office space for 1 to 5 years, and of factory for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(ii) Other leases

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

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

(Continued)

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

(s) Employee benefits

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ (169,848)	(211,548)
Fair value of plan assets	<u>71,138</u>	<u>94,690</u>
Net defined benefit obligations assets (liabilities)	<u><b>\$ (98,710)</b></u>	<u><b>(116,858)</b></u>
Defined benefit assets	\$ 10,732	7,424
Defined benefit liabilities	<u>(109,442)</u>	<u>(124,282)</u>
	<u><b>\$ (98,710)</b></u>	<u><b>(116,858)</b></u>

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

1) Composition of plan assets

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

The labor pension reserve account balance of the Company and Evervision TW with Bank of Taiwan amounted to \$71,138 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(Continued)

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

2) Movements in present value of the defined benefit obligations

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

	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ (211,548)	(221,733)
Benefits paid by the plan	33,376	7,200
Current service costs and interest	(3,988)	(4,513)
Remeasurement in net defined benefit assets (liability)	<u>12,312</u>	<u>7,498</u>
Defined benefit obligation at December 31	<u><u>\$ (169,848)</u></u>	<u><u>(211,548)</u></u>

3) Movements of defined benefit plan assets

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

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 94,690	90,709
Contributions made	6,078	3,136
Benefits paid from the plan assets	(33,376)	(3,281)
Expected return on plan assets	1,055	1,223
Remeasurement in net defined benefit assets (liability)	<u>2,691</u>	<u>2,903</u>
Fair value of plan assets at December 31	<u><u>\$ 71,138</u></u>	<u><u>94,690</u></u>
Actual return on plan assets	<u><u>\$ 3,746</u></u>	<u><u>4,126</u></u>

4) Expenses recognized in profit or loss

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

	<u>2020</u>	<u>2019</u>
Service cost	\$ 1,625	1,539
Interest cost	2,363	2,974
Expected return on plan assets	<u>(1,055)</u>	<u>(1,223)</u>
	<u><u>\$ 2,933</u></u>	<u><u>3,290</u></u>

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

5) 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:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Discount rate	0.625%~0.750%	1.000%~1.125%
Future salary increasing rate	1.000%~3.500%	3.00%~3.50%

The expected allocation payment made by the Company and Evervision TW to the defined benefit plans for the one year period after the reporting date was \$9,422 and \$0, respectively.

The weighted-average duration of the defined benefit obligation of the Company and Evervision TW are 15.62 years and 13.33 years, respectively.

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>
The Company		
December 31, 2020		
Discount rate	\$ (5,286)	5,556
Future salary increasing rate	5,312	(5,101)
December 31, 2019		
Discount rate	(6,614)	6,098
Future salary increasing rate	6,636	(6,393)
	<b>Influences of defined benefit assets</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
Evervision TW		
December 31, 2020		
Discount rate	\$ 281	(293)
Future salary increasing rate	(286)	276
December 31, 2019		
Discount rate	401	(419)
Future salary increasing rate	(405)	390

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### (ii) Defined contribution plans

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

The pension costs under the defined contribution method of the Company and the consolidated subsidiaries in the ROC have been allocated to the Bureau of the Labor Insurance and provision of life insurance account. The subsidiaries other than the aforementioned entities recognized their pension expense, endowment insurance expense and social security expense. The total pension expenses recognized under the defined contribution plans for the years ended December 31, 2020 and 2019 were \$101,903 and \$129,951, respectively.

#### (t) Income taxes

##### (i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Recognized during the period	\$ 521,053	325,943
Adjustment for prior periods	(7,377)	(11,255)
Surtax on unappropriated earnings	<u>1,327</u>	<u>5,093</u>
	<u>515,003</u>	<u>319,781</u>
Deferred tax expense		
Recognition and reversal of temporary differences	<u>(137,348)</u>	<u>(105,402)</u>
	<u>(137,348)</u>	<u>(105,402)</u>
Income tax expense	<u>\$ 377,655</u>	<u>214,379</u>

(Continued)

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

- 2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Exchange differences on translating foreign operations	\$ (479)	(5,676)
Actuarial gains (losses) on defined benefit plans	<u>3,001</u>	<u>2,080</u>
	<u>\$ 2,522</u>	<u>(3,596)</u>

- 3) Reconciliation of income tax and profit before tax for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	<u>\$ 1,627,335</u>	<u>1,065,708</u>
Income tax using the Company's domestic tax rate	\$ 325,467	213,142
Effect of tax rates in foreign jurisdiction	58,352	36,295
Non-deductible expenses	1,213	14,967
Exemption of investment disposal income	(630)	(801)
Increase in investment tax credits	(18,379)	(24,183)
Effect of tax rates in overseas dividends received	(5,143)	-
Realized investment gains or loss	(18,477)	(30,678)
Net gains or losses on domestic investments	(8,965)	(3,598)
Changes in unrecognized deferred tax assets and liabilities	15,098	(42,727)
Changes in unrecognized deferred tax assets arising from tax loss	19,509	40,947
Surtax on unappropriated earnings	1,327	5,093
Adjustment for prior periods and others	<u>8,283</u>	<u>5,922</u>
	<u>\$ 377,655</u>	<u>214,379</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, 2020</b>	<b>December 31, 2019</b>
Deductible temporary differences	\$ 99,603	81,550
Tax losses	510,468	539,209
	<b>\$ 610,071</b>	<b>620,759</b>

Details of unrecognized deferred tax liabilities were as follow:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Temporary differences related to investments in subsidiaries	<b>\$ 539,025</b>	<b>536,070</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, 2020 and 2019. 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, 2020, 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	2013~2016	\$ 136,448	27,289	2023~2026
Subsidiaries in the PRC	2015~2020	379,622	94,906	2020~2025
Subsidiaries in the United States	2008~2017	208,278	70,815	2028~2037
Subsidiaries in the United States	2018~2019	140,887	47,902	None
Subsidiaries in Germany	2014~2020	903,643	269,556	None
			<b>\$ 510,468</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 2020 and 2019 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, 2020	\$ 24,918	249,026	53,300	130,419	457,663
Recognized in profit or loss	(670)	21,204	(8,538)	10,669	22,665
Recognized in other comprehensive income	(2,298)	-	-	2,103	(195)
Balance on December 31, 2020	<u>\$ 21,950</u>	<u>270,230</u>	<u>44,762</u>	<u>143,191</u>	<u>480,133</u>
Balance on January 1, 2019	\$ 27,559	220,775	56,691	122,269	427,294
Recognized in profit or loss	(799)	28,251	(3,391)	7,399	31,460
Recognized in other comprehensive income	(1,842)	-	-	751	(1,091)
Balance on December 31, 2019	<u>\$ 24,918</u>	<u>249,026</u>	<u>53,300</u>	<u>130,419</u>	<u>457,663</u>
<b>Deferred tax liabilities:</b>					
	Defined benefit Plans	Difference between book and tax depreciation	Others	Total	
Balance on January 1, 2020	\$ 1,437	43,092	138,640	183,169	
Recognized in profit or loss	(39)	(41,683)	(72,961)	(114,683)	
Recognized in other comprehensive income	703	-	1,624	2,327	
Balance on December 31, 2020	<u>\$ 2,101</u>	<u>1,409</u>	<u>67,303</u>	<u>70,813</u>	
Balance on January 1, 2019	1,244	96,253	164,301	261,798	
Recognized in profit or loss	(45)	(53,161)	(20,736)	(73,942)	
Recognized in other comprehensive income	238	-	(4,925)	(4,687)	
Balance on December 31, 2019	<u>\$ 1,437</u>	<u>43,092</u>	<u>138,640</u>	<u>183,169</u>	

(Continued)

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

3) Uncertain tax treatment

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

4) The tax authorities have examined the Company's income tax returns through 2018.

The income tax returns of the Group and other consolidated entities in the ROC have been examined by the tax authorities through 2018.

(u) Capital and other equities

As of December 31, 2020 and 2019, 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 and 443,246 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2020 and 2019 was as follows:

(in thousands of shares)	<u>2020</u>	<u>2019</u>
Balance on January 1	443,246	443,000
Employee stock options exercised	<u>147</u>	<u>246</u>
Balance on December 31	<u><u>443,393</u></u>	<u><u>443,246</u></u>

(i) Ordinary shares

The employee stock options exercised in year ended December 31, 2020 amounted to \$1,474, which resulted in a capital surplus of \$6,868 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$5,776). The registration procedures of the employee stock options had been completed.

The employee stock options exercised in year ended December 31, 2019 amounted to \$2,461, which resulted in capital surplus of \$11,506 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$9,585). The registration procedures of the employee stock options had been completed.

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

(ii) Capital surplus

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Additional paid-in capital	\$ 7,817,145	7,810,277
Difference between consideration and carrying amount of subsidiaries acquired or disposed	67,971	74,397
Changes in equity of associates accounted for using the equity method	6,489	6,489
Redemption rights resulting from issuance of convertible bonds	-	87,820
Treasury stock resulting from the redemption of convertible bonds	1,071,632	983,812
Share-based payment – employee stock options	119,974	125,750
Others	<u>899</u>	<u>576</u>
	<b><u>\$ 9,084,110</u></b>	<b><u>9,089,121</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.

(iii) Retained earnings

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

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

1) Legal reserve

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

(Continued)

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

2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), the unrealized land revaluation increment and foreign currency translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. According to the regulations, the retained earnings increased by \$283,890 on the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special earnings reserve, and when the relevant assets were used, disposed of, or reclassified, this special earnings reserve shall be reserved as distributable earnings proportionately. As of December 31, 2020 and 2019, the carrying amount of special earnings reserve amounted to \$283,890 in both years.

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

3) Earnings distribution

Based on a resolution of the annual shareholder's meeting held on June 12, 2020 and June 14, 2019, the appropriations of dividends from the earnings distribution for 2019 and 2018 were as follows:

	2019		2018	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ <u>1.40</u>	<u>620,563</u>	<u>1.50</u>	<u>664,555</u>

On March 23, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	2020	
	Amount per share (dollars)	Total amount
Dividends distributed to commons shareholders:		
Cash	\$ <u>2.25</u>	<u>997,634</u>

(Continued)

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

(iv) 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
<b>Balance of January 1, 2020</b>	\$ (863,785)	(597,254)	(1,461,039)
Foreign exchange differences (net of taxes):			
The Group	42,729	-	42,729
Associates	5	-	5
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	51,947	51,947
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	545,307	545,307
<b>Balance on December 31, 2020</b>	<u><u>\$ (821,051)</u></u>	<u><u>-</u></u>	<u><u>(821,051)</u></u>
<b>Balance of January 1, 2019</b>	\$ (632,321)	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):			
The Group	(231,458)	-	(231,458)
Associates	(6)	-	(6)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(5,298)	(5,298)
<b>Balance on December 31, 2019</b>	<u><u>\$ (863,785)</u></u>	<u><u>(597,254)</u></u>	<u><u>(1,461,039)</u></u>

(v) Share-based payment

(i) Employee stock options

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

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

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

For the year ended December 31, 2020								
<b>Date of issuance</b>	<b>2020.1.1 Outstanding units</b>	<b>Current units granted</b>	<b>Current units exercised</b>	<b>Current units abandoned</b>	<b>Current units expired</b>	<b>2020.12.31 Outstanding units</b>	<b>2020.12.31 Exercisable units</b>	<b>Remaining duration</b>
August 6, 2015	1,000	-	1,000	-	-	-	-	- years
April 2, 2015	419,450	-	146,400	273,050	-	-	-	- years
	<u>420,450</u>	<u>-</u>	<u>147,400</u>	<u>273,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Weighted-average exercise price (dollars)	<u>\$ 17.40</u>	<u>-</u>	<u>17.41</u>	<u>17.40</u>	<u>-</u>	<u>-</u>	<u>-</u>	
For the year ended December 31, 2019								
<b>Date of issuance</b>	<b>2019.1.1 Outstanding units</b>	<b>Current units granted</b>	<b>Current units exercised</b>	<b>Current units abandoned</b>	<b>Current units expired</b>	<b>2019.12.31 Outstanding units</b>	<b>2019.12.31 Exercisable units</b>	<b>Remaining duration</b>
August 6, 2015	17,500	-	6,500	10,000	-	1,000	1,000	0.6 years
April 2, 2015	712,850	-	239,600	53,800	-	419,450	419,450	0.4 years
	<u>730,350</u>	<u>-</u>	<u>246,100</u>	<u>63,800</u>	<u>-</u>	<u>420,450</u>	<u>420,450</u>	
Weighted-average exercise price (dollars)	<u>\$ 18.33</u>	<u>-</u>	<u>17.81</u>	<u>17.60</u>	<u>-</u>	<u>17.40</u>	<u>17.40</u>	

The weighted-average fair price of the Company's stock amounted to NT\$34.34 (dollars) and NT\$29.96 (dollars) for the years ended December 31, 2020 and 2019, respectively.

The issuance terms of the stock options are as follows:

- a) Exercise price: After the adjustment for stock dividends over the years, the exercise prices of the first phase of the sixth and the second phase of the sixth issued stock options were NT\$17.4 (dollars) and NT\$18.7 (dollars), respectively.
- b) Exercisable duration: The employees who received the stock options can exercise a specific percentage in each period as below. The exercisable duration of the options is five years. No transference, pledge or donation is allowed except for inheritance. After the expiration of the exercisable duration, the Company will retire the unexercised options and not re-issue the options.

<b>Option holding period</b>	<b>Exercisable percentage (cumulative) — the sixth</b>
More than 2 years	65%
More than 3 years	90%
More than 4 years	100%

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

(Continued)

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- d) Exercise procedure: In accordance with the Company's issuance and exercise rules, the employees who received the stock options can apply to exercise the options during a certain period. In addition, the entitlement certification of stock options exercised is registered as common stock after every quarter.
- (ii) The compensation cost of the stock options amounted to \$0 and \$748 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, all of the the stock options had expired.
- (iii) The Company adopted the Black-Scholes model to compute the fair value of the stock options on the grant date, and the assumptions are summarized as follows:

	The first phase of the sixth	The second phase of the sixth
Original exercise price (New Taiwan dollars)	24	24
Fair value per share of the Company's stock at the measurement date (New Taiwan dollars)	70.10	44
Expected volatility	30.43~35.66%	30.43~35.66%
Risk-free interest rate	0.61~1.04%	0.61~1.04%
Expected life of the option	five years	five years
Weighted-average fair value (New Taiwan dollars/unit)	46.40~47.70	20.70~23.10

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

### (w) Earnings per share

For the years ended December 31, 2020 and 2019, the Group's basic and diluted earnings per share were calculated as follows:

	2020	2019
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,236,141</u>	<u>822,244</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>443,361</u>	<u>443,120</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 1,236,141	822,244
Dilutive effect of potential ordinary shares:		
Convertible bonds	<u>6,066</u>	<u>16,134</u>
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>1,242,207</u>	<u>838,378</u>

(Continued)



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

	<u>2020</u>	<u>2019</u>
Weighted-average number of outstanding ordinary shares (thousands) (basic)	443,361	443,120
Dilutive effect of potential ordinary shares:		
Employee stock bonus	4,830	2,979
Convertible bonds	4,862	18,873
Employee stock options	<u>42</u>	<u>211</u>
Weighted-average number of outstanding ordinary shares (thousands) (diluted)	<u><b>453,095</b></u>	<u><b>465,183</b></u>

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

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

		2020				
		LED	LCD	Illumination	Others	Total
Primary geographical markets:						
Asia	\$	16,987,694	308,661	1,201,826	106,049	18,604,230
Europe		1,265,887	162,496	883,325	-	2,311,708
Others		496,698	149,141	75,252	6	721,097
Total	\$	18,750,279	620,298	2,160,403	106,055	21,637,035
Major products						
Construction revenue	\$	-	-	729,617	-	729,617
Sales revenue		18,750,279	620,298	1,430,786	106,055	20,907,418
	\$	18,750,279	620,298	2,160,403	106,055	21,637,035
		2019				
		LED	LCD	Illumination	Others	Total
Primary geographical markets:						
Asia	\$	16,362,564	301,886	779,291	67,629	17,511,370
Europe		1,360,422	189,747	1,000,836	-	2,551,005
Others		617,786	183,084	103,296	-	904,166
Total	\$	18,340,772	674,717	1,883,423	67,629	20,966,541
Major products						
Construction revenue	\$	-	-	194,559	-	194,559
Sales revenue		18,340,772	674,717	1,688,864	67,629	20,771,982
	\$	18,340,772	674,717	1,883,423	67,629	20,966,541

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

(ii) Contract balance

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Notes receivable	\$ 13,899	27,542	11,416
Accounts receivables	7,156,820	6,310,794	6,981,114
Less: allowance for impairment	<u>(156,392)</u>	<u>(147,549)</u>	<u>(127,287)</u>
	<b><u>\$ 7,014,327</u></b>	<b><u>6,190,787</u></b>	<b><u>6,865,243</u></b>
Contract assets-illumination	<b><u>\$ 640,498</u></b>	<b><u>106,363</u></b>	<b><u>78,550</u></b>
Contract liabilities	<b><u>\$ 87,113</u></b>	<b><u>23,752</u></b>	<b><u>26,191</u></b>

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

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$13,609 and \$21,375, respectively.

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

(y) Remuneration of employees and directors

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

The remuneration to employees amounted to \$163,907 and \$97,931, and the remuneration to directors amounted to \$16,812 and \$10,486, in 2020 and 2019, 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 remuneration are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting. The amounts, as stated in the consolidated financial statements are identical to those of the actual distributions for 2020 and 2019.

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

(z) Non-operating income and expenses

The interest income and finance costs in 2020 and 2019 were as follows:

(i) Interest income

	<u>2020</u>	<u>2019</u>
Cash in banks	\$ 64,005	45,546
Other	<u>2,823</u>	<u>2,410</u>
	<u><u>\$ 66,828</u></u>	<u><u>47,956</u></u>

(ii) Finance costs – interest expenses

	<u>2020</u>	<u>2019</u>
Loans	\$ 46,587	47,803
Lease liabilities	5,911	6,097
Convertible Bonds	<u>6,066</u>	<u>16,134</u>
	<u><u>\$ 58,564</u></u>	<u><u>70,034</u></u>

(aa) 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(d).

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

(ii) Liquidity Risk

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

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

**Notes to the Consolidated Financial Statements**

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>December 31, 2020</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 4,031,895	(4,031,895)	(4,031,895)	-	-
Notes and accounts payable (including related parties)	4,722,180	(4,722,180)	(4,722,180)	-	-
Payables on construction and equipment	472,570	(472,570)	(472,570)	-	-
Other payables	1,705,418	(1,705,418)	(1,705,418)	-	-
Lease liabilities (including current and non-current)	323,941	(420,205)	(42,666)	(32,966)	(344,573)
Long-term loans (including current portion)	134,444	(134,444)	(31,203)	(28,485)	(74,756)
Guaranteed deposits received	149,318	(149,318)	-	-	(149,318)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	2,910				
Outflow	-	(453,737)	(453,737)	-	-
Inflow	-	450,919	450,919	-	-
Cross currency swap:	56,612				
Outflow	-	(1,197,000)	(1,197,000)	-	-
Inflow	-	1,140,320	1,140,320	-	-
	<u>\$ 11,599,288</u>	<u>(11,695,528)</u>	<u>(11,065,430)</u>	<u>(61,451)</u>	<u>(568,647)</u>
<b>December 31, 2019</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,582,152	(2,582,152)	(2,582,152)	-	-
Notes and accounts payable (including related parties)	4,367,416	(4,367,416)	(4,367,416)	-	-
Payables on construction and equipment	298,852	(298,852)	(298,852)	-	-
Other payables	1,568,228	(1,568,228)	(1,568,228)	-	-
Lease liabilities (including current and non-current)	312,810	(410,960)	(55,075)	(39,776)	(316,109)
Unsecured convertible bonds	1,120,034	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	53,644	(53,644)	(15,778)	(15,778)	(22,088)
Guaranteed deposits received	198,252	(198,252)	-	-	(198,252)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	1,128				
Outflow	-	(118,174)	(118,174)	-	-
Inflow	-	117,355	117,355	-	-
Swap contracts:	38,312				
Outflow	-	(942,000)	(942,000)	-	-
Inflow	-	903,180	903,180	-	-
	<u>\$ 10,540,828</u>	<u>(10,645,243)</u>	<u>(10,053,240)</u>	<u>(55,554)</u>	<u>(536,449)</u>

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

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 187,600	USD/TWD =28.508	5,348,101	140,990	USD/TWD =30.1060	4,244,645
RMB	559,459	RMB/TWD =4.3690	2,444,276	360,871	RMB/TWD =4.3245	1,560,587
HKD	409,013	HKD/TWD =3.6770	1,503,941	388,964	HKD/TWD =3.8647	1,503,229
Financial liabilities						
Monetary items						
USD	140,389	USD/TWD =28.508	4,002,210	81,687	USD/TWD =30.1060	2,459,269
USD	35,572	USD/RMB =6.5250	1,014,087	39,782	USD/RMB =6.9617	1,197,677
RMB	1,050,631	RMB/TWD =4.3690	4,590,207	979,661	RMB/TWD =4.3245	4,236,544

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, 2020 and 2019 would have increased (decreased) the net profit before tax by \$17,814 for the year ended December 31, 2020, and decreased (increased) the net profit before tax by \$10,170 for the year ended December 31, 2019. 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, 2020 and 2019, the foreign exchange gains (losses), including both realized and unrealized, amounted to \$3,793 and \$73,131, respectively.

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

4) Interest rate analysis

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

	<b>Carrying amount</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Variable rate instruments:		
Financial assets	\$ 3,379,582	4,708,126
Financial liabilities	<u>(3,550,615)</u>	<u>(1,127,971)</u>
	<b><u>\$ (171,033)</u></b>	<b><u>3,580,155</u></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, 2020 and 2019, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

	<b>2020</b>	<b>2019</b>
Increase by 0.25%	\$ (428)	8,950
Decrease by 0.25%	428	(8,950)

5) Fair value

a) Procedure of valuation

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

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

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# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

### b) The kinds of financial instruments and fair value

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

	December 31, 2020				
	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	\$ 13,011	-	13,011	-	13,011
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>1,085,547</u>	747,578	337,969	-	1,085,547
	<u>1,098,558</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	4,186,992	-	-	-	-
Notes and accounts receivable (including related parties)	6,866,236	-	-	-	-
Other current financial assets	5,333,793	-	-	-	-
Refundable deposits (recorded as other non-current assets)	122,655	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	366,541	-	-	-	-
Restricted deposits (recorded as other non-current assets)	<u>220,559</u>	-	-	-	-
	<u>17,096,776</u>				
	<u><b>\$ 18,195,334</b></u>				

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

<b>December 31, 2020</b>					
	<b>Book value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities	\$ 59,522	-	59,522	-	59,522
<b>Financial liabilities measured at amortized cost:</b>					
Short-term borrowings	4,031,895	-	-	-	-
Notes and accounts payable (including related parties)	4,722,180	-	-	-	-
Payable on construction and equipment	472,570	-	-	-	-
Lease liabilities	323,941	-	-	-	-
Other current payables (recorded as other current liabilities)	1,705,418	-	-	-	-
Long-term loans (including current portion)	134,444	-	-	-	-
Guaranteed deposits received	149,318	-	-	-	-
	<u>11,539,766</u>				
	<b><u>\$ 11,599,288</u></b>				
<b>December 31, 2019</b>					
	<b>Book value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss:</b>					
Derivative financial assets	\$ 15,393	-	15,393	-	15,393
Non-derivative financial assets mandatorily measured at fair value through profit or loss	622,690	129,544	493,146	-	622,690
	<u>638,083</u>				
<b>Financial assets at fair value through other comprehensive income:</b>					
Stocks listed on domestic markets	323,505	323,505	-	-	323,505
Unquoted equity instruments	2,253	-	-	2,253	2,253
	<u>325,758</u>				

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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	December 31, 2019				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at amortized cost:</b>					
Cash and cash equivalents	4,982,698	-	-	-	-
Notes and accounts receivable (including related parties)	6,062,393	-	-	-	-
Other current financial assets	3,429,945	-	-	-	-
Refundable deposits (recorded as other non-current assets)	137,724	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	205,725	-	-	-	-
Restricted deposits (recorded as other non-current assets)	222,083	-	-	-	-
	<u>15,040,568</u>				
	<u><b>\$ 16,004,409</b></u>				
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities	\$ 39,440	-	39,440	-	39,440
<b>Financial liabilities measured at amortized cost:</b>					
Short-term borrowings	2,582,152	-	-	-	-
Notes and accounts payable (including related parties)	4,367,416	-	-	-	-
Payables on construction and equipment	298,852	-	-	-	-
Lease liabilities	312,810	-	-	-	-
Other current payables (recorded as other current liabilities)	1,568,228	-	-	-	-
Bonds payable (including current portion)	1,120,034	-	-	-	-
Long-term loans (including current portion)	53,644	-	-	-	-
Guaranteed deposits received	198,252	-	-	-	-
	<u>10,501,388</u>				
	<u><b>\$ 10,540,828</b></u>				

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

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

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

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- d) Fair value valuation technique of financial instruments measured at fair value
- i) The fair value of financial assets and liabilities traded in active markets, including listed stocks, fund beneficiary certificates, emerging stocks and listed convertible bonds, etc., is based on quoted market prices.
  - ii) The fair value of unlisted shares without an active market is assessed by using the net asset value per share approach, P/E ratio approach, and P/B ratio approach.
  - iii) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated by adapting a valuation technique using the estimates and hypothesis referred from those used by financial instruments, or the binomial options pricing model which is generally accepted by the market participants.
  - iv) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.
- e) There were no transfers from one level to another of the Group for the years ended December 31, 2020 and 2019.
- f) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Group for the years ended December 31, 2020 and 2019:

	<b>Current financial assets at fair value through other comprehensive income – unquoted equity instruments</b>
Balance on January 1, 2020	\$ 2,253
Disposal	(7,000)
Total gains and losses recognized:	
In profit (loss)	-
In other comprehensive income	4,747
Balance on December 31, 2020	<u>\$ -</u>
Balance on January 1, 2019	\$ 75,052
Total gains and losses recognized:	
In profit (loss)	-
In other comprehensive income	(72,799)
Balance on December 31, 2019	<u><u>\$ 2,253</u></u>

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The above total gains and losses are included in "Unrealized gain (loss) from financial assets at fair value through other comprehensive income". The amounts of total gains or losses for the years in above that were attributable to gains or losses relating to those assets and liabilities held at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</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)	\$ 4,747	(72,799)
g) The quantified information for significant unobservable inputs (Level 3) used in fair value measurement		

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

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

The quantitative information about significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
Current financial assets at fair value through other comprehensive income (equity instruments without quoted prices)	Guideline Public Company method - Price-Book Method	<ul style="list-style-type: none"> <li>Price-to-Book ratio (P/B Ratio) (0.405 on December 31, 2019)</li> <li>Lack of marketability discount rate (20% on December 31, 2019)</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>

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

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

(Continued)

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

			Impacts of fair value changes on other comprehensive income	
			Advantageous change	Disadvantageous change
<b>December 31, 2019</b>	<b>Input</b>	<b>Variation</b>		
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ <u>110</u>	<u>110</u>
"	Lack of marketability discount	5%	\$ <u>110</u>	<u>110</u>

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

(ab) Financial risk management

(i) Briefings

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Structure of risk management

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

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

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (iii) Credit risk

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

##### 1) Accounting receivable and other receivables

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

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

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

##### 2) Investment

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

##### 3) Guarantees

The Group's policy to provide financial guarantees is only permissible to subsidiaries. Please refer to note 13(a) for information of guarantees and endorsements to subsidiaries as of December 31, 2020 and 2019.

#### (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.

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

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to notes 6(n) and 6(p) for the unused credit lines of short-term and long-term loans as of December 31, 2020 and 2019.

(v) Market risk

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

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

1) Currency risk

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

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

2) Interest rate risk

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

3) Other market value risk

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

(ac) Capital management

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

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 12,328,460	11,154,644
Total equity	17,938,690	17,194,428
Interest-bearing liabilities	4,166,339	3,755,830
Debt-to-equity ratio	69 %	65 %
Interest-bearing liabilities to equity ratio	23 %	22 %

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

The Group's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2020 and 2019, were acquisition of right-of-use assets by lease; please refer to note 6(l). Reconciliations of liabilities arising from financing activities were as follows:

	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Amendment</b>	<b>Non-cash changes Amortization of interest and issuance costs</b>	<b>Foreign exchange movement</b>	<b>December 31, 2020</b>
Short-term borrowings	\$ 2,582,152	1,449,743	-	-	-	4,031,895
Long-term borrowings	53,644	88,239	-	-	(7,439)	134,444
Lease liabilities	312,810	(56,247)	66,950	-	428	323,941
Bonds payable	1,119,659	(1,126,100)	-	6,441	-	-
Guarantee deposits received	198,252	(48,934)	-	-	-	149,318
Total liabilities from financing activities	<u>\$ 4,266,517</u>	<u>306,701</u>	<u>66,950</u>	<u>6,441</u>	<u>(7,011)</u>	<u>4,639,598</u>

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

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

**(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.

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

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

**(b) Significant related party transactions**

**(i) Sales**

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

	<u>2020</u>	<u>2019</u>
Associates	\$ 60,445	57,107
Other related parties (Note)	<u>-</u>	<u>53,148</u>
	<u><u>\$ 60,445</u></u>	<u><u>110,255</u></u>

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

There were no significant differences in the collection periods and sales prices between the related parties and other customers, and the payment term was 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:

	<u>2020</u>	<u>2019</u>
Associates	\$ 503,122	414,912
Other related parties-Epistar (Note)	<u>-</u>	<u>642,995</u>
	<u><u>\$ 503,122</u></u>	<u><u>1,057,907</u></u>

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

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

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

(iii) Receivables from related parties

The receivables due from related parties were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Associates	\$ <u>33,332</u>	<u>34,684</u>

(iv) Payables to related parties

The payables to related parties were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Associates	\$ <u>243,676</u>	<u>168,285</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 46,333	24,138
Others	<u>2,966</u>	<u>4,800</u>
	<u>\$ 49,299</u>	<u>28,938</u>

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

**(8) Pledged assets**

The carrying amounts of the pledged assets are as follows:

<b>Assets</b>	<b>Objectives</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Time deposits and restricted deposits (recorded as other financial assets – non-current)	Guarantee for contract grant and guarantee for construction contracts	\$ 220,559	222,083
Restricted deposits (recorded as other financial assets-current)	Contract of accounts receivable factoring	<u>60,591</u>	<u>121,414</u>
		<u>\$ 281,150</u>	<u>343,497</u>

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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**(9) Commitments and contingencies**

**(a) The lawsuits between Nichia Corporation**

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

Nichia then filed a lawsuit against the Company and Everlight Europe in the Dusseldorf District Court alleging the infringement of EP2197053 and EP2276080 in December 2016. The patent infringement case related to EP2197053 is currently suspended.

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

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

**(b) 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 Provincial Government, the Republic of Kazakhstan. The project period is six years and the total contract price is USD 8,967 thousand dollars. Consortium A has completed installation of light fixtures under the contract. On January 4, 2019, the Pavlodar Provincial Government completed the acceptance of the installation. Nevertheless, during the subsequent operation period, the Pavlodar Provincial 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 subsequent 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 Provincial 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 filed a lawsuit on February 9, 2021, in Kazakhstan, demanding a termination of the contract with Consortium A and a compensation of KZT 268,883 thousand dollars (approximately \$18,203). The Group has retained Baker McKenzie Taipei Office and Almaty Office, with the goal of negotiating with Pavlodar Provincial Government to amend the contract and to allow the Group to complete the unfinished project. Because the Pavlodar Provincial 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 the Pavlodar Provincial Government's action on March 10, 2021, for that the procedure was not compliant with the laws. The Provincial Government promptly started its negotiations with Consortium A.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 \$141,599. In view that the termination of contract may not be the best possible outcome for the parties, the Group expects to continue the negotiations with the Pavlodar Provincial Government to seek a solution that benefits both parties to the greatest possible extent. As of March 23, 2021, based on the obligations that can be reasonably inferred, the Group has recognized a provision of \$58,132, which was recorded in the profits and losses in 2020. For the protection of its rights and interests, the Group has also reserved its right to seek legal recourse against consortium members A3 Commerce LLP and Altocom Asia LLP for losses caused by the defects in their work. The rest of the obligations requires further evaluations when the development of the lawsuit becomes clear. Notwithstanding, the Group believes that the above-mentioned matters will not have any material effects on the finance and operations of the Group.

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 Provincial Government, the Republic of Kazakhstan in 2019. The project period is six years. The total contract price is USD 14,196 thousand dollars. Consortium B is installing light fixtures according to the contract. On March 18, 2021, the Taraz Provincial 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 Baker McKenzie Almaty Office and Taipei office 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 Provincial 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 Provincial Government's action by claiming that the procedure was not compliant with the laws. As of 23 March 2021, the court has yet set the date for a hearing. Notwithstanding, the Group believes that the above-mentioned matters will not have any material effects on the finance and operations of the Group.

(c) Significant commitments unrecognized:

- (i) As of December 31, 2020, and 2019, the Group's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$391,230 and \$931,964, respectively.

**(10) Losses Due to Major Disasters: none**

**(11) Subsequent Events: none**

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

**(12) Other**

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

By function By item	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,711,129	1,725,175	3,436,304	1,606,342	1,687,203	3,293,545
Labor and health insurance	73,783	129,858	203,641	81,124	155,180	236,304
Pension	56,720	48,116	104,836	75,860	57,381	133,241
Others	104,401	68,201	172,602	113,926	67,161	181,087
Depreciation	1,168,308	626,719	1,795,027	1,347,721	656,542	2,004,263
Amortization	44,145	27,299	71,444	49,920	35,294	85,214

**(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, 2020:

- (i) Loans to other parties: Please refer to table 1.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 2.
- (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 3.
- (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 4.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to table 5.
- (ix) Information derivative financial instruments transaction: Please refer to table 6.
- (x) Business relationships and significant intercompany transactions: Please refer to table 7.

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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- (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:**

(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, 2020 and 2019.

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

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

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

	2020					Total
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	
Revenues						
Revenues from external customers	\$18,750,279	620,298	2,160,403	106,055	-	21,637,035
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u><u>\$18,750,279</u></u>	<u><u>620,298</u></u>	<u><u>2,160,403</u></u>	<u><u>106,055</u></u>	<u><u>-</u></u>	<u><u>21,637,035</u></u>
Reportable segment profit (loss)	<u><u>\$ 1,559,576</u></u>	<u><u>12,227</u></u>	<u><u>(204,306)</u></u>	<u><u>(13,995)</u></u>	<u><u>-</u></u>	<u><u>1,353,502</u></u>
Reportable segment assets	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>30,267,150</u></u>

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

(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><b>Geographical information</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>
Asia	\$ 18,604,230	17,511,370
Europe	2,311,708	2,551,005
America	471,670	611,805
Others	<u>249,427</u>	<u>292,361</u>
	<u><b>\$ 21,637,035</b></u>	<u><b>20,966,541</b></u>

(ii) Non-current assets:

<u><b>Geographical information</b></u>	<u><b>December 31, 2020</b></u>	<u><b>December 31, 2019</b></u>
Asia	\$ 9,627,670	9,648,901
Europe	283,131	275,627
Others	<u>37,114</u>	<u>126,849</u>
	<u><b>\$ 9,947,915</b></u>	<u><b>10,051,377</b></u>

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

(d) Information about major customers

There were no individual customers whose purchases were over 10% of consolidated net sales in 2020 and 2019.

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 1 Loans to other parties  
December 31, 2020

Unit: thousand dollars

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	WOFI Holding	Other current financial assets	Yes	\$ 626,805	\$ 313,403	-	1.0%	Short term financing	-	Business turnover	-		-	\$ 1,756,730	\$ 7,026,920
0	The Company	Everlight Lighting China	Other receivables	Yes	524,280	524,280	-	1.0%	Short term financing	-	Business turnover	-		-	1,756,730	7,026,920
0	The Company	Everlight Lighting China	Other receivables	Yes	402,203	402,203	221,743	-%	Short term financing	-	Business turnover	-		-	1,756,730	7,026,920
						<b>\$ 1,239,886</b>	<b>221,743</b>									
1	Everlight Zhongshan	Zhongshan Everlight Lighting	Other receivables	Yes	65,404	45,743	45,743	2.5%	Short term financing	-	Business turnover	-		-	360,229	360,229
2	Everlight BVI	WOFI Holding	Other receivables	Yes	69,645	-	-	-%	Short term financing	-	Business turnover	-		-	2,658,628	2,658,628
2	Everlight BVI	Everlight China	Other receivables	Yes	570,160	570,160	570,160	-%	Short term financing	-	Business turnover	-		-	2,658,628	2,658,628
						<b>\$ 615,903</b>	<b>615,903</b>									

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

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

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

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

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 2 Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)  
December 31, 2020

Unit: thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	SinoPac TWD Money Market Fund	None	Current financial assets at fair value through profit or loss	3,377	\$ 47,354	-%	\$ 47,354	3,377	-%	
The Company	Cathay Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	100	6,290	-%	6,290	100	-%	
The Company	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	666	28,205	-%	28,205	666	-%	
The Company	Casetek Holding Limited Stocks	None	Current financial assets at fair value through profit or loss	3,500	305,550	-%	305,550	3,500	-%	
The Company	WT Microelectronics Co., Ltd. Preferred Stock A	None	Current financial assets at fair value through profit or loss	600	29,130	-%	29,130	600	-%	
The Company	Jih Sun Financial Holding Co., Ltd. Stocks	None	Current financial assets at fair value through profit or loss	1,800	22,680	-%	22,680	1,800	-%	
The Company	Gigasolar Materials Corporation convertible bonds	None	Current financial assets at fair value through profit or loss	210	21,641	-%	21,641	210	-%	
					<b>\$ 460,850</b>					
Forever	Casetek Holding Limited Stocks	None	Current financial assets at fair value through profit or loss	1,390	<b>\$ 121,347</b>	-%	121,347	1,390	-%	
Pai yee	Taishin 1699 Money Market Fund	None	Current financial assets at fair value through profit or loss	220	\$ 3,003	-%	3,003	220	-%	
Pai yee	Casetek Holding Limited Stocks	None	Current financial assets at fair value through profit or loss	1,860	162,378	-%	162,378	1,860	-%	
					<b>\$ 165,381</b>					
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>\$ 41,822</b>	-%	41,822	3,000	-%	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	<b>\$ 105,196</b>	-%	105,196	-	-%	
Everlight Fujian	Kaistar Lighting (Xiamen) Co., Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	\$ 171,265	1.946%	171,265	(Note 2)	3.970%	
Everlight Fujian	Country Lighting(B.V.I) Ltd.	None	Current financial assets at fair value through profit or loss	(Note 2)	19,686	8.21%	19,686	(Note 2)	8.21%	
					<b>\$ 190,951</b>					

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

Note 2 : Company Limited.



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

Table 3 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock  
December 31, 2020

Unit: thousand dollars, 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	Epistar Co., Ltd. (Epistar) Stocks	Non current financial assets at fair value through other comprehensive income	-	-	10,000	\$ 323,505	-	-	10,000	\$ 370,708	\$ 370,708	-	\$ 47,203 (Note 1)	-	-

Note 1: Gain on financial assets at fair value through other comprehensive income.

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

Table 4 Related party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock  
December 31, 2020

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	Evlight	100% owned subsidiary	(Sales)	\$ (1,343,687)	(7%)	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 522,650	8%	Note 2
The Company	Everlight Europe	75% owned subsidiary	(Sales)	(862,247)	(5%)	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 198,990	3%	Note 2
The Company	Everlight Lighting China	100% owned sub-subsidiary	(Sales)	(719,571)	(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 651,768	10%	Note 2
The Company	ELA	99% owned subsidiary	(Sales)	(246,091)	(1%)	OA 140	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 78,741	1%	Note 2
The Company	Everlight China	100% owned sub-subsidiary	Purchases	8,861,462	73%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (3,956,648)	(68%)	Note 2
The Company	Everlight Zhongshan	100% owned sub-subsidiary	Purchases	328,837	3%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (164,203)	(3%)	Note 2
The Company	Everlight Lighting China	100% owned sub-subsidiary	Purchases	175,031	1%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (75,382)	(1%)	Note 2
The Company	Tekcore	Equity accounted investee by the Company	Purchases	111,670	1%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90 days	Accounts Payable (67,749)	(1%)	-
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(366,491)	(100%)	OA 120	-	-	Accounts Receivable 164,203	100%	Note 2
Everlight China	The Company	Ultimate holding company	(Sales)	(9,173,666)	(99%)	OA 120	-	-	Accounts Receivable 3,956,000	98%	Note 2
Everlight China	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(153,712)	(1%)	OA 90	Terms not comparable to other general trading price	General export receivables in 90 days	Accounts Receivable 89,989	2%	Note 2
Everlight China	Tekcore	Equity accounted investee by the Company	Purchases	391,452	6%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90 days	Accounts Payable (175,927)	(8%)	-
Everlight Lighting China	The Company	Ultimate holding company	(Sales)	(175,142)	(8%)	OA 120	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 75,382	8%	Note 2
Everlight Lighting China	The Company	Ultimate holding company	Purchases	816,944	37%	Depending on the terms of the ultimate customer	-	General purchases payments in 90~120 days	Accounts Payable (651,768)	(46%)	Note 2
Everlight Lighting China	Everlight China	With the same parent company	Outsourced manufacturing fee	152,713	7%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	Accounts Payable (89,989)	(6%)	Note 2
ELA	The Company	Parent company	Purchases	265,278	100%	OA 140	-	-	Accounts Payable (79,594)	100%	Note 2
Everlight Europe	The Company	Parent company	Purchases	873,111	100%	OA 120	-	-	Accounts Payable (199,079)	100%	Note 2
Evlight	The Company	Parent company	Purchases	1,352,640	100%	OA 90	-	General purchases payments in 90~120 days	Accounts Payable (522,994)	100%	Note 2
Evervision TW	VBEST GmbH	65.5% owned subsidiary	(Sales)	(124,695)	(16%)	OA 90	No significant difference to the general customers	General export receivable in 90~120 days	Accounts Receivable 4,804	3%	Note 2
Evervision TW	Vbest Kunshan	65.5% owned sub-subsidiary	Purchases	395,877	58%	OA 60	No significant difference to the general customers	General purchases payments in 90~120 days	Accounts Payable (157,521)	78%	Note 2
VBEST GmbH	Evervision TW	65.5% owned subsidiary	Purchases	123,245	100%	OA 90	Terms not comparable to other general trading price	-	Accounts Payable (4,963)	-%	Note 2
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(394,855)	(98%)	OA 150	Terms not comparable to other general trading price	General export receivable in 90~120 days	Accounts Receivable 157,676	100%	Note 2

Note 1: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2020.

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 5 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock  
December 31, 2020

Unit: In Thousands of New Taiwan Dollar

Name of company	Counterparty	Nature of relationship	Ending balance (Note 2)	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Evlite	100% owned subsidiary	\$ 522,650	2.78	-		\$ 389,203	-
The Company	Everlight Europe	75% owned subsidiary	198,990	4.32	-		198,990	-
The Company	Everlight China	100% owned sub-subsidiary	220,828 (Note 4)	-	-		-	-
The Company	Everlight Lighting China	100% owned sub-subsidiary	651,768	1.19	274,222	Improve accounts receivable collection	2,301	-
The Company	Everlight Lighting China	100% owned sub-subsidiary	221,743 (Note 3)	-	-		132,567	-
Everlight BVI	Everlight China	100% owned subsidiary	570,160 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	3,956,000	2.40	-		1,792,799	-
Everlight Zhongshan	The Company	Ultimate holding company	164,203	2.35	-		95,491	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	157,676	2.36	-		67,902	-

Note 1 : Information as of March 23, 2021.

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 6 Information derivative financial instruments transaction  
December 31, 2020

Unit: foreign currency in thousand dollars

<b>Name of holder</b>	<b>Financial instrument</b>	<b>Notional Amount</b>	<b>Transaction date</b>	<b>Maturity date</b>	<b>Rate</b>	<b>Fair Value</b>	<b>Credit risk</b>
The Company	Pre-sale forward exchange contract	USD 16,000	109.10.26~109.12.31	110.01.07~110.03.09	USD/RMB 6.5140~6.7640	\$ 8,134	8,134
The Company	Pre-sale forward exchange contract	USD 28,000	109.10.19~109.12.31	110.01.07~110.03.30	USD/NTD 28.0830~28.6960	(1,311)	-
The Company	Pre-sale forward exchange contract	EUR 750	109.12.02~109.12.28	110.01.26~110.03.23	EUR/USD 1.2089~1.2238	(287)	-
The	Cross currency swap	USD 50,000	109.03.17~109.12.17	110.01.19~110.03.17	USD/NTD 28.1500~30.0000	(53,047)	-
Everlight China	Other derivative financial instrument contracts	RMB 24,000	109.11.19~109.12.09	110.03.24	2.33%~3.05%	329	-

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 7 Business relationships and significant intercompany transactions  
December 31, 2020

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	\$ 862,247	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	4%
			1	Accounts receivable	198,990	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	1%
0	The Company	ELA	1	Sales revenue	246,091	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	1%
0	The Company	Ev-lite	1	Sales revenue	1,343,687	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	6%
			1	Accounts receivable	522,650	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	2%
0	The Company	Everlight Lighting China	1	Sales revenue	719,571	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	3%
			1	Accounts receivable	651,768	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	2%
			1	Other receivable due from related parties (Note 4)	221,743	Rate 0%	1%
0	The Company	Everlight China	1	Other receivable due from related parties (Note 3)	220,828	OA 120 days, upon acceptance	1%
1	Everlight China	The Company	2	Sales revenue	9,173,666	There is no general price for comparison; and the credit period is OA 120 days.	42%
			2	Accounts receivable	3,956,000	There is no general price for comparison; and the credit period is OA 120 days.	13%
1	Everlight China	Everlight Lighting China	3	Sales revenue	153,712	There is no significant difference on the price offered to general customers; and the credit period is OA 90 days.	1%
2	Everlight Zhongshan	The Company	2	Sales revenue	366,491	There is no general price for comparison; and the credit period is OA 95 days.	2%
			2	Accounts receivable	164,203	There is no general price for comparison; and the credit period is OA 95 days.	1%
3	Everlight Lighting China	The Company	2	Sales revenue	175,142	There is no general price for comparison; and the credit period is OA 120 days.	1%
4	Everlight BVI	Everlight China	3	Other receivable due from related parties (Note 4)	570,160	Rate 0%	2%
5	Evervision TW	Vbest GmbH	3	Sales revenue	124,695	There is no significant difference on the price offered to general customers; and the credit period is OA 90 days.	1%
6	Vbest Kunshan	Evervision TW	3	Sales revenue	394,855	There is no general price for comparison; and the credit period is OA 150 days.	2%
			3	Accounts receivable	157,676	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 8 Information on investees  
December 31, 2020

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, 2020	December 31, 2019	Shares (In thousands)	Percentage of ownership	Carrying value	Shares (In thousands)	Percentage of ownership			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	\$ 4,762,934	4,762,934	1,540	98%	\$ 6,513,640	1,540	98%	294,835	288,938	Subsidiaries (Note 4)
The Company	Pai yee	New Taipei City	Investment	580,253	580,253	23,940	100%	470,075	23,940	100%	11,039	11,039	Subsidiaries (Note 4)
The Company	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(66,472)	11,375	98.91%	17,385	17,196	Subsidiaries (Note 4)
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%	216,156	4,477	24.27%	(9,112)	(2,211)	Subsidiaries (Note 4)
The Company	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	97,216	75	75%	56,162	42,122	Subsidiaries (Note 4)
The Company	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	49,226	38	100%	13,291	13,291	Subsidiaries (Note 4)
The Company	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	413,174	42,488	100%	(15,670)	(15,670)	Subsidiaries (Note 4)
The Company	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	269,818	20,000	100%	76,339	63,360	Subsidiaries (Note 4)
The Company	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	4,181	9.66%	36,605	9,291	9.66%	(53,117)	(5,131)	(Note 1)
The Company	Ev-lite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	119,066	7,000	100%	18,776	18,776	Subsidiaries (Note 4)
The Company	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	10,500	353	80%	(1,368)	(1,094)	Subsidiaries (Note 4)
The Company	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	10,671	200	100%	(2,278)	(2,278)	Subsidiaries (Note 4)
The Company	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	98,125	5,775	100%	(159,529)	(141,254)	Subsidiaries (Note 4)
The Company	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	11,583	5	100%	(1,263)	(1,263)	Subsidiaries (Note 4)
Pai yee	Everlight BVI	Registered in British Virgin Islands	Investment	120,740	124,508	37	2%	132,931	38	2%	294,835	5,897	Subsidiaries (Note 4)
Pai yee	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	102,215	2,485	13.47%	(9,112)	(1,227)	Subsidiaries (Note 4)
Pai yee	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	23,732	18,867	2,483	5.74%	21,751	5,517	5.74%	(53,117)	(2,805)	(Note 2)
Pai yee	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	1,621	254	100%	884	884	Sub-subsidiaries (Note 4)
Pai yee	ELI	India	Sale of LEDs	493	493	88	20%	2,623	88	20%	(1,368)	(274)	Subsidiaries (Note 4)
	ELIT KZ	Kazakhstan	Sale of LED lighting products	73	-	-	100%	(587)	-	100%	(690)	(690)	Sub-subsidiaries (Note 4)
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%	178,663	5,120	27.76%	(9,112)	(2,530)	Subsidiaries (Note 4)
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%	-	(14,792)	-
Evervision	Well	Hsinchu County	Electronic material trading	28,000	14,000	400	40%	-	400	40%	(19,093)	(7,868)	-

Note 1: The market price is \$62,507 thousand dollars.

Note 2: The market price is \$37,119 thousand dollars.

Note 3: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2020.

Note 4: 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 9 Information on investment in Mainland China  
December 31, 2020

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

Unit: In Thousands of New Taiwan Dollar

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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	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, 2020 (Note 6)	Accumulated remittance of earnings as of December 31, 2020
					Outflow	Inflow		Shares/ Units (thousands)	Percentage of ownership					
<u>The Company and</u> <u>Pai yee:</u>														
Everlight China	Manufacture of LEDs	3,520,207 (US\$113,500 、 RMB65,129) (Note 7)	(Note 1)	3,146,143 (US\$110,360)	-	-	3,146,143 (US\$110,360)	-	100%	223,445	100%	223,445	4,991,532	(Note 8)
Everlight Lighting China	Sale of LEDs	228,064 (US\$8,000) (Note 11)	(Note 1)	148,242 (US\$5,200)	-	-	148,242 (US\$5,200)	-	100%	23,953	100%	23,953 (Note 12)	192,673 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	200,254 (US\$128 、 RMB45,000) (Note 19)	(Note 1)	3,649 (US\$128)	-	-	3,649 (US\$128)	-	100%	(195)	100%	(195) (Note 20)	195,528 (Note 20)	-
Everlight Zhongshan	Manufacture of LED related components	855,240 (US\$30,000)	(Note 1)	855,240 (US\$30,000)	-	-	855,240 (US\$30,000)	-	100%	4,971	100%	4,971	900,573	-
Everlight Fujian	Manufacture and sale of LED backlights and related	712,700 (US\$25,000)	(Note 1)	624,331 (US\$16,250 、 RMB36,868)	-	-	624,331 (US\$16,250 、 RMB36,868)	-	90%	7,226	90%	6,503	601,717	-
ELMS	Research and sale of LED lighting products	415,055 (RMB95,000) (Note 22)	Direct investment	104,800 (US\$1,294 、 RMB15,562)	-	-	104,800 (US\$1,294 、 RMB15,562)	-	100%	(9,392)	100%	(9,392) (Note 21)	114 (Note 21)	-
<u>Evervision TW:</u> Vbest Kunshan	Post assemble STN display and assemble module	513,144 (US\$18,000)	(Note 2)	513,144 (US\$18,000)	-	-	513,144 (US\$18,000)	-	65.50%	(21,541)	65.50%	(14,110)	421,664	-
<u>Everlight Lighting China:</u> Zhongshan Everlight Lighting	Research and sale of LED lighting products	87,380 (RMB20,000)	(Note 3)	-	-	-	-	-	100%	(39)	100%	(39)	(50,795)	-

# EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 9 Information on investment in Mainland China  
December 31, 2020

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2020 (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)	5,075,237 (USD169,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 13 、 16 and 17)	5,133,107 (USD170,829 thousand 、 RMB60,223 thousand)	10,540,381
ELIT	138,326 (USD2,723 thousand 、 RMB13,893 thousand) (Notes 9 and 18)	138,326 (USD2,723 thousand 、 RMB13,893 thousand)	169,644
Evervision TW	602,545 (Notes 15 and 23) (USD21,136 thousand)	602,545 (USD21,136 thousand)	461,937 (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), ELMS and Zhongshan Everlight Lighting, which recognized their gains and losses on investment in accordance with self reported financial statements of investees, the gains and losses on investment of the remaining companies were recognized according to the investees' financial statements which had been reasonably audited by the certified public accountants of the parent company and other accountants, and the amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2020.  
 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 USD48 thousand was included in the Company's accumulated outflow of investment from Taiwan and amounting to USD723 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 2,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.  
 Note 12 : Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.  
 Note 13 : 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 : ELIT sold 100% equity of ELMS to the Company in January 2014. The aforesaid investment amounting to USD 2,000 thousand and RMB 13,893 thousand were included in ELIT's accumulated outflow of investment 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 carrying value of investment in Everlight Electronic (Guangzhou) by Everlight China.  
 Note 21 : Including the gains or losses on investment and ending balance of the carrying value of investment in ELMS by Everlight Electronic (Guangzhou).  
 Note 22 : The difference from the Company's outflow of investment was due to the amount of RMB45,000 thousand invested in ELMS from Everlight Electronic (Guangzhou)'s owned fund.  
 Note 23 : The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to US\$386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Group and the investee companies in Mainland China for the year ended December 31, 2020.



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	2020	2019	Difference	
			Amount	%
Current Assets	19,728,192	17,386,636	2,341,556	13.47
Fix Assets	8,109,445	8,909,437	(799,992)	(8.98)
Intangible Assets	83,572	82,650	922	1.12
Other Assets	2,345,941	1,970,349	375,592	19.06
Total Assets	30,267,150	28,349,072	1,918,078	6.77
Current Liabilities	11,489,146	10,280,488	1,208,658	11.76
Long-term Liabilities	839,314	874,156	(34,842)	(3.99)
Total Liabilites	12,328,460	11,154,644	1,173,816	10.52
Equity attribute to owners of parent	17,567,302	16,842,893	724,409	4.30
Capital Stock	4,433,931	4,432,457	1,474	0.03
Capital Surplus	9,084,110	9,089,121	(5,011)	(0.06)
Retained Earnings	4,870,312	4,782,354	87,958	1.84
Other Equity Interests	(821,051)	(1,461,039)	639,988	(43.80)
Treasury stock	-	-	-	-
Non-Controlling Interests	371,388	351,535	19,853	5.65
Total Equity	17,938,690	17,194,428	744,262	4.33
Analysis of changes in financial ratios:				
1. Other Equity Interests : The increase was mainly due to the decrease in unrealized losses from financial assets at fair value through profit or loss in this period ,the loss had been transferred to retained earnings.				

- **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	2020	2019	Difference Amount	Difference (%)
Operating revenue		21,637,035	20,966,541	670,494	3.20
Cost of sales		16,218,266	15,838,093	380,173	2.40
Gross profit		5,418,769	5,128,448	290,321	5.66
Operating expenses		4,065,267	4,293,255	(227,988)	(5.31)
Operating Income		1,353,502	835,193	518,309	62.06
Non-operating income and expenses		273,833	230,515	43,318	18.79
Income before tax		1,627,335	1,065,708	561,627	52.70
Income tax expenses		377,655	214,379	163,276	76.16
Net Income		<u>1,249,680</u>	<u>851,329</u>	398,351	46.79

### Analysis of changes in financial ratios(Over 20%):

1. Operating income increased mainly due to the increase in operation revenue in this period, and the gross profit margin also increase because of the change of product mix which was more favorable, and operating expenses decreased in this period.
2. Tax expense increased mainly due to the increase in earnings before tax in this period.

## 7.3 Analysis of Cash Flow

### 7.3.1 Latest 2 years

NT\$, '000 ; %

Item \ Year	2020	2019	Difference (%)
Operating Activities	1,888,021	4,101,678	(53.97)
Investment Activities	(2,317,747)	(2,277,447)	1.77
Financing Activities	(310,973)	(1,214,785)	(74.4)
<p>1. Analysis of change in cash flow in the current year :</p> <p>(1)Cash flow from operating activities decreased mainly due to the increase in notes and accounts receivable (include related parties) and increase in financial assets at fair value through profit or loss.</p> <p>(2)Cash flow from financing activities decreased mainly due to the increase in the Short-term borrowings in the current year.</p>			

### 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
4,186,992	1,688,123	2,061,415	3,813,700	-	-
1. Analysis of cash flow changes in the coming year: (1) Operating activities: Mainly due to the expected cash inflow from the operation of the company. (2) Investment activities: Mainly due to cash outflows from the purchase of factory offices and machinery and equipment. (3) Financing activities: Mainly due to the net cash outflows arising from the full year financing activities such as cash dividends, employee bonuses, director and supervisor remuneration, and financing activities. 2. Measures and liquidity analysis of expected cash shortfall: None					

7.4 Major Capital Expenditure Items: None

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

7.5.1 The most recent annual investment policy, the main reason for its profit or loss, and improvement plans:

NT\$, '000

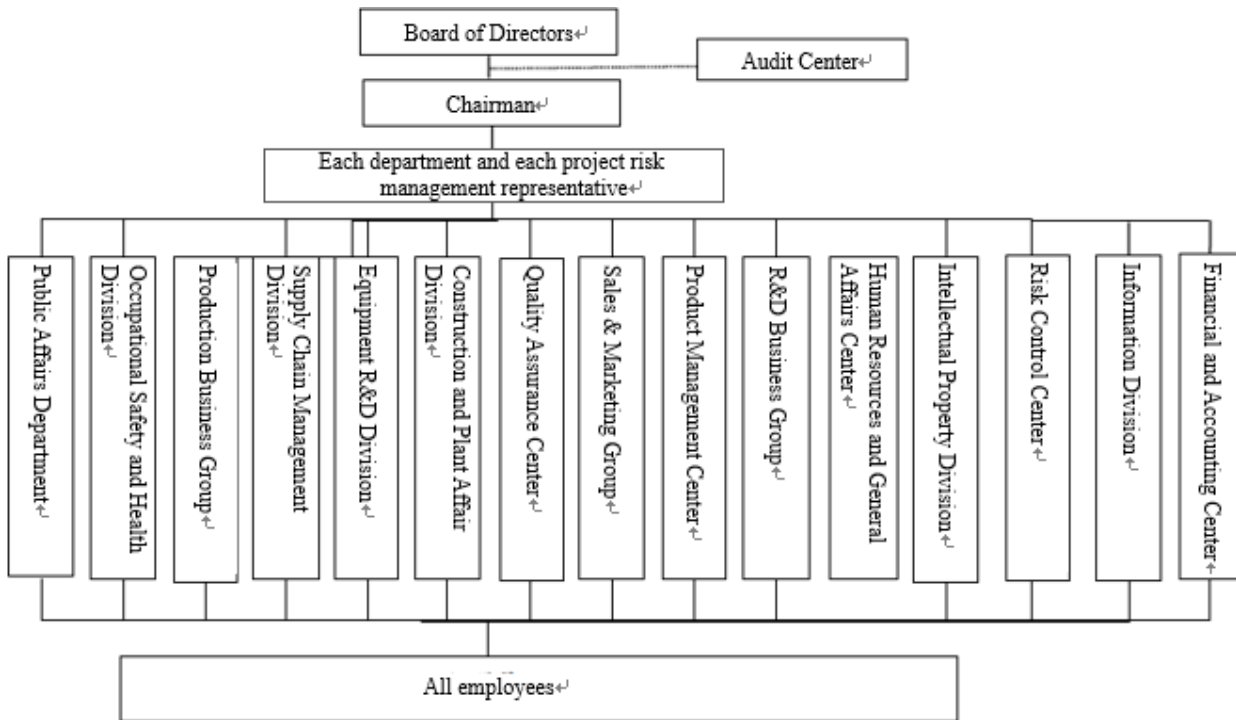
Our Investment	Profit/Loss	Business	Main Reason of Profit/Loss	Improvement Plan	Investment Plan
Everlight (BVI) Co., Ltd.	294,835	Holding company	The investment benefits of equity method	Not applicable	None
Pai Yee Investment Co., Ltd.	11,039	Investment company	The investment benefits of equity method and dividend income	Not applicable	None
Everlight Americas, Inc.	17,196	LED Sales	Gross profit increased and well expanding controlled	Expand business	None
Evervision Electronics Co., Ltd.	(5,968)	Production and sales of LCD panel	Foreign exchange loss	Not applicable	None
Everlight Electronic Europe GmbH	42,122	LED Sales	Well expanding controlled	Not applicable	None
Everlight Optoelectronics Korea Co., Ltd.	13,291	LED Sales	Well expanding controlled	Not applicable	None
Forever Investment Co., Ltd.	(15,670)	Investment company	The investment loss of equity method	None	None

Our Investment	Profit/Loss	Business	Main Reason of Profit/Loss	Improvement Plan	Investment Plan
Everlight Lighting Intellengence Technology Co., Ltd.	63,360	Sale of LED lighting products	Revenue and Gross profit increased and ,well expanding controled	Not applicable	None
Tekcore Co. Ltd	(5,131)	Production and sales of LED wafers and chips	Gross Loss	Improving yield of production to reduce gross loss	None
Evlite Electronics Co., Ltd.	18,776	LED Sales	Well expanding controled	Not applicable	None
Everlight Electronics India Private Limited	(1,368)	LED Sales	Revenue decreased	Expand business and control expending	None
Everlight Electronics Singapore Pte.Ltd.	(2,278)	LED Sales	Revenue decreased	Expand business and control expending	None
WOFI Leuchten GmbH	(141,254)	Lighting products and accessories sales	Not meet the expectation of sales and gross margin	Improve sales strategy to increase selling prices and review the costs	None
Everlight Japan Corporation	(1,263)	LED Sales	Revenue decreased	Expand business	None
Everlight Lighting Management Consulting(Shanghai) Co., Ltd.	(9,392)	Research and sale of LED lighting products	Loss of retained tax credit	Not applicable	None

7.5.2 Investment plans for the coming year: The Company estimates no major investment plans for the future.

## 7.6 Risk Management

### 7.6.1 Risk Management Framework



To ensure that all potential risks are effectively managed, each risk management unit runs through a risk assessment procedure on a quarterly basis to ensure that risk management is implemented effectively within the possible range.

The risk management of different operations is conducted by related units based on the nature of the operation, and the unit directly answers to the Chairman. The Audit Center reviews the existing or potential risks of operations and drafts a risk-oriented annual audit program based on the review.

The management unit of all risks and their risk management policies are as follows:

Public Affairs Department: Handling of press and media, industry association, and welfare activity related matters and management of relevant risks to reduce media risks

Occupational Safety and Health Division: Environmental protection, safety, and health operations to prevent or reduce the risk of accidents or environmental pollution

Production Business Group: Production and manufacturing risk control, reduction or prevention of resource waste or production efficiency risks during the production process

Supply Chain Management Division: Hold accountable for the management on the quality of raw materials, substances and components as well as the forbidden or restricted substances that keep the quality meeting the standards of the company and customers. Avoid the work being held up through a lack of materials, ensure reasonable procurement prices, reduce inventory and increase the competitiveness of products. Hold accountable for the risk control on the external risks (including accident risks, price risks, procurement quality risks, and technology advance risks) and internal risks (including contract risks, acceptance risks, and inventory risks) of procurement and to reduce or avoid the risks. Scheduling and allocation of production capacities to reduce or prevent the incidence of resource waste or production efficiency risks generated by production scheduling

Equipment R&D Division: Procurement, research, and development of production equipment to reduce or prevent risks generated by equipment needs or during the technology development process

Quality Assurance Center: Hold accountable for the risk control of the purchase of raw materials and

production risks, reducing and avoiding the risks of internal or external failure resulting from defective raw materials quality or defective production process.

This will improve the product quality of the company.

**Sales and Marketing Group:** Development of new clients and retention of old clients in line with annually planned sales targets and relevant KPI to maintain excellent report with customers and establish a sales performance management mechanism in order to reduce the risks associated with the inability to achieve annual sales targets; formulation and execution of marketing strategies for all business units to reduce the risks associated with product development and marketing.

**Product Management Center:** Hold accountable for planning and implementing the product strategy, life cycle, gross margin and future planning for the development of new products. Make suggestions to the company in compliance with the development trends of the industry and products from the market viewpoint to reduce or avoid the risk of failing to achieve the business goal of the company.

**R&D Business Group:** Control of risks related to the R&D and design of new products as well as the trial production stage, reduction and prevention of relevant risks through strategic thinking and control of R&D costs; assessment of key technologies and industry information, development and adoption of new materials and processes through integration of company resources and reduction or prevention of relevant risks.

**Human Resources and General Affairs Center:** Risks controls for human resource planning, training, recruitment, selection, appointment, and labor law compliance to reduce risks associated with human resource issues in order to achieve the goal of sustainable operations. The company's communications, power allocation, energy control, plant electrics, business equipment and other transactions to ensure smooth operations.

**Information Division:** Risk controls regarding the applicability, reliability, adaptability, and security of information systems to reduce or prevent the incidence of risks related to company systems and information technology project implementation as well as information security risks.

**Legal Center:** Divided into Legal division and Intellectual Property Division. Legal Division hold accountable for risk management of legal affairs and CSR planning, compliance of monitor policy of the competent authority, as well as handling contractual and litigation disputes to lower the legal risk concerning the company operations. And Intellectual Property Division is in charge of the risk management for IPR issues, compliance with regulatory policies of competent authorities and handling of litigation issues to reduce risks associated with patent right related matters.

**Financial and Accounting Center:** Hold accountable for planning and implementing the finance and taxes and risk control of financing, investment assessment, derivatives, financing, accounting information, financial reports and tax compliance, as well as enhancing the functions of internal control systems to ensure the effectiveness of continuous operations of the company.

**Audit Center:** Supervising unit in the risk management framework, objective and independent audits of the functioning and implementation of risk management mechanisms to guarantee an effective functioning of the system.

#### 7.6.2 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

The Company's and subsidiaries' interest payments for 2019 and 2020 were NT\$70,034 thousand and NT\$58,564 thousand, respectively 0.33% and 0.27% 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 90.90% of the total revenue are from export activities. Excessive exchange rate fluctuations would cost the profit of the Company and its subsidiaries. In 2019 and 2020, the Company and its subsidiaries recognized exchange benefits of NT\$ 73,131 thousand and profit NT\$ 3,793 thousand, accounting for 0.35% and 0.02% of the net sales of each period. The Company and its subsidiaries are in accordance with the " Handling Procedures for Derivative Product Transaction Engagement " and maintain a certain hedge ratio to reduce the impact of exchange rate fluctuations on profitability.

The impact of inflation on the profit and loss currently is not yet obvious. The Company and its subsidiaries will also pay close attention to inflation, reduce various costs, watch the supply and demand of raw materials and price changes, and adjust inventory accordingly, and developing of high value-added products to respond certain situation.

- 7.6.3 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions: The Company is not engaged in any high-risk, high-leverage investment. Please refer to the company's financial report for our loans to others and there is no endorsement or guarantee for others in recent years. Everlight trades derivative products only for the risk aversion and only undertake structured financial products with lower risks for the trading purposes.
- 7.6.4 Future Research & Development Projects and Corresponding Budget: Please see 5.1.4 Long- and short-term business development plan
- 7.6.5 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales : None
- 7.6.6 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales : None
- 7.6.7 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures : None
- 7.6.8 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans : None
- 7.6.9 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans : Please see 4.8 Financing Plans and Implementation
- 7.6.10 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration : The Company's sources of purchases and sales are well diversified and will not greatly be affected by a single customer.
- 7.6.11 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% :



None

7.6.12 Effects of, Risks Relating to and Response to the Changes in Management Rights :

None

7.6.13 Litigation or Non-litigation Matters :

- (1) Nichia Corporation (“Nichia”) filed a lawsuit against the Company and Everlight Europe in the 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. The patent infringement case related to Patent 053 is currently suspended. Patent 053 and Patent 080 had both expired on July 29th, 2017, therefore they won’t affect the sales of the current products of the Company. In addition, this litigation was filed against only certain obsolete products of the Company, therefore the operation and sales of the Company won’t be seriously impacted by this patent. As a result, The Company had withdrawn litigation claims from this patent infringement case related to Patent 080.
- (2) In April 2016, the Company filed opposition proceedings in the European Patent Office (“EPO”) alleging that Nichia's Patent 080 and Patent 053 are invalid. In October 2017, EPO issued decisions that the original claims were invalid, and the narrowly amended claims were valid. Both Nichia and the Company appealed and the cases are still in progress. The Company believes that the above-mentioned Nichia’s Patent 053 and Patent 080 should be invalid, so the Company evaluated the final judgment of the cases should have no significant impact on the operation of the company.
- (3) In September, 2015, Nichia filed a litigation in the Dusseldorf District Court alleging that WOFI Leuchten (“WOFI”) infringes Nichia’s European Patent EP2276080 (“Patent 080”) and EP2197053 (“Patent 053”). The Dusseldorf District Court ruled against Wofi in December 2016. WOFI then appealed the case in January 2017 in the Dusseldorf Higher Regional Court. In addition, in the objection procedure against the two patents in the aforementioned item, in October 2017, the European Patent Office (“EPO”) issued a judgment, and the original claims were invalid, and the narrowly amended claims were valid. Both Nichia and the Company appealed the second instance, the patents claims were under determination. The Dusseldorf Higher Regional Court has announced that it will suspend the trial of infringement cases and will restart the infringement process after the patents claims are determined. The Company believes that the patents should be invalid, and the patents had both expired on July 29th, 2017, so the Company evaluated the final judgment of the case should have no significant impact on the operation of the Company and its subsidiaries.
- (4) Everlight China, a subsidiary of the Company, filed a patent invalidation procedures with the China Patent Invalidation Reexamination Committee against Nichia China’s Patent 762 and Patent 837 in April 2016. In September, 2017, the Reexamination

Committee decided that the patent 762 was valid and the Patent 837 was invalid. Both Nichia and Everlight China appealed. In December , 2018, the Beijing Intellectual Property Court determined that Patent 762 was valid. Since the patent has expired on July 29, 2017, Everlight China decided not to appeal. In May, 2019, the Beijing Intellectual Property Court ruled that Patent 837 was invalid, Nichia appealed to the Supreme People's Court. In September, 2020, the Supreme People's Court denied the Nichia's appeal request and decided that the Patent 837 was invalid. Everlight won the final victory.

(5) 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.

In summary, although the Company and its subsidiaries have the above-mentioned litigation cases, they have appointed lawyers to deal with the litigations. The Company and its subsidiaries have taken relevant countermeasures. At present, there is no immediate and significant impact on the financial and business of the Company and its subsidiaries, and it should not cause any significant impact on its shareholders' equity or affect the stock transaction price.

7.6.14 Other Major Risks : None

## 7.7 Other Major Items :

### Information security

In the past few years, the thriving internet brings out the information security problems, how to sustain internal information security becomes an urgent subject matter. Everlight determined to minimize the impact of information security risks and provide proficient service to our customers eternally, have regulations including server room and network management, information security control procedures, to ensure confidentiality, integrity, and availability of the data within company's administration and to protect the rights of company, customers and employees.

The scope of information security at Everlight encompasses employees, clients, suppliers, and shareholders and all IT software and hardware associated with its business activities. All information security standards and regulations are based on technical support and establishment of applications and data security standards. The goal of the company's information security policy is to protect all operating-related information and business secrets, including employees, customers, suppliers, and shareholders, to ensure the normal operation of the company. The standards and regulations are made part of the management system in order to protect the privacy of Everlight's employees, suppliers, and clients and maintain information security while the above parties discuss business matters.

On the basis of company's information systems and technical aspects, softwares and virus scans of servers and personal computers will be updated regularly, in order to keep isolate from virus and malicious programs. With firewall hardware installed in the LAN network of specific policies to control all the communication between networks. With email filters, it will minimize the risks of email attack, such as spam/ads, phishing, fake, virus, malicious emails with attachments etc.

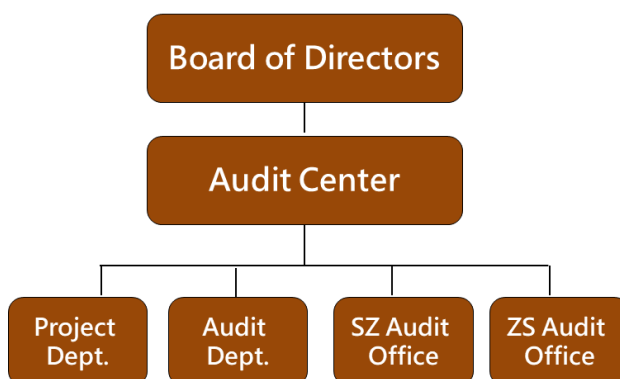
Since 2012, Everlight has controlled the usb devices of personal computers to incorporated the information security regulation and enforce the information safety and minimize the data breach and virus affection. Besides the continuous improvement of information security from the information security department, new employee will sign the "Integrity, honesty and intellectual property rights agreement" on the boarding day and have an information security training. In addition, annual information security training is also provided. Everlight provides ongoing training as means to raise awareness of information security in the workplace and incorporate the elements into the processes in order to achieve the most secure and rigorous information protection.

(1) Legal Center Org and R&R of Information Security

### R&R(Information Safety)

- Legal Center :
  - ① Propose personal data protect policy
  - ② Implement personal data management
  - ③ Manage and evaluate personal data privacy
  - ④ Personal data protect education and training plan
  - ⑤ Act, manage, evaluate and monitor incidents of personal data safety
  - ⑥ Annual inventory of personal data
  - ⑦ Review risk evaluation results and precautions of IT

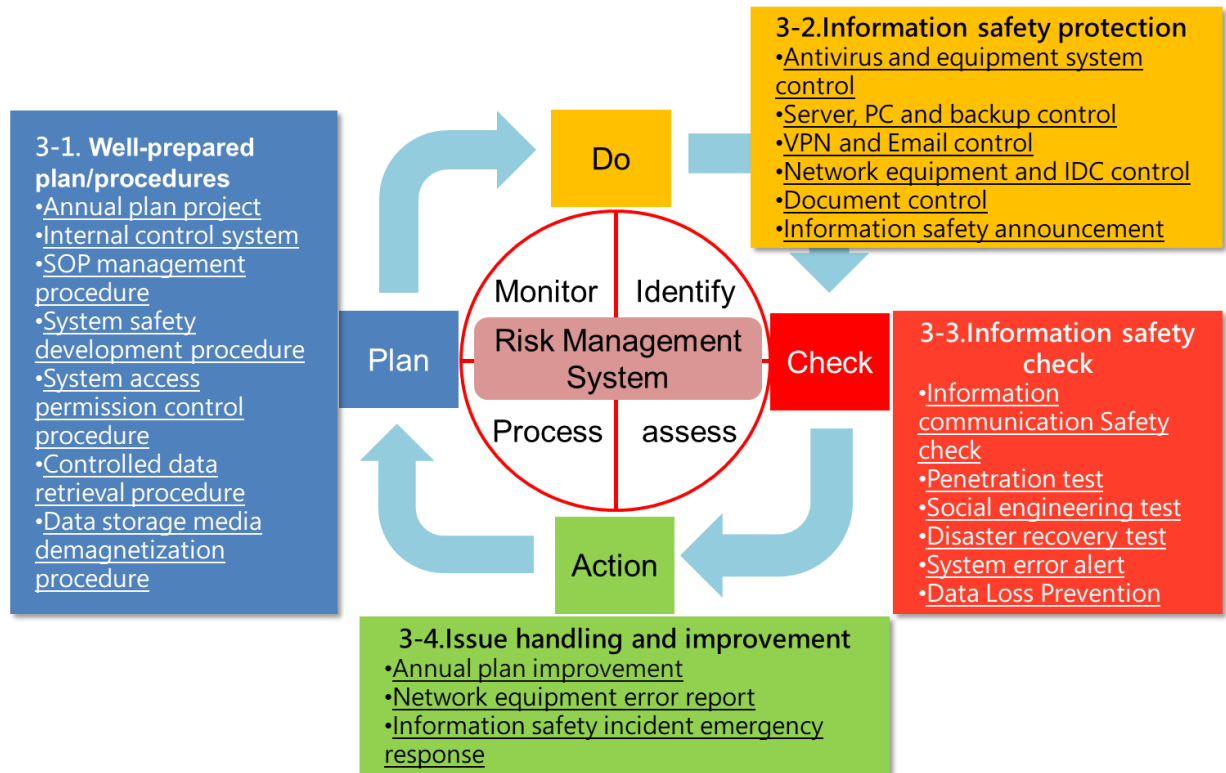
(2) Audit Center Org and R&R of Information Security



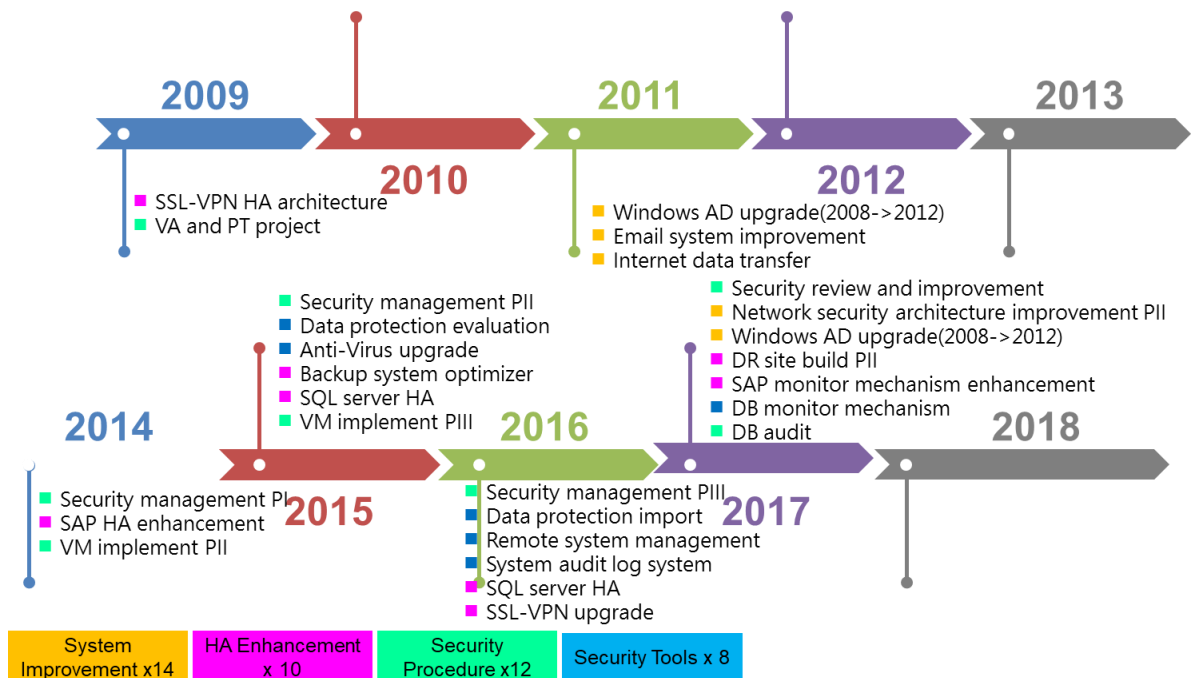
### R&R(Information Safety)

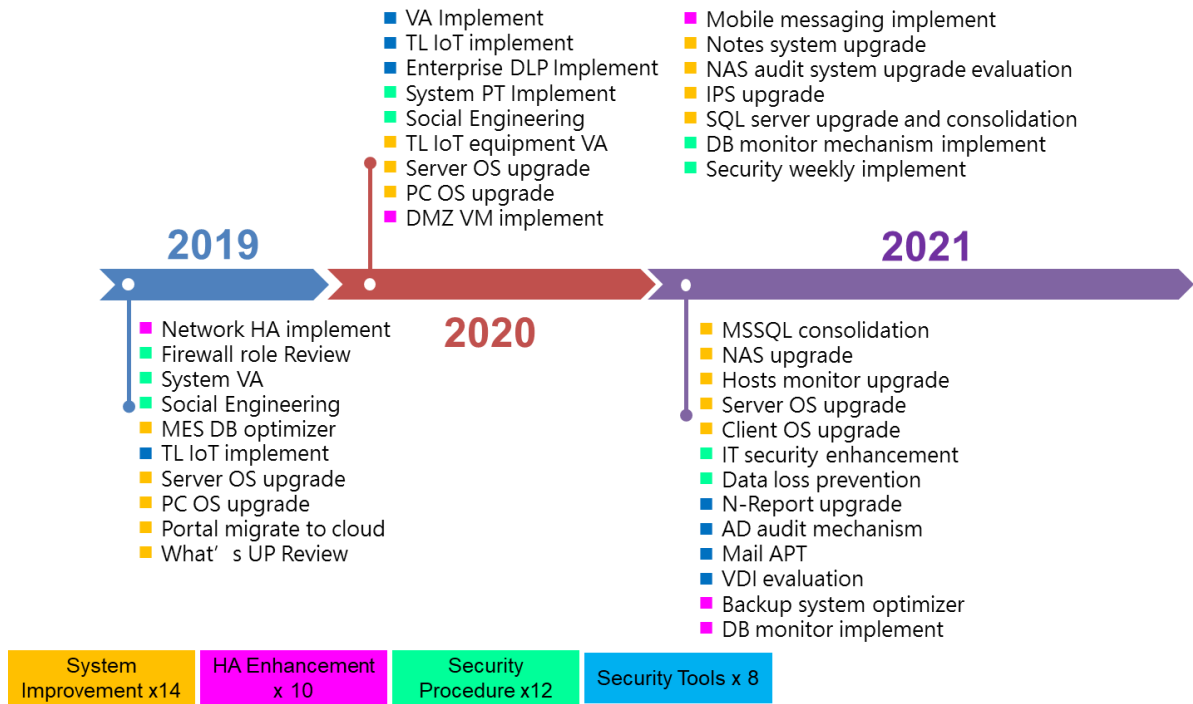
- Based on annual audit plan to check the " Electronic Data cycle" and "Other management and control policy(personal data protection)"
  1. Audit plan and items
    - ✓ [Half yearly server disaster recovery result](#)
    - ✓ [Half yearly IDC fire drill result](#)
    - ✓ [Daily backup records](#)
  2. 2020 Audit result: No critical defect

### (3) Risk Management System Cycle



### Well-prepared plan



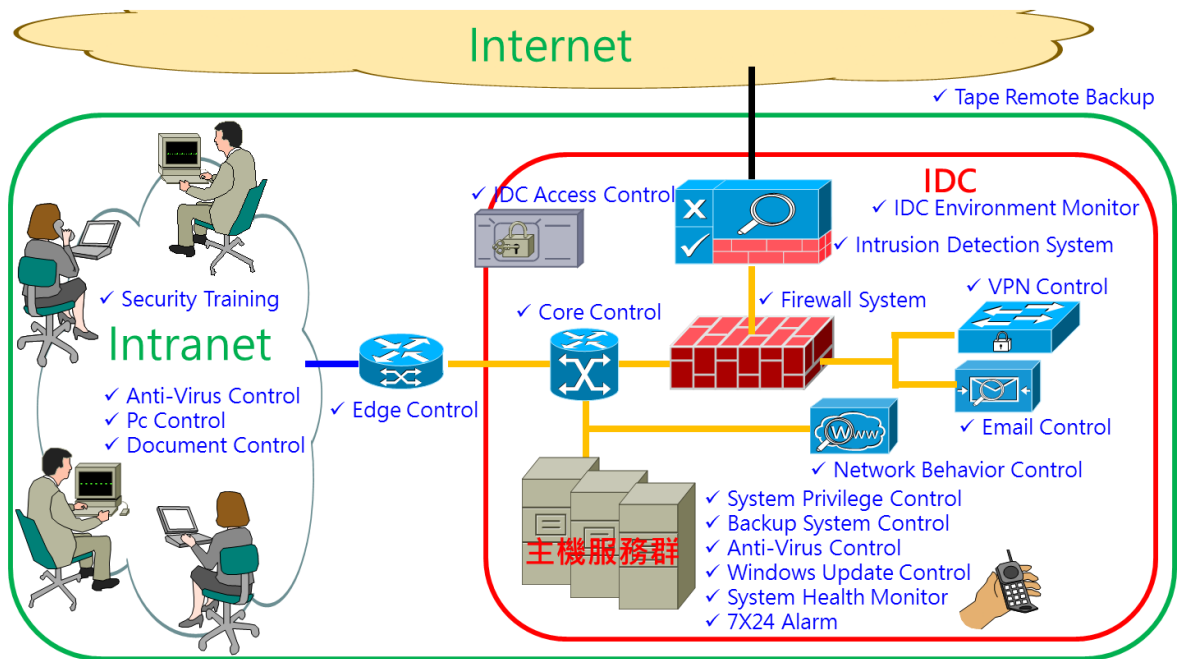


## Well-prepared procedures

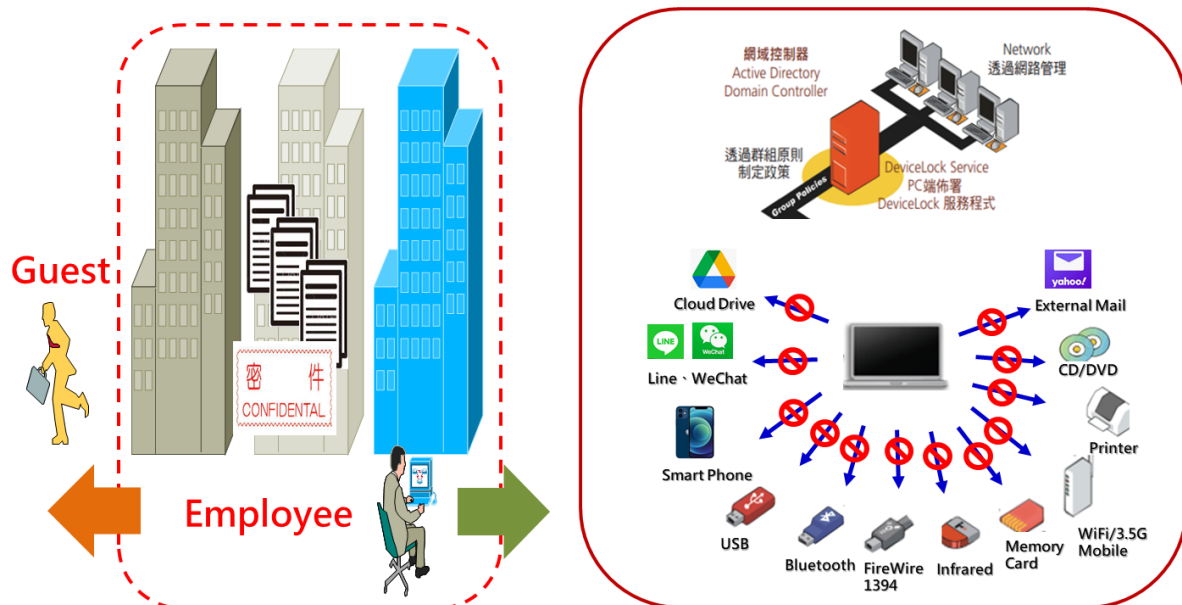
Document Level	Document No.	Document Name	Description
Internal Control System	Chapter 3 section 9	Electronic Data Cycle	Work description of IT division
Management Procedure	PRO-0000004	IDC Management Procedure	Establish the management system of server room and secure the information safety
	PRO-0000115	Information Security Management Procedure	Protect the information assets and avoid risks
Work Instruction	SOP-0000211	Information Service Request Instruction	Ensure the service quality of IT and increase the satisfaction of users
	SOP-0000464	IDC Environment Control Instruction	Make servers, network equipment be available
	SOP-0000465	IDC Safety Control Instruction	Safety control of server room
	SOP-0000466	IDC Backup Instruction	Ensure the integrity of business data
	SOP-0006803	Human Factor Engineering Hearth Management Instruction	To avoid injuries of employees from computers

Document Level	Document No.	Document Name	Description
Management Instruction		Instance Messaging Management	Use instance messaging in the right way to secure information safety
		File Server Space Usage Management	Control drive space to avoid waste of resources
		AD Management	Ensure the log-in accounts use correctly
		E-mail Management	Ensure the email accounts use correctly
		OA and PC Security Management	Avoid workplace from information safety events
		SAP Account Management	Ensure SAP accounts use correctly
		Information Record Retrieval Management	Follow the instructions to retrieve records and protect personal privacy
		VPN Management	Ensure secured external connection to retrieve the data of internal systems
		Database Management	Ensure important operation information and sustain

### Information Safety Protection- Systems Prevention



### Information Safety Protection- Data Loss Prevention



### Information Safety Internal Education

Course	Content	Number of trainees
2020 Information Safety Education	Everything about the Information Safety	485
2020 Corporate Anti-Corruption/Trade Secrets	Corporate Anti-Corruption/Trade Secrets	510

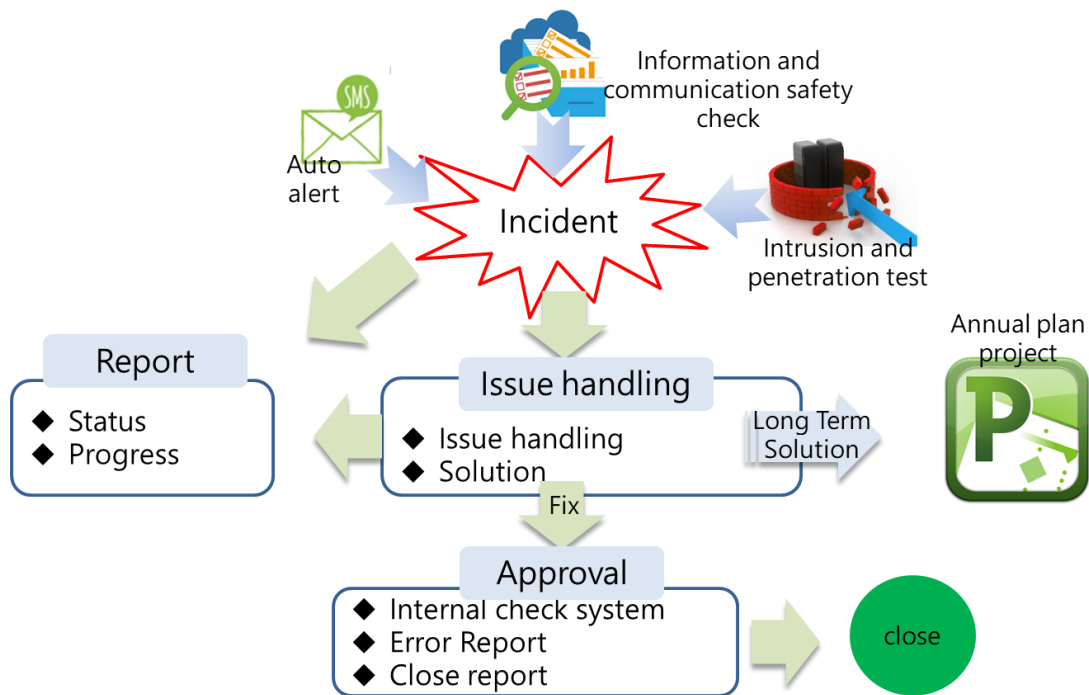
Note: We provide the courses of information environment and information introduction to our new staffs every month.

### Information Safety Check

- IT service request
- SOP
- Employee Resignation Management
- System Permission Management
- IDC Safety
- Backup Operation
- Incident Records
- IT Division Short-term, Mid-term and Long-term Plans
- Others

### Issue handling and improvement





Superior than benchmarks(TL IoT) :

The Industrial Internet of Things (IIoT) is part of information system in intelligent manufacturing, which mainly refers to manage multiple monitoring systems of manufacturing sites and information equipments. IIoT has many specific functional requirements, such as real-time monitoring, high availability, predictability and distributed computing, which needs to incorporated with communication and information exchange techniques.

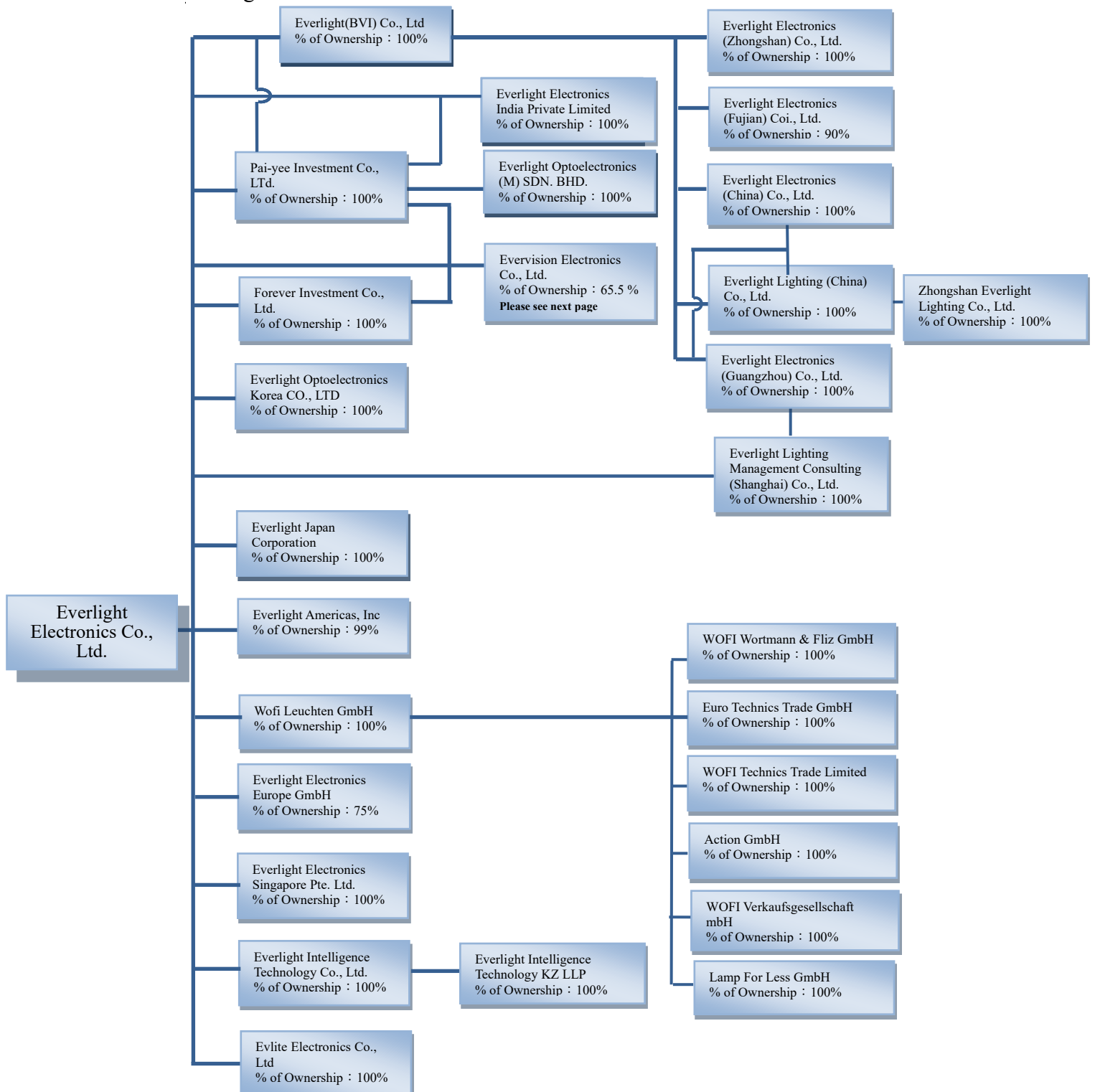
We are highly concerned about the privacy of every customer, with strict standard to protect the customer's privacy and personal data. Besides following Personal Information Protection Act, we have the "Personal data safety management instruction" and hold regular "personal information protection announcement", 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 2020, there were no complaints related to infringement of customer privacy or loss of customer information.

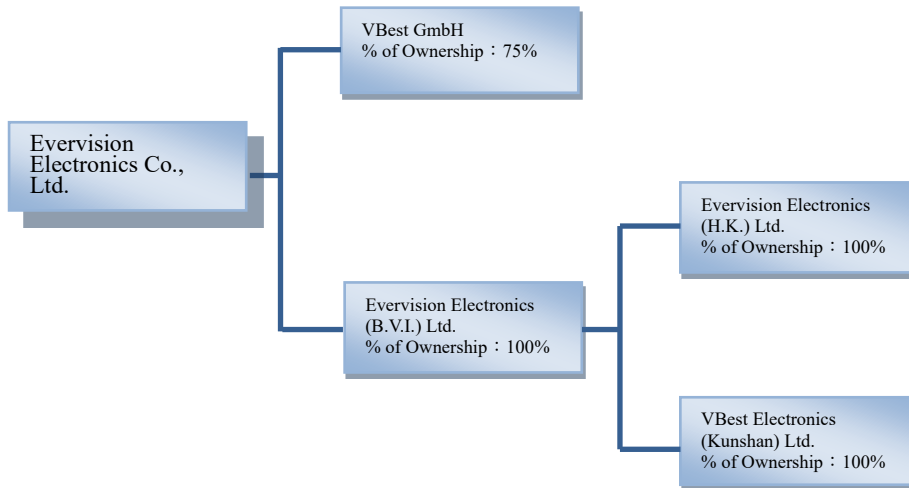
## 8. Special Disclosure

## 8.1 Summary of Affiliated Companies :

### 8.1.1 Organization Chart

2020/12/31





### 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	USD8,000	LED Sales	
Everlight Electronics (Guangzhou) Ltd.	2007.06.08	Room 1510-1511, 15th Floor, No. 266 West Ring Road, Shatou Street, Panyu District, Guangzhou	RMB45,968	Business development and customer services	
Everlight Electronics (Zhongshan) Ltd.	2008.01.09	1-2 Floor, Factory Building, No. 8, Industrial Avenue South, Xiaolan Town, Zhongshan City, Guangdong Province	USD30,000	Manufacture of LED-related components	
Everlight Optoelectronics (M) SDN. BHD.	2011.1.01	B-04-20, Krystal Point, 303, Jalan Sultan Azlan Shah, 11900 Sungai Nibong, Penang	MYR254	Sales promotion and customer service	

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	612, Surya Kiran Building, 19 Kasturba Gandhi Marg, Connaught Place, New Delhi-110001	INR4,410	LED Sales	
Everlight Lighting Management Consulting (Shanghai) Co., Ltd.	2013.3.01	Room 2201, Building 2, No. 320 Caobao Road, Xuhui District, Shanghai	RMB95,000	LED and lighting products R&D and Sales	
Everlight Electronics Singapore Pte. Ltd.	2013.5.21	66 TANNERY LANE #01-03M SINDO INDUSTRIAL BUILDING SINGAPORE 347805	USD200	LED Sales	
Everlight Japan Corporation	2013.10.21	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	RMB20,000	LED and lighting products R&D and Sales	
WOFI Leuchten GmbH	2006.11.14	Im Langel 6, 59872 Meschede	EUR5,775	Lighting products and accessories sales	
WOFI Wortmann & Fliz GmbH	2012.8.13	Im Langel 6, 59872 Meschede	EUR100	Lighting products and accessories sales	
Euro Technics Trade GmbH	2004.8.16	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	
WOFI Technics Trade Limited	2006.3.1	12/F Fortis Bank Tower, 77 Gloucester Rd, Hong Kong	HKD100	Lighting products and accessories sales	
Action GmbH	2000.9.13	Im Langel 6, 59872 Meschede	EUR 26	Lighting products and accessories sales	

WOFI Verkaufsgesellschaft mbH (WOFI VG)	2017.10.11	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	
Lamp For Less GmbH	2018.7.27	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	
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 Director Director Supervisor President	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Robert Yeh	Robert Yeh Wu-Yan Yeh Alice Fu Bo-Wen Zhou	23,939,525   0	100   0	
Everlight (BVI) Co., Ltd.	Director President	Everlight Electronics Co., Ltd. Robert Yeh	Robert Yeh	1, 539, 945. 94	98	
Everlight Americas, Inc.	Director President	Everlight Electronics Co., Ltd. Bernd Kammerer	Robert Yeh	11,375,000 125,000	99 1	
Everlight Electronics Europe GmbH	Director President	Everlight Electronics Co., Ltd. Bernd Kammerer	Bernd Kammerer	75,000 25,000	75 25	
Everlight Optoelectronics Korea Co.,Ltd.	Director Director Director Supervisor President	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Ting-Wei Yeh	Robert Yeh Ting-Wei Yeh Chung-Wei Wang Li-Yu Huang	37,890	100	
Forever Investment Co., Ltd.	Chairman President	Everlight Electronics Co., Ltd. Robert Yeh	Robert Yeh	42,487,490	100	
Everlight Lighting Intellengence Technology Co., Ltd.	Chairman Director Director Supervisor	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd.	Robert Yeh Li-Yu Huang His-Chuan Hsu Alice Fu	20,000,000	100	
Evlite Electronics Co., Ltd.	Director Director	Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd.	Robert Yeh Alice Fu	Note1	100	
Everlight Electronics (China) Ltd.	Chairman Director Director Supervisor	Everlight (BVI) Co., Ltd. Everlight (BVI) Co., Ltd. Everlight (BVI) Co., Ltd. Everlight (BVI) Co., Ltd.	Wu-Liu Tsai Robert Yeh Chih-Min Lin Alice Fu	Note1	100	
Everlight Lighting (China) Ltd.	Chairman Director Director Supervisor President	Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd. Everlight Electronics (China) Ltd. Everlight (BVI) Co.,Ltd. Chi-Hui Chen	Robert Yeh Chi-Hui Chen Wu-Liu Tsai Alice Fu	Note1	65 35	
Everlight Electronics (Guangzhou) Ltd.	Chairman Director Director Supervisor	Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd Everlight Electronics (China) Ltd.	Chi-Hui Chen Robert Yeh Alice Fu Li-Yu Huang	968,300 45,000,000	2.11 97.89	
Everlight Electronics (Zhongshan) Ltd.	Chairman Director Director Supervisor	Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd.	Wu-Liu Tsai Robert Yeh Alice Fu Li-Yu Huang	Note1	100	

Company	Position	Name	representative	Ownership		Remark
				Shares	Shares	
Everlight Electronics (Fujian) Ltd.	Chairman	Everlight (BVI) Co.,Ltd.	Robert Yeh	Note1	90	
	Director	Everlight (BVI) Co.,Ltd.	Chun-Yuan Chen		10	
	Director	Epistar JV Holding (BVI)Co.,Ltd.	Chin-Yung Fan			
	Supervisor President	Everlight (BVI) Co.,Ltd. Chun-Yuan Chen	Alice Fu		90	
Everlight Optoelectronics (M) SDN. BHD.	Director	Pai Yee Investment Co., Ltd.	Low Khee Poay	253,649	100	
	Director	Pai Yee Investment Co., Ltd.	Li-Yu Huang			
Yi-Yao Techonology (Shanghai) Ltd.	CEO	Everlight Intelligence Technology Co., Ltd.	Robert Yeh	Note1	17.4	
	Supervisor	Everlight Solid State Lighting (HK) Co., Ltd.	Alice Fu		82.6	
Evervision Electronics Co., Ltd.	Director	Everlight Electronics Co., Ltd.	Robert Yeh	12,082,065	65.50	
	Supervisor President	Alice Fu Robert Yeh				
Evervision Electronics (BVI) Ltd.	Director	Evervision Electronics Co., Ltd.	Robert Yeh	20,566,735	100	
VBest GmbH	Director	Evervision Electronics Co., Ltd.	Robert Yeh	1	75	
Evervision Electronics (HK) Ltd.	Director	Evervision Electronics (BVI) Ltd.	Robert Yeh	300,000	100	
Vbest Kunshan Ltd.	Director	Evervision Electronics (BVI) Ltd.	Liao,Hung-I	Note1	100	
	Supervisor	Evervision Electronics (BVI) Ltd.	Chi-Jung Huang			
	President	Liao Hongyi				
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.	Li-Yu Huang			
	Director	Everlight Electronics Co., Ltd.	Anuradha Rajashekar			
Everlight Lighting Management Consulting (Shanghai) Co., Ltd.	Chairman	Everlight Electronics Co., Ltd.	Li-Yu Huang	Note1	52.63	
	Vice Chairman	Everlight Electronics (Guangzhou) Ltd.	Chi-Hui Chen		47.37	
	Director	Everlight Electronics Co., Ltd.	Cheng-Hsiung Ho			
	Supervisor President	Everlight Electronics Co., Ltd. Li-Yu Huang	Alice Fu			
Everlight Electronics Singapore Pte. Ltd.	Director	Everlight Electronics Co., Ltd.	Li-Yu Huang	200,000	100	
	Director	Everlight Electronics Co., Ltd.	Nicholas Choong			
Everlight Japan Corporation	Director	Everlight Electronics Co., Ltd.	Hideaki Yomo	5,000	100	
	Director	Everlight Electronics Co., Ltd.	Alice Fu			
	Director	Everlight Electronics Co., Ltd.	Wu-Liu Tsai			
	Supervisor President	Everlight Electronics Co., Ltd. Hideaki Yomo	Li-Yu Huang			
Zhongshan Everlight Lighting Ltd.	Execute	Everlight Lighting (China) Ltd.	Li-Yu Huang	Note1	100	
	Director	Everlight Lighting (China) Ltd.				
	Supervisor President	Everlight Lighting (China) Ltd. Li-Yu Huang	Alice Fu			
WOFI Leuchten GmbH	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	5,775,000	100	
WOFI Wortmann & Fliz GmbH	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	100,000	100	



Euro Technics Trade GmbH	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	25,000	100	
WOFI Technics Trade Limited	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang(processing)	Robert Yeh	100,000	100	
Action GmbH	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	26,000	100	
WOFI Verkaufsgesellschaft mbH (WOFI VG)	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	25,000	100	
Lamp for less	Director President	Everlight Electronics Co., Ltd. Li-Yu Huang	Robert Yeh	25,000	100	
Everlight Intelligence Technology KZ LLP	Director President	Everlight Electronics Co., Ltd. His-Chuan Hsu	His-Chuan Hsu	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	486,314	3,360	482,954	-	(884)	11,039	0.46
Everlight (BVI) Co.,Ltd.	4,649,435	7,218,915	572,344	6,646,571	-	(210)	294,835	-
Everlight Americas,Inc.	327,842	114,385	181,591	(67,206)	310,465	(88,374)	17,385	-
Evlite Electronics Co., Ltd.	25,739	879,913	760,847	119,066	1,352,828	(62,444)	18,776	-
Everlight Electronics Europe GmbH	3,482	445,302	315,683	129,619	1,057,720	57,622	56,162	-
Everlight Electronics (China) Ltd.	3,801,363	8,811,791	3,820,259	4,991,532	9,311,575	164,213	223,445	-
Everlight Lighting (China) Ltd.	233,816	1,629,049	1,436,376	192,673	1,937,139	20,610	23,953	-
Forever Investment Co., Ltd.	424,875	413,265	91	413,174	-	(725)	(15,670)	(0.37)
Everlight Electronics (GuangZhou) Co., Ltd.	200,836	253,588	58,060	195,528	-	(32,865)	(195)	-
Everlight Electronics (Zhongshan) Ltd.	883,897	982,629	82,056	900,573	367,736	(23,119)	4,971	-
Everlight Optoelectronics Korea Co.,Ltd.	4,964	58,978	9,752	49,226	-	(56,665)	13,291	-

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Everlight Electronics (Fujian) Ltd.	729,117	670,050	1,476	668,574	-	(506)	7,226	-
Evervision Electronics Co., Ltd.	184,441	942,861	172,965	769,896	826,439	20,270	(9,112)	(0.49)
Evervision Electronics (B.V.I.) Ltd.	696,251	644,838	-	644,838	-	-	(21,586)	
VBest GmbH	876	57,385	13,113	44,272	149,617	9,082	6,926	
Evervision Electronics (H.K.) Ltd.	1,102	1,091	15	1,076	-	(42)	(39)	
VBest Electronics (Kunshan)	646,387	708,693	65,103	643,590	404,312	(7,710)	(21,547)	
Everlight Lighting Intellengence Technology Co., Ltd.	200,000	432,113	149,373	282,740	587,863	82,008	76,339	3.82
Everlight Optoelectronics (M) SDN. BHD.	1,799	2,218	597	1,621	-	(2,888)	884	-
Everlight Electronics India Private Limited	1,721	13,391	268	13,123	-	(4,854)	(1,368)	-
Everlight Lighting Management Consulting (Shanghai) Co., Ltd.	415,055	517	403	114	-	(307)	(9,392)	-
Everlight Electronics Singapore Pte. Ltd.	5,433	11,830	1,159	10,671	-	(11,549)	(2,278)	-

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Everlight Japan Corporation	13,805	36,195	24,612	11,583	-	(51,487)	(1,263)	-
WOFI Leuchten GmbH	401,956	1,022,649	1,293,318	(270,669)	965,377	(140,503)	(141,254)	-
Zhongshan Everlight Lighting Ltd.	87,380	16,320	67,115	(50,795)	14,656	(1,207)	(39)	-
Everlight Intelligence Technology KZ LLP	68	5,641	6,228	(587)	-	(690)	(690)	-

Note: All subsidiaries need to be explored, and the exchange rates are NT\$/US\$-28.508, NT\$/EUR-34.8225, NT\$/HK\$-3.677, NT\$/RMB-4.369, NT\$/KOW-0.0262, NT\$/INR-0.3903, NT\$/JPY-0.2761, NT\$/SIN-21.561, NT\$/MYR-7.0933 , NT\$/KZT-0.0677.

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 2020 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 :