

Everlight Electronics Co., Ltd.

2021 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

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Title: Director

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Deputy Spokesperson

Name: Chien-Ming Ting

Title: Sr. Director

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2. Headquarters, Branches and Plant

Corporate Headquarters

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Branch

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TEL: +886-37-740-776

3. Common Share Transfer Agent and Registrar

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

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Website: www.capital.com.tw

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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.)

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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 2022 shareholders' meeting.

In 2021, the impact of the Covid-19 epidemic still affected the global economy, thus the demand for consumer electronics and home appliances continues to grow due to the raising needs of work from home, gaming, and online shopping. With deployment in many countries of digital infrastructure, strong demand of optical components has been created from 5G base stations and servers. Benefiting from these trends, Everlight's consolidated revenue reached NT\$ 25.02 billion in 2021, with an annual growth of 15.6%, and gross profit margin increased by 2% to 27% due to better product mix and higher capacity utilization. The net profit was NT\$ 1.94 billion, 57% more than 2020, and the after-tax earnings per share (EPS) was NT\$ 4.37, which is the highest in the past six years. The board of directors has approved a cash dividend of NT\$ 3.5 per share.

New technique and applications

Invisible LED components have multi functions, such as circuit isolation, control, signal amplification and sensing, are widely applied to home appliances, consumer electronics, automotive and industrial applications. All of these products including solar energy storage management, which integrated storage and charging, the isolator of charging station, power control components, the power saving solutions of home appliances, or body positioning and eyeball tracking used by AR/VR/MR kits for metaverse users need our photocouplers, PD or IR components. Developing customized products to meet various needs of customers is Everlight's advantage, we will focus on developing our new products and applications applied to energy vehicles, wearables devices and metaverse kits in the future..

Our automotive products will more focus on the exterior lighting by developing high-end headlight designs such as high power, top contact, small window opening, and micro dot matrix LEDs to increase the market share. As for the interior lighting, we will introduce dynamic atmosphere light products with smaller size LEDs and motion effect function, which optimize and integrate LEDs and IC. With more and larger display screens in vehicles led by electricity vehicles, Everlight launched Mini LED products for automotive display screens to achieve high dynamic contrast (HDR) and local dimming. We are ahead of the market in the introduction of Mini LED backlight modules for automotive display screens and has been certified by our customers. In the future, Everlight will continue to strengthen our competitiveness and expand production capacity of Mini LED products based on the market demand to gain market opportunities in advance.

In terms of special lighting applications, Everlight has successfully developed UVC light sterilization equipment with the confirmation of Institute of Biomedical Sciences in ACADEMIA SINICA, which can effectively eliminate the SARS-CoV-2 virus, to prevent from the spread of the Corona virus. Consequently, Everlight developed a series of UVC LED (275 nm) ultraviolet products based on this research results.

Summary of 2021 business plan

The global economy is expected to face multiple challenges this year. Major economies have confronted high inflation pressure from the supply chain disruption caused by the epidemic, and the surge of lately price of petrochemical raw materials, grains, metals and other raw materials due to the war in Ukraine. Therefore, central banks around the world are now facing the dilemma of high inflation environment and slowing economic growth. However, with the higher vaccination rate worldwide and the less lethal but higher contagious virus variant, globally unlocking and opening can be expected in 2022.

Looking forward to this year, the kits of AR/VR/MR are expected to be more and more popular with the rising trends of metaverse. The application of Mini LED on display technology for LCDs is going to be the new growth driver for LED industry due to the improvement and maturity of the technology. Everlight will pay full attention on environmental, social and corporate governance (ESG) issues to achieve sustainable operation goal in this changing environment. We would like to thank all the shareholders for the long-term support and recognition and the management team will keep diligent work to create higher value for all 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	Offered 1 st overseas convertible corporate bonds amounting to USD\$200 million.
2000	Paid-in capital increased to NTD\$1,683,439 thousand
Feb 2001	Invested Everlight Electronics (China) Ltd.-Suzhou
Mar 2001	Issued 1 st convertible bond NTD\$600,000 thousand
2001	Paid-in capital increased to NTD\$1,878,933 thousand

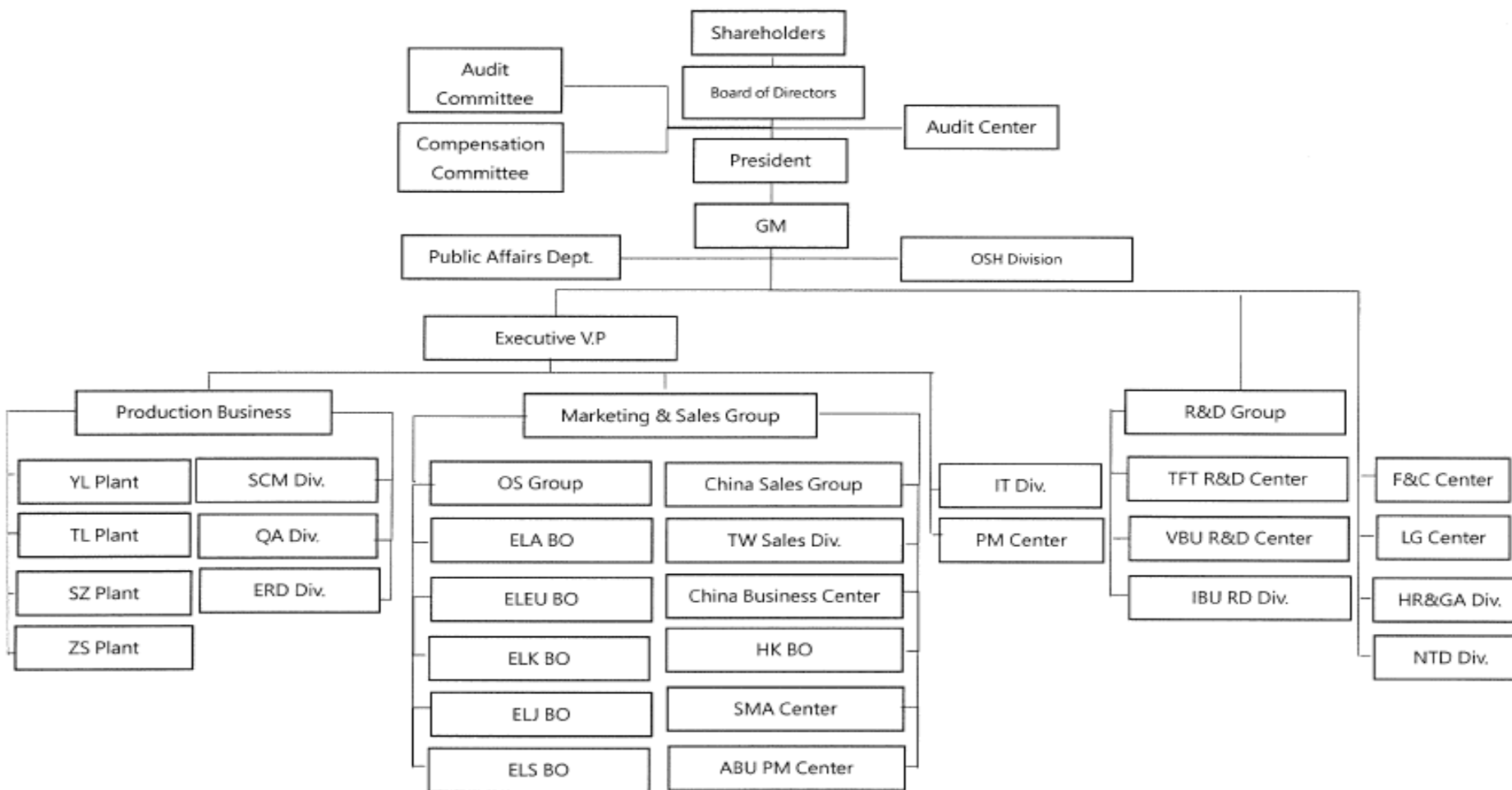
2002	Paid-in capital increased to NTD\$2,180,166thousand ◦
2003	Paid-in capital increased to NTD\$2,464,267thousand ◦
Feb 2004	Offered 2 nd overseas convertible corporate bonds amounting to USD\$300 million.
2004	Paid-in capital increased to 2,736,647thousand ◦
Apr 2005	Offer 1 st employee stock option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

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

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"> 1. Through internal audit, make sure the achieved of following goals: Effectiveness and efficiency of operation, Reliability of financial report, Obedience of relate regulations 2. Assist Board of Directors and top management to perform duties. 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.
Public Affairs Department	<ol style="list-style-type: none"> 1. Set up relationship of the Company and news media and crisis management. 2. Cooperate with Everlight Cultural Foundation for charitable events to build up cooperate image and brand value. 3. Manage and participate industrial association to enhance the Company's floor and fulfill corporate citizenship.
Occupational Safety and Health Division	<ol style="list-style-type: none"> 1. In charge of environmental protection and health and welfare, disaster prevention, environmental pollution reduction. 2. Build up zero pollution and safe working environment to achieve sustainable development.
Finance & Accounting Center	<ol style="list-style-type: none"> 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. 2. Bookkeeping, taxation planning and execution, and accounting process improvement. 3. Investment company evaluation and management. 4. Compliance of securities regulations and public announcement. 5. Project management of operating performance index.
Legal Center	<ol style="list-style-type: none"> 1. Control overall corporate risk to ensure the legitimacy of corporate operation. 2. Maintain corporate legal validity and status. 3. In charge of intellectual property application and maintenance to strengthen the intellectual property patent. 4. Assist designing around of patent and build up correct patent cognition. 5. Set up patent management process and improve patent quality. 6. Set up patent database to monitor global patent, search for adequate patent subject of purchasing, and strengthen patent combination.
Information Division	<ol style="list-style-type: none"> 1. Promote related project planning and execution. 2. Management and maintenance of related information application system and providing high efficiency and stable information system service. 3. Active assist systematic needs from different department and consider the most adequate solution for strategy development and operation process to increase informative ability.
Human Resource and General Affairs Division	<ol style="list-style-type: none"> 1. Labor regulations compliance. 2. Promote inspiration and welfare system. 3. Improvement of organization, culture, and human resource development. 4. Review and suggest on management system and execution of construction, safety and health in plant.
New Technology Division	<ol style="list-style-type: none"> 1. New product planning. 2. New product analysis and evaluation

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

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, 2022 Unit:Share

Title	Nationality or Place of Registration	Name	Gender /Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Yin-Fu Yeh	Male 70-75	2021.07	3	1983.6	16,168,553	3.65	15,168,553	3.42	651,333	0.15	0	0.00	National Taipei University of Technology Department of Electronic Engineering	Everlight Electronics Chairman & President Tekcore Co. Ltd Chairman & President Evervision Electronics Co., Ltd. Chairman & president Forever Investment Co., Ltd. Chairman & president Pai Yee Investment Co., Ltd. Chairman & president Evlite Electronics Co., Ltd. Director Everlight Lighting Intelligence 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 and president Everlight (China) Ltd. Director Everlight (Guazhou) Ltd. Director Everlight (Zhongshan) Ltd. Director WOFI Leuchten GmbH Director WOFI Wortmann & Fliz GmbH Director Euro Technics Trade GmbH Director WOFI Technics Trade Limited Director Action GmbH Director WOFI VG Director Lamp for less Director	Director	Ting-Wei Yeh	Son	Note

Title	Nationality or Place of Registration	Name	Gender /Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	R.O.C.	Wu-Liu Tsai	Male 40-45	2021.07	3	2021.7	5,000	0.00	38,000	0.01	0	0.00	0	0.00	MA, and BA. Department of Physics, National Central University MIT SCM Micro-Master	Everlight Electronics (China) Chairman Everlight Electronics (Zhongshan) Chairman Everlight Lighting (China) Director Everlight Japan Corporation Director Anhui Hongming Technology Co., Ltd. Director	-	-	-	
Director	R.O.C.	Bo-Wen Zhou	Male 70-75	2021.07	3	1983.6	9,600,000	2.17	9,600,000	2.17	7,300,000	1.65	0	0.00	Department of Information Engineering of Chien Hsin University of Science and Technology Everlight Electronics Co., Ltd. Vice President	Everlight Electronics Director Pai Yee Investment Co., Ltd. Supervisor	-	-	-	
Director	R.O.C.	Shih Wum International Investment LTD	Male 45-50	2021.07	3	2012.6	4,785,000	1.08	5,785,000	1.30	0	0.00	0	0.00	Ph. D of Material Science of University of Southern California Sales VP of ELA President of Everlight (Korea) Vice director of Everlight Electronics	Everlight Electronics Director Everlight Optoelectronics Korea Co.,Ltd. Director & president	Chairman	Yin-Fu Yeh	Father	
		representative: Ting-Wei Yeh					500,000	0.11	500,000	0.11	0	0.00	0	0.00						
Director	R.O.C.	Bang-Yan Liu	Male 60-65	2021.07	3	2003.6	145,884	0.03	137,884	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 /Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	R.O.C.	Johnsee Lee	Male 70-75	2021.07	3	2015.6	0	0.00	0	0.00	0	0.00	0	0.00	Ph. D of Chemical Engineering of Illinois Institute of Technology Industrial Technology Research Institute Chairman	Everlight Electronics Independent Director Far Eastern New Century Independent Director Zhen Ding Tech. Independent Director San Fu Chemical Co., Ltd. Independent Director Personal Genomics, Inc. Chairman Hopax Chemicals. Mfg. Co., Ltd. Director Quark Biosciences, Inc. Chairman	-	-	-	
Independent Director	R.O.C.	Chen-En Ko	Male 70-75	2021.07	3	2015.6	0	0.00	0	0.00	0	0.00	0	0.00	PhD of Department of Accounting at University of Minnesota Chung-Hua Institution for Economic Research Chairman Dean of College of Management at National Taiwan University Supervisor of CBC Taiwan Corporate Governance Association Chairman	Everlight Electronics Independent Director Far Eastern New Century Independent Director	-	-	-	
Independent Director	R.O.C.	Rong-Chun Lin	Male 65-70	2021.07	3	1997.6	0	0.00	0	0.00	0	0.00	0	0.00	Ph. D of Business Administration of NCCU Dean of College of Management at Shih Chien University Consultant of Taiwan Academy of Banking and Finance	Everlight Electronics Independent Director China Metal Products Co., Ltd. Independent Director Antec, Inc. Independent Director	-	-	-	

Title	Nationality or Place of Registration	Name	Gender /Age	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Everlight and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	R.O.C.	Liang-Gee Chen	Male 65-70	2021.07	3	2021.7	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D. of National Cheng Kung University Chair Professor, Department of Electrical Engineering, National Taiwan University Minister of Ministry of Science and Technology, R.O.C.	Everlight Electronics Independent Director	-	-	-	

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

3.2.2 Directors' Professional Qualifications and Independence Analysis:

Criteria Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Yin-Fu Yeh	<ol style="list-style-type: none"> 1. Possesses five or more years of work experience required for the Company's business 2. Currently the chairman and president of Everlight Electronics and its subsidiaries, and the chairman and president of Tekore 3. Not been a person of any conditions defined in Article 30 of the Company Law 	<ol style="list-style-type: none"> 1. 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 designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. 2. 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. 3. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law 	None

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

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

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

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

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

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

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

8. Decision-making.

Diversity of board members:

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

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

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

Three directors who are also employees account for 33% and external directors 67%. There are two directors in father and son relations. The board members with academic proficiency (PhD degree) accounts for 55%; two of them with material appliance, and the other two with accounting, finance, and business administration background; furthermore, one of our director is both expertised in finance and technology. The rest of directors who possess abundant knowledge, expertise, and practical experience of industry, and risk management accounts for 44%. 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%. We have achieved the goal in 2021 by election at the shareholders' meeting to add one individual director with science and engineering background. The percentage of independent director on the board is 44% now and the percentage of related directors in the board is lower as well. In the future, when the board of directors is re-elected, suitable candidates will be selected according to the goal.

3.2.4 Major Shareholder of the institutional shareholder:

April 19, 2022

Name of institutional shareholder	Major Shareholder of the institutional shareholder (Note)	%
Shinh Wum International Investment LTD	Yin-Fn Yeh	14%
	Ting-Wei Yeh	86%

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

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

3.2 Information Regarding Management Team

April 19, 2022 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	15,168,553	3.42	651,333	0.15	0	0.00	Department of Electronic Engineering of National Taipei University of Technology	Everlight Electronics Chairman & President Tekcore Co. Ltd Chairman & President Evervision Electronics Co., Ltd. Chairman & president Forever Investment Co., Ltd. Chairman & president Pai Yee Investment Co., Ltd. Chairman & president Evlite Electronics Co., Ltd. Director Everlight Lighting Intellengence Technology Co., Ltd. Chairman Evervision Electronics (BVI) Director Everlight (BVI) Co., Ltd Director & president Everlight Lighting (China) Chairman Everlight Americas, Inc. Director Everlight Optoelectronics Korea Co., Ltd. Chairman VBest GmbH Director Evervision (HK) Ltd. Director Everlight (Fujian) Ltd. Chairman and president 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	Sr. Director	Ting-Wei Yeh	Son	Note
Executive Vice President	R.O.C.	Wu-Liu Tsai	Male	2019.01.07	38,000	0.01	0	0.00	0	0.00	MA, and BA. Department of Physics, National Central University MIT SCM Micro-Master	Everlight Electronics (China) Chairman Everlight Electronics (Zhongshan) Chairman Everlight Lighting (China) Director Everlight Japan Corporation Director Anhui Hongming Technology Co., Ltd. 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	R.O.C.	Chia-Hao Lee	Male	2019.5.27	5,000	0.00	0	0.00	0	0.00	MA, Graduate Institute of China Studies, Tamkang University Everlight China sales division director Taiwan Ostor Corporation Sales Engineer	None	-	-	-	
Sr. Director	R.O.C.	Ting-Wei Yeh	Male	2022.04.07	500,000	0.11	0	0.00	0	0.00	Ph. D of Material Science of University of Southern California Sales VP of ELA President of Everlight (Korea) Vice director of Everlight Electronics	Everlight Electronics Director Everlight Optoelectronics Korea Co.,Ltd. Director & president	Chairman & president	Yin-Fu Yeh	Father	
Sr. Director	R.O.C.	Chung-Wei Wang	Male	2017.09.06	0	0.00	0	0.00	0	0.00	MA, Department of Architecture, National Taipei University of Technology	Everlight Optoelectronics Korea Co., Ltd. (ELK) Director	-	-	-	
Sr. Director	R.O.C.	Chi-Hui Chen	Male	2018.06.15	0	0.00	0	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 Everlight Human Resource and General Affair department director	None	-	-	-	
Sr. Director	R.O.C.	Cheng-	Male	2022.1.27	0	0.00	0	0.00	0	0.00	Ph.D. and Master in	None	-	-	-	

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	
		Hsin Chen									Physics, National Taiwan University Everlight Electronics New Technology Development department Director,, INT TECH Co., LTD Director Gudeng Precision Industrial Co., LTD Director					
Sr. Director	R.O.C.	Yu-He Chang	Male	2022.4.1	0	0.00	0	0.00	0	0.00	Master of Advanced Technology R&D, National Taiwan University of Science and Technology Department of Electronic Engineering, National Taipei University of Technology Head of Xiamen LEEDARSON Taipei R&D Center and Business Development Department - Senior Director Director of Connectivity Standard Alliance	None	-	-	-	
Sr. Director	R.O.C.	Che-wei, Hsu	Male	2022.4.7	20,000	0.00	0	0.00	0	0.00	Master, Institute of Electrical Engineering, National Taiwan Ocean University Foreign Trade Association International Trade Talent Training Course Everlight Opto. Products department Director UTC R&D Manager,	None	-	-	-	

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	
											GE R&D Manager					
Sr. Director	R.O.C.	Yi-Chen, Chen	Female	2022.4.7	0	0.00	0	0.00	0	0.00	Department of Economics, National Cheng Kung University Everlight Europe and America Business department Director ASUS Computer and Mobile Phone Division - Product Operation Center - Supervisor	None	-	-	-	
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 Consoli dated Entities	The Company	All Consoli dated Entities	The Company	All Consoli dated Entities	The Company	All Consoli dated Entities	Cash	Stock	Cash	Stock		The Company	All Consol idated Entities	
Director	Yin-Fu Yeh																								
	Bo-Wen Zhou																								
	Wu-Yan Yeh 2021/7/29 dismissal																								
	Bang-Yan Liu																								
	Shinh Wum International Investment Ltd. representative: Ting-Wei Yeh	0	0	0	0	16,132	16,132	340	340	0.85%	0.85%	21,750	21,750	898	898	6,400	0	6,400	0	2.35%	2.35%			None	
	King Core Electronics Inc. representative:Zh eng-Li Yang 2021/7/29 dismissal																								
	Wu-Liu Tsai																								
	Independent Director	Johnsee Lee																							
Chen-En Ko																									
Rong-Chun Lin		2,640	2,640	0	0	9,910	9,910	200	200	0.66%	0.66%	0	0	0	0	0	0	0	0	0.66%	0.66%			None	
Liang-Gee Chen 2021/7/29 elected																									
<p>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:</p> <p>(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.</p> <p>(2) If the Company makes a profit during the year, the directors' remuneration shall allocate no more than one percent of the profit.</p> <p>(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.</p> <p>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.</p>																									

* 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	Wu-yan Yeh 、 King Core Electronics Inc. representative: Zheng-Li Yang 、 Wu-Liu Tasi 、 Liang-Gee Chen	Wu-yan Yeh 、 King Core Electronics Inc. representative: Zheng-Li Yang 、 Wu-Liu Tasi 、 Liang-Gee Chen	Wu-Yan Yeh 、 King Core Electronics Inc. representative: Zheng-Li Yang 、 Liang-Gee Chen	Wu-Yan Yeh 、 King Core Electronics Inc. representative: Zheng-Li Yang 、 Liang-Gee Chen
NT\$2,000,000~NT\$3,500,000	Yin-Fu Yeh 、 Bo-Wen Zhou 、 Bang-Yan Liu 、 Shinh Wum International Investment LTD representative : Ting-Wei Yeh	Yin-Fu Yeh 、 Bo-Wen Zhou 、 Bang-Yan Liu 、 Shinh Wum International Investment LTD representative : Ting-Wei Yeh	Bo-Wen Zhou 、 Bang-Yan Liu	Bo-Wen Zhou 、 Bang-Yan Liu
NT\$3,500,000~NT\$5,000,000	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\$5,000,000~NT\$10,000,000			Shinh Wum International Investment LTD representative : Ting-Wei Yeh	Shinh Wum International Investment LTD representative : Ting-Wei Yeh
NT\$10,000,000~NT\$15,000,000			Yin-Fu Yeh 、 Wu-Liu Tasi	Yin-Fu Yeh 、 Wu-Liu Tasi
NT\$15,000,000~NT\$30,000,000				
NT\$30,000,000~NT\$50,000,000				
NT\$50,000,000~NT\$100,000,000				
Over NT\$100,000,000				
Total	9	9	9	9

3.3.3 Remuneration Paid to President and Vice Presidents

Unit: NT\$ thousand

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employees' Profit Sharing Bonus (D)				Total Compensation as a % of 2018 Net Profit (A+B+C+D)		Compensation Received from Non-consolidated From Affiliates
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Yin-Fu Yeh	19,358	24,615	1,161	1,161	5,391	5,391	7,816	0	7,816	0			
Executive Vice President	Wu-Liu Tsai													
Vice President	Li-Yu Huang													
Vice President	Chia-Hao Lee													

Note: Li-Yu Huang resigned on 2022/3/2

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

3.3.4 Employees' Profit Sharing Bonus Paid to Management Team

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

Title	Name	Stock	Cash	Total Employees' Profit Sharing Bonus	Total Employees' Profit Sharing Bonus Paid to Management Team as a % of Net Loss
President	Yin-Fu Yeh	0	15,288	15,288	0.79%
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 Ding				
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.			
	2020		2021	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Directors	1.60%	1.60%	1.51%	1.51%
President and Vice President	2.44%	2.55%	1.74%	2.01%

The earnings in 2021 is more than 2020 due to increased revenue, therefore the higher remuneration allocated in 2021. The ratio of directors and managers remuneration to the net profit in 2021 is almost the same as 2020.

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 8 (A) meetings of the Board of Directors were held in 2021. The directors' attendance status is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Yin-Fu Yeh	8	0	100	
Director	Bo-Wen Zhou	7	0	87.5	
Director	Bang-Yan Liu	7	0	87.5	
Director	Wu-Yan Yeh	3	0	100	2021/7/29 dismissal, attendance: 3 times
Director	Shinh Wum International Investment LTD representative : Ting-Wei Yeh	8	0	100	
Director	King Core Electronics Inc. representative : Zheng-Li Yang	3	0	100	2021/7/29 dismissal, attendance: 3 times
Director	Wu-Liu Tsai	5	0	100	2021/7/29 elected, attendance: 5 times
Independent director	Chen-En Ko	8	0	100	
Independent director	Johnsee Lee	8	0	100	
Independent director	Rong-Chun Lin	8	0	100	
Independent director	Liang-Gee Chen	5	0	100	2021/7/29 elected, attendance: 5 times

*The overall Attendance rate of the board of directors is 97%

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
13-19 2021.3.23	2020 financial report and business report.	It was approved and as per the resolution was executed.
	Earning distribution of 2020.	
	Evaluate the independence, eligibility, and contents of service and remuneration 2020 about appointment of CPAs	
	Approval of the Statement of Declaration on Internal Control System 2020.	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
	Discussion of the corporation lending	
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
13-20 2021.5.12	2021 financial report of Q1	It was approved and as per the resolution was executed.
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
	Authorization to audit committee of selection of accounting firm for the internal control special project	
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
14-02 2021.8.12	2021 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	
	Approved the amendments to our accounting system.	
	Approved the amendments to "Internal control system".	
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
14-03 2021.9.28	Ratification of acquisition of newly issued share of Tekcore	It was approved and as per the resolution was executed.
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
14-04 2021.11.12	2021 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 2021.	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
	Proposed appointment of E&Y accounting firm to conduct the special internal control project	
Independent director's opinion:None		
The Company's handling of independent director's opinion:N/A		
14-05 2021.12.23	Approval of auditing plan for 2021	It was approved and as per the resolution was executed.
	Discussion of the corporation lending	
Independent director's opinion:None		

- ii. There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2021.

(2) Recusals of Directors due to conflicts of interests in 2021:

Term/___st/nd/rd/th time Date	Persons recusing themselves	Contents of motion	Status	Resolution
14-02 2021.8.12	Yin-Fu Yeh Wu-Liu Tsai Ting-Wei Yeh	Allocation of 2020 employee remuneration to managers and/or directors who were also employees.	The directors in relation to the individual's interest conflicts, each of the directors temporarily left and avoided each other, and did not participate in the discussion and voting.	Chen-En Ko was the acting chairman, avoidance directors did not vote and the other directors had no objection to the approval
	Yin-Fu Yeh Wu-Yan Yeh Ting-Wei Yeh	Authorization of approval of the interal report	Yin-Fu Yeh, and Wu-Yan Yeh in relation to the individual's interest conflicts, and Ting-Wei Yeh are related to the president, therefore, each of the directors temporarily left and avoided each other, and did not participate in the discussion and voting.	Chen-En Ko was the acting chairman, avoidance directors did not vote and the other directors had no objection to the approval

- (3) Listed companies shall disclose information such as the evaluation cycle and period, evaluation scope, method and evaluation content of the board of directors' self (or peers) evaluation, and fill in the attached form of the implementation of the board of directors' evaluation::

The board of directors has approved "Evaluation of Board and functional committee effectiveness regulation" in December 2019. The latest internal evaluation for 2021 had been executed and reported at board meeting on 2022/3/23.

This evaluation is executed by the finance department. The process is to issue an internal questionnaire to each director and functional committee (audit and remuneration) members in January every year, and collect the questionnaire data at the end of the month. The self-evaluation results are collected and analyzed and then submitted Board of Directors for the first quarter of the year.

Evaluation cycle	Evaluation period (Note)	Scope of evaluation	Evaluation method	Evaluation items
Once a year	2021.7.29-2021.12.31	All Board of Directors	Self evaluation	<ol style="list-style-type: none"> 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	2021.7.29-2021.12.31	Each Directors	Self evaluation	<ol style="list-style-type: none"> 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	2021.7.29-2021.12.31	All functional committee members	Self evaluation	<ol style="list-style-type: none"> 1. Understanding of the Company's goals and tasks 2. Recognition of directors' duties 3. Participation in the company's operations 4. Internal relationship management and communication 5. Expertise and continuous education of directors 6. Internal control

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

Measures taken to strengthen the functionality of the Board:

The board of directors contains 9 directors who are all elected in shareholders' meeting by nomination system. Nomination system shall apply to Article 192-1 of Company Act and the

tenure of director is 3 years and eligible for re-election.

Everlight has set up audit committee to replace supervisor in 2018 by Securities and Exchange Act. Audit committee consisted all independent directors. All requirements of independent director such as profession, holding shares, restriction on other position, nomination, election, and others are abided by all related regulations of competent authority. The Company added one more independent director at 2022 shareholders' meeting, from original three independent directors to four independent directors, to strengthen the function and decision efficiency of the board.

The Company follows the principle of transparency to declares important resolution of board of director real time and protect investors' right to know. The Company will keep being responsible for shareholders and society.

3.4.2 Audit Committee Meeting Status

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

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

1. Assessment of the effectiveness of the internal control system, issuing the Statement of Internal Control System and audit committee reviewing report.
2. Assessment of accounting system.
3. 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.
4. Asset transactions or derivatives trading of a material nature.
5. Loans of funds, endorsements, or provision of guarantees of a material nature.
6. Assessment of CPA's remuneration and independence.
7. The appointment or discharge of a financial, accounting, or internal audit officer.
8. Annual, quarterly and semi-annual financial reports.
9. Proposals regarding profit distribution.
10. Compliance with the laws and regulations.
11. Risk control of the Company.
12. Operation status of subsidiaries.
13. Self evaluation of the performance in audit committee.
14. 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 2021. 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	
Independent Director	Liang-Gee Chen	4	0	100	2021/7/29 elected, attendance: 4 times

* 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
11-19 2021.1.22	Discussion of the corporation lending	The chairman asked all the attending members to agree to postpone the discussion to the next meeting.
Independent director's opinion: After the meeting materials are supplemented, responsibilities are clarified, and future implementation plans are drawn up, the Audit Committee will be convened for discussion.		
The Company's (the board of directors') handling of Audit Committee's opinion: The motion will move to 2022/3/23 meeting to review and discuss.		
1-20 2021.3.23	2020 financial report and business report. Recommendation of the distribution of earnings for the year of 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. Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending. Discussion of the corporation lending	The motion was approved by all present directors unanimously, and approved by board meeting on March 23, 2021.
Independent director's opinion:None		
The Company's (the board of directors') handling of Audit Committee's opinion: N/A		
1-21	2021 financial report of Q1	The motion was approved

2021.5.12	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending.	by all present directors unanimously, and approved by board meeting on May 12, 2021
Independent director's opinion:None		
The Company's (the board of directors') handling of Audit Committee's opinion: N/A		
2-1 2021.8.12	2021 financial report of Q2	The motion was approved by all present directors unanimously, and approved by board meeting on August 12, 2021.
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending.	
	Amendment of accounting system	
	Amendment of internal system	
Independent director's opinion:None		
The Company's (the board of directors') handling of Audit Committee's opinion: N/A		
2-2 2021.9.28	Ratification of acquisition of newly issued share of Tekcore	The motion was approved by all present directors unanimously, and approved by board meeting on September 28, 2021.
Independent director's opinion:None		
The Company's (the board of directors') handling of Audit Committee's opinion: N/A		
2-3 2021.11.12	2021 financial report of Q3	The motion was approved by all present directors unanimously, and approved by board meeting on November 12, 2021.
	Approval of the professional service fee of the CPAs for the year of 2021.	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	
Independent director's opinion:None		
The Company's (the board of directors') handling of Audit Committee's opinion: N/A		
2-4 2021.12.23	Approval of auditing plan for 2022	The motion was approved by all present directors unanimously, and approved by board meeting on December 23, 2021.
	Discussion of the corporation lending	
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 2021.

(2) There were no recusals of independent directors due to conflicts of interests in 2021.

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

Summary of the communication between independent directors and the external auditor

The Company's independent directors had fair communication with the external auditor. The communication in 2021 was outlined as following:

Date	Attendees	Points of communication	Communication result
2021/3/23	Chen-En Ko Johnsee Lee Rong-Chun Lin	Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Audit and review scope 4. Matters which authority concern 5. Other important notice 6. Important update on accounting standards or explanation and securities and tax regulations.	Independent director's opinion:None
2021/5/12	Chen-En Ko Johnsee Lee Rong-Chun Lin	Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Type of auditing reviewing conclusion. 4. Audit and review scope 5. Audit and review discovery 6. Important update on regulations	Independent director's opinion:None
2021/8/12	Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen	Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Type of auditing reviewing conclusion. 4. Audit and review scope 5. Audit and review discovery 6. Important update on regulations	Independent director's opinion:None
2021/11/12	Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen	Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Type of auditing reviewing conclusion. 4. Audit and review scope 5. Audit and review discovery 6. Important update on regulations	Independent director's opinion:None

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 2021 was outlined as following:

Date/Topic	Attendees	Communication Points	Results
2021/3/12 1. Project presentation 2. Routine review of working papers and cases discussion	Head of internal audit Independent director Ko Independent director Lin Independent director Lee	1. Head of internal audit presented to the audit committee the audit result of the construction project in Kazakhstan. 2. Independent director Lin reviewed and signed off the working papers.	1. Independent directors gave advice on the audit result. 2. Independent director Lin gave no objection to the audit reports after review.

Date/Topic	Attendees	Communication Points	Results
2021/5/12 Routine review of working papers and cases discussion	Head of internal audit Independent director Lin	Independent director Lin reviewed and signed off the working papers at the office of audit center.	No objection to the audit reports after review.
2021/5/27 Selection of accounting firm to perform special audits on internal control system	Head of internal audit Independent director Ko Independent director Lin Independent director Lee EY Deloitte PwC	Discussed the scope, services, and fees of the special audits on internal control system with selected accounting firms.	After the presentations of each accounting firm, independent directors inquired and discussed with each accounting firm, and decided to select EY to perform the 2021 special audits on internal control system.
2021/8/16 Routine review of working papers and cases discussion	Head of internal audit Independent director Lin	Independent director Lin reviewed and signed off the working papers at the office of audit center.	No objection to the audit reports after review.
2021/8/30 Routine review of working papers and cases discussion	Head of internal audit Independent director Ko Independent director Lin Independent director Lee Head of accounting Head of legal affairs	Discussed the scope of special audits on internal control system by CPA.	Independent directors gave advice on and defined the scope.
2021/9/28 Routine review of working papers and cases discussion	Head of internal audit Independent director Lin	1. Independent director Lin reviewed and signed off the working papers at the office of audit center. 2. Discussed the construction project in Kazakhstan.	1. No objection to the audit reports after review. 2. Independent director Lin gave advice on Kazakhstan project management and audit performance.
2021/11/12 Routine review of working papers and cases discussion	Head of internal audit Independent director Lin	1. Independent director Lin reviewed and signed off the working papers at the office of audit center. 2. Discussed 2022 audit plan with independent director Lin.	1. No objection to the audit reports after review. 2. Independent director Lin gave advice on 2022 audit plan.
2021/11/17-2021/11/20 Routine review of working papers and cases discussion	Head of internal audit Independent director Lin	1. Discussed 2021 audit reports via email. 2. Discussed 2022 audit plan via email.	1. Independent director Lin inquired details of 2021 audit reports and gave advice. 2. Independent director Lin gave advice on 2022 audit plan.

Date/Topic	Attendees	Communication Points	Results
2021/12/23 Routine review of working papers and cases discussion	Head of internal audit Independent director Lin	Independent director Lin reviewed and signed off the working papers at the office of audit center.	No objection to the audit reports after review.

(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 2021

Title	Name	Date		Host by	Training Title	Hours	Total hours
		From	To				
Chairman	Yin-Fu Yeh	2021/10/13	2021/10/13	Taiwan Corporate Governance Association	Understand related party transactions and irregular transactions from practical cases	3.0	6.0
		2021/12/15	2021/12/15	Taiwan Corporate Governance Association	Corporate Sustainability Accelerator - CSR, ESG and SDGs	3.0	
Director	Bo-Wen Zhou	2021/10/13	2021/10/13	Taiwan Corporate Governance Association	Understand related party transactions and irregular transactions from practical cases	3.0	6.0
		2021/12/15	2021/12/15	Taiwan Corporate Governance Association	Corporate Sustainability Accelerator - CSR, ESG and SDGs	3.0	
Director	Bang-Yan Liu	2021/10/13	2021/10/13	Taiwan Corporate Governance Association	Understand related party transactions and irregular transactions from practical cases	3.0	6.0
		2021/12/15	2021/12/15	Taiwan Corporate Governance Association	Corporate Sustainability Accelerator - CSR, ESG and SDGs	3.0	
Director	Wu-Liu Tsai	2021/8/6	2021/8/6	Securities & Futures Institution	Analysis and decision-making of corporate financial information	3.0	12.0
		2021/9/8	2021/9/8	Securities & Futures Institution	IC Foundry and Advanced Packaging Technology and Supply Chain Opportunities	3.0	
		2021/10/13	2021/10/13	Taiwan Corporate Governance Association	Understand related party transactions and irregular transactions from practical cases	3.0	
		2021/12/15	2021/12/15	Taiwan Corporate Governance Association	Corporate Sustainability Accelerator - CSR, ESG and SDGs	3.0	

Director	Ting-Wei Yeh	2021/10/13	2021/10/13	Taiwan Corporate Governance Association	Understand related party transactions and irregular transactions from practical cases	3.0	12.0
		2021/12/7	2021/12/7	TWSE	2021 Cathay Sustainable Finance and Climate Change Summit	6.0	
		2021/12/15	2021/12/15	Taiwan Corporate Governance Association	Corporate Sustainability Accelerator - CSR, ESG and SDGs	3.0	
Independent Director	Chen-En Ko	2021/9/8	2021/9/8	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Digital Transformation of Enterprises	3.0	12.0
		2021/10/13	2021/10/13	Taiwan Corporate Governance Association	Understand related party transactions and irregular transactions from practical cases	3.0	
		2021/11/10	2021/11/10	Taiwan Academy of Banking and Finance	Corporate Governance Forum	3.0	
		2021/12/22	2021/12/22	Taiwan Corporate Governance Association	Corporate Governance Summit Forum - Practicing ESG, Implementing Governance and Sustainable Development	3.0	
Independent Director	Johnsee Lee	2021/9/8	2021/9/8	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Digital Transformation of Enterprises	3.0	9.0
		2021/12/15	2021/12/15	Taiwan Corporate Governance Association	Corporate Sustainability Accelerator - CSR, ESG and SDGs	3.0	
Independent Director	Liang-Gee Chen	2021/11/18	2021/11/18	Taiwan Corporate Governance Association	Hostile takeover and acquisitions, proxy contest-case study and company countermeasures	3.0	6.0
		2021/12/10	2021/12/10	Taiwan Corporate Governance Association	Prevention of insider trading and the latest practical development	3.0	
Independent Director	Rong-Chun Lin	2021/8/31	2021/8/31	OTC	2021 OTC ESG Online Forum	2.0	16.0
		2021/9/1	2021/9/1	OTC	2021 OTC ESG Online Forum	2.0	
		2021/10/13	2021/10/13	Taiwan Corporate Governance Association	Understand related party transactions and irregular transactions from practical cases	3.0	
		2021/12/7	2021/12/7	TWSE	2021 Cathay Sustainable Finance and Climate Change Summit	6.0	

		2021/12/15	2021/12/15	Taiwan Corporate Governance Association	Corporate Sustainability Accelerator - CSR, ESG and SDGs	3.0	
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3.4.3 Status of corporate governance, departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
1. Does the Company follow “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance principles?	V		The Company has established, via Board resolution on Nov. 12, 2015, corporate governance best-practice principles and the latest amendment approved by board meeting on March 23, 2021. The principle is disclosed on our website investor/corporate governance/important regulations of the Company	As explanation
2. Shareholding Structure & Shareholders’ Rights (1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(1) The related operations would be handled by the Spokesperson and personnel of Finance department pursuant to the relevant laws and important regulations. Except spokesperson, there is exclusive area on the official website for investor to contact with the Company. (2) The Company keeps close relationship to the directors, officers and major shareholders of the Company. The Company takes advantage of annual shareholders’ meeting and dividend distribution to learn the change of main shareholders. (3) The responsibilities between the Company and its affiliates were defined clearly and definitely. The Company and its affiliates abide by the regulations of internal control system. (4) The Company established the operating procedure for prevention of insidertrading. The subjects referred to therein include but are not limited to insiders, including their related parties, persons who forfeit the	None

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
			<p>identity of insider for less than 6 months, and persons who access the information from said persons. The Company also requires employees and insiders to undergo education and training when insiders take office and at various times to prevent from insider trading.</p> <p>The Company arrange related education session annually with managers in the headquarter and affiliates, the content are the maintain secrecy and disclosure of material information, and insidetrading prevency and insider trading rules. The education course takes one hour.</p> <p>We held the education course on 2022/12/29 with 27 managers involved and all the reading material and regulations have provided to all managers.</p> <p>Also, we held related course on 2022/10/13 for our directors and governance officer, nine persons in total, and the subject is understand related party transactions and irregular transactions from practical cases</p>	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Company established a diversification policy of its Board of Directors and has it been implemented accordingly?</p>	V		<p>(1) There are nine directors in our Board including five directors and four independent directors. Percentage of independent director on the board is 44%. The terms of four independent directors is less than 3 sessions. the terms of one independent directos is less then 3 years, another one is in 4-6 years and the other two is in 6-9 years. All independent directors meet the independence requirement.</p>	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	
(2) Other than the Remuneration Committee and the Audit Committee that are required by law, does			<p>Three directors who are also employees account for 33% and external directors 67%. There are two directors in father and son relations. The board members with academic proficiency(PhD degree) accounts for 55%; two of them with material appliance, and the other two with accounting, finance, and business administration background, furthermore, one of our director is both expertised in finance and technology. The rest of directors who possess abundant knowledge, expertise, and practical experience of industry, and risk management accounts for 44%. The combination of industry and academy could exert great synergy and implement the goal of diversification.</p> <p>In addition, the company also focuses on the independence and professional background of board members. The goal is to increase the number of independent directors and increase the ratio of independent directors to more than 40%. We have achieved that goal in 2021 by election at the shareholders' meeting to add one individual director with science and engineering background. The percentage of independent director on the board is 44% now and the percentage of related directors in the board is lower as well. In the future, when the board of directors is re-elected, suitable candidates will be selected according to the benchmark.</p> <p>(2) The Company has set up Audit and Remuneration Committee and the committees executed related</p>	<p>The Company would plan to set up functional committee according to the Company's need and regulation.</p> <p>None</p> <p>None</p>

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
<p>the Company plan to set up other Board committees?</p> <p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?</p> <p>(4) Does the Company regularly evaluate its external auditors' independence?</p>			<p>motions pursuant to laws. The Company will establish other functional committees pursuant to laws, or if necessary.</p> <p>(3) The Board approved rules for “Board of Directors Self-Assessment of Performance” on December 26, 2019. From 2020, all Board Directors annually assess the functioning of the Board, Audit Committee and Remuneration Committee. The evaluation result in 2021 reported to the board meeting on 2022/3/23. Related valuation scope please refer to 3.4.1.</p> <p>(4) The Board of Directors of the Company evaluates the independence and suitability of its CPA on March 23, 2022. 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.</p>	

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, or record minutes of board meetings and shareholders meetings, etc.	V		The corporate governance unit is Finance Division, which also is the designated unit responsible for board meeting, audit committee meeting and shareholders' meeting. The board meeting approved Yu-Keng Shih, who meet the requirement with three years experience of finance officer, as the governance officer on 2021/9/28. 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
5. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has established a Corporate Social Responsibility section with contact information of responsible person on the Company website. The Company has also established a Stakeholder section to timely respond issues which stakeholders care about	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has engaged Capital Securities Corporation's agency department to handle matters relating to Shareholders' Meetings.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle	V		(1) The Company discloses financial information and corporate governance items on its company website: http://www.everlight.com (2) Besides Chinese version, the Company also provides English, Japanese, Korean and simplified Chinese version of official website. The Company has	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	
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?			designated appropriate persons as spokesperson to handle information collection and disclosure. The Company discloses related information through MOPS, media, investor conference. (3) In 2021, 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.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(1) The Company has got the certification of ISO9001, TS16949, ISO14001, OHSAS18001, TOSHMS, QC080000, and SA8000 social responsibility system. Additionally, the Company had disclosed 2020 CSR report which is certified by the third party in July, 2021. CSR reports are disclose in Everlight official website annually and also disclose in MOPS on 2021/8/31. (2) Training/Education of directors is disclosed in MOPS. Training hours of each director in board are more than 6 hours in 2021. Please refer to P. 43 for detailed information. (3) The Company has annually purchased liability insurance since 1998 and declare in MOPS.	None
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange According to the result of Corporate Governance Evaluation in 2021 announced by Taiwan Stock Exchange, the Company was one of the companies, which market value are more than 10 billion and in electronics business section, ranking in the 21%~40%. In 2021, the Company focused on increasing the number of independent directors, reducing the number of board members who are second-degree				

Assessment Item	Implementation Status (Note)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Explanation	
<p>relatives, setting up the corporate governance officer, and formulating risk management policies. The Company added one more independent director at 2021 shareholders' meeting, from original three independent directors to four independent directors, to strengthen the function and decision efficiency of the board. Also, the number of directors who are second-degree relatives reduced from three to two to strengthen the independence and diversity of the company's board of directors. The information risk management was reported in the board meeting in November, 2021 and in the same meeting the risk management policy has been approved. The execution results will be annually reported to the board meeting. On 2021/5/12, the company's board of directors approved the corporate governance officer and declared on MOPS.</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.

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

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

- (1) The Company's Remuneration Committee consists of 4 members for the time being, who are all independent directors.
- (2) The current members shall hold the position from June 15, 2018 until July 28, 2021. July 29, 2021 to July 28, 2024. In 2021, the Remuneration Committee has held 2 (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	2	0	100%	re-elected
Member	Johnsee Lee	2	0	100%	re-elected
Member	Rong-Chun Lin	2	0	100%	re-elected
Member	Liang-Gee Chen	1	0	100%	2021/07/28 Election, the number of attendance should be 1 time

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. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors	V		By complying with the vision and mission of sustainable development, Everlight passed the "Organizational Regulations of the CSR Committee" on April 8, 2019 and the chairman of Everlight assigned the Legal Department as a part-time CSR responsible unit in response to international sustainable development. The Legal Department focuses CSR affairs on the sustainable development to facilitate the promotion of activities related to the sustainable development of enterprise, to release relevant information inside and outside the Company, and to publish an annual sustainability report (the corporate social responsibility report issued in 2021). In accordance with the company's sustainable development code of practice, the CSR committee should execute the economic, environmental and social issues arising from operating activities and report the processing status to the board of directors at least once a year. (The latest report were scheduled on November 12, 2021, the 4th meeting of the 14th Board of Directors). On March 23, 2022, the Board of Directors passed the amendment of the "Code of Practice of CSR(Corporate Social	None

			Responsibility)" and altered its name to "Code of Practice of Sustainable Development", concretizing Everlight's policy and blueprint for promoting sustainable corporate development.	
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		<p>The Company has proceeded with establishing risk management system for the headquarter, and the risk assessment boundary covers environmental, social and governance issues.</p> <p>Everlight's "Risk Management Measures" was approved and revised by the board of directors on November 12, 2021 and the executive vice president " Wu-Liu Tsai " was appointed as the convener of the risk management group, and the legal department was a part-time risk management unit. The consultant team assisted in the introduction of the system and is expected to report the implementation results to the board of directors in the fourth quarter of 2022.</p> <p>The risk assessment criteria is based on semi-quantitative grading to differentiate the probability and impact of risky events. The procedure is based on identification, analysis, assessment, and management of risk; ultimately, the top management will decide risk management measures and issue risk reports.</p>	<p>None</p> <p>The risk management related policy and disclosure will be reported to our board meeting later in 2022.</p>
<p>3. Environmentally</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics??</p>	V		<p>(1) Believing that when promoting environmental protection, security and hygiene relevant business, Everlight must not only comply with relevant laws and regulations, but also align with internationally endorsed standards.</p> <p>EVERLIGHT's environmental</p>	<p>None</p>

			<p>protection, security and hygiene expects to achieve the goals of "accidents zero tolerance" and "environmentally sustainable development", and to become a benchmark enterprise in the global LED industry for environmental protection, security and hygiene. To achieve this goal, Everlight's strategies are "complying with regulatory commitments, promoting safety and health, intensifying resource utilization and pollution precaution, managing and controlling environmental security and sanitary risks, rooting deeply environmental security and sanitary culture, constructing a green supply chain, and comprehending corporate social responsibilities".</p> <p>Everlight is continually promoting and acquiring the certification of "Environmental Management System" (ISO 14001: 2015) and "Occupational Safety and Health Management System" (ISO 45001:2018), in which all the above verifications, Everlight continues to maintain its effectiveness, in main factories.</p> <p>Everlight upholds the spirit of continuous improvement, and actively fortifies its performance in responding to climate change, pollution precaution and control, energy and resource conservation, waste reduction and recycling, security and sanitary management, fire and explosion precaution, and earthquake jeopardization precaution, to diminish</p>	
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<p>(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact??</p>			<p>overall environmental, security and hygiene risks.</p> <p>Currently, Everlight has cultivated an expert who has acquired the "Class A Carbon Sustainability Manager Approved by the Ministry of Education of the Republic of China" for environmental issues, and is responsible for the actuation and execution of related environmental sustainability issues.</p> <p>(2) In order to continuously promote energy conservation, Everlight has introduced the "ISO 50001 Energy Management System" in Tongluo Factory since 2018. Each factory area continues to promote the introduction of the system and maintain its effectiveness.</p> <p>In response to regulations and customer requirements for hazardous substance management, Everlight has introduced a hazardous substance process management system (IECQ QC080000 Hazardous Substance Process Management System), and all plants have acquired accreditation and continue to sustain its effectiveness. Everlight continuously ensures that its products comply with international regulations and customer requirements by establishing a product hazardous substance process management system, including the EU's Restriction of Hazardous Substances Directive (RoHS), the EU's New Chemicals Policy (Registration, Evaluation, Authorization and Restriction of</p>	
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<p>(3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?</p>		<p>Chemicals, REACH).), ozone-depleting substances of the Montreal Protocol, halogen-free criteria for electronic products, perfluorooctane sulfonic acid, perfluorooctane acid and related substances restriction standards, etc.</p> <div data-bbox="1077 416 1628 683" style="text-align: center;"> </div> <p>(3) Emphasizing on corporate social responsibility and sustainable environmental development, Everlight has successively introduced international management systems such as ISO14001, ISO14064-1 and ISO50001 in main factories and obtained certifications (for the validity period of relevant certificates and the information of certified factories, please refer to Everlight Official website), assessing the risks and opportunities of climate change to Everlight in present and in the future, and also taking into account the relevant regulations of the environmental protection authority and the requirements of stakeholders, formulating energy-saving and water-saving measures and setting goals as well as tracking management every year.</p>	
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<p>(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies?</p>			<p>(4) Facing with the threat of extreme climate, Everlight starts from itself, formulating management strategies and goals, establishing executive control, and constructing a sustainable culture. In 2021, Everlight presented the long-term goal of "2050 net zero emissions", and simultaneously set the short-term goal of "2025", actively implementing various carbon emission reduction actions, with a view to returning carbon emissions to the 2020 level in 2030, committing to become global leader in green manufacturing.</p> <p>Since 2013, Everlight has comprehensively checked its own greenhouse gases and acquired ISO 14064 certification. According to the results of the annual greenhouse gas inventory in the factory area. The analysis of these inventory data is used not only in complying with the domestic regulatory reporting requirements, but also as the reference benchmark for Everlight's greenhouse gas reduction strategy.</p>	
<p>4. Society (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p>	V		<p>(1) EVERLIGHT believes that respecting human rights and creating a dignified working environment are crucial to EVERLIGHT and its supply chain partners. In order to be more exhaustive in the actual implementation of human rights protection. In 2021, Everlight will not only implement human rights protection-</p>	None

<p>(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p>			<p>related training for 100% of new associates , but also conduct two online trainings for all current employees. In the future, Everlight will continue to pay attention to the issue of human rights protection and promote relevant education and training, improving the awareness of human rights protection and reduce the possibility of related risks. Everlight is a full member of the "Responsible Business Alliance (RBA)" and conducts complete due diligence in accordance with its specifications to ensure that Everlight's behavior achieves or exceeds the RBA Code of Conduct standards. Every year, Everlight uses the standardized risk assessment template (Self-Assessment Questionnaire, SAQ) designed by the "Responsible Business Alliance" to identify the highest social, environmental and moral risks in its business.</p> <p>In addition, in 2021, Everlight also proactively entrusted a third-party organization to continuously implement the "Verification Audit Process" (VAP) of the "Responsible Business Alliance" for the Suzhou Wujiang Plant.</p> <p>(2) Everlight firmly believes in the value of diverse workplaces, and cultivates future talents on the premise of mutual tolerance, so that the industry can benefit from the maximum potential of global human resources. Everlight advocates that the staff portfolio should reflect the "social situation". A diverse management</p>	
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<p>(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</p>			<p>and employee mix will help the company to enhance its competitive advantage and achieve sustainable development. The salaries of Everlight employees include monthly salaries, incentive bonuses by monthly settlement of business performance, and remuneration (dividends) issued by the company based on its annual profitability. Incentive bonuses and annual remuneration (dividends) are rewarded to colleagues for their contributions, and motivating colleagues to continue their efforts, so that employees' interests can be connected with shareholders' interests, so as to create a triple win among the company, shareholders and employees. Everlight decides the total number of incentive bonuses and remunerations (dividends) based on the company's operating results and with reference to the domestic industry's distribution level. The amount and distribution method are proposed by the remuneration committee to the board of directors. The employee's remuneration is paid after the approval of the board of directors; each employee is assigned his or her own amount by depending on their position, contribution, and performance.</p> <p>(3) The focus of Everlight's environmental protection, security and hygiene policy is to build a safe working environment, actively preventing occupational injuries and diseases, promoting new knowledge of health through education and training, maintaining employees' physical and</p>	
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<p>(4) Has the Company established effective career development training plans?</p>			<p>mental health, and intensifying all employees' awareness and responsibility for environmental protection, security and hygiene; and at the same time, shaping the company's environmental protection, security and hygiene culture. In order to encourage employees to learn continuously and pursue self-growth as well as to retain outstanding employees, the company has integrated operating strategy with employee's competency to plan a complete training courses and provide a diversified learning channels. The same training plan are provided to all employees without the limit of the age, gender of the employees in order to facilitate employees with more opportunities for continuous learning and improving their expertise. The main courses include illegal infringement prevention, occupational security and hygiene, etc., and are compulsory courses for new colleagues in 2021. All of the 302 new colleagues in Taiwan have completed the training.</p> <p>(4) Employee development is an indispensable key factor for the company's growth, and the continuous growth of Everlight is also inseparable from the advancement of employees. In this regard, the company integrates internal and external resources, providing a variety of courses and meaningful work content and creates a continuous and diversified learning environment to grow together.</p>	
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			<p>An important strategy for EVERLIGHT's talent development is to reserve future capabilities and release learning momentum. The company attaches great importance to the pre-development of colleagues' abilities, actively implements the completeness of talent echelon management, and aims at comprehensive development from experience learning, feedback and guidance, education and training and volunteer services according to the specific development needs of each colleague. At the same time, with a variety of and complete physical and online learning resources, to enhance employees' self-learning awareness and support employees' self-development. The company provides on-the-job training, physical course training, online learning, job guidance, mentor system and job rotation to shape the learning atmosphere.</p> <p>Comprehensive education and training system and courses</p> <ul style="list-style-type: none"> ■ New personnel series: basic training and production line practice courses for new personnel, product awareness and quality courses, on-the-job training (OJT), etc. ■ Management development series: senior executives conduct courses on corporate governance, talent cultivation series, team leadership, goal and performance management, etc.; middle-level executives develop courses such as project management, responsible execution, teamwork communication, 	
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<p>(5) Has the Company complied with the relevant regulations and international standards on customer health and safety, customer privacy, marketing and</p>			<p>etc.; the main axis of training for grass-roots executives is excellence A series of training courses, new supervisor training; on-site supervisors will conduct on-site management (TWI), 5S management, and reserve on-site cadre training courses.</p> <ul style="list-style-type: none"> ■ Professional skills series: company product series courses, negotiation skills, LED manufacturing process, patent courses, project management, sales skills, customer relationship management, quality control methods, five core series of courses, etc. ■ Quality management series: ISO9001, IATF16949, QC080000 and other related courses. ■ Employee assistance series: operating system and software operation learning courses, emotional and stress management, health lectures. ■ Diverse learning channels: including the company's external electronic exhibition observation, various professional and technical seminar courses, and professional external training courses according to the needs of functions. ■ Online learning platform: The company has built an E-Learning online learning system platform to provide employees with instant, independent learning resources without time and geographical restrictions. <p>(5) In terms of customer information protection, Everlight follows relevant international norms and standards, and</p>	
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<p>labeling for its products and services? Has it established a consumer protection policy and complaints procedure?</p>			<p>has introduced ISO 27001 international information security management certification. In addition, Everlight has also established relevant information protection policies and standard procedures to ensure that only authorized personnel can access the engineering and production information of specific customers.</p> <p>In terms of customer privacy protection, Everlight Electronics has set up a personal data protection management executive team in accordance with the "PRO-0000226 Personal Data Security Maintenance and Management Measures" procedures and documents, and is assisted by professionals with "TPIPAS Personal Data Protection Managers". Plan and drive privacy protections.</p> <p>If any relevant appeal requirements needed, Everlight provides various appeal channels. Consumers or customers can appeal to Everlight through legal@everlight.com.</p>	
<p>(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?</p>			<p>(6) Everlight continues to fortify supply chain management, communicates with and encourages suppliers (including contractors) to strive for excellence in quality, cost-effectiveness, delivery time, environmental protection, security and hygiene. Through regular interaction, managerial audits and experience sharing among management levels, Everlight Division works with major suppliers and contractors to strengthen partnerships,</p>	

			<p>jointly pursue better performance, and make greater contributions to society. Everlight cooperates with suppliers on a number of sustainable development issues, such as promoting green supply chain, carbon management in response to climate change, fire risk reduction, environmental protection, security and hygiene management, and operational planning under natural catastrophes. Everlight is currently a formal member of the Responsible Business Alliance (RBA). Through self-assessment and review of the company's policies and procedures in labor, health and safety, environment, ethics and management systems, the code of conduct of "Responsible Business Alliance" has been realized.</p> <p>To enhance the sustainable management of the supply chain and effective risk management, EVERLIGHT cooperates with suppliers to comply with Taiwan's environmental protection, security, hygiene and fire regulations. Everlight has also established a code of conduct for suppliers, including labor rights, health and safety, Environment, Ethics and Management Systems. Everlight Electronics cooperates with suppliers to jointly assess and improve risks and impacts on all aspects of economy, environment and society. At the same time, EVERLIGHT helps suppliers improve sustainable performance through experience sharing and training and hopes to surpass international standards,</p>	
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			becoming a global benchmark LED packaging factory.	
5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance?	V		Everlight Electronics compiled the 2021 Annual Sustainability Report in accordance with GRI, SASB and TCFD and other standards, and a third-party organization TUV will issue a confidence report after GRI verification.	None
6. If the Company has established its sustainable development code of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences. Everlight "Sustainable Development Code of Practice" formulated by Everlight in accordance with the "Sustainable Development Code of Practice for Listed Companies". The specifications are generally consistent, but with regard to the specifications in Article 7, it is specifically stated that the decision-making circle should include experts with the qualifications of sustainable managers.				
7. Other important information to facilitate better understanding of the Company’s implementation of sustainable development: For details, please refer to the EVERLIGHT Sustainability Special Network or the EVERLIGHT Sustainability Report.				

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 15th Article of “Rules of Procedure for Board of Directors Meetings” states “When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.”

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

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
implementation procedures, guidelines, consequence of violation, complaint procedures in such policies and with the aforementioned measures reviewed and updated on a regular basis?			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>2. Ethic Management Practice</p> <p>(1) Has the Company assessed the ethics records whose it has business relationship with and included business conduct and ethics related clauses in the business contracts?</p> <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>	V		<p>(1) Everlight conducts its business transparently and 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</p>	None

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
			<p>directors approves “Ethical Corporate Management Best Practice Principles” and the head of legal division as the convener of each department to ensure the implementation of the principles based on the scope and job description of each department and report the result to the board regularly. Under the supervision of the board, Everlight ensures that the financial or accounting information disclosed publicly and reported to the government are complete, fair, accurate, timely and understandable.</p> <p>Required training related to ethical conduct has been arranged for the new employees and regular propagation of policy related to ethical conduct is held. Contracts signed with suppliers (such as purchase contract) includes relevant terms regarding ethical conducts, such as promising and giving any commission, benefit, compensation, bribe, agency fee, kickback or other improper interest are prohibited.</p> <p>The company will report this policy to the board of directors every year. On November 12, 2010, when the board of directors was held, the head of legal affairs submitted the [CSR report], which included the current year's performance progress of integrity management and future medium and long-term goals. The content is to continue to follow the RBA guidelines, and there are 4 ethics-related education and training, lectures and promotions, and there has been no corruption, bribery, extortion and anti-competitive incidents among Everlight employees. Directors have completed more than 6 hours of corporate governance related education training,</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>(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?</p>			<p>lectures and publicity.</p> <p>(3) On May 25, 2016, the board of directors approves "Ethical Corporate Management Best Practice Principles" and formulated a policy to prevent conflict of interest. Everlight stipulates clearly that no preference or privilege can be given to related parties and its employees cannot ask, offer, give and take gift, treatment, kickback, bribe and etc. According to the "Employee Ethics Code", each employee should avoid any business, investment or relevant activities which may constitute conflict of interest between individual and Everlight unless with prior approval from the board of directors.</p> <p>(4) Everlight has established an effective and complete accounting and internal control system and carried out exception management systematically. Everlight's independent internal audit unit has conducted audit based on the annual audit plan, reported the audit work to the audit committee 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</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>conduct and requires all employees to abide by the integrity regulations and ethical behavior standards. Employees are prohibited from accepting any form of gift and when they join the company. In addition, we request our suppliers to sign our "Suppliers' CSR Commitment", which requires them to adopt high standards of ethics. Proper management and monitoring can prevent activities that violate business integrity, including bribery, gifts and fraud.</p> <p>The company actively implements the integrity management policy and integrates it into the organizational culture and daily operations, and conducts relevant courses and publicity in various ways such as basic training for newcomers and publicity for all colleagues. A total of 817 people participated; in 2021/06, a total of 775 people participated in the publicity of the business secret rule of law course; a total of 192 people participated in the publicity matters such as the newcomer training ethics code and the trade secret law. In 2021, there will be a total of 1,784 people and a total of 988 training hours.</p>	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Has the Company established specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p>	V		<p>(1) The Company has established reporting channels and procedures related to the punishment of violating the ethical conducts and appealing in April 2017 and designated a spokesman and a unit to gather information regarding Everlight on the formal website of the company</p> <p>Additionally, Everlight has established a group to investigate corruption and bribe and also provided several reporting channels on the formal website of</p>	None

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
<p>(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>the company, such as mailed to the Audit Center (No. 6-8, Zhonghua Road, Shulin District, New Taipei City), phone (02-2685-6688 #7122), mailbox (whistleblower@everlight.com) and fair trade mailbox (legal@everlight.com), and also set up "Chairman's Mailbox" and "Employee Opinion Report Form" within the company, at any time accept reports from inside and outside of the organization either by name or anonymously.</p> <p>(2) Everlight has established a standard procedure to deal with reporting cases and mechanism of protect whistleblower. Everlight deals with those report and subsequent investigation rigorously and confidentially, which has been formulated in the "whistleblower policy".</p> <p>(3) Everlight protects whistleblower from unfair or improper treatment and prohibit any forms of revenge on the whistleblower or those who help with the investigation. The Company would protect reporters or investigators from maltreatment or any form of retaliation which clearly defined in reporting instruction. °</p>	
<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")?</p>	V		<p>The Company has disclosed information related to business culture, guideline of management, status of corporate governance and "The Practical Code of Corporate Governance," "The Code of Integrity Management," in the Corporate Social Responsibility Area of Everlight's official website. The Company discloses the information related to the</p>	None

Assessment Item	Implementation Status (Note)			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures
	YES	NO	Summary	
			Company in the investor service section and stakeholder section on the Company's official website at: http://www.everlight.com	
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 or TWSE website at mops.twse.com.tw

3.4.8 Other Important Information Regarding Corporate Governance: None.

3.4.9 Internal Control Systems

Statement of Internal Control System

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

March 23, 2022

Based on the findings of self-assessment, Everlight Electronics Company Limited (referred to as “Everlight” hereinafter) states the following with regard to its internal control system during the year of 2021:

1. Everlight acknowledges that the Board of Directors and management are responsible for establishing, performing, and maintaining an internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguard of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws, and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance over the three objectives mentioned above. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the internal control system contains self-monitoring mechanisms. Should any flaws be recognized, Everlight would enforce corrective measures immediately.
3. Everlight evaluates the effectiveness of the design and implementation of its internal control system in accordance with the “Regulations Governing the Establishment of Internal Control System by Public Companies” (referred to as the “Regulations” hereinafter). The criteria adopted by the Regulations identify five components based on the process of the management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) supervision. Each component also includes several items comprises certain factors which can be found in the Regulations.
4. Everlight has evaluated the effectiveness of the design and implementation of the internal control system in accordance with the internal control system criteria referred to above.
5. Based on the findings of such evaluation, Everlight considers the internal control system as of December 31, 2021 (including supervision and management of subsidiaries), which including the design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and compliance with the related internal control system under the relevant laws, are all effective. It can ensure that said goals will be reasonably reached.
6. This Statement is the main content of the annual report and prospectus, and will be publicly disclosed. Upon any unlawful acts, such as falsehood and concealment involved in the above-mentioned statement, Everlight will assume the legal responsibilities according to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was approved by Everlight’s Board of Directors at the meeting on March 23, 2022, with eight directors presented at the meeting and none disagreeing with this Statement.

Everlight Electronics Co., Ltd.

Chairman Yin-Fu Yeh

President Yin-Fu Yeh

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

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

3.4.11 Major Decisions of Shareholders' Meeting and Board Meetings :

3.4.11.1 2021 Shareholder' Meeting

Date	Motion	Resolution	Execution
2021/7/29	Approved the 2020 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 2020 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 26, 2021 and paid on September 16, 2021
	Approved the amendments to " Rules of Procedure of Shareholders' Meeting "	All attending members unanimously agree to pass the proposal.	The resolution shall be fully implemented and the revised regulation shall be uploaded to the company's official website and M.O.P.S..
	Approved the amendments to " Rules for Election of Directors "	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..
	Election of the Company's directors.	All attending members unanimously agree to pass the proposal. The newly elected directors list as as follows: Yin-Fu Yeh 、Chen-En Ko 、Johnsee Lee 、Rong-Chun Lin Liang-Gee Chen 、Wu-Liu Tasi 、Bo-Wen Zhou 、Bang-Yan Liu 、Shinh Wum International Investment LTD representative : Ting-Wei Yeh	Completed according to the resolution and complete directors change registration to the Ministry of Economic Affairs on 2021/8/20.
	Approved the release from non-competition restrictions on directors.	All attending members unanimously agree to pass the proposal.	Completed according to the resolution

3.4.11.2 Implementation of Board Meeting Resolutions in 2021(Article 14-3 of the Securities Exchange Law)

Term/ nd/rd/th time Date	Motion	Resolution	Execution
13-19 2021.3.23	Approved 2020 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 2021 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 2020.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval of the Statement of Declaration on Internal Control System 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
13-20 2021.5.12	Approved 2020 financial report of Q1	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Authorization to audit committee of selection of accounting firm for the internal control special project	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-02 2021.8.12	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
	Approved the amendments to our accounting system.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approved the amendments to "Internal control system".	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-03 2021.9.28	Ratification of acquisition of newly issued share of Tekcore	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-04 2021.11.12	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 2021.	All attending members unanimously agree to pass the proposal.	Execute as resolution

	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Proposed appointment of E&Y accounting firm to conduct the special internal control project	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Approval of the professional service fee of the CPAs for the year of 2021.	All attending members unanimously agree to pass the proposal.	Execute as resolution
14-05 2021.12.23	Approval of auditing plan for 2021	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
14-06 2022.3.23	Approved 2021 financial report and business report.	All attending members unanimously agree to pass the proposal.	Execute as resolution
	Recommendation of the distribution of earnings for the year of 2021.	All attending members unanimously agree to pass the proposal.	
	Evaluate the independence, eligibility, and contents of service and remuneration 2022 about appointment of CPAs.	All attending members unanimously agree to pass the proposal.	
	Approval of the Statement of Declaration on Internal Control System 2021.	All attending members unanimously agree to pass the proposal.	
	Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending	All attending members unanimously agree to pass the proposal.	
	Discussion of amendment of the "Rules of Procedure of Shareholders' Meeting" of the Company.	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, Chef Officer of Corporate Governance and R&D

Title	Name	Effective Date	Date Dismissal	Reasons of Resignation or Dismissal
Corporate Governance Officer	Larina Hsu	2021.5.12	2021.9.6	Resignation with personal reason
Internal Audit Officer	Cho, Chi-Pei	2020.4.29	2022.2.14	Resignation with personal reason

3.5 Audit Fee

NT\$, '000

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Remark
KPMG	Ou, Yao-Chun & Lo, Jui-Lan	2021.01.01~2021.12.31	5,710	2,085	7,795	Note
Ernst & Young Taiwan	Fuh, Wen - Fun & Hsu, Hsin - Min	2021.01.01~2021.12.31	-	430	430	Internal control system examination

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

- (1) Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee:
Business registration 135, Transfer Pricing report 800 and Audit of the tax return 1,150.
- (2) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclose :
None.
- (3) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclose : None.

3.6 Replacement of CPAs: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	2020		2021		2022	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	Until April 19	
						Net Change in Shareholding	Net Change in Shares Pledged
Chairman& President	Yin-Fu Yeh	(1,000,000)	-	(1,000,000)	-	0	-
Director& Executive Vice President	Wu-Liu Tsai	0	-	25,000	-	13,000	-
Director	Bo-Wen Zhou	0	-	0	-	0	-
Director	Shinh Wum International Investment LTD	867,000	-	1,000,000	-	0	-
	representative : Ting-Wei Yeh	0	-	0	-	0	-
Director	Bang-Yan Liu	(17,000)	-	0	-	(8,000)	-
IndependentDirector	Johnsee Lee	0	-	0	-	0	-
IndependentDirector	Chen-En Ko	0	-	0	-	0	-
IndependentDirector	Rong-Chun Lin	0	-	0	-	0	-
IndependentDirector	Liang-Gee Chen	Not Assume Yet	-	0	-	0	-
Vice President	Chia-Hao Lee	0	-	0	-	0	-
Sr. Director	Chi-Hui Chen	(34,000)	-	(2,000)	-	0	-
Sr. Director	Chung-Wei Wang	(22,500)	-	0	-	0	-
Sr. Director	Min-Ta Tsao	-	-	0	-	0	-
Sr. Director	Chien-Ming Ting	Not Assume Yet	-	0	-	0	-
Sr. Director	Cheng-Hsin Chen(Note1)	Not Assume Yet	-	Not Assume Yet	-	0	-
Sr. Director	Yu-He Chang (Note2)	Not Assume Yet	-	Not Assume Yet	-	0	-
Sr. Director	Che-wei, Hsu (Note3)	Note1Not Assume Yet	-	Not Assume Yet	-	20,000	-
Sr. Director	Yi-Chen, Chen (Note4)	Not Assume Yet	-	Not Assume Yet	-	0	-
Financial Officer	Yu-Keng Shih	0	-	0	-	0	-
Accounting Officer	Chun-Yu Lu	0	-	0	-	0	-

Note1 : Assumed on 2022/1/27

Note2 : Assumed on 2022/4/1

Note3 : Assumed on 2022/4/7

Note4 : Assumed on 2022/4/7

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

2022/4/19

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	15,168,553	3.42%	651,333	0.15%	-	-	Chuan Yi Investment Co., Ltd. & Shin-Wum Investment Ltd. representative : Ting-Wei Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Father	
Chuan Yi Investment Co., Ltd. representative:Ting-Wei Yeh	13,409,772	3.02%	-	-	-	-	Yin-Fu Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Son Brother	
Bo-Wen Zhou	9,600,000	2.17%	7,300,000	1.65%	-	-	Hsiu-Man Chien	Spouse	
Hsiu-Man Chien	7,300,000	1.65%	9,600,000	2.17%	-	-	Bo-Wen Zhou	Spouse	
Yu Ming Investment Co., Ltd. representative:Ding-Hao Yeh	6,733,469	1.52%					Yin-Fu Yeh Chuan Yi Investment Co., Ltd. & Shin-Wum Investment Ltd. representative : Ting-Wei Yeh	Son Brother	
Chang Hwa Bank	6,660,000	1.50%			-	-	-	-	
Yuanta Taiwan High-yield Leading Company Fund	6,386,000	1.44%					-	-	
Chang Wah Electromaterials Inc	6,373,000	1.44%	-	-	-	-	-	-	
Shinh Wum International Investment LTD representative:Ting-Wei Yeh	5,785,000	1.31%	-	-	-	-	Yin-Fu Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh	Son Brother	

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, 2021 ; Unit : Share ; %

Long-term Investment	Ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Shares	(%)	Shares	(%)	Shares	(%)
Everlight (BVI) Co., Ltd.	1,539,946	98.00	36,622	2.00	1,576,568	100.00
Pai Yee Investment Co., Ltd.	23,939,525	100.00	—	—	23,939,525	100.00
Everlight Americas, Inc.	11,375,000	98.91	—	—	11,375,000	98.91
Evervision Electronics Co., Ltd.	4,477,028	24.27	7,836,077	42.48	12,313,105	66.75
Everlight Electronics (Europe) GmbH	75,000	75.00	—	—	75,000	75.00
Everlight Optoelectronics Korea Co., Ltd.	37,890	100.00	—	—	37,890	100.00
Forever Investment Co., Ltd.	42,487,490	100.00	—	—	42,487,490	100.00
Everlight Lighting Intelligence Technology Co., Ltd.	20,000,000	100.00	—	—	20,000,000	100.00
Tekcore Co. Ltd	4,766,888	9.23	2,819,318	5.46	6,663,951	14.69
Evlite Electronics Co., Ltd.	7,000,000	100.00	—	—	7,000,000	100.00
Everlight Electronics India Private Limited	352,800	80.00	88,200	20.00	441,000	100.00
Everlight Electronics Singapore Pte. Ltd.	200,000	100.00	—	—	200,000	100.00
Wofi Leuchten GmbH	5,775,000	100.00	—	—	5,775,000	100.00
Everlight Japan Corporation	5,000	100.00	—	—	5,000	100.00
Everlight 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, 2022 Unit: share/NT\$

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

2008.04	500,000,000	5,000,000,000	351,316,461	3,513,164,610	Capital increase by CB converted Capital increase by warrant converted	None
2008.07	500,000,000	5,000,000,000	351,373,461	3,513,734,610	Capital increase by warrant converted	None
2008.08	500,000,000	5,000,000,000	364,479,791	3,644,797,910	Capital increase by retained earnings	None
2008.12	500,000,000	5,000,000,000	364,604,791	3,646,047,910	Capital increase by warrant converted	None
2009.10	500,000,000	5,000,000,000	365,882,548	3,658,825,480	Capital increase by CB converted	None
2009.12	500,000,000	5,000,000,000	399,212,548	3,992,125,480	Capital increase by cash	None
2010.01	600,000,000	6,000,000,000	410,234,155	4,102,341,550	Capital increase by CB converted Capital increase by warrant converted	None
2010.04	600,000,000	6,000,000,000	418,692,977	4,186,929,770	Capital increase by CB converted Capital increase by warrant converted	None
2010.06	600,000,000	6,000,000,000	419,169,328	4,191,693,280	Capital increase by CB converted Capital increase by warrant converted	None
2011.01	600,000,000	6,000,000,000	419,201,326	4,192,013,260	Capital increase by CB converted	None
2013.09	600,000,000	6,000,000,000	423,397,326	4,233,973,260	Capital increase by 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, 2022 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, 2022 Unit:share

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	3	15	131	46,095	303	46,547
Shareholding	8,299,000	26,198,172	46,100,003	226,940,103	135,855,808	443,393,086
Percentage (%)	1.87%	5.91%	10.40%	51.18%	30.64%	100%

Note : As of April 19, 2022, the company has no shareholders from PRC.

4.1.3 Distribution Profile of Share Ownership

4.1.3.1 Common Share

April 19, 2022 ; Unit : Share

Shareholder Ownership	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	8,452	1,323,010	0.3
1,000 ~ 5,000	30,872	61,355,622	13.84
5,001 ~ 10,000	3,984	31,777,128	7.17
10,001 ~ 15,000	1,064	13,540,265	3.05
15,001 ~ 20,000	708	13,122,956	2.96
20,001 ~ 30,000	526	13,463,669	3.04
30,001 ~ 40,000	229	8,301,685	1.87
40,001 ~ 50,000	145	6,827,546	1.54
50,001 ~ 100,000	285	20,535,349	4.63
100,001 ~ 200,000	107	15,228,551	3.44
200,001 ~ 400,000	59	17,162,325	3.87
400,001 ~ 600,000	27	13,091,214	2.95
600,001 ~ 800,000	17	11,921,903	2.69
800,001 ~ 1,000,000	10	8,786,079	1.98
1,000,001 and above	62	206,955,784	46.67
Total	46,547	443,393,086	100

4.1.3.2 Preferred Share: None.

4.1.4 Major Shareholders

April 19, 2022 ; 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	15,168,553	3.42%
Chuan Yi Investment Co., Ltd.	13,409,772	3.02%
Bo-Wen Zhou	9,600,000	2.17%
Hsiu-Man Chien	7,300,000	1.65%
Yu Ming Investment Co., Ltd.	6,733,469	1.52%
Chang Hwa Bank	6,660,000	1.50%
Yuanta Taiwan High-yield Leading Company Fund	6,386,000	1.44%
Chang Wah Electromaterials Inc	6,373,000	1.44%
Shinh Wum International Investment LTD	5,785,000	1.31%

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

Unit:NTD

Item		Year	2020	2021	Until March 31,2022
Market Price Per Share	Highest Market Price		42.20	68.9	60
	Lowest Market Price		20.65	37.15	46.5
	Average Market Price		34.34	50.02	52.65
Net Worth Per Share	Before Distribution		39.62	41.68	Note2
	After Distribution		39.62	(Note 1)	
Earnings Per Share	Weighted Average Shares (thousand shares)		443,361	443,393	
	EPS		2.79	4.37	
Dividends Per Share	Cash Dividends		2.25	3.5	
	Stock Dividends	-	-	-	
		-	-	-	
Accumulated Undistributed Dividend		-	-	-	
Return on Investment	Price/Earnings Ratio (Note 1)		12.31	11.45	
	Price/Dividend Ratio (Note 2)		15.26	14.29	
	Cash Dividend Yield (%)		6.6	6.997	

Note 1: The appropriation of earnings for 2021 shall be determined by the 2022 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 2022

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 2021 was approved by the Directors' meeting on March 23, 2022. The proposed distribution of NTD\$3.5 per share and a total cash dividend of NTD\$ 1,551,875,801 are not approved yet by the shareholders' general meeting.

4.1.7 Impact to 2022 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\$ 286,629,605 and directors' compensation-NT\$ 26,041,936 respectively.

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

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

4.1.8.3 2021 Remuneration to Directors and Employees' Profit Sharing Bonus: Our employees' compensation-NT\$ 286,629,605 and directors' compensation-NT\$ 26,041,936 will be approved by our meeting of directors are the same as our annual estimation.

4.1.8.4 2020 Remuneration to Directors and Employees' Profit Sharing Bonus: Our employees' compensation-NT\$ 163,906,710 and directors' compensation-NT\$ 16,811,716 approved by our meeting of directors and shareholders' meeting for the annual earnings in 2020 are the same as the actual distribution last year.

4.1.9 Buyback of Treasury Stock: None.

4.2 Issuance of Corporate Bonds:None

4.3 Preferred Shares: None.

4.4 Issuance of Overseas Depositary Shares:None

4.5 Status of Employee Stock Option Plan:None

4.6 Status of New Restricted Employee Shares: None.

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

5. Operational Highlights

5.1 Business Activities

5.1.1 Our Operation

5.1.1.1 Our Main Business

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

5.1.1.2 Our Major Products Proportion

Product Item	Major Application	Proportion
LED	Electronics, electrical and engineering appliances, electronic billboards, computer mice and household appliances, mobile phones, LCD backlight units, traffic signs, photoelectric switch, position sensing, infrared receivers	91.93%
Lighting	General lighting and professional lighting lamp	5.94%
LCD and Others	Electronic product displays, such as sphygmomanometers, phones, computers, satellite navigation, car displays, etc.	2.13%

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

(8) Optical Sensor

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

(9) Photo Transistor & Photo diode

Photo Transistor and Photo diode are both silicon-based semiconductor. Related applications: Such as various LED for light-controlled switch, fire smoke sensor, optical touch panel, low resolution optical Encoder, 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 to light signal, and then light signal to

electricity), and has very good electrical insulation, anti-interference capabilities. Most applications of Photo coupler is used for electric circuit design, such as electric signal feedback, interface 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

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

(15) IRM, Infrared Receiver Module

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

(16) Ultraviolet LED

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

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

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

(17) Energy-saving LED intelligent lighting system products

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

(18) LED Customized Module

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

(19) Automotive Standard Light Source

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

(20) 3D Tail Light

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

(21) Curved Mini Tail Light

Mini LED display technology can use flip-chip packaging to achieve uniform light mixing; the small size structure of the wafer can adjust the dimming zone more finely to achieve higher HDR and high contrast effects. It also reduces the optical mixing distance (OD) to make the module to ultra-thin level. As a self-driving vehicle, the tail light system can be a medium tool for human-vehicle communication (ex. What is the next move of this car? Is it waiting for me?)

(22) Automotive UVC Sterilization Module

Automobile sterilization module combined with short-wave ultraviolet (UV-C) LEDs can provide the efficient virus sterilization solutions in vehicles and also surface

sterilization solutions such as glove boxes. The technology proves that it can kill more than 90% of coronavirus. Also could use UVA+TiO₂ to design in car air purification.

5.1.1.4 Projected Development of New Products

(1) Control module of RGB LED

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

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

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

(3) Mini / Micro LED and related applications

Compared with LCD displays, Mini LEDs are lighter and thinner, with wide color gamut, higher contrast, and fine dynamic partitioning. Mini LEDs can achieve regional dimming and HDR high dynamic range imaging when the display is used as a backlight. At the same time, the application of micro wearable display devices is becoming more and more diversified. Related Micro or Mini LED display modules play a pivotal role of development, which related technologies will become the focus of this year.

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

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

(5) Special lighting for animal husbandry and agriculture

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

(6) Optical Proximity Sensor

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

(7) Smart office lighting system

To cooperate with the government to enter the stage of eco-city policy. Integrate with smart green building ICT systems and equipment into buildings. The office buildings

to have intelligent functions for active perception. Therefore, the factor of the intelligent control system is added to the existing lighting equipment. Make the lighting system more energy-efficient and smarter.

(8) Photo Diode

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

(9) High performance photo coupler

In order to the rising needs of industrial control and power systems, Everlight continues to develop high performance photo coupler products, such as high speed coupler, Linear Coupler, SSR MOSFET, Power Photo Triac, and IGBT Drive, Isolation Amplifier.

(10) Vertical Cavity Surface Emitting Laser Diode

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

(11) Optical Encoder

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

5.1.2 Industry Overview

5.1.2.1 Industry Current Status and Development

A light-emitting diode (LED) is a semiconductor 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.

Economic activities have returned in all aspects as the COVID-19 pandemic began slowing down in 2021, boosting the global LED market scale to USD 17.65 billion (+15.4% YoY), a growth rate that beats expectations. Looking to the future, market value of Mini LED backlights and video walls will continue going up, along with increased automotive LED penetration, rising demand for high-end lighting, and expanded video wall applications. TrendForce predicts that the LED market value will jump to USD 30.312 billion in 2026 with a 2021-2026 CAGR of 11%.

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\$81 million in 2021, and it is estimated to grow to US\$564 million by 2026, a compound annual growth rate will reach 47%, said by TrendForce. The revenue of Mini LED used in backlight products is estimated to be US\$431 million in 2021, and it is estimated to grow to US\$1,100 million by 2026, with a compound annual growth rate of 20%, and the main demand for backlight Mini LEDs is for TVs. By 2026, the demand will account for about 66% of the total, about 3.13 million 4-inch wafers, followed by laptops 20% and tablets 8%.

2020-2026 Worldwide LED Market Value Forecast

(Unit: Mil. USD)



Source : LEDinside(2022/3)

2020-2026 Mini and Micro LED Market Value Forecast

(Unit: Mil. USD)

	2020	2021	2022	2023	2024	2025	2026	CAGR 2021-2026
Micro LED	0	6	22	193	707	2,034	3,391	259%
Mini LED	46	81	161	266	385	474	564	47%
Total LED Revenue	46	87	184	459	1,092	2,508	3,955	115%

Source : LEDinside(2022/3)

2020-2026 Mini LED Market Value Forecast-By Application

(Unit: Mil. USD)

	2020	2021	2022	2023	2024	2025	2026	CAGR 2021-2026
Head-Mounted Display	0	0	0	0	1	6	12	-
Wearable Display	0	0	0	0	0	0	0	-
Tablet Display	0	200	147	121	106	96	82	-16%
NB Display	1	99	223	203	195	198	193	14%
Monitor Display	1	2	2	3	6	15	29	69%
Automotive Display	0	0	2	6	7	9	13	-
TV Display	57	130	240	303	390	512	762	42%
Total Mini LED Revenue	59	431	614	636	705	837	1,091	20%

Source : LEDinside(2022/3)

2020-2026 Mini LED Chip Usage Forecast-By Application

(Unit: 4" chip/Unit)

	2020	2021	2022	2023	2024	2025	2026	CAGR 2021-2026
Head-Mounted Display	0	0	0	0	3	28	57	-
Wearable Display	0	0	0	0	0	0	0	-
Tablet Display	0	571	495	479	464	445	399	-7%
NB Display	2	283	749	801	859	917	941	27%
Monitor Display	2	6	6	13	27	70	140	88%
Automotive Display	0	0	7	22	29	43	64	-
TV Display	120	372	762	1,069	1,449	2,001	3,134	53%
Total Mini LED Units	125	1,231	2,018	2,385	2,831	3,504	4,736	31%

Source : LEDinside(2022/3)

The LED development pattern in Taiwan is different from the vertical integration of upstream and downstream in the United States, Japan, Europe and other countries, we divided into upstream(Epitaxy), midstream(Chip), and downstream(Package) three different stages, and produce separately. But after LEDs are mass produced in Taiwan, for the reasons of reducing internal communication costs, improving quality and increasing the revenue for each manufacturers, the industry transformed into upstream(Epitaxy and Chip)

and downstream (packages and modules) two stages, and also the LED lighting applications for the end use. In recent years, Taiwan LED industry has mainly focused on LED packages and modules.

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

5.1.2.2 The Relevance of the Industry Supply Chain

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

5.1.2.3 LED development trends and competition

(1) LED development trends

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

A. High 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 continuously 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) :

NT\$, '000

Year	2020	2021	2022/3/31
Amount	708,239	722,433	177,991

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 2022 are approximately NT \$ 700-800 million, which will be 3-4% of total revenue, similar to previous years.

(1) New Products Developed 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 & IC development is expected to be completed in 2022
- 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 0.5mm² 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

(2) New Products Project in 2022

- Optical Encoder (High Resolution)
- IGBT Drive (Large operating current)
- Linear Photo Coupler
- High Voltage SSR
- Isolation Amplifier
- Low Voltage ALS
- ITR Module
- 2214 small form factor LED
- Side-emitting RGB LED
- 0.5W RGB LED
- Smart IC-embedded LED with general or proprietary purpose
- ALFS 2-in-1 dual function front lighting LED
- Mini CSP RGB-0.15T thinness of 3-chip CSP element
- Flash 2727 thickness increased project
- Ultra-thin of Direct View keyboard B1010 RGB 0.18T
- Ultra-thin of Edge View keyboard B1803 RGB 0.3T
- Application of Special consumer ultra-thin B1212 RGBW 4-chip LED
- Application of handheld game controller C2216 2-window UV+W
- Element of Mini POB Development (element of 4-chip more thinner, pitch more wider)
- Module of Mini COB Development (Mini Lens)
- Module of Mini COB Development (3D Reflective)
- UVC/UVA air purifier application with lighting fixture
- UVC clean huge water design and application
- RGB AFM module application
- Horticulture PPE4.12 high performance design

(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 μm). 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 1mm²). In addition, an ALFSE series (LES 0.5mm²) 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 steet lighting, architectural lighting, display lighting, low temperature lighting, indoor lighting, etc., which meet not only market demand but also environmental protection and energy saving trends. These high-end technologies will be used in general lighting products, consumers can easily purchase high-efficiency and competitive-priced lighting products, which will promote the idea of energy saving and carbon reduction for everyone and improve the penetration rate of LED in the lighting market.

(4) Mini LED for backlight

Based on the fact that the Company has developed a wide variety of backlight products, 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 competitve 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	2020		2021	
		Net Sales	(%)	Net Sales	(%)
LED		18,750,279	86.66	22,846,741	91.31
LCD		620,298	2.87	621,827	2.49
Lighting Module		2,160,403	9.98	1,487,593	5.94
Other		106,055	0.49	65,848	0.26
Total		21,637,035	100.00	25,022,009	100.00

(2) Sales of regions

NT\$, '000

Region	Year	2020		2021	
		Net Sales	(%)	Net Sales	(%)
Asia		18,604,230	85.98	21,683,979	86.66
Europe		2,311,708	10.69	2,475,600	9.89
America		471,670	2.18	621,917	2.49
Other		249,427	1.15	240,513	0.96
Total		21,637,035	100.00	25,022,009	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.	Samsung、Lumileds、Nichia、CREE、SSC、MLS、Hongli
Backlighting components	For all size LCD screen back-light Unit, such as TV, Monitor, NB...etc.	Nichia、SSC、Samsung、Lumens、MTC、AOT、Jufei
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、Samsung、Jufei、MTC、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	ams-Osram 、Nichia 、 Lumileds 、Stanley 、SSC 、 DOMINANT
Infrared and sensing components	For reading head, mouse, plastic optical fiber, data transmission, various infrared sensors and receivers, and photo coupler for power control... etc.	ams-Osram 、Vishay 、 Goodtake 、Kodenshi 、 ROHM 、Lite-On 、Bright LED

According to LEDinside, the output value of Taiwan's LED packaging components is approximately US\$2.6 billion in 2021, with a global market share of 12%. In terms of the revenue scale in Taiwan, our company is currently the largest professional LED packaging factory in the country, and our product lines are complete and our product quality is superior among the competitors. The 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, In 2021, a variety of sports events, commercial activities, automotive and lighting demands recovered remarkably, boosting LED market demands. Although demands turned to be sluggish in 2H21, but as a whole, global LED market value was still to the tune of USD 17.65 billion (+15.4% YOY) in 2021. In terms of regions, China ranked first with 41% market share, followed by Japan with 15%, and Taiwan ranked fourth with 12% market share.

Output value of LED packaging in major regions of the world

(Unit: Mil. USD)

	2019	Share%	2020	Share%	2021(E)	Share%
Japan	2,921	17%	2,392	16%	2,540	15%
Korea	2,221	13%	1,960	13%	2,288	13%
Taiwan	1,754	10%	1,871	12%	2,060	12%
Europe	1,420	8%	1,443	9%	1,806	10%
USA	1,698	10%	1,398	9%	1,417	8%
China	6,739	40%	6,172	40%	7,167	41%
Others	84	0.5%	139	0.9%	126	1%
Total	16,837	100%	15,375	100%	17,404	100%

Source : LEDinside(2022/3)

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 reach US\$5.046 billion by 2026, with a compound annual growth rate (CAGR) of 58% from 2021 to 2026. 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\$1.564 billion, the CAGR will reach 18% in 2021-2026.

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

	2020	2021	2022	2023	2024	2025	2026	CAGR 2021-2026
Mobile Appliance	1,002	1,001	1,011	1,014	990	995	1,002	0%
Large Display Backlight	1,585	1,489	1,452	1,363	1,297	1,212	1,140	-5%
General Lighting	5,330	6,076	6,654	7,320	7,935	8,566	9,234	9%
Architectural Lighting	882	961	1,024	1,056	1,129	1,172	1,206	5%
Agricultural Lighting	301	388	427	477	531	592	664	11%
Automotive	2,660	3,388	3,788	4,234	4,637	5,114	5,654	11%
Video Wall	1,591	1,726	1,897	2,070	2,295	2,662	3,151	13%
Consumer & Others	1,207	1,425	1,464	1,506	1,551	1,599	1,652	3%
Invisible LED	627	678	785	931	1,084	1,299	1,564	18%
Micro & Mini LED	104	518	797	1,095	1,797	3,345	5,046	58%
Total Revenue	15,290	17,650	19,299	21,064	23,247	26,556	30,312	11%

Source : LEDinside, 2022/03

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 large 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 develop 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 introduction of production process

5.2.2.1 The applications of major products

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

5.2.2.2 The production process

Gluing Process

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

Molding Process

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

Light module Process

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

5.2.3 Supply of our major materials

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

5.2.4 Major Suppliers and Clients

5.2.4.1 Major Suppliers in the Last Two Calendar Years

NT\$, '000

Item	2020				2021				2022(As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Epistar	957,517	11.59	NA								
2	Other	7,302,698	88.41		Other	9,538,190	100		Other	2,104,104	100	
	Net Total Supplies	8,260,215	100		Net Total Supplies	9,538,190	100		Net Total Supplies	2,104,104	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	Year	2020			2021		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
LED		39,561,070	24,915,986	16,998,368	41,272,622	30,130,003	20,420,381
LCD		20,993	17,356	620,299	19,242	17,330	621,827
Lighting Module		72	76	183,152	8	8	17,783
Other		20	13	60,841	16	13	61,907
Total		39,582,155	24,933,431	17,862,660	41,291,888	30,147,354	21,121,898

5.2.6 Shipments and Sales in the Last Two Years

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

Major Products	Year	2020				2021			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LED		2,821,919	3,198,095	23,650,565	15,552,184	2,789,619	3,522,546	28,854,460	19,324,195
LCD		6,044	181,976	11,338	438,322	7,174	162,474	10,143	459,353
Lighting Module		1,938	1,125,391	1,429	1,035,012	3,226	642,717	2,003	844,876
Other		100,375	62,149	190,976	43,906	148,388	64,938	1	910
Total		2,930,276	4,567,611	23,854,308	17,069,424	2,948,407	4,392,675	28,866,607	20,629,334

5.3 Human Resources

Items		Year	2020	2021	Data as of ending data in the current year-2022/3/31
Number of Employees	Direct Employees		3639	2714	2840
	Indirect Employees		2604	2590	2513
	Total		6243	5304	5353
Average Age			31.9	30.4	34.1
Average Years of Service			4.4	4.7	4.1
Education	Ph.D.		10	9	8
	Masters		249	209	206
	Bachelor's Degree		3308	2336	2275
	Senior High School and Below		2648	2204	2352
Total			6243	5304	5353

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.
Yuan-li Plant		
Operational permit for stationary	2025/2/11	No. K0981-00 issued by Miaoli County
Air pollution control personnel (Class A)	Certified	No. FA270060 issued by EPA, 2013
Tongluo Plan		
Operational permit for stationary	2023/1/10	No. K0951-00 issued by Miaoli County
Air pollution control personnel (Class A)	Certified	No. FA110427 issued by EPA, 2019

(2) Water pollution prevention

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

Professional personnel: wastewater control personnel(Class A)

Items	Validity Period	Approval No.
Yuan-li Plant		
Operational permit for stationary	2022/08/10	No. 00444-03 issued by Miaoli County
wastewater control personnel(Class A)	Certified	No. GA200027 issued by EPA, 2007
Tongluo Plan		
Operational permit for stationary	2022/3/30	No. 00637-00 issued by Miaoli County
wastewater control personnel(Class A)	Certified	No. GA040398 issued by EPA, 2007

(3) Waste management

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

Professional personnel: waste control personnel(Class A)

Items	Validity Period	Approval No.
Yuan-li Plant		
Waste control personnel(Class A)	Certified	No. HA211661 issued by EPA, 2003
Tongluo Plan		
Waste control personnel(Class B)	Certified	No. HB211253 issued by EPA, 2003

5.4.1.3 Industrial waste reduction

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

5.4.2 The investment of pollution prevention equipment and the benefits:

2021/3/31, NTS'000

Equipment	Set	Acquired Date	Amount	Net Value	The Use and the benefits
Exhaust gas process equipment and the improvement	1	98.10.20	19,914.7	205.1	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.
Exhaust gas process equipment and the improvement	1	105.7.27	16,527	8598.9	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	13,325.2	684.7	Processing the waste water generated in the manufacturing process to meet the standards of environmental protection requirements and reach the recyclable standards.

Wastewater process equipment and the improvement	1	105.12.30	10,978.2	5723.3	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	456.3	Processing the polluted water generated by the personnel of production activities and meet the recyclable standard.
Polluted water process equipment and the improvement (MBR)	1	105.7.25	445.2	164.6	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 Employee compensation, benefit plans, retirement policies and labor-management agreement

5.5.1.1 Manager and employee compensation

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

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

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

5.5.1.2 Our welfare

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

- (1) Employee uniforms and shoes for the factory floor
- (2) Group comprehensive insurance and annual health checkup
- (3) Grant for employees' advanced education, Educational Assistances for Dependent Children
- (4) Birthday 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) Encourage sports to redeem giveaways
- (11) Department dinner
- (12) Family insurance
- (13) Gift vouchers and activities for holidays and festivals
- (14) Movie appreciation

(15) Ball games/Arts and cultural activities, Festive public welfare 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.

(2) Complete education and training system and courses

- Each internal auditor completed 12-hour training according to the requirement in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” and the audit center held 4-hour internal training each month to enhance internal audit knowledge and internal audit skills.
- Some of our internal auditors possess the following certificates:
 - ◇CPA Australia: 1 in audit center

(3) Implementation status of education and training

In 2021, in addition to the scheduled annual courses, there were more than 33,138 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 70 hours, and the average training hours of management staff are about 44 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

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

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

5.5.1.4.1 Voluntarily Retirement:

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

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

5.5.1.4.2 Mandatory retirement:

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

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

The age specified in Subparagraph 1 of the preceding paragraph may be adjusted to the central competent authority for approval if the company is employed as a worker with special characteristics such as danger and strong physical strength. But not less than 55 years

old.

5.5.1.4.3 Retirement payment standard:

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

5.5.1.4.4 Retirement payment:

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

5.5.1.5 Labor agreements and employee rights protection

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

5.5.1.6 Employee code of conduct or ethics

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

(1) Code of ethics

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

(2) Company resources

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

(3) Conclusion:

Everlight upholds the business philosophy of "Excellence, Innovation, Integrity,

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

5.5.1.7 Working environment and employees' personal safety protection

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

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

(1) Occupational accidents prevention plan

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

(2) Implement of automatic inspection

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

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

(3) On-site operating environment measurement

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

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

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

5.6 Information security

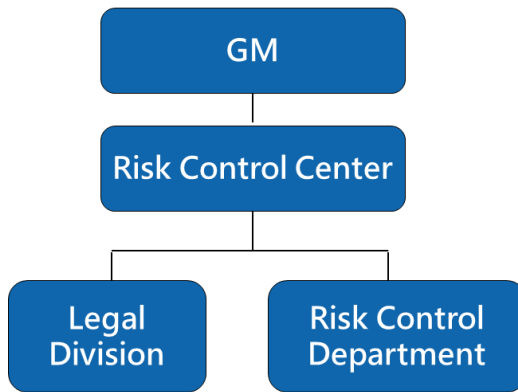
In the past few years, the thriving internet brings out the information security problems, how to sustain internal information security becomes an urgent subject matter. Everlight determined to minimize the impact of information security risks and provide proficient service to our customers eternally, 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 secure 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.

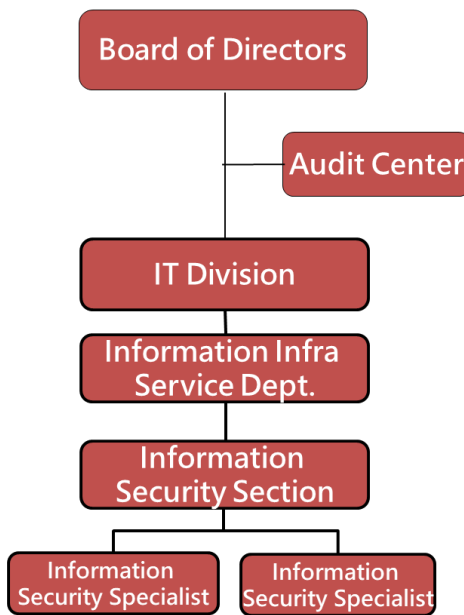
(1) Legal Center Org and R&R of Information Security



R&R(Information Safety)

- Legal Division :
 - 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
- Risk Control Department : .
 - Review risk evaluation results and precautions of IT

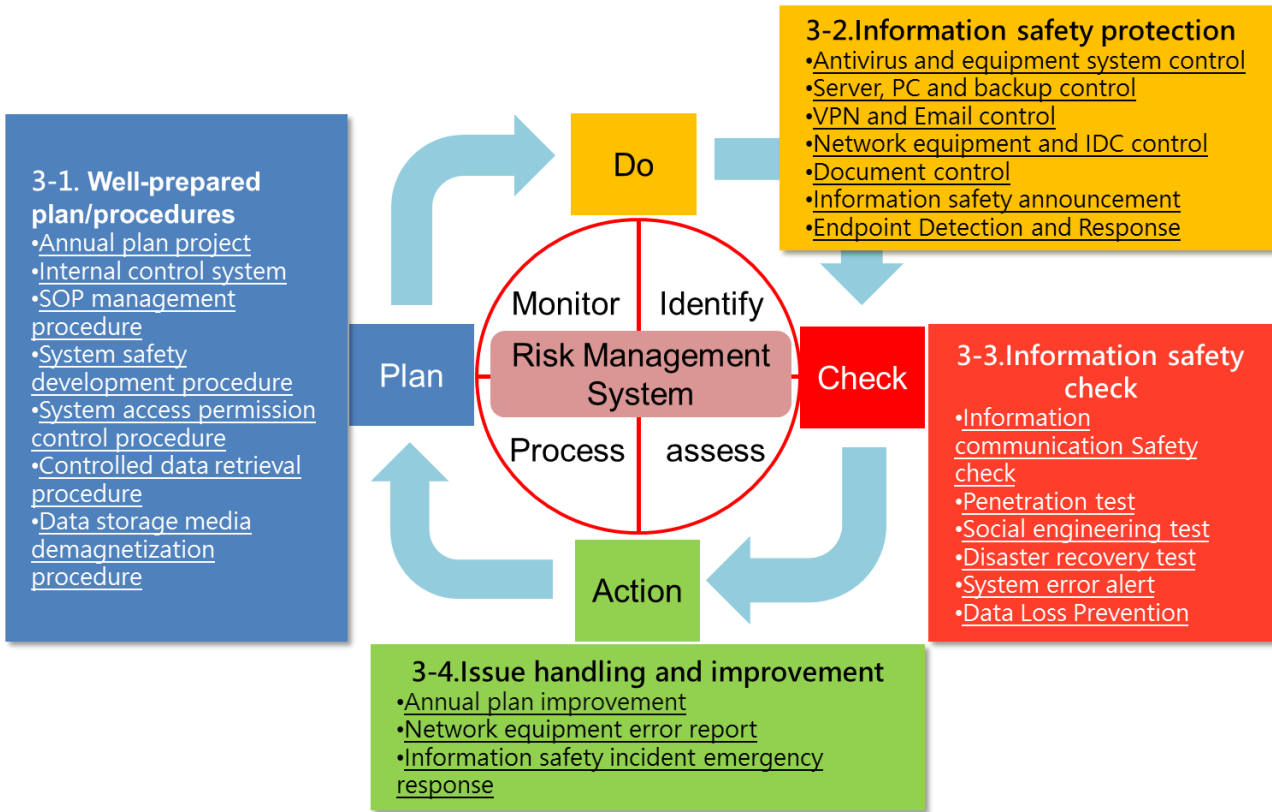
(2) Audit Center Org and R&R of Information Security



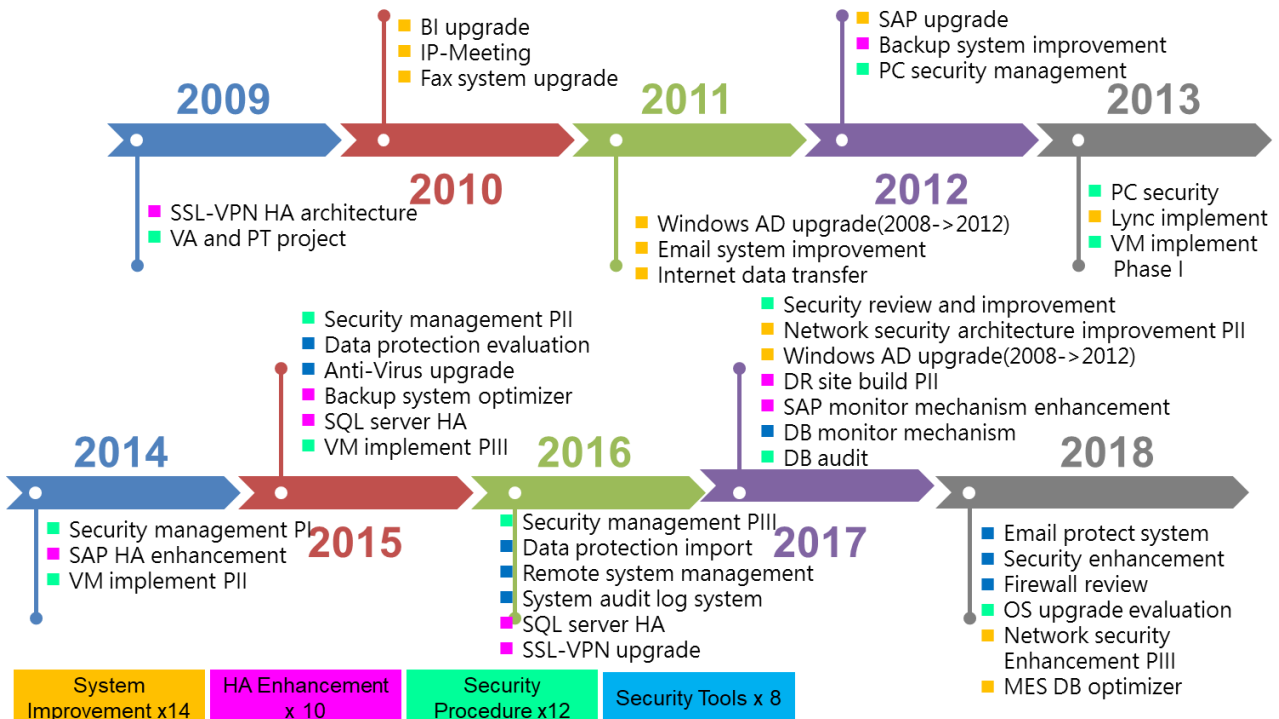
R&R(Information Safety)

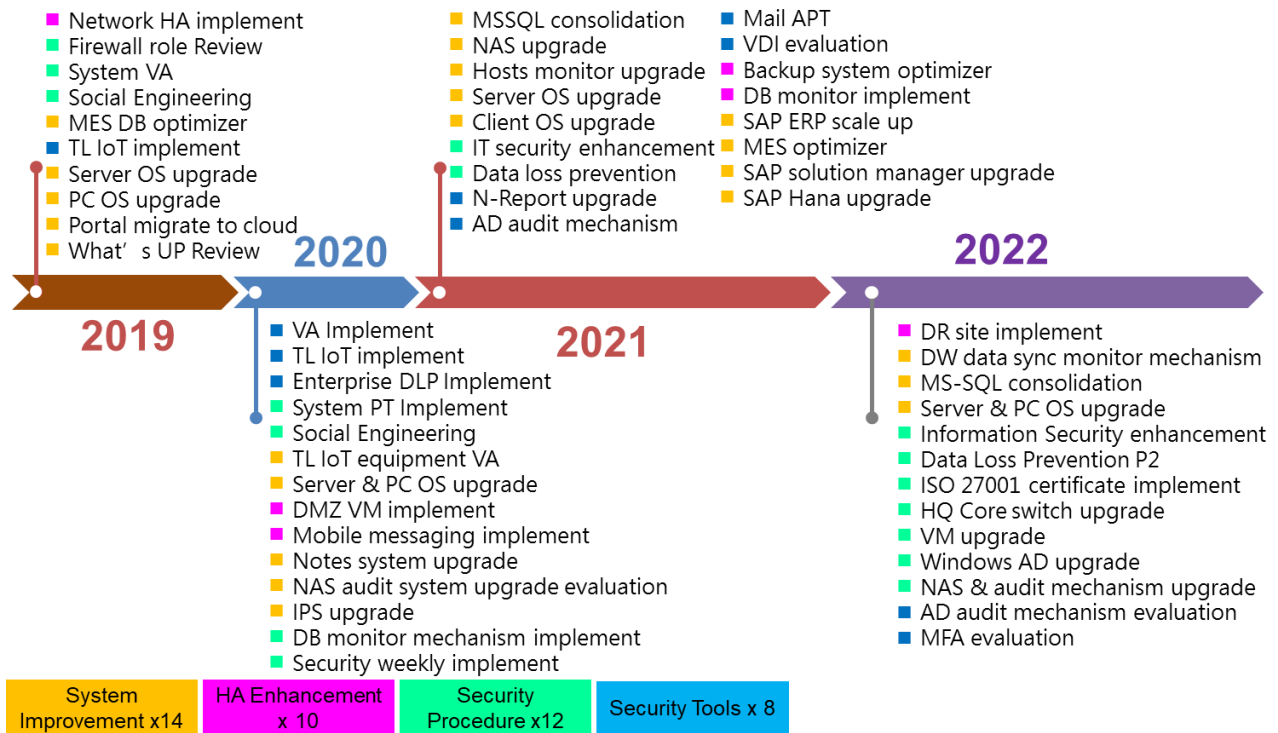
- The Risk Management Architecture of Information and Communication
 1. We have established the "Information Security Dedicated Section" in 2021 include a dedicated supervisor and two members.
 2. Be responsible for security planning, risk management, compliance review and supervising the security risk management mechanism.
 3. Report the performance of information security management organization, operation and systems to the board of directors regularly.

(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 Health 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	

We have check the “Electric Data Flow” and “Other manage control system” include personal data protection management :

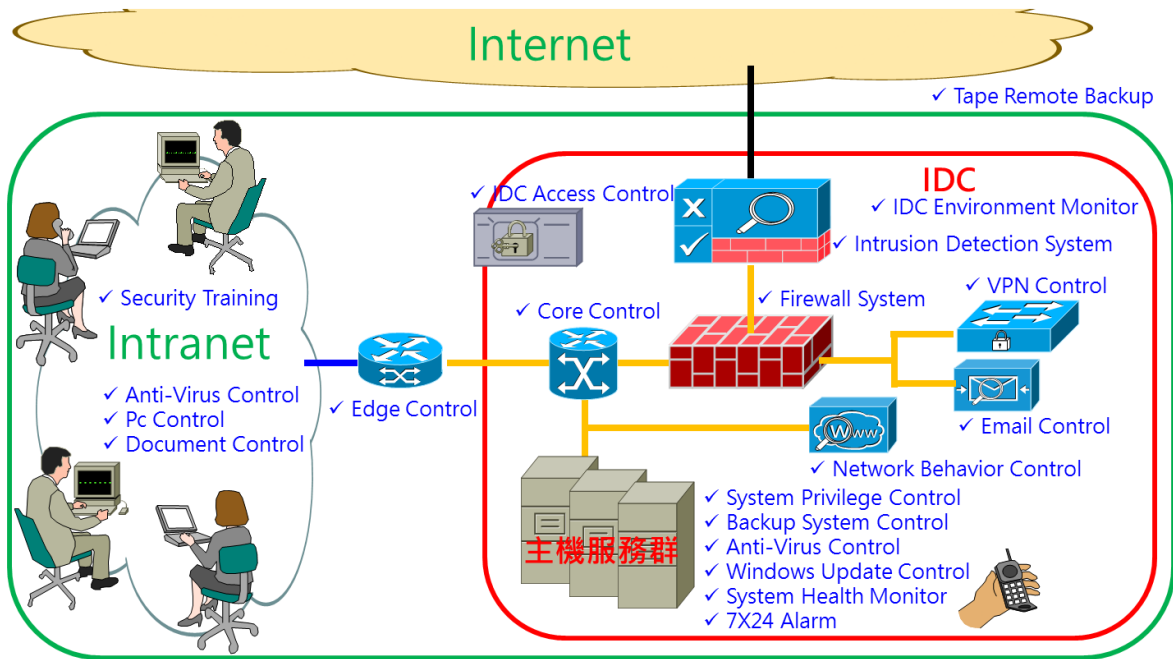
1. Check plans and items :

- Semi-annual drill
- Daily data backup status

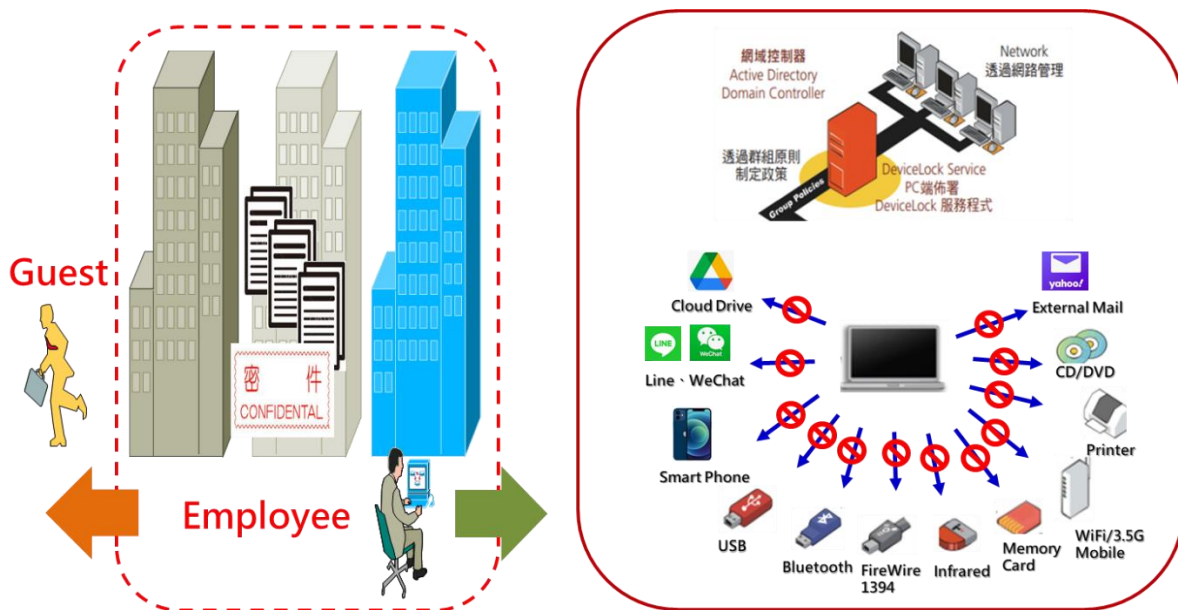
2. In 2021, there weren’t critical defect.

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 throught 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 2021, there were no complaints related to infringement of customer privacy or loss of customer information.

Information Safety Protection- Systems Prevention



Information Safety Protection- Data Loss Prevention



Information Safety Internal Education

Course	Content	Number of trainees
2021 Information Safety Education	Everything about the Information Safety	464
2021 Corporate Anti-Corruption/Trade Secrets	Corporate Anti-Corruption/Trade Secrets	469

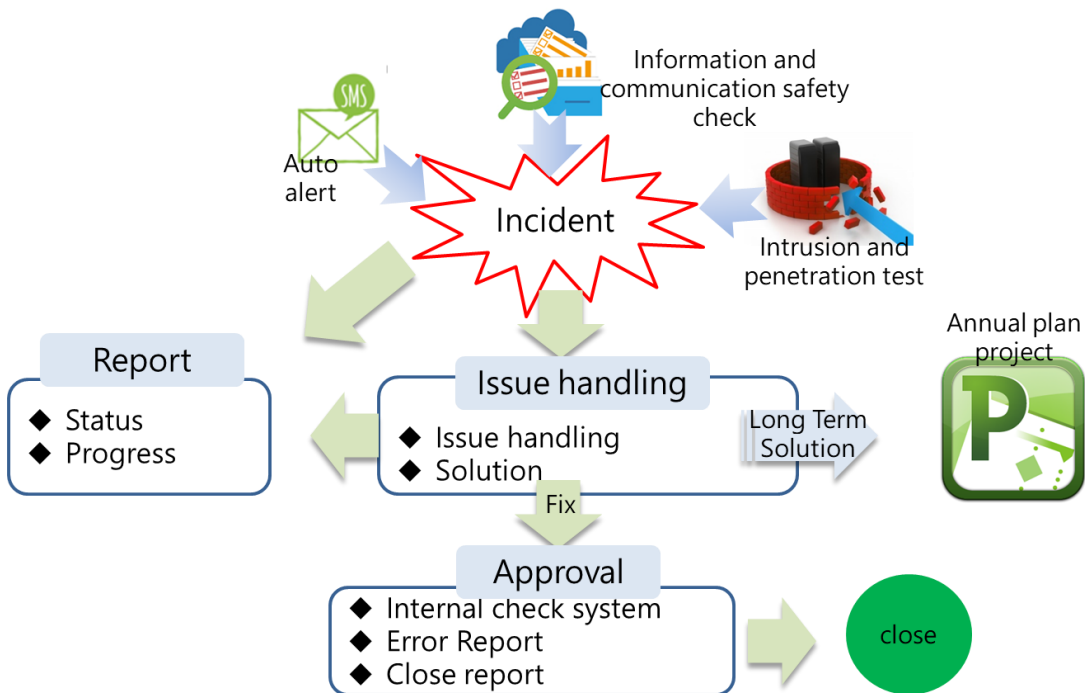
Note: We provide the courses of information environment and information introduction to our new staffs every month.

We had built the dedicated security management unit and open the security sessions around 70 times weekly from 2021/01 till now. We also announce the security weekly report to grasp the information security situation and trends and the security status has already provided to the board at 2021/11/12.

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



Information Security Risk Disclosure

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

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

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

From 2021 to the date of publication of the annual report, we have not detected any critical network attack and security event caused any impact on business and operations.

5.7 Material Contract

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

6. Financial Information

6.1 Five-Year Financial Summary

(1) Consolidated Condensed Balance Sheet – Based on IFRS

NT\$, '000

Item	Year	Financial Summary for The Last Five Years(Note 1)					As of the printing date 2022/3/31 of this annual report
		2017	2018	2019	2020	2021	
C u r r e n t a s s e t s		24,068,351	17,360,421	17,386,636	19,728,192	20,331,320	20,625,178
Property, Plant and Equipment		11,427,695	10,239,693	8,909,437	8,109,445	7,631,501	7,698,751
I n t a n g i b l e a s s e t s		186,440	124,585	82,650	83,572	58,654	66,969
O t h e r a s s e t s		1,492,362	1,359,444	1,970,349	2,345,941	2,503,962	2,602,939
T o t a l a s s e t s		37,174,848	29,084,143	28,349,072	30,267,150	30,525,437	30,993,837
C u r r e n t liabilities	Before distribution	18,349,977	9,961,920	10,280,488	11,489,146	10,923,197	10,650,884
	After distribution	19,671,110	10,626,475	10,901,051	12,486,780	Note 2	Note 2
Non-current liabilities		652,223	1,769,597	874,156	839,314	793,496	762,799
T o t a l liabilities	Before distribution	19,002,200	11,731,517	11,154,644	12,328,460	11,716,693	11,413,683
	After distribution	20,323,333	12,396,072	11,775,207	13,326,094	Note 2	Note 2
Equity attributable to shareholders of the parent		17,848,938	16,987,956	16,842,893	17,567,302	18,482,734	19,230,813
C a p i t a l s t o c k		4,404,486	4,429,996	4,432,457	4,433,931	4,433,931	4,433,931
C a p i t a l s u r p l u s		9,139,711	9,159,142	9,089,121	9,084,110	9,103,595	9,103,595
R e t a i n e d e a r n i n g s	Before distribution	5,135,535	4,623,095	4,782,354	4,870,312	5,809,040	6,272,560
	After distribution	3,814,402	3,958,540	4,161,791	3,872,678	Note 2	Note 2
O t h e r e q u i t y i n t e r e s t		(830,794)	(1,224,277)	(1,461,039)	(821,051)	(863,832)	(579,273)
T r e a s u r y s t o c k		—	—	—	—	—	—
Non-controlling interest		323,710	364,670	351,535	371,388	326,010	349,341
T o t a l e q u i t y	Before distribution	18,172,648	17,352,626	17,194,428	17,938,690	18,808,744	19,580,154
	After distribution	16,851,515	16,688,071	16,573,865	16,941,056	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 111th Annual Shareholders' Meeting.

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

NT\$, '000

Year		Financial Summary for The Last Five Years(Note 1)				
		2017	2018	2019	2020	2021
Item						
C u r r e n t a s s e t s		18,804,448	12,349,315	12,067,548	13,792,446	14,138,917
Property, Plant and Equipment		6,885,351	6,146,287	5,480,059	4,857,393	4,369,720
I n t a n g i b l e a s s e t s		153,374	89,880	55,727	64,703	43,587
O t h e r a s s e t s		10,238,444	9,761,767	9,809,065	9,912,741	10,159,564
T o t a l a s s e t s		36,081,617	28,347,249	27,412,399	28,627,283	28,711,788
C u r r e n t l i a b i l i t i e s	Before distribution	17,559,446	9,551,652	9,693,001	10,178,638	9,204,656
	After distribution	18,880,579	10,216,207	10,313,564	11,176,272	Note 2
N o n - c u r r e n t l i a b i l i t i e s		673,233	1,807,641	876,505	881,343	1,024,398
T o t a l l i a b i l i t i e s	Before distribution	18,232,679	11,359,293	10,569,506	11,059,981	10,229,054
	After distribution	19,553,812	12,023,848	11,190,069	12,057,615	Note 2
C a p i t a l s t o c k		4,404,486	4,429,996	4,432,457	4,433,931	4,433,931
C a p i t a l s u r p l u s		9,139,711	9,159,142	9,089,121	9,084,110	9,103,595
R e t a i n e d e a r n i n g s	Before distribution	5,135,535	4,623,095	4,782,354	4,870,312	5,809,040
	After distribution	3,814,402	3,958,540	4,161,791	3,872,678	Note 2
O t h e r e q u i t y i n t e r e s t		(830,794)	(1,224,277)	(1,461,039)	(821,051)	(863,832)
T r e a s u r y s t o c k		—	—	—	—	—
T o t a l e q u i t y	Before distribution	17,848,938	16,987,956	16,842,893	17,567,302	18,482,734
	After distribution	16,527,805	16,323,401	16,222,330	16,569,668	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 111th Annual Shareholders' Meeting.

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

NTS '000, EPS is per NTS

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of the printing date 2022/3/31 of this annual report
	2017	2018	2019	2020	2021	
Operating revenue	27,310,581	24,089,291	20,966,541	21,637,035	25,022,009	5,515,894
Gross profit	6,346,412	5,654,578	5,128,448	5,418,769	6,698,595	1,523,283
Income from operations	1,692,463	889,068	835,193	1,353,502	2,415,465	481,199
Non-opr. income/Expense	(184,744)	234,891	230,515	273,833	146,415	129,432
Income before tax	1,507,719	1,123,959	1,065,708	1,627,335	2,561,880	610,631
Net income (Loss)	1,245,991	863,079	851,329	1,249,680	1,996,011	477,689
Discontinued Operation	—	—	—	—	—	—
Net Income incl. Discontinued Operation	1,245,991	863,079	851,329	1,249,680	1,996,011	477,689
Other comprehensive income (income after tax)	589,721	(388,274)	(240,723)	112,256	(53,821)	293,721
Total comprehensive income	1,835,712	474,805	610,606	1,361,936	1,942,190	771,410
Net income attributable to shareholders of the parent	1,203,508	793,069	822,244	1,236,141	1,939,688	463,520
Net income attributable to non-controlling interest	42,483	70,010	29,085	13,539	56,323	14,169
Comprehensive income attributable to Shareholders of the parent	1,794,762	410,915	593,478	1,342,083	1,893,581	748,079
Comprehensive income attributable to non- controlling interest	40,950	63,890	17,128	19,853	48,609	23,331
Earnings per share	2.74	1.80	1.86	2.79	4.37	1.05

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

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

NTS '000, EPS is per NTS

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenue	22,480,597	19,775,854	17,390,373	18,216,403	20,931,499
Gross profit	4,074,823	3,621,427	3,207,589	3,513,980	4,662,165
Income from operations	1,329,112	845,527	757,764	1,097,840	1,986,179
Non-opr. income/Expense	(17,460)	73,440	182,376	402,613	305,343
Income before tax	1,311,652	918,967	940,140	1,500,453	2,291,522
Net income (Loss)	1,203,508	793,069	822,244	1,236,141	1,939,688
Discontinued Operation	—	—	—	—	—
Net Income incl. Discontinued Operation	1,203,508	793,069	822,244	1,236,141	1,939,688
Other comprehensive income (income after tax)	591,254	(382,154)	(228,766)	105,942	(46,107)
Total comprehensive income	1,794,762	410,915	593,478	1,342,083	1,893,581
Earnings per share	2.74	1.80	1.86	2.79	4.37

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

6.2 Auditors' Opinions from 2017 to 2021

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

6.2.1 Parent Financial Analysis – Based on IFRS

Item		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt Ratio	51	40	39	39	36
	Ratio of long-term capital to property, plant and equipment	259	295	308	364	424
Solvency (%)	Current ratio	107	129	124	136	154
	Quick ratio	101	122	117	127	144
	Interest earned ratio (times)	12	10	19	39	78
Operating performance	Accounts receivable turnover (times)	2.77	2.71	2.79	2.93	3.18
	Average collection period	132	135	131	124	115
	Inventory turnover (times)	18.05	19.12	20.54	19.64	21.55
	Accounts payable turnover (times)	2.69	2.55	2.54	2.55	2.76
	Average days in sales	20	19	18	19	17
	Property, plant and equipment turnover (times)	3.34	3.04	2.99	3.52	4.54
	Total assets turnover (times)	0.63	0.61	0.62	0.65	0.73
Profitability	Return on total assets (%)	3.65	2.73	3.10	4.52	6.85
	Return on stockholders' equity (%)	7	5	5	7	11
	Pre-tax income to paid-in capital (%)	30	21	21	34	52
	Profit ratio (%)	5	4	5	7	9
	Earnings per share (NT\$)	2.74	1.80	1.86	2.79	4.37
Cash flow	Cash flow ratio (%)	16	24	22	12	32
	Cash flow adequacy ratio (%)	121	115	105	114	135
	Cash reinvestment ratio (%)	6	4	6	2	7
Leverage	Operating leverage	1.76	2.23	2.29	1.77	1.25
	Financial leverage	1.10	1.14	1.07	1.04	1.02

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

- Interest earned ratio (times) increased due to the earning before tax and interest expenses increase than previous period.
- Property, plant and equipment turnover (times) increased due to decrease in the average of the property, plant and equipment than previous period.
- Profitability : increased due to the increase in net income.
- Cash flow ratio (%) increased mainly due to the increase in the earning before tax, and decrease in financial assets at fair value through profit or loss for this period and contract asset, resulting in a higher net cash flow from operating activities.
- Cash reinvestment ratio (%) increased mainly due to the increase in the earning before tax, and decrease in financial assets at fair value through profit or loss for this period and contract asset, resulting in a higher cash from operations.
- 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		Year	Financial Analysis for the Last Five Years					As of the printing date of this annual report
			2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio		51	40	39	41	38	37
	Ratio of long-term capital to property, plant and equipment		159	181	193	222	247	255
Solvency (%)	Current ratio		131	174	169	172	186	194
	Quick ratio		117	155	151	155	170	176
	Interest earned ratio (times)		13	10	16	29	53	55
Operating performance	Accounts receivable turnover (times)		3.04	3.11	3.23	3.23	3	2.88
	Average collection period		120	117	113	113	107	127
	Inventory turnover (times)		8.39	8.41	8.71	8.99	10.79	9.14
	Accounts payable turnover (times)		3.27	3.62	3.57	3.46	3.73	3.24
	Average days in sales		44	43	42	41	34	40
	Property, plant and equipment turnover (times)		2.40	2.22	2.19	2.54	3.18	2.88
	Total assets turnover (times)		0.73	0.83	0.74	0.71	0.82	0.71
Profitability	Return on total assets (%)		3.61	2.91	3.16	4.42	6.70	6.33
	Return on stockholders' equity (%)		7	5	5	7	11	10
	Pre-tax income to paid-in capital (%)		34	25	24	37	58	55
	Profit ratio (%)		5	4	4	6	8	9
	Earnings per share (NT\$)		2.74	1.80	1.86	2.79	4.37	1.05
Cash flow	Cash flow ratio (%)		15	35	40	16	38	8
	Cash flow adequacy ratio (%)		113	110	114	126	140	176
	Cash reinvestment ratio (%)		4	6	10	4	8	2
Leverage	Operating leverage		2.16	3.23	3.35	2.27	1.60	1.74
	Financial leverage		1.08	1.16	1.09	1.05	1.02	1.02

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

- Interest earned ratio (times) increased due to the earning before tax and interest expenses increase than previous period.
- Property, plant and equipment turnover (times) increased due to increase in the net Sales.
- Profitability : increased due to the increase in net income.
- Cash flow ratio (%) increased mainly due to the increase in the earning before tax, and decrease in financial assets at fair value through profit or loss for this period and contract asset, resulting in a higher net cash flow from operating activities.
- Cash reinvestment ratio (%) increased mainly due to the increase in the earning before tax, and decrease in financial assets at fair value through profit or loss for this period and contract asset, resulting in a higher cash from operations.
- 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 2021 Business Report, Financial Statements and Proposal for Earnings Distribution of the Company for the year 2021. Yiu-Kwan Au CPA and Jui-Lan Lo 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 2021 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

2022 Annual General Shareholders' General Meeting

Chairman of the Audit Committee: Chen-en Ko

Date: March 23th, 2022

6.4 Latest Audited Annual Financial Report



安侯建業聯合會計師事務所
KPMG

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Everlight Electronics Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2021 and 2020, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the 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 of our opinion.

Key Audit Matters

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

1. Inventory valuation

Please refer to note 4(g) for accounting policy related to valuation of inventory; note 5 for uncertainty of inventory valuation; and note 6(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(u) 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, 2022

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.

Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(u) and 7)	\$ 20,931,499	100	18,216,403	100
5110 Cost of sales (notes 6(f), 7, 9(b) and 12)	<u>16,269,334</u>	<u>78</u>	<u>14,702,423</u>	<u>81</u>
5900 Gross profit	<u>4,662,165</u>	<u>22</u>	<u>3,513,980</u>	<u>19</u>
Operating expenses (notes 7 and 12):				
6100 Selling expenses	1,160,260	5	916,973	5
6200 Administrative expenses	948,571	4	907,643	5
6300 Research and development expenses	565,600	3	583,030	3
6450 Impairment loss determined in accordance with IFRS 9 (notes 6(d) and 6(e))	<u>1,555</u>	<u>-</u>	<u>8,494</u>	<u>-</u>
	<u>2,675,986</u>	<u>12</u>	<u>2,416,140</u>	<u>13</u>
6900 Net operating income	<u>1,986,179</u>	<u>10</u>	<u>1,097,840</u>	<u>6</u>
Non-operating income and expenses:				
7100 Interest income (note 6(v))	49,035	-	40,521	-
7190 Other income (note 6(g) and 6(n))	56,872	-	83,744	-
7210 Net gains on disposals of property, plant and equipment (note 7)	13,059	-	79,676	-
7230 Foreign exchange gains (losses), net (note 6(w))	(6,001)	-	(25,671)	-
7070 Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method (note 6(g))	267,908	1	276,429	2
7235 Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	16,609	-	(11,649)	-
7050 Finance costs (notes 6(m), 6(n) and 6(w))	(29,693)	-	(39,130)	-
7590 Other expenses and losses (note 9(b))	<u>(62,446)</u>	<u>-</u>	<u>(1,307)</u>	<u>-</u>
	<u>305,343</u>	<u>1</u>	<u>402,613</u>	<u>2</u>
7900 Profit before tax	2,291,522	11	1,500,453	8
7950 Less: Income tax expenses (note 6(q))	<u>351,834</u>	<u>2</u>	<u>264,312</u>	<u>1</u>
Profit	<u>1,939,688</u>	<u>9</u>	<u>1,236,141</u>	<u>7</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(3,748)	-	11,488	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	-	-	51,947	-
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	(328)	-	2,071	-
8349 Less: income tax related to items that will not be reclassified to profit or loss (note 6(q))	<u>(750)</u>	<u>-</u>	<u>2,298</u>	<u>-</u>
	<u>(3,326)</u>	<u>-</u>	<u>63,208</u>	<u>-</u>
8360 Items that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(791)	-	(13,689)	-
8380 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, items that will be reclassified to profit or loss	(42,148)	-	53,685	-
8399 Less: income tax related to items that will be reclassified to profit or loss (note 6(q))	<u>(158)</u>	<u>-</u>	<u>(2,738)</u>	<u>-</u>
Items that will be reclassified to profit or loss	<u>(42,781)</u>	<u>-</u>	<u>42,734</u>	<u>-</u>
8300 Other comprehensive income	<u>(46,107)</u>	<u>-</u>	<u>105,942</u>	<u>-</u>
Total comprehensive income	<u>\$ 1,893,581</u>	<u>9</u>	<u>1,342,083</u>	<u>7</u>
Earnings per share (note 6(t))				
9750 Basic earnings per share	<u>\$ 4.37</u>		<u>2.79</u>	
9850 Diluted earnings per share	<u>\$ 4.31</u>		<u>2.74</u>	

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

Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(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		
Balance at January 1, 2020	\$ 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	-
Others	-	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
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	70,852	-	(70,852)	-	-	-	-
Special reserve	-	-	-	(639,988)	639,988	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(997,634)	-	-	-	(997,634)
	-	-	70,852	(639,988)	(428,498)	-	-	-	(997,634)
Profit for the year	-	-	-	-	1,939,688	-	-	-	1,939,688
Other comprehensive income for the year	-	-	-	-	(3,326)	(42,781)	-	(42,781)	(46,107)
Total comprehensive income for the year	-	-	-	-	1,936,362	(42,781)	-	(42,781)	1,893,581
Changes in equity of associates and joint ventures accounted for using equity method	-	8,395	-	-	-	-	-	-	8,395
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	10,924	-	-	-	-	-	-	10,924
Others	-	166	-	-	-	-	-	-	166
Balance at December 31, 2021	\$ 4,433,931	9,103,595	2,742,830	821,051	2,245,159	(863,832)	-	(863,832)	18,482,734

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

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,291,522	1,500,453
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	744,583	987,635
Expected credit loss	1,555	8,494
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(61,652)	13,838
Interest expense	29,693	39,130
Interest income	(49,035)	(40,521)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(267,908)	(276,429)
Net gain on disposal of property, plant and equipment	(13,059)	(79,676)
Unrealized foreign exchange gains on long-term borrowings	(6,543)	(7,439)
Others	(7)	375
Total adjustments to reconcile profit (loss)	<u>377,627</u>	<u>645,407</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	20,850	(351,429)
Decrease (increase) in contract assets	601,307	(534,135)
Increase in notes and accounts receivable (including related parties)	(478,672)	(347,918)
Decrease (increase) in inventories	6,998	(65,145)
Decrease (increase) in other current assets	4,875	(144,597)
Increase (decrease) in contract liabilities	(15,289)	58,344
Increase in notes and accounts payable (including related parties)	127,902	481,132
Increase in provisions	56,753	43,277
Increase in other current liabilities	211,086	132,778
Decrease in net defined benefit liabilities	(23,440)	(3,352)
Total changes in operating assets and liabilities	<u>512,370</u>	<u>(731,045)</u>
Cash inflow generated from operations	3,181,519	1,414,815
Interest received	51,337	37,330
Interest paid	(27,236)	(33,627)
Income taxes paid	(263,226)	(196,726)
Net cash flows from operating activities	<u>2,942,394</u>	<u>1,221,792</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	377,705
Acquisition of investments accounted for using equity method	(8,787)	-
Increase in prepayments for long-term investments	-	(368,794)
Acquisition of property, plant and equipment	(190,095)	(291,999)
Proceeds from disposal of property, plant and equipment	111,645	107,486
Decrease in refundable deposits	2,116	16,933
Increase in other receivables due from related parties	(321,876)	(21,196)
Acquisition of intangible assets	(39,458)	(68,360)
Decrease (increase) in other financial assets	261,249	(707,036)
Increase in restricted deposits	(65,662)	(569,543)
Dividends received	129,268	706,262
Net cash flows used in investing activities	<u>(121,600)</u>	<u>(818,542)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(1,583,754)	764,171
Repayments of bonds	-	(1,126,100)
Proceeds from long-term borrowings	-	88,067
Repayments of long-term borrowings	(23,406)	(10,872)
Increase (decrease) in guarantee deposits received	36,705	(58,035)
Increase (decrease) in other payables due to related parties	18,964	(6,863)
Payment of lease liabilities	(9,197)	(10,151)
Cash dividends paid	(997,634)	(620,563)
Exercise of employee stock options	-	2,566
Other financing activities	166	323
Net cash flows used in financing activities	<u>(2,558,156)</u>	<u>(977,457)</u>
Net increase (decrease) in cash and cash equivalents	<u>262,638</u>	<u>(574,207)</u>
Cash and cash equivalents at beginning of year	<u>1,496,956</u>	<u>2,071,163</u>
Cash and cash equivalents at end of year	<u>\$ 1,759,594</u>	<u>1,496,956</u>

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

Notes to the Financial Statements

December 31, 2021 and 2020

(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, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- 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"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

- (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, 2022, would not have a significant impact on its financial statements:

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

- (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:

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<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(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.

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.

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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.

3) Fair value through profit or loss (FVTPL)

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

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

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

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

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

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

(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 receivables, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

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

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

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

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

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

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

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

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

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

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

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

6) Derecognition of financial assets

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

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Notes to the Financial Statements

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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.

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

(g) Inventories

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

(h) Investment in associates

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

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

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

(i) Investments in subsidiaries

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

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

(j) Joint arrangements

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

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

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

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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.

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

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

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

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

(m) Lease

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

(i) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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- 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

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.

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

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

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

(ii) As a lessor

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

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

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

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

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(n) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent Expenditure

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

(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.

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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.

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.

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(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.

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.

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(iii) Financing components

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(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;
- (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 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.

Notes to the Financial Statements

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 statement's provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(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.

(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).

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash, checking accounts and demand deposits	\$ 1,266,508	809,576
Time deposits	493,086	687,380
	\$ 1,759,594	1,496,956

(i) Time deposits with maturities within three months or less from the acquisition date that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Therefore, time deposits are classified as cash and cash equivalents. Time deposits with maturities over three months from the acquisition date are recorded as other current financial assets amounting to \$3,228,800 and \$3,523,000 as of December 31, 2021 and 2020, respectively.

(ii) Please refer to note 6(x) 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

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging	\$ 10,485	13,011
Listed convertible bonds	-	21,641
Beneficiary certificate-Funds	82,445	47,354
Stocks listed on domestic markets	362,293	391,855
	\$ 455,223	473,861
	December 31, 2021	December 31, 2020
Current financial liabilities held-for-trading (recorded as other current liabilities):		
Derivative instruments not used for hedging	\$ 82	59,522
	\$ 82	59,522

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (ii) The Company had acquired \$297,455 in shares of Ginko International Co., Ltd., which the Company intended to sell in the near term, from active markets in 2021. The aforementioned investment was recognized as financial assets designated as at fair value through profit or loss.
- (iii) The Company had acquired \$298,026 in shares of Casetek Holding Limited from active markets in 2020 and sold all its shares of Casetek Holding Limited at a fair value of \$305,331 in active market in January 2021. The accumulated realized gain on financial assets at fair value through profit or loss was \$7,305.
- (iv) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net income pre-tax for 2021 and 2020 will be \$22,237 and \$21,960, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.
- (v) The Company uses derivative financial instruments to hedge certain foreign exchange and interest risk the Company is exposed to, arising from its operating and financing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

1) Forward exchange contracts

December 31, 2021				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	40,000	USD to TWD	2022.01.06~2022.04.07
Forward exchange sold	USD	13,000	USD to RMB	2022.01.06~2022.03.15
Forward exchange sold	EUR	3,000	EUR to USD	2022.01.06~2022.03.24
Financial liabilities:				
Forward exchange sold	USD	2,000	USD to TWD	2022.04.12
Forward exchange sold	USD	2,000	USD to RMB	2022.02.22~2022.03.10
Forward exchange sold	EUR	250	EUR to USD	2022.03.08
December 31, 2020				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
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
Financial liabilities:				
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

2) Cross currency swap

December 31, 2020					
Contract amount (in thousands)	Contract Period	Interest rate payable	Interest rate receivable	Maturity date	
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	

(vi) As of December 31, 2021 and 2020, 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

The Company disposed all its financial assets at fair value through other comprehensive income in 2020, with the fair value of \$377,705, and recognized an accumulated disposal loss of \$545,307, which was accounted for as other comprehensive income. The loss had been transferred to retained earnings.

(d) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable from operating activities	\$ 1,534	4,192
Accounts receivable-measured as amortized cost	6,863,794	6,317,545
	6,865,328	6,321,737
Less: allowance for uncollectible accounts	(101,293)	(137,053)
	\$ 6,764,035	6,184,684
Notes and accounts receivable, net	\$ 4,901,511	4,855,718
Accounts receivable due from related parties, net	1,350,595	1,310,295
Long-term receivables (recorded as other non-current financial assets)	511,929	18,671
	\$ 6,764,035	6,184,684

(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.

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

The loss allowance provisions were determined as follows:

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 6,402,711	0%	-
Overdue 0-90 days	299,870	0%	-
Overdue 91-180 days	39,413	0.05%	19
Overdue 181-270 days	17,561	0%	-
Overdue 271-365 days	4,499	0%	-
Overdue over one year	101,274	100%	101,274
	\$ 6,865,328		101,293
	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 6,050,360	0%	-
Overdue 0-90 days	128,258	0%	-
Overdue 91-180 days	5,923	0.101%	6
Overdue 181-270 days	149	0%	-
Overdue 271-365 days	-	84.065%	-
Overdue over one year	137,047	100%	137,047
	\$ 6,321,737		137,053

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

	2021	2020
Balance on January 1	\$ 137,053	128,559
Impairment loss recognized (reversed impairment loss)	(34,207)	8,494
Amounts written off	(1,553)	-
Balance on December 31	\$ 101,293	137,053

- (iii) As of December 31, 2021 and 2020, the Company did not provide any notes and accounts receivable as collateral for its loans.

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

(e) Other receivables

	December 31, 2021	December 31, 2020
Other receivables due from related parties	\$ 797,539	475,663
Other receivables (recorded as other current financial assets)	<u>11,867</u>	<u>16,980</u>
	<u>\$ 809,406</u>	<u>492,643</u>

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:

	December 31, 2021	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 809,406	35,762
Overdue	<u>-</u>	<u>-</u>
Gross carrying amount	809,406	35,762
Impairment losses	<u>-</u>	<u>(35,762)</u>
Carrying amount	<u>\$ 809,406</u>	<u>-</u>
	December 31, 2020	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 492,643	-
Overdue	<u>-</u>	<u>-</u>
Gross carrying amount	492,643	-
Impairment losses	<u>-</u>	<u>-</u>
Carrying amount	<u>\$ 492,643</u>	<u>-</u>

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

	2021	2020
Balance on January 1	\$ -	-
Recognition of impairment loss on other receivables	<u>35,762</u>	<u>-</u>
Balance on December 31	<u>\$ 35,762</u>	<u>-</u>

As of December 31, 2021 and 2020, the Company did not provide any other receivables as collateral for its loans.

(Continued)

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

(f) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 136,369	185,531
Work in progress	89,098	92,430
Finished goods	521,933	476,437
	\$ 747,400	754,398

In 2021 and 2020, inventory cost (excluding construction cost) recognized as cost of sales amounted to \$16,143,653 and \$14,139,503, respectively.

The write-down of the inventories to net realizable value amounted to \$5,934, which was recorded as cost of sales for the year ended December 31, 2021. The Company reversed its allowance for inventory valuation and obsolescence loss amounting to \$43,959 in 2020, and recorded that as a reduction of cost for sales because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

As of December 31, 2021 and 2020, 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:

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 7,749,298	7,647,493
Associates	58,279	36,605
	7,807,577	7,684,098
Prepayment for long-term investments	368,794	368,794
Recorded as deduction of assets:		
Accounts receivable due from related parties	-	66,472
Recorded as other non-current liabilities:		
Credit balance of investments in equity method	382,852	196,491
Total	\$ 8,559,223	8,315,855

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (i) A summary of the Company's financial information for the share of profit of subsidiaries and associates for the years ended December 31, 2021 and 2020 were as follow:

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 260,316	281,560
Associates	7,592	(5,131)
	\$ 267,908	276,429

- (ii) Subsidiaries

- 1) Please refer to the consolidated financial statements for the year ended December 31, 2021.
- 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 investments because the registration procedures of the cash injection had not been completed as of December 31, 2021.
- 3) On December 31, 2021, the Company's long-term investment in WOFI Wortmann & Filz GmbH (WOFI), a subsidiary, generated a credit balance of \$187,546, which was recognized as long-term equity investments (other non-current liabilities).
- 4) On December 31, 2020, the credit balance generated by the Company's investment in the subsidiary of Everlight Americas, Inc. (ELA) which used the equity method was \$66,472. Since that there was accounts receivable for ELA on the Company's account, the credit balance of \$66,472 was reclassified to a deduction of accounts receivable due from related parties. Please refer to note 7 for details.
- 5) On December 31, 2021 and 2020, 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 \$195,306 and \$196,491, respectively, which were recorded as non-current liabilities.

- (iii) Associates

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

	December 31, 2021	December 31, 2020
The carrying amount of individually insignificant associates equity	\$ 58,279	36,605

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

	2021	2020
Attributable to the Company:		
Profit (loss) from continuing operations	\$ 7,592	(5,131)
Other comprehensive income	14	3
	\$ 7,606	(5,128)

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

(iv) For the years ended December 31, 2021 and 2020, the Company received cash dividend of \$129,268 and \$706,262, respectively.

(v) Pledges

As of December 31, 2021 and 2020, 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 financial statements. The Company cooperated with Altocom Asia LLP in the joint operation of the government' s streetlight project in the Republic of Kazakhstan. The joint operation ratio between the Company and the joint operators is 53.6% and 46.4%. The joint operators account for the input costs incurred in proportion, and share the income incurred by the project settlement and the expenses incurred jointly. The Company recognizes its direct rights (and its share) to the joint operation' s assets, liabilities, income and expenses, which are included in the financial statements.

Disputes over the aforementioned joint operation projects had occurred in 2021 and 2020. Please refer to note 9(b) for details. As of December 31, 2021 and 2020, the Company accumulatively recognized losses of \$150,497 and \$58,754, respectively. In addition, the Company's subsidiary, Everlight Intelligence Technology Co., Ltd., recognized an allowance of \$48,381 for expected uncollectible receivables from joint operation project, and recorded its share of profits and losses of subsidiaries, affiliates and joint ventures recognized under the equity method.

(Continued)

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

(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>
Cost or deemed cost:							
Balance on January 1, 2021	\$ 599,610	4,740,599	6,539,395	1,070,786	517,358	45,924	13,513,672
Add: additions	-	14,787	101,134	105,611	11,360	51,654	284,546
Add: reclassification	-	22,840	31,279	78	1,530	(56,177)	(450)
Less: sales	-	-	(422,517)	(31,636)	-	(1,175)	(455,328)
Less: retirement	-	-	(46,529)	(72,998)	(11,316)	-	(130,843)
Balance on December 31, 2021	<u>\$ 599,610</u>	<u>4,778,226</u>	<u>6,202,762</u>	<u>1,071,841</u>	<u>518,932</u>	<u>40,226</u>	<u>13,211,597</u>
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>
Depreciation and impairments loss:							
Balance on January 1, 2021	\$ -	1,674,079	5,648,032	881,818	452,350	-	8,656,279
Add: depreciation for the year	-	218,593	327,559	92,880	34,151	-	673,183
Add: reclassification	-	-	-	-	-	-	-
Less: sales	-	-	(340,134)	(16,672)	-	-	(356,806)
Less: retirement	-	-	(46,518)	(72,990)	(11,271)	-	(130,779)
Balance on December 31, 2021	<u>\$ -</u>	<u>1,892,672</u>	<u>5,588,939</u>	<u>885,036</u>	<u>475,230</u>	<u>-</u>	<u>8,841,877</u>
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>
Carrying amounts:							
Balance on December 31, 2021	<u>\$ 599,610</u>	<u>2,885,554</u>	<u>613,823</u>	<u>186,805</u>	<u>43,702</u>	<u>40,226</u>	<u>4,369,720</u>
Balance on January 1, 2020	<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>
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>

As of December 31, 2021 and 2020, the aforesaid property, plant and equipment were not pledged as collateral.

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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>Office and other equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2021	\$ 250,901	9,687	-	260,588
Acquisitions	-	1,045	449	1,494
Disposal	<u>(789)</u>	<u>(5,348)</u>	<u>-</u>	<u>(6,137)</u>
Balance on December 31, 2021	<u>\$ 250,112</u>	<u>5,384</u>	<u>449</u>	<u>255,945</u>
Balance on January 1, 2020	\$ 250,473	9,689	-	260,162
Acquisitions	909	3,850	-	4,759
Disposal	<u>(481)</u>	<u>(3,852)</u>	<u>-</u>	<u>(4,333)</u>
Balance on December 31, 2020	<u>\$ 250,901</u>	<u>9,687</u>	<u>-</u>	<u>260,588</u>
Accumulated depreciation and impairment losses:				
Balance on January 1, 2021	\$ 14,106	4,896	-	19,002
Depreciation for the year	7,044	3,632	150	10,826
Disposal	<u>(499)</u>	<u>(4,925)</u>	<u>-</u>	<u>(5,424)</u>
Balance on December 31, 2021	<u>\$ 20,651</u>	<u>3,603</u>	<u>150</u>	<u>24,404</u>
Balance on January 1, 2020	\$ 7,294	4,137	-	11,431
Depreciation for the year	7,293	4,611	-	11,904
Disposal	<u>(481)</u>	<u>(3,852)</u>	<u>-</u>	<u>(4,333)</u>
Balance on December 31, 2020	<u>\$ 14,106</u>	<u>4,896</u>	<u>-</u>	<u>19,002</u>
Carrying amount:				
Balance on December 31, 2021	<u>\$ 229,461</u>	<u>1,781</u>	<u>299</u>	<u>231,541</u>
Balance on January 1, 2020	<u>\$ 243,179</u>	<u>5,552</u>	<u>-</u>	<u>248,731</u>
Balance on December 31, 2020	<u>\$ 236,795</u>	<u>4,791</u>	<u>-</u>	<u>241,586</u>

(k) Short-term borrowings

The short-term loans were summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank loans	<u>\$ 1,079,910</u>	<u>2,663,664</u>
Unused short-term credit lines	<u>\$ 10,272,402</u>	<u>8,640,610</u>
Annual interest rates	<u>0.5%~0.51%</u>	<u>0.47%~0.73%</u>

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

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

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

(l) Long-term loans

The details were as follows:

December 31, 2021				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	KZT	6.75%~14.50%	2023.10	\$ 23,016
Unsecured bank loans	KZT	9.47%~12.91%	2025.9	70,435
Less: current portion				(33,503)
Total				\$ 59,948
Unused long-term credit lines				\$ -

December 31, 2020				
	Currency	Rate	Maturity year	Amount
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				\$ 92,197
Unused long-term credit lines				\$ -

- (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 members (46.4%) in an amount of \$80,897. Due to the financial difficulties, the aforementioned Consortium members failed to perform the obligations in accordance with the Consortium contract. Based on conservatism, the Company recognized a full provision of \$80,897 on the portion of other Consortium members long-term loans in 2021. Please refer to 6(o) and 9(b) for details.
- (ii) For information on the Company's interest risk and liquidity risk, please refer to 6(x) for details.
- (iii) The Company did not provide any assets as collateral for its loans.

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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:

	December 31, 2020
Total convertible bonds issued	\$ 5,000,000
Cumulated repurchased and redeemed amount	<u>(5,000,000)</u>
Non-current	<u>\$ -</u>
Equity components – conversion options (recognized as capital surplus – redemption rights)	<u>\$ -</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.
 - 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.

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (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:

	The sixth
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	345,000
The total amount of the convertible bonds at issuance	\$ 5,000,000

- (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:

	December 31, 2021	December 31, 2020
Current	\$ 7,315	9,152
Non-current	\$ 229,438	236,024

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	\$ 4,074	4,181
Variable lease payments not included in the measurement of lease liabilities	\$ -	-
Expenses relating to short-term leases	\$ 2,730	1,383
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ -	-
Covid-19-related rent concessions (recognized in other income)	\$ 1,605	1,204

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

	2021	2020
Total cash outflow for leases	\$ 14,396	14,511

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(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) Provisions

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

	December 31, 2021	December 31, 2020
Provisions - current	\$ 77,934	58,132
Provisions - non-current	51,895	-
	\$ 129,829	58,132

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

	Provisions for onerous contract
Balance on January 1, 2021	\$ 58,132
Provisions made during the year	103,811
Provisions reversed during the year	(32,114)
Balance on December 31, 2021	\$ 129,829
Balance on January 1, 2020	\$ -
Provisions made during the year	58,132
Balance on December 31, 2020	\$ 58,132

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(iii) The provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The mentioned above provisions for the onerous contract, including the amount of provisions estimated by Kazakh Joint Operation Project, as of December 31, 2021 and 2020, were \$114,113 and \$58,132, respectively.

(p) 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:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ (148,007)	(161,390)
Fair value of plan assets	<u>58,257</u>	<u>51,948</u>
Net defined benefit obligations assets (liabilities)	<u>\$ (89,750)</u>	<u>(109,442)</u>

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

1) Composition of plan assets

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

The labor pension reserve account balance of the Company with Bank of Taiwan amounted to \$58,257 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

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

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>2021</u>	<u>2020</u>
Defined benefit obligation at January 1	\$ (161,390)	(200,527)
Benefits paid by the plan	20,318	33,376
Current service costs and interest	(2,563)	(3,597)
Remeasurement in net defined benefit assets (liability)	<u>(4,372)</u>	<u>9,358</u>
Defined benefit obligation at December 31	<u>\$ (148,007)</u>	<u>(161,390)</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>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 51,948	76,245
Contributions made	9,556	6,078
Benefits paid from the plan assets	(4,267)	(33,376)
Expected return on plan assets	396	871
Remeasurement in net defined benefit assets (liability)	<u>624</u>	<u>2,130</u>
Fair value of plan assets at December 31	<u>\$ 58,257</u>	<u>51,948</u>
Actual return on plan assets	<u>\$ 1,020</u>	<u>3,001</u>

4) Expenses recognized in profit or loss

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

	<u>2021</u>	<u>2020</u>
Service cost	\$ 1,355	1,344
Interest cost	1,208	2,253
Expected return on plan assets	<u>(396)</u>	<u>(871)</u>
	<u>\$ 2,167</u>	<u>2,726</u>

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.
Notes to the 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.750 %	0.750 %
Future salary increasing rate	3.500 %	3.500 %

The expected allocation payment made by the Company to the defined benefit plans for the one-year period after the reporting date was \$22,024.

The weighted-average duration of the defined benefit obligation of the Company is 15.22 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:

	<u>Influences of defined benefit liabilities</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2021		
Discount rate	\$ (5,226)	5,468
Future salary increasing rate	5,229	(5,037)
December 31, 2020		
Discount rate	(5,286)	5,556
Future salary increasing rate	5,312	(5,101)

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.

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(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, 2021 and 2020 amounted to \$27,033 and \$45,337, respectively. The pension costs have been allocated to the Bureau of the Labor Insurance and provision of life insurance account.

(q) Income taxes

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Current tax expense		
Recognized during the period	\$ 412,354	319,518
Adjustment for prior periods	(3,655)	(4,637)
5% surtax on unappropriated earnings	5,742	-
	414,441	314,881
Deferred tax expense		
Recognition and reversal of temporary differences	(62,607)	(50,569)
	(62,607)	(50,569)
Income tax expense	\$ 351,834	264,312

- 2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Items that may not be reclassified subsequently to profit or loss:		
Remeasurements from defined benefit plans	\$ (750)	2,298
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	\$ (158)	(2,738)

(Continued)

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

3) Reconciliation of income tax and profit before tax for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Profit before income tax	\$ <u>2,291,522</u>	<u>1,500,453</u>
Income tax using the Company's domestic tax rate	\$ 458,304	300,091
Non-deductible expenses	5,182	1,213
Tax exemption of investment disposal income	(2,264)	(525)
Investment tax credits	(19,334)	(18,379)
5% surtax on unappropriated earnings	5,742	-
Effect of tax rates in overseas dividends received	-	(80,729)
Realized investment losses	-	(18,477)
Net gains or losses on domestic investments	(10,245)	(10,277)
Changes in unrecognized deferred tax assets and liabilities	(70,316)	87,982
Others	<u>(15,235)</u>	<u>3,413</u>
	<u>\$ 351,834</u>	<u>264,312</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 of December 31, 2021 and 2020. Also, the management of the Company considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Furthermore, deferred tax assets are not recognized when the Company has considered that the future taxable profit will not be available against which the unused tax credits and deductible temporary differences can be utilized.

Details of unrecognized deferred tax assets were as follow:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	\$ <u>20,034</u>	<u>26,457</u>

Details of unrecognized deferred tax liabilities were as follow:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Temporary differences related to investments in subsidiaries	\$ <u>592,585</u>	<u>528,692</u>

(Continued)

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

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	<u>Defined benefit Plans</u>	<u>Investment loss accounted for using equity method</u>	<u>Loss for market price decline and obsolete inventories</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance on January 1, 2021	\$ 21,950	270,230	44,029	83,596	419,805
Recognized in profit or loss	(1,478)	35,321	1,187	34,134	69,164
Recognized in other comprehensive income	<u>750</u>	-	-	<u>158</u>	<u>908</u>
Balance on December 31, 2021	<u>\$ 21,222</u>	<u>305,551</u>	<u>45,216</u>	<u>117,888</u>	<u>489,877</u>
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	<u>(2,298)</u>	-	-	<u>2,738</u>	<u>440</u>
Balance on December 31, 2020	<u>\$ 21,950</u>	<u>270,230</u>	<u>44,029</u>	<u>83,596</u>	<u>419,805</u>
		<u>Difference between book and tax depreciation</u>		<u>Others</u>	<u>Total</u>
Deferred tax liabilities:					
Balance on January 1, 2021		\$ 1,409		60,405	61,814
Recognized in profit or loss		<u>(3,280)</u>		<u>9,837</u>	<u>6,557</u>
Balance on December 31, 2021		<u>\$ (1,871)</u>		<u>70,242</u>	<u>68,371</u>
Balance on January 1, 2020		\$ 43,092		51,400	94,492
Recognized in profit or loss		<u>(41,683)</u>		<u>9,005</u>	<u>(32,678)</u>
Balance on December 31, 2020		<u>\$ 1,409</u>		<u>60,405</u>	<u>61,814</u>

3) Uncertain tax treatment

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

4) Assessment of tax

The tax authorities have examined the Company's income tax returns through 2019.

(Continued)

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

(r) Capital and other equities

As of December 31, 2021 and 2020, the authorized common stocks amounted to \$10,000,000 (of which \$400,000 were reserved for the exercising of employee share options); face value of each share is \$10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,393 thousand shares were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2021 and 2020 were as follows:

(in thousands of shares)	<u>2021</u>	<u>2020</u>
Balance on January 1	443,393	443,246
Employee stock options exercised	-	147
Balance on December 31	<u><u>443,393</u></u>	<u><u>443,393</u></u>

(i) Ordinary shares

The employee stock options exercised amounting to \$1,474 in year ended December 31, 2020 which resulted in 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.

(ii) Capital surplus

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Additional paid-in capital	\$ 7,817,145	7,817,145
Difference between consideration and carrying amount of subsidiaries disposed	78,895	67,971
Changes in equity of associates accounted for using equity method	14,884	6,489
Treasury stock resulting from the redemption of convertible bonds	1,071,632	1,071,632
Share-based payment – employee stock options	119,974	119,974
Others	1,065	899
	<u><u>\$ 9,103,595</u></u>	<u><u>9,084,110</u></u>

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

additional dividends to shareholders, which cannot be lower than 50% of the total accumulated unappropriated earnings. The distribution rate is based on the proposal of the Company's board of directors and should be approved in the shareholders' meeting.

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

1) Legal reserve

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

2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), the unrealized land revaluation increment and foreign currency translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. According to the regulations, the retained earnings increased by \$283,890 on the adoption date. In accordance with the ruling issued by the FSC, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special reserve, and when the relevant assets were used, disposed of, or reclassified, this special reserve shall be reserved as distributable earnings proportionately. As of December 31, 2021 and 2020, the carrying amount of special reserve amounted to \$283,890 in both years.

In accordance with the ruling issued by FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as 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. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. A portion of the undistributed prior-period earnings shall be reclassified as special reserve (which does not qualify for earnings distribution) to account for the cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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

3) Earnings distribution

Based on a resolution of the annual shareholder's meeting held on July 29, 2021 and June 12, 2020, the appropriations of dividends from the earnings distribution for 2020 and 2019 were as follows:

	2020		2019	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ <u>2.25</u>	<u>997,634</u>	<u>1.40</u>	<u>620,563</u>

On March 23, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

	2021	
	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ <u>3.50</u>	<u>1,551,876</u>

(iv) Other equity (net of tax)

	Foreign exchange differences arising from foreign operation	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2021	\$ (821,051)	-	(821,051)
Foreign exchange differences (net of taxes):			
The Company	(633)	-	(633)
Subsidiaries	(42,148)	-	(42,148)
Associates	-	-	-
Balance on December 31, 2021	<u>\$ (863,832)</u>	<u>-</u>	<u>(863,832)</u>

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EVERLIGHT ELECTRONICS CO., LTD.
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	Foreign exchange differences arising from foreign operation	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2020	\$ (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
Balance on December 31, 2020	\$ (821,051)	-	(821,051)

(s) 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.
- 2) The information on the total options issued is summarized as follows:

Date of issuance	For the year ended December 31, 2020							Remaining duration
	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	
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>	

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

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Notes to the Financial Statements

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.

Option holding period	Exercisable percentage (cumulative) — the sixth
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.
 - 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 for the year ended December 31, 2020, 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:

	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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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.

(t) Earnings per share

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

	2021	2020
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	<u>\$ 1,939,688</u>	<u>1,236,141</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>443,393</u>	<u>443,361</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 1,939,688	1,236,141
Dilutive effect of potential ordinary shares:		
Convertible bonds	<u>-</u>	<u>6,066</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 1,939,688</u>	<u>1,242,207</u>
Weighted-average number of outstanding ordinary shares (thousands) (basic)	443,393	443,361
Dilutive effect of potential ordinary shares:		
Employee stock bonus	6,321	4,830
Convertible bonds	-	4,862
Employee stock options	<u>-</u>	<u>42</u>
Weighted-average number of outstanding ordinary shares (thousands) (diluted)	<u>449,714</u>	<u>453,095</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.

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(u) Revenue from contracts with customers

(i) Disaggregation of revenue

		2021			
		LED	Illumination	Others	Total
Primary geographical markets:					
Asia	\$	18,613,760	154,283	3,941	18,771,984
Europe		1,402,398	225,630	-	1,628,028
Others		531,487	-	-	531,487
Total	\$	20,547,645	379,913	3,941	20,931,499
Major products					
Construction revenue	\$	-	315,147	-	315,147
Sales revenue		20,547,644	64,767	3,941	20,616,352
Total	\$	20,547,644	379,914	3,941	20,931,499
		2020			
		LED	Illumination	Others	Total
Primary geographical markets:					
Asia	\$	15,876,546	728,503	45,208	16,650,257
Europe		1,143,977	-	-	1,143,977
Others		422,163	-	6	422,169
Total	\$	17,442,686	728,503	45,214	18,216,403
Major products					
Construction revenue	\$	-	685,232	-	685,232
Sales revenue		17,442,686	43,271	45,214	17,531,171
Total	\$	17,442,686	728,503	45,214	18,216,403

(ii) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 1,534	4,192	7,616
Accounts receivables	6,863,794	6,317,545	5,944,970
Less: allowance for impairment	(101,293)	(137,053)	(128,559)
	\$ 6,764,035	6,184,684	5,824,027
Contract assets-illumination	\$ 39,191	640,498	106,363
Contract liabilities-illumination	\$ -	64,992	-
Contract liabilities-advance receipt	51,939	2,236	8,884
	\$ 51,939	67,228	8,884

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, 2021 and 2020 that was included in the contract liability balance at the beginning of the periods were \$64,906 and \$1,703, respectively.

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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.

(v) Remuneration of employees and directors

In accordance with the articles of the Company, if there is annual net income, the Company should appropriate 6%~12% as remuneration to 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 \$286,630 and \$163,907, and the remuneration to directors amounted to \$26,042 and \$16,812, in 2021 and 2020, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees and directors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These remunerations are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting. The amounts, as stated in the financial statements are identical to those of the actual distributions for 2021 and 2020.

(w) Non-operating income and expenses

The interest income and finance costs in 2021 and 2020 were as follows:

(i) Interest income

	<u>2021</u>	<u>2020</u>
Cash in banks	\$ 45,569	38,256
Loans and receivables	3,353	1,581
Others	<u>113</u>	<u>684</u>
	<u>\$ 49,035</u>	<u>40,521</u>

(ii) Finance costs – interest expenses

	<u>2021</u>	<u>2020</u>
Loans	\$ 25,619	28,883
Lease liabilities	4,074	4,181
Convertible Bonds	<u>-</u>	<u>6,066</u>
	<u>\$ 29,693</u>	<u>39,130</u>

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

(x) 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).

(ii) Liquidity Risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,079,910	(1,080,488)	(1,080,488)	-	-
Notes and accounts payable (including related parties)	5,925,331	(5,925,331)	(5,925,331)	-	-
Payable on construction and equipment	361,988	(361,988)	(361,988)	-	-
Lease liabilities (including current and non-current)	236,753	(325,406)	(11,282)	(9,174)	(304,950)
Other payables to related parties	178,389	(178,389)	(178,389)	-	-
Other payables (recorded as other current liabilities)	1,015,867	(1,015,867)	(1,015,867)	-	-
Long-term loans (including current portion)	93,451	(114,594)	(45,422)	(32,249)	(36,923)
Guaranteed deposits received	117,887	(117,887)	-	-	(117,887)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	82				
Outflow	-	(118,640)	(118,640)	-	-
Inflow	-	118,769	118,769	-	-
	<u>\$ 9,009,658</u>	<u>(9,119,821)</u>	<u>(8,618,638)</u>	<u>(41,423)</u>	<u>(459,760)</u>

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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>
December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,663,664	(2,664,624)	(2,664,624)	-	-
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)	-	-
Other payables to related parties	159,425	(159,425)	(159,425)	-	-
Other payables (recorded as other current liabilities)	754,149	(754,149)	(754,149)	-	-
Lease liabilities (including current and non-current)	245,176	(337,895)	(13,221)	(35,773)	(288,901)
Long-term loans (including current portion)	123,400	(153,513)	(41,819)	(38,180)	(73,514)
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>(10,275,702)</u>	<u>(9,758,152)</u>	<u>(73,953)</u>	<u>(443,597)</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD	\$ 136,297	USD/TWD =27.6900	3,774,064	149,521	USD/TWD =28.5080	4,262,545
RMB	665,088	RMB/TWD =4.3482	2,891,936	551,928	RMB/TWD =4.369	2,411,373
HKD	479,088	HKD/TWD =3.5517	1,701,577	407,122	HKD/TWD =3.677	1,496,988

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EVERLIGHT ELECTRONICS CO., LTD.
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	December 31, 2021			December 31, 2020		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
	Financial liabilities					
Monetary items						
USD	62,352	USD/TWD =27.6900	1,726,527	113,176	USD/TWD =28.5080	3,226,421
RMB	1,096,884	RMB/TWD =4.3482	4,769,471	1,050,631	RMB/TWD =4.3690	4,590,207

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, 2021 and 2020 would have increased (decreased) the profit before tax by \$106,884 and \$20,782 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, the foreign exchange gains or losses, including both realized and unrealized, amounted to losses \$6,001 and losses \$25,671, respectively.

4) Interest rate analysis

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

	Carrying amount	
	December 31, 2021	December 31, 2020
Variable rate instruments:		
Financial assets	\$ 1,270,508	813,576
Financial liabilities	<u>(93,451)</u>	<u>(1,263,720)</u>
	<u>\$ 1,177,057</u>	<u>(450,144)</u>

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

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EVERLIGHT ELECTRONICS CO., LTD.

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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, 2021 and 2020, were as following, which would be mainly resulted from bank borrowings and cash in banks with variable interest rates.

	<u>2021</u>	<u>2020</u>
Increase by 0.25%	\$ 2,943	(1,125)
Decrease by 0.25%	(2,943)	1,125

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:

- 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.

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

	December 31, 2021				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 10,485	-	10,485	-	10,485
Non derivative financial assets mandatorily measured at fair value through profit or loss	<u>444,738</u>	444,738	-	-	444,738
	<u>455,223</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	1,759,594	-	-	-	-
Notes and accounts receivable (including related parties)	6,252,106	-	-	-	-
Other receivables due from related parties	797,539	-	-	-	-
Other current financial assets	3,865,504	-	-	-	-
Other non-current financial assets	741,406	-	-	-	-
Refundable deposits (recorded as other non-current assets)	74,380	-	-	-	-
	<u>13,490,529</u>				
	<u>\$ 13,945,752</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ <u>82</u>	-	82	-	82
	<u>82</u>				
Financial liabilities measured at amortized cost:					
Short-term borrowings	1,079,910	-	-	-	-
Notes and accounts payable (including related parties)	5,925,331	-	-	-	-
Payable on construction and equipment	361,988	-	-	-	-
Lease liabilities	236,753	-	-	-	-
Other payables to related parties	178,389	-	-	-	-
Other payables (recorded as other current liabilities)	1,015,867	-	-	-	-
Long-term loans (including current portion)	93,451	-	-	-	-
Guaranteed deposits received	<u>117,887</u>	-	-	-	-
	<u>9,009,576</u>				
	<u>\$ 9,009,658</u>				

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

	December 31, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 13,011	-	13,011	-	13,011
Non derivative financial assets mandatorily measured at fair value through profit or loss	<u>460,850</u>	460,850	-	-	460,850
	<u>473,861</u>				
Financial assets measured at amortized cost					
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	237,780	-	-	-	-
Refundable deposits (recorded as other non-current assets)	<u>76,496</u>	-	-	-	-
	<u>12,562,431</u>				
	<u>\$ 13,036,292</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	<u>\$ 59,522</u>	-	59,522	-	59,522
	<u>59,522</u>				
Financial liabilities measured at amortized cost:					
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	<u>81,182</u>	-	-	-	-
	<u>10,092,412</u>				
	<u>\$ 10,151,934</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.

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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, 2021 and 2020.
- 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 year ended December 31, 2020:

	Current financial assets at fair value through other comprehensive income– unquoted equity instruments
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	\$ -

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EVERLIGHT ELECTRONICS CO., LTD.
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(y) Financial risk management

(i) Briefings

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

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.

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EVERLIGHT ELECTRONICS CO., LTD.

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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, 2021 and 2020.

(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, 2021 and 2020.

(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.

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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.

(z) 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:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 10,229,054	11,059,981
Total equity	18,482,734	17,567,302
Interest-bearing liabilities	1,173,361	2,787,064
Debt-to-equity ratio	55 %	63 %
Interest-bearing liabilities to equity ratio	6 %	16 %

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

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

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020, 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:

	January 1, 2021	Cash flows	Acquisition	Non-cash changes		December 31, 2021
				Amortization of interest and issuance costs	Foreign exchange movement	
Short-term borrowings	\$ 2,663,664	(1,583,754)	-	-	-	1,079,910
Long-term borrowings	123,400	(23,406)	-	-	(6,543)	93,451
Lease liabilities	245,176	(9,197)	774	-	-	236,753
Guarantee deposits received	<u>81,182</u>	<u>36,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,887</u>
Total liabilities from financing activities	<u>\$ 3,113,422</u>	<u>(1,579,652)</u>	<u>774</u>	<u>-</u>	<u>(6,543)</u>	<u>1,528,001</u>

	January 1, 2020	Cash flows	Acquisition	Non-cash changes		December 31, 2020
				Amortization of interest and issuance costs	Foreign exchange movement	
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	<u>139,217</u>	<u>(58,035)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,182</u>
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>

(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.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Pai-ye Investment Co., Ltd. (Pai-ye)	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

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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 Intelligence Technology Co., Ltd. (ELIT)	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
Evervison Electronics Co., Ltd. (Evervison TW)	The Company's subsidiary
Everlight Optoelectronics (M) SDN.BHD. (Everlight Malaysia)	The Company's subsidiary
Everlight Electronics (China) Co., Ltd. (Everlight China)	The Company's subsidiary
Everlight Lighting (China) Co., Ltd. (Everlight Lighting China)	The Company's subsidiary
Everlight Electronics (Guangzhou) Co., Ltd. (Everlight Electronics (Guangzhou))	The Company's subsidiary
Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	The Company's subsidiary
Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	The Company's subsidiary
Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	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
Evervison Electronics (B.V.I.) Limited (Evervison BVI)	The Company's subsidiary
VBest GmbH (VBest)	The Company's subsidiary
VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	The Company's subsidiary
Evervison Electronics (H.K.) Limited (Evervison HK)	The Company's subsidiary
Tekcore Co. Ltd (Tekcore)	Equity-accounted investee by the Company

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EVERLIGHT ELECTRONICS CO., LTD.
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(b) Significant related party transactions

(i) Sales

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

	<u>2021</u>	<u>2020</u>
Subsidiaries	<u>\$ 3,760,247</u>	<u>3,247,324</u>

The Company sells instruments (production molds) to Everlight China and Everlight Zhongshan, and only sells end products to other related parties and other customers. There are no significant differences in the sales price of end product between the related parties and other customers. The payment term of sales to Everlight China and Everlight Zhongshan was OA 120 days. The payment term of sales to Everlight Lighting China was depending on the payment term of the end customer. The payment term of domestic sales and oversea sales to other related parties and other customers were 60 to 120 days and 30 to 165 days, respectively.

(ii) Purchase

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

	<u>2021</u>	<u>2020</u>
Subsidiaries:		
Everlight China	\$ 10,281,932	8,861,462
Others	<u>604,814</u>	<u>510,312</u>
	<u>10,886,746</u>	<u>9,371,774</u>
Associates	<u>147,538</u>	<u>111,670</u>
	<u>\$ 11,034,284</u>	<u>9,483,444</u>

The Company purchases finished products and semi-finished products directly from Everlight China and Everlight Zhongshan. The amounts of purchase from triangular trade included the amounts of the Company's sales of raw materials and semi-finished products, which amounting to \$521,791 and \$350,086 in 2021 and 2020, respectively. The aforementioned amounts had been eliminated in the financial statements, and were not regarded as sales and purchase transactions. Purchase prices from Everlight China, Everlight Zhongshan and Tekcore are not comparable to other general trading price. There are no significant differences in purchase prices between other related parties and third-party suppliers. The payment terms for Everlight China and Everlight Zhongshan were both OA 120 days. The payment terms for other related parties and third-party suppliers were OA 90 to 150 days.

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

(iii) Accounts receivable from related parties

The accounts receivable due from related parties was as follows:

<u>Related party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
Everlight Lighting China	\$ 536,760	576,386
Evlite	480,604	522,650
Everlight Europe	151,509	198,990
ELA	123,428	78,741
Others	<u>58,294</u>	<u>-</u>
	1,350,595	1,376,767
Less: Credit balance of investments in equity method	<u>-</u>	<u>(66,472)</u>
	<u>\$ 1,350,595</u>	<u>1,310,295</u>

(iv) Accounts payables to related parties

The accounts payable to related parties was as follows:

<u>Related party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
Everlight China	\$ 4,136,487	3,956,648
Others	<u>365,246</u>	<u>206,966</u>
	4,501,733	4,163,614
Associates	<u>68,728</u>	<u>67,749</u>
	<u>\$ 4,570,461</u>	<u>4,231,363</u>

(v) Property transaction

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

<u>Related parties Categories</u>	<u>2021</u>		<u>2020</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	\$ 377,516	24,927	234,364	31,835
Others	<u>-</u>	<u>-</u>	<u>11</u>	<u>5</u>
	<u>\$ 377,516</u>	<u>24,927</u>	<u>234,375</u>	<u>31,840</u>

The aforementioned sale price included the amounts that the Company purchasing fixed assets on behalf of related parties, which amounted to \$266,533 and \$186,685 in 2021 and 2020, respectively.

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

(vi) Commissions expenses

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

<u>Related parties Categories</u>	<u>2021</u>	<u>2020</u>
Subsidiaries:		
Everlight Lighting China	\$ 91,929	100,939
Evlite	72,423	67,571
ELK	90,218	74,700
ELA	98,604	81,837
ELJ	53,676	44,471
Others	<u>94,852</u>	<u>66,927</u>
	<u>\$ 501,702</u>	<u>436,445</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 \$20,239 and \$42,082 in 2021 and 2020, 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 \$406,557 and \$221,743 as of December 31, 2021 and 2020, respectively. The actual usage amounts were as follows:

	<u>Highest balance of financing to other parties</u>		<u>Interest income</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Subsidiaries:				
WOFI	<u>\$ 283,676</u>	<u>626,805</u>	<u>-</u>	<u>1,581</u>
Everlight Lighting China	<u>\$ 1,091,314</u>	<u>926,483</u>	<u>3,209</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, 2021 and 2020, respectively.

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

(x) Others

- 1) As of December 31, 2021 and 2020, the amounts which were not remitted to the Company by the related parties due to collecting accounts receivable in China region on behalf of the Company, interest receivables, purchasing fixed assets from the Company, loans to other parties were recorded as other receivables—related parties. The details were as follows:

<u>Related party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
Everlight China	\$ 344,834	220,828
Everlight Lighting China	416,349	221,743
Evlite	36,356	26,574
WOFI	-	6,518
	<u>\$ 797,539</u>	<u>475,663</u>

- 2) As of December 31, 2021 and 2020, the unpaid amounts to related parties due to related parties paying freight on behalf of the Company, the Company collecting receivables on behalf of related parties, commissions payables and services payables, were recorded as other payables—related parties. The details were as follows:

<u>Related party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
Everlight China	\$ 73,999	68,513
ELIT	46,090	36,003
Everlight Lighting China	24,923	31,403
Others	33,377	23,506
	<u>\$ 178,389</u>	<u>159,425</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 51,796	46,333
Others	396	2,966
	<u>\$ 52,192</u>	<u>49,299</u>

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

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EVERLIGHT ELECTRONICS CO., LTD.
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(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

<u>Assets</u>	<u>Objectives</u>	<u>December 31, 2021</u>	<u>December 31, 2020</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>
Restricted deposits (recorded as other non-current financial assets)	Reserve account for long-term borrowings	\$ <u>10,368</u>	<u>-</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 Government, the Republic of Kazakhstan. The project period is six years and the total contract price is USD 8,967 thousand. Consortium A has completed installation of light fixtures under the contract. On January 4, 2019, the Pavlodar Government completed the acceptance of the installation. Nevertheless, during the subsequent operation period, the Pavlodar Government found a shortage in certain equipment of the intelligent control system, installed by A3 Commerce LLP, a member of Consortium A, and suspended release of the project payments for the second quarter of 2020, as well as the ensuing quarters, and issued a letter on October 26, 2020, asking Consortium A to install the missing intelligent control system according to the contract as soon as possible.

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EVERLIGHT ELECTRONICS CO., LTD.

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The Company believes that Consortium members A3 Commerce LLP failed to diligently perform its obligations of installing the intelligent control system, and Altocom Asia LLP failed to exercise the duty of management of maintenance and operation, and that both entities have become incompetent. To protect its rights and interests, the Company sent a letter to the Pavlodar Government in December 2020, asking for a change by removing A3 Commerce LLP and Altocom Asia LLP from the Consortium. However, the Pavlodar Government only sent a letter in January 2021, reemphasizing its request to correct the issues of equipment shortage and defects as mentioned above, and then filed a lawsuit on February 9, 2021, at a Kazakhstan court, demanding a termination of the contract with Consortium A and a compensation of KZT 268,883 thousand (approximately \$18,203). The Company has retained Baker McKenzie Taipei Office and Almaty Office, with the goal of negotiating with Pavlodar Government to amend the contract and to allow the Company to complete the unfinished project individually. Because the Pavlodar Government failed to proceed with the negotiation with Consortium A before directly filing a lawsuit to terminate the contract, the local court in Kazakhstan has dismissed both the Pavlodar Government's action on March 10, 2021 and its appeal on April 22, 2021, for that the procedure was not compliant with the laws. The Pavlodar Government promptly started its negotiations with Consortium A after its action was dismissed.

According to the opinion issued by its lawyers on March 22, 2021, the Company is now trying to understand the claims and share of responsibilities of both parties, hoping to come up with a negotiation proposal to resolve the disputes. However, the actual outcome remains unpredictable. The maximum risk exposure in the case of contract termination is approximately \$141,599. As of December 31, 2020, the Company has estimated a projected loss of \$58,754 for 2020 based on reasonably estimated obligations. It also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Company's right caused by their project defects.

Further on June 21, 2021, the Energy and Utilities Department of the Pavlodar region filed a lawsuit against the Utilities, Road, and Passenger Traffic Department of the Pavlodar City, all members of Consortium A, as well as all its contractors, claiming to invalidate the acceptance of the project completion in January 2019. The Company has hired lawyers to defend in court arguing that because the very same lawsuit was initiated by the Pavlodar Government in December 2020, and the court already ruled that the lawsuit was baseless and dismissed the case, so on the basis of the principle of double jeopardy, as well as on the fact that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Government has no legal right to claim to verify the acceptance is invalid, the lawsuit shall be dismissed. The lawyers have also asked the court to transfer the case to another court. On July 21, 2021, the first instance court ruled for a change of venue. Later, the Energy and Utilities Department of the Pavlodar region filed an appeal against such ruling. On August 5, 2021 the second instance court reversed the ruling of change of venue, and the case was remanded to the first instance court to continue the review. On September 13, 2021, the first instance court decided to dismiss the Company's arguments regarding the principle of double jeopardy, as well as regarding that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Government has no legal right to claim to verify the acceptance is invalid, and the court issued a judgment determining the project acceptance in January 2019 is invalid. Nevertheless, the Company believe the decision is apparently not in consistent with law and filed an appeal on October 1, 2021 to dismiss the ruling and another appeal on October 19, 2021 against the above judgment that determines the acceptance is invalid. On December 28, 2021, the second instance court judge dismissed the Company's motion and appeal, a dismissal that has the effect of a final court judgment. The Company will continue to file an appeal against the second instance court

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

judgment with the third instance court. The claim of the case is only to confirm the project acceptance in January 2019 is invalid, and is not seeking a compensation.

Because the negotiations between the parties were not successful, the Pavlodar Government again filed a lawsuit against Consortium A, asking to terminate the contract with Consortium A and demanding a compensation of KZT 1,345,882 thousand (approximately \$85,733) on February 10, 2022. The Company has retained lawyers for defense to ensure protection of the maximum legal interest of the Company. In view that termination of agreement may not be the best possible outcome for the parties, efforts are being made to continue negotiations with the Pavlodar Government to seek a resolution that benefits both parties.

The Company and a local company Altocom Asia LLP in Kazakhstan (hereinafter "Consortium B") executed a contract for the project of installation as well as maintenance and operation for intelligent street lights with the Taraz Government, the Republic of Kazakhstan in 2019. The project period is six years. The total contract price is USD 14,196 thousand. Consortium B is installing light fixtures according to the contract. On March 18, 2021, the Taraz Government claimed that Consortium B performed certain project work before the corresponding design papers were ready and failed to complete the project as agreed by December 30, 2020, and therefore, the Government filed a lawsuit to terminate the contract. However, the Company believed that Consortium B has proceeded with the relevant work under the contract and that there were no delays or defects as claimed. According to the opinion issued by its lawyers on March 22, 2021, the Company is now trying to understand the claims and share of responsibilities of the parties. However, the actual outcome remains unpredictable. Because the Taraz Government failed to proceed with the negotiation with Consortium B before directly filing a lawsuit to terminate the contract, the lawyers representing the Company are expecting to make a defense against the Taraz Government's action by claiming that the procedure was not compliant with the laws. The Company's lawyers have also filed a motion for change of venue and have been trying to negotiate with the Taraz Government to resolve the disputes. On April 22, 2021, the local court of laws granted the motion for change of venue and decided to transfer the case to a local commercial court. On July 21, 2021, the commercial court of Taraz Province issued a ruling against the Company. The Company filed an appeal on August 19, 2021. On September 23, 2021, the second instance court issued a judgment to dismiss the appeal, and such judgment is final and binding. Because the Company believes Consortium B was not at fault, it plans to file an appeal against the second instance court judgment with third instance court. In this case, the judgment is only to determine whether the termination of contract is valid, and the Taraz Government did not claim for compensations. On the other hand, the Company will claim against the Taraz Government for return of equipment or price. Based on the evaluation, the above-mentioned matters do not have any material effects on the finance and operations of the Company.

According to the opinion issued by its lawyers on March 17, 2022, the Company evaluated the outcome of the final judgments of the two cases and possible amount to be claimed, and entered an additional provision of \$55,981 for 2021 recorded as other expenses and losses. Further, in response to the expected uncollectible accounts receivable due to the above two cases and expenditures of loans to other Consortium members, the Company entered reserve for loss totaling \$35,762 recorded as impairment loss, as well as provisions in the amount of \$80,897 based on the Company's expected responsibility for Consortium members' unpaid bank loans under the Consortium contract. Further, it also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Company's right caused by their project defects. For the other parts, further evaluations will be made when more specific information about case development is available. Nevertheless, based on the Company's evaluation, the above-mentioned matters do not have any material effects on the finance and operations.

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

As of December 31, 2021, the accumulated losses of the above two cases were \$150,497, including impairment loss of \$35,762, other expenses and losses of \$622 and provisions of \$114,113. Furthermore, the Company's subsidiary, ELIT, recognized an allowance of of \$48,381 for expected uncollectible receivables from the above two cases, and recorded its share of profits and losses of subsidiaries, affiliates and joint ventures recognized under the equity method.

(c) Significant commitments unrecognized:

(i) As of December 31, 2021 and 2020, the Company's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$143,202 and \$185,549, 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	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	519,168	959,812	1,478,980	509,177	786,943	1,296,120
Labor and health insurance	44,072	61,216	105,288	39,982	56,476	96,458
Pension	13,765	15,435	29,200	13,713	34,350	48,063
Remuneration of directors	-	29,229	29,229	-	19,752	19,752
Others	50,575	41,964	92,539	48,849	40,966	89,815
Depreciation	324,045	359,964	684,009	543,016	385,235	928,251
Amortization	36,890	23,684	60,574	38,181	21,203	59,384

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

	2021	2020
Employees	<u>1,722</u>	<u>1,734</u>
Non-employees of directors	<u>7</u>	<u>8</u>
Average employee benefit expenses	\$ <u>995</u>	\$ <u>887</u>
Average salary expense	\$ <u>862</u>	\$ <u>751</u>
Average salary expense adjustment	<u>14.78 %</u>	
Supervisor's remuneration	\$ <u>-</u>	\$ <u>-</u>

(Continued)

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

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.

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, 2021:

(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, 2021 (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.

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (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.
- (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, 2021.

Everlight Electronics Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Checking accounts		\$ 1,971
Demand deposits		886,696
Foreign currency deposits	Including USD5,990 thousand @27.6900, JPY 124,517 thousand @0.2406, HKD 5,090 thousand @3.5517, EUR 198 thousand @31.5195, CNY 36,267 thousand @4.3482	377,841
Time deposits	CNY 113,400 thousand(Maturity date : 2022.01.05)	493,086
		<u>\$ 1,759,594</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	\$ 1,534
Accounts Receivable:		
Client B009	Third party sales	376,594
Others (Note)	"	4,624,676
		5,001,270
Less: Loss allowance		101,293
		4,899,977
Total		<u>\$ 4,901,511</u>

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

Everlight Electronics Co., Ltd.

Statement of Accounts Receivables from Related Parties

December 31, 2021

(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	\$ 536,760
Evlite	"	480,604
Everlight Europe	"	151,509
ELA	"	123,428
Others (Note)	"	<u>58,294</u>
Total		<u><u>\$ 1,350,595</u></u>

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

Statement of Inventories

<u>Item</u>	<u>Amount</u>	
	<u>Cost</u>	<u>Net Realizable Value</u>
Finished goods	\$ 652,811	
Less: Allowance for inventory market decline and obsolescence	<u>(130,878)</u>	
	<u>521,933</u>	591,553
Work in Process	89,098	
Less: Allowance for inventory market decline and obsolescence	<u>-</u>	
	<u>89,098</u>	89,098
Raw Materials	231,572	
Less: Allowance for inventory market decline and obsolescence	<u>(95,203)</u>	
	<u>136,369</u>	136,369
Total	<u><u>\$ 747,400</u></u>	<u><u>817,020</u></u>

Everlight Electronics Co., Ltd.

Statement of Other Current Assets

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Payment in advance	Prepaid of construction payments	\$ 62,884
Prepaid expenses	Prepaid certification expenses and insurance expenses	<u>28,110</u>
		<u>90,994</u>
Other current assets:		
VAT Refund	Value-added tax refund	24,621
Inventory—fixed assets	Inspection-awaited assets	101,531
Others (Note)	Excess business tax paid, fund of cooperation project and temporary payments of employee's bonuses	<u>42,088</u>
Total		<u>168,240</u>
		<u>\$ 259,234</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	\$ 3,228,800
Restricted time deposits	Offshore funds with restricted usage	624,837
Others	Estimated interest receivable, etc.	<u>11,867</u>
		<u>\$ 3,865,504</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, 2021

(Expressed in thousands of New Taiwan Dollars)

Investees Company	Balance, January 1, 2021		Increase		Decrease (Note 1)		Reclassification		Share of profit (loss) Recognized	Amounts for Exchanges Differences on Translation Foreign Operations	Unrealized Gains (losses) on Financial Assets	Other Adjustment Amount (Note 2)	Balance, December 31, 2021			2021.12.31 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	\$ 6,513,640	-	-	-	-	-	-	319,463	(37,008)	-	4,858	1,540	98.00	6,800,953	6,800,953	None
Pai-yeec	23,940	470,075	-	-	-	(12,449)	-	-	26,479	(1,715)	-	9,111	23,940	100.00	491,501	504,380	None
Forever	42,488	413,174	-	-	-	-	-	-	19,399	(1,745)	-	(146)	42,488	100.00	430,682	430,682	None
Everlight Europe	75	97,216	-	-	-	(51,819)	-	-	73,821	(9,497)	-	-	75	75.00	109,721	109,721	None
Evervision TW	4,477	216,156	-	-	-	-	-	-	19,330	(1,525)	-	(127)	4,477	24.27	233,834	201,846	None
ELA	11,375	(66,472)	-	-	-	-	-	-	74,626	1,024	-	-	11,375	98.91	9,178	9,178	None
ELK	38	49,226	-	-	-	-	-	-	25,925	(6,718)	-	-	38	100.00	68,433	68,433	None
Evlite	7,000	119,066	-	-	-	-	-	-	16,239	(4,299)	-	-	7,000	100.00	131,006	131,006	None
Tekcore	4,181	36,605	586	8,787	-	-	-	-	7,592	-	-	5,295	4,767	9.23	58,279	105,110	None
ELIT	20,000	269,818	-	-	-	(65,000)	-	-	(21,574)	(155)	-	-	20,000	100.00	183,089	183,089	None
ELI	353	10,500	-	-	-	-	-	-	2,105	(534)	-	-	353	80.00	12,071	12,071	None
ELS	200	10,671	-	-	-	-	-	-	1,810	(529)	-	-	200	100.00	11,952	11,952	None
ELJ	5	11,583	-	-	-	-	-	-	8,942	(2,001)	-	-	5	100.00	18,524	18,524	None
WOFI	5,775	98,125	-	-	-	-	-	-	(306,498)	20,827	-	-	5,775	100.00	(187,546)	(187,546)	None
ELMS	-	(196,491)	-	-	-	-	-	-	249	936	-	-	-	52.63	(195,306)	(195,306)	None
		8,052,892		8,787		(129,268)		-	267,908	(42,939)	-	18,991			8,176,371		
Recorded as deduction of assets :																	
Accounts receivable		66,472		-		-			-	-	-	(66,472)			-		
Credit balance of investments in equity method		196,491		-		-			-	-	-	186,361			382,852		
Total		<u>\$ 8,315,855</u>		<u>8,787</u>		<u>(129,268)</u>		-	<u>267,908</u>	<u>(42,939)</u>	-	<u>138,880</u>			<u>8,559,223</u>		

Note 1: Decrease in current period includes cash dividend of \$129,268.

Note 2: Other adjustment amounts included an increase in equity of investee companies of \$19,319, a decrease in actuarial gains of \$328, and an increase in credit balance of investments in equity method of \$186,361.

Everlight Electronics Co., Ltd.
Statement of Changes in Property, Plant and Equipment
For the year ended December 31, 2021
(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, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Intangible Assets	Patent right	\$ 19,478
	ERP software system	<u>24,109</u>
Total		<u><u>\$ 43,587</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.	\$ 74,380
Others	Investment property	<u>26,263</u>
		<u><u>\$ 100,643</u></u>

Everlight Electronics Co., Ltd.

Statement of short-term borrowings

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Bank</u>	<u>Description</u>	<u>Contract Period</u>	<u>Range of Interest Rates (%)</u>	<u>Credit lines (Credit lines)</u>	<u>Amount</u>	<u>Collaterals or pledged assets</u>
BOC	Credit Loans	2021.12~2022.01	0.51%	NTD600,000 thousand	\$ 166,140	None
DBS	"	2021.12~2022.01	0.50%	USD20,000 thousand	138,450	None
LandBank	"	2021.11~2022.01	0.50%	NTD800,000 thousand	276,900	None
Cathay	"	2021.12~2022.01	0.50%	NTD450,000 thousand	193,830	None
TSIB	"	2021.12~2022.01	0.50%	NTD1,000,000 thousand	304,590	None
					<u>\$ 1,079,910</u>	

Statement of Notes and Accounts Payables to Third Parties

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Vendor C	Third party operating cost	\$ 123,655
Vendor K	"	85,510
Vendor Q	"	183,540
Others(Note)	"	962,165
Total		<u>\$ 1,354,870</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, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Everlight China	Related party operating cost	\$ 4,136,487
Others(Note)	"	433,974
Total		\$ 4,570,461

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

Statement of Lease Liabilities

Item	Lease-term	Discount rate	Amount
Land	3~20 years	0.7415%~1.71%	\$ 234,692
Vehicles	2~3 years	0.679%~1.082%	1,791
Office and other equipment	3 years	0.658%	270
			\$ 236,753

Everlight Electronics Co., Ltd.
Statement of Other Current Liabilities
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accrued payroll and bonuses	December 2021 wages and salaries expense, estimated year-end bonuses of 2021, and remuneration of employees and directors.	\$ 740,066
Others (Note)	Payables for professional service, patents, commissions, receipts under custody and payment on behalf of others, labor and health insurances, utilities expenses, etc..	<u>320,180</u>
		<u>\$ 1,060,246</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		\$ 117,887
Credit balance of investments in equity method		382,852
Provisions	Warranties	<u>24,257</u>
Total		<u>\$ 524,996</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, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity (in thousands)</u>	<u>Net Sales</u>
Sales Revenue:		
Luminous element	21,519,816	\$ 11,496,929
Sensing element	10,104,691	9,050,715
Illumination	1,857	64,767
Others	148,376	<u>3,941</u>
		20,616,352
Construction revenue	-	<u>315,147</u>
Net sales revenue		<u><u>\$ 20,931,499</u></u>

Note: The above amount has deducted sales returns and discounts.

Everlight Electronics Co., Ltd.
Statement of Operating Costs
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of the year	\$ 270,203
Add: Purchases of raw materials	3,908,730
Gains on physical counts of raw materials	12,101
Less: Raw materials, end of the year	(231,572)
Cost of sales on raw materials(including that for processing)	(495,296)
Transferred to expenses for requisition by indirect and research departments	<u>(56,502)</u>
Raw materials used for current period	3,407,664
Direct labor	361,110
Manufacturing expenses	<u>1,025,492</u>
Manufacturing cost for the current period	4,794,266
Add: Work in process, beginning of the year	92,430
Purchases	1,577
Less: Work in process, end of the year	(89,098)
Cost of goods manufactured	4,799,175
Add: Finished goods, beginning of the year	611,912
Purchases (including costs of raw materials and semi-finished products which from processing)	11,388,689
Less: Finished goods, end of year	(652,811)
Transferred to expenses for requisition by indirect and research department	(12,827)
Transferred to construction costs and others	(42,862)
Cost of selling finished goods	16,091,276
Add: Costs of selling tools	19,861
Allowance for inventory valuation and obsolescence loss	5,934
Construction costs	119,747
Others	62,152
Less: Income from sales of scraps	<u>(29,636)</u>
Total	<u><u>\$ 16,269,334</u></u>

Everlight Electronics Co., Ltd.
Statement of Operating Expenses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expense</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Wages and salaries	\$ 280,189	443,323	280,964
Advertisements	53,111	918	-
Professional service fees	42,599	42,023	1,134
Depreciation	1,714	260,179	98,071
Commission expenses	551,308	-	-
Export charges	144,412	1,937	-
Research expenses	-	-	80,209
Utility expense	2,869	22,034	31,533
Others (Note)	84,058	178,157	73,689
Total	<u>\$ 1,160,260</u>	<u>948,571</u>	<u>565,600</u>

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, 2021

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	Note
													Item	Value			
0	The Company	WOFI Holding	Other current financial assets	Yes	\$ 283,676	\$ -	-	1.0%	Short term financing	-	Financing Services	-	-	-	\$ 1,848,273	\$ 7,393,093	Note5
0	The Company	Everlight Lighting China	Other receivables	Yes	569,530	169,240	-	-%	Short term financing	-	Business turnover	-	-	-	1,848,273	7,393,093	Note5
0	The Company	Everlight Lighting China	Other receivables	Yes	521,784	521,784	406,557	1.0%	Short term financing	-	Financing Services	-	-	-	1,848,273	7,393,093	Note5
0	The Company	Altocom Asia LLP	Other receivables	No	84,371	84,371	25,434	1.0%	Short term financing	-	Financing Services	25,434	-	-	1,848,273	7,393,093	-
0	The Company	A3 Commerce LLP	Other receivables	No	33,450	33,450	9,704	1.0%	Short term financing	-	Financing Services	9,704	-	-	1,848,273	7,393,093	-
						\$ 808,845	441,695										
1	Everlight Zhongshan	Zhongshan Everlight Lighting	Other receivables	Yes	65,093	19,567	-	2.5%	Short term financing	-	Financing Services	-	-	-	361,800	361,800	Note5
2	Everlight BVI	Everlight China	Other receivables	Yes	1,107,600	553,800	553,800	-%	Short term financing	-	Financing Services	-	-	-	2,775,899	2,775,899	Note5
						\$ 573,367	553,800										

- 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's "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.
Notes to the Financial Statements

Table 2 Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2021

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	5,869	\$ 82,445	-%	\$ 82,445	
The Company	Cathay Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	100	6,350	-%	6,350	
The Company	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	666	28,538	-%	28,538	
The Company	WT Microelectronics Co., Ltd. Preferred Stock A	None	Current financial assets at fair value through profit or loss	600	29,370	-%	29,370	
The Company	Ginko International Co., Ltd.	None	Current financial assets at fair value through profit or loss	1,110	298,035	-%	298,035	
					\$ 444,738			
Pai yee	Taishin 1699 Money Market Fund	None	Current financial assets at fair value through profit or loss	147	\$ 2,009	-%	2,009	
Pai yee	Ginko International Co., Ltd.	None	Current financial assets at fair value through profit or loss	520	139,620	-%	139,620	
					\$ 141,629			
Forever	Ginko International Co., Ltd.	None	Current financial assets at fair value through profit or loss	555	\$ 149,018	-%	149,018	
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	\$ 42,071	-%	42,071	
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	\$ 65,499	-%	65,499	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	\$ 395,480	-%	395,480	

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

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

Table 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, 2021

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	Casetek Holding Limited Stocks	Current financial assets at fair value through profit or loss	-	-	3,500	\$ 305,550	-	-	3,500	\$ 305,331	\$ 305,331	-	\$ (219) (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 NTS100 million or 20% of the capital stock
December 31, 2021

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)	\$ (1,440,684)	(7%)	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 480,604	8%	Note 2
The Company	Everlight Europe	75% owned subsidiary	(Sales)	(1,092,803)	(5%)	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 151,509	2%	Note 2
The Company	Everlight Lighting China	100% owned sub-subsiary	(Sales)	(907,885)	(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 536,760	9%	Note 2
The Company	ELA	99% owned subsidiary	(Sales)	(283,505)	(1%)	OA 140	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 123,428	2%	Note 2
The Company	Everlight China	100% owned sub-subsiary	Purchases	10,281,932	74%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (4,136,487)	(70%)	Note 2
The Company	Everlight Zhongshan	100% owned sub-subsiary	Purchases	386,226	3%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (151,434)	(3%)	Note 2
The Company	Everlight Lighting China	100% owned sub-subsiary	Purchases	216,169	2%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (106,140)	(2%)	Note 2
The Company	Tekcore	Equity accounted investee by the Company	Purchases	147,538	1%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90 days	Accounts Payable (68,728)	(1%)	-
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(424,737)	(100%)	OA 120	-	-	Accounts Receivable 151,434	100%	Note 2
Everlight China	The Company	Ultimate holding company	(Sales)	(10,769,438)	(98%)	OA 120	-	-	Accounts Receivable 4,136,487	98%	Note 2
Everlight China	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(247,301)	(2%)	OA 90	Terms not comparable to other general trading price	General export receivables in 90 days	Accounts Receivable 87,539	2%	Note 2
Everlight China	Tekcore	Equity accounted investee by the Company	Purchases	523,660	7%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90 days	Accounts Payable (215,720)	(8%)	-
Everlight Lighting China	The Company	Ultimate holding company	Purchases	923,798	35%	Depending on the credit conditions of the ultimate customers	-	General purchase payments in 90~120 days	Accounts Payable (536,760)	(34%)	Note 2
Everlight Lighting China	The Company	Ultimate holding company	(Sales)	(216,250)	(7%)	OA 120	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 106,140	8%	Note 2
Everlight Lighting China	Everlight China	With the same parent company	Outsourced manufacturing fee	254,226	9%	OA 90	Terms not comparable to other general trading price	General purchase payments in 90 days	Accounts Payable (87,539)	(8%)	Note 2
ELA	The Company	Parent company	Purchases	283,474	100%	OA 140	-	-	Accounts Payable (123,049)	(100%)	Note 2
Everlight Europe	The Company	Parent company	Purchases	1,080,007	100%	OA 120	-	-	Accounts Payable (152,638)	(100%)	Note 2
Evlite	The Company	Parent company	Purchases	1,450,579	100%	OA 90	-	General purchases payments in 90~120 days	Accounts Payable (480,618)	(100%)	Note 2
Evervision TW	Vbest Kunshan	Equity accounted sub-subsiary by Evervision TW	Purchases	377,171	59%	OA 60	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (154,151)	(80%)	Note 2
Vbest Kunshan	Evervision TW	66.75% owned subsidiary	(Sales)	(378,017)	(99%)	OA 150	Terms not comparable to other general trading price	General export receivables in 90~120 days	Accounts Receivable 157,676	99%	Note 2

Note 1: The amounts were translated into New Taiwan dollars at the year ended December 31,2021 average exchange rates.

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

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

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

Table 5 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock
December 31, 2021

Unit: In Thousands of New Taiwan Dollar

Name of company	Counterparty	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Evlite	100% owned subsidiary	\$ 480,604	2.87	-		\$ 332,605	-
The Company	Everlight Europe	75% owned subsidiary	151,509	6.24	-		151,509	-
The Company	ELA	99% owned subsidiary	123,428	2.80			56,905	-
The Company	Everlight China	100% owned sub-sub-sidiary	344,834 (Note 4)	-	-		114,316	-
The Company	Everlight Lighting China	100% owned sub-sub-sidiary	536,760	1.53	-		234,430	-
The Company	Everlight Lighting China	100% owned sub-sub-sidiary	409,776 (Note3)	-	-		-	-
Everlight BVI	Everlight China	100% owned subsidiary	553,800 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	4,136,487	2.66	-		2,688,037	-
Everlight Zhongshan	The Company	Ultimate holding company	151,434	2.69	-		99,650	-
Vbest Kunshan	Evervision TW	66.75% owned subsidiary	157,676	1.70	-		76,509	-

Note 1: Information as of March 16, 2022.

Note 2: The amounts were translated into New Taiwan dollars at the exchange rates at the reporting date.

Note 3: Lending funds (including interest).

Note 4: Receivables on machinery and equipment.

Note 5: The aforementioned transactions had been eliminated in the consolidated financial statements.

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

Table 6 Information derivative financial instruments transaction
December 31, 2021

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 15,000	2021.10.13~2021.12.30	2022.01.06-2022.03.15	USD/RMB 6.3925~6.4952	\$ 2,495	2,495
The Company	Pre-sale forward exchange contract	USD 42,000	2021.09.16~2021.12.30	2022.01.06-2022.04.12	USD/NTD 27.65~28.118	5,957	5,957
The Company	Pre-sale forward exchange contract	EUR 3,250	2021.09.24~2021.12.30	2022.01.06-2022.03.24	EUR/USD 1.133~1.1762	1,951	1,951
Everlight China	Other derivative financial instrument contracts	RMB 90,270	2021.08.10~2021.12.17	2022.01.21~2022.03.29	3.05%~3.45%	2,226	-
Everlight Zhongshan	Other derivative financial instrument contracts	RMB 15,000	2021.11.12	2022.02.14	3.15%	281	-

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

Table 7 Information on investees
December 31, 2021

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, 2021	December 31, 2020	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%	\$ 6,800,953	325,983	319,463	Subsidiaries (Note 4)
The Company	Pai yee	New Taipei City	Investment	580,253	580,253	23,940	100%	491,501	26,479	26,479	Subsidiaries (Note 4)
The Company	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	9,178	75,448	74,626	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%	233,834	79,646	19,330	Subsidiaries (Note 4)
The Company	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	109,721	98,429	73,821	Subsidiaries (Note 4)
The Company	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	68,433	25,925	25,925	Subsidiaries (Note 4)
The Company	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	430,682	19,399	19,399	Subsidiaries (Note 4)
The Company	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	183,089	(21,667)	(21,574)	Subsidiaries (Note 4)
The Company	Tekcore	Nantou County	Manufacture and sale of EPIwafers and chips of LED	489,580	480,793	4,767	9.23%	58,279	80,516	7,592	(Note 1)
The Company	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	131,006	16,239	16,239	Subsidiaries (Note 4)
The Company	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	12,071	2,631	2,105	Subsidiaries (Note 4)
The Company	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	11,952	1,810	1,810	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%	(187,546)	(306,498)	(306,498)	Subsidiaries (Note 4)
The Company	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	18,524	8,942	8,942	Subsidiaries (Note 4)
Pai yee	Everlight BVI	Registered in British Virgin Islands	Investment	120,740	120,740	37	2%	138,795	325,983	6,520	Subsidiaries (Note 4)
Pai yee	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	54,401	50,242	2,716	14.72%	122,421	79,646	10,916	Subsidiaries (Note 4)
Pai yee	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	28,833	23,732	2,819	5.46%	34,475	80,516	4,499	(Note 2)
Pai yee	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	2,570	1,068	1,068	Sub-sub-sidiaries (Note 4)
Pai yee	ELI	India	Sale of LEDs	493	493	88	20%	3,015	2,631	526	Subsidiaries (Note 4)
ELIT	ELIT KZ	Kazakhstan	Sale of LED lighting products	73	73	-	100%	6,365	7,145	7,145	Sub-sub-sidiaries (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%	198,882	79,646	22,110	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%	-	-	-	-
Evervision	Well	Hsinchu County	Electronic material trading	28,000	28,000	-	-	-	-	-	-

Note 1: The market price is \$105,110.

Note 2: The market price is \$62,166.

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

Note 4: The transactions between companies had been eliminated in the consolidated financial statements.

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

Table 8 Information on investment in Mainland China
December 31, 2021

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

Unit: In Thousands of New Taiwan Dollar / Foreign currency

Name of investee	Main businesses and products	Total amount of paid in capital (Note 6)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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, 2021 (Note 6)	Accumulated remittance of earnings as of December 31, 2021
					Outflow	Inflow						
<u>The Company and Pai yee:</u> Everlight China	Manufacture of LEDs	3,426,009 (US\$113,500、RMB65,129) (Note 7)	(Note 1)	3,055,868 (US\$110,360)	-	-	3,055,868 (US\$110,360)	235,059	100%	235,059	5,202,984	(Note 8)
Everlight Lighting China	Sale of LEDs	276,900 (US\$10,000) (Note 11)	(Note 1)	143,988 (US\$5,200)	-	-	143,988 (US\$5,200)	76,182	100%	76,182 (Note12)	324,516 (Note12)	-
Everlight Electronic	Business development and customer services	199,213 (US\$128、RMB45,000) (Note 19)	(Note 1)	3,544 (US\$128)	-	-	3,544 (US\$128)	(624)	100%	(624) (Note20)	193,973 (Note20)	-
Everlight Zhongshan	Manufacture of LED related components	830,700 (US\$30,000)	(Note 1)	830,700 (US\$30,000)	-	-	830,700 (US\$30,000)	8,212	100%	8,212	904,502	-
Everlight Fujian	Manufacture and sale of LED backlights and	692,250 (US\$25,000)	(Note 1)	610,272 (US\$16,250、RMB36,868)	-	-	610,272 (US\$16,250、RMB36,868)	11,348	100%	10,825	676,747	-
ELMS	Research and sale of LED lighting products	413,079 (RMB95,000) (Note 22)	Direct investment	103,498 (US\$1,294、RMB15,562)	-	-	103,498 (US\$1,294、RMB15,562)	249	100%	249 (Note21)	363 (Note21)	-
<u>Evervision TW:</u> Vbest Kunshan	Post assemble STN display and assemble module	498,420 (US\$18,000)	(Note 2)	498,420 (US\$18,000)	-	-	498,420 (US\$18,000)	6,974	66.75%	4,655	431,830	-
<u>Everlight Lighting China:</u> Zhongshan Everlight	Research and sale of LED lighting products	143,491 (RMB33,000)	(Note 3)	-	-	-	-	(595)	100%	(595)	5,378	-

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

Table 8 Information on investment in Mainland China
December 31, 2021

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2021 (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)	4,935,767 (USD169,003 thousand RMB58,892 thousand) (Notes 9、10、13、16、17 and 24)	5,061,190 (USD170,898 thousand RMB75,669 thousand)	11,089,640
ELIT	135,810 (USD2,723 thousand RMB13,893 thousand) (Notes 9 and 18)	135,810 (USD2,723 thousand RMB13,893 thousand)	117,550
Evervision TW	585,256 (Notes 15 and 23) (USD21,136 thousand)	585,256 (USD21,136 thousand)	498,998 (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 China and Everlight Zhongshan, which recognized their gains and losses on investment in accordance with interim financial statements of investees, the gains and losses on investment of the remaining companies were recognized according to the investees' self reported financial statements and the amounts were translated into New Taiwan Dollars at the year ended December 31 average exchange rate in 2021.
- Note 5 : Including the investment amount of USD 3,790 thousand approved by Pai yee.
- Note 6 : The amounts were translated into New Taiwan dollars at the exchange rates at the end of the reporting period.
- Note 7 : The difference from the Company's outflow of investment was due to the retained earnings transferred to the capital of Everlight China amounting to USD 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.
- Note 8 : Including the remittance amounting to USD 10,140 thousand from Guangzhou Everlight to Everlight BVI to be invested in Everlight China by Everlight BVI in 2007.
- Note 9 : The liquidation of Yi Yao was completed in January 2020; the aforesaid investment amounting to USD 48 thousand was included in the Company's accumulated outflow of investment from Taiwan and amounting to USD 723 thousand was included in the ELIT's accumulated outflow of investment from Taiwan.
- Note 10 : The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to USD 3,750 thousand was included in the Company's accumulated outflow of investment from Taiwan.
- Note 11 : The difference from the Company's outflow of investment was due to the amount of USD 4,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.
- Note 12 : Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.
- Note 13 : Shanghai Yaming Lighting Co., Ltd. (Yaming) had been in the process of liquidation in 2020, the aforesaid investment amounting to USD 1,464 thousand was included in the Company's accumulated outflow of investment from Taiwan.
- Note 14 : After the investment of Evervision TW in Mainland China, its net equity decreased due to its capital reduction in 2012. Therefore, the amount in the approval letter from the Investment Commission of Ministry of Economic Affairs is higher than required for the limitation on investment in accordance with the legal authorities.
- Note 15 : Including the investment amount of the factory in Mainland China written off in 2012 amounting to USD 2,750 thousand.
- Note 16 : Including the investments amounting to USD 216 thousand in Inferpoint Touch Solutions (ShenZhen) Limited and Inferpoint Systems (Shenzhen) Limited through Inferpoint Systems Limited, an investee at cost, in Mainland China. The Company sold its equities in December 2013, but had not applied to eliminate the investment amounting to USD 9,475 thousand.
- Note 17 : Everlight Yi Guang Technology (Shanghai) Ltd. had completed its liquidation in April 2014. The aforesaid investment amount included the accumulated outward remittance from the Company for investment amounting to USD 293 thousand.
- Note 18 : 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 RMB 45,000 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 USD 386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.
- Note 24 : In July 2021, Everlight BVI had acquired the shares of Everlight Electronics (Fujian) Co.,Ltd. from a third party with a cash consideration of RMB 15,446 thousand and USD 69 thousand, and the shareholding increased from 90% to 100%. As of December 31, 2021, the aforementioned amount has been paid.

(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 31,2021.

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, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Everlight Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Everlight Electronics Co., Ltd.

Chairman: Robert Yeh

Date: March 23, 2022



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, 2021 and 2020, the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the 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 and other receivables valuation.

Description of key audit matters:

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

Audit procedures:

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

3. Revenue recognition

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

Description of key audit matters:

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

Audit Procedures:

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



Other Matter

Everlight Electronics Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, 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, 2022

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 4,514,151	15	4,186,992	14	2100	Short-term borrowings (note 6(o))	\$ 2,489,960	8	4,031,895	13
1110	Current financial assets at fair value through profit or loss (note 6(b))	1,206,849	4	1,056,736	3	2130	Current contract liabilities (note 6(z))	68,297	-	22,121	-
1140	Current contract assets (note 6(z))	2,317	-	45,542	-	2170	Notes and accounts payable	4,806,232	16	4,478,504	15
1170	Notes and accounts receivable, net (note 6(d))	6,998,255	23	6,832,904	22	2180	Accounts payable to related parties (note 7)	284,448	1	243,676	1
1180	Accounts receivable due from related parties, net (notes 6(d) and 7)	36,502	-	33,332	-	2213	Payable on machinery and equipment	631,866	2	472,570	2
1310	Inventories (note 6(f))	1,686,565	6	1,708,033	6	2230	Current tax liabilities	527,638	2	331,921	1
1470	Other current assets	549,175	2	530,860	2	2250	Current provisions (notes 6(p) and 9(b))	77,934	-	58,132	-
1476	Other current financial assets (notes 6(a),6(d), 6(e), 6(n) and 8)	<u>5,337,506</u>	<u>17</u>	<u>5,333,793</u>	<u>18</u>	2280	Current lease liabilities (notes 6(t))	42,140	-	37,033	-
		<u>20,331,320</u>	<u>67</u>	<u>19,728,192</u>	<u>65</u>	2300	Other current liabilities (notes 6(b) and 6(q))	1,961,179	7	1,782,091	6
						2322	Long-term borrowings, current portion (note 6(r))	<u>33,503</u>	<u>-</u>	<u>31,203</u>	<u>-</u>
								<u>10,923,197</u>	<u>36</u>	<u>11,489,146</u>	<u>38</u>
Non-current assets:						Non-Current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	42,071	-	41,822	-	2527	Non-current contract liabilities (note 6(z))	-	-	64,992	-
1550	Investments accounted for using the equity method, net (note 6(g))	92,754	-	58,356	-	2540	Long-term borrowings (note 6(r))	69,572	-	103,241	-
1560	Non-current contract assets (note 6(z))	36,874	-	594,956	2	2550	Non-current provisions (notes 6(p) and 9(b))	51,895	-	-	-
1600	Property, plant and equipment (note 6(l))	7,631,501	25	8,109,445	27	2570	Deferred tax liabilities (note 6(v))	78,218	-	70,813	-
1755	Right-of-use assets (note 6(m))	399,679	1	412,236	1	2580	Non-current lease liabilities (note 6(t))	274,444	1	286,908	1
1780	Intangible assets	58,654	-	83,572	-	2640	Net defined benefit liabilities(note 6(u))	89,750	-	109,442	1
1840	Deferred tax assets (note 6(v))	532,179	2	480,133	2	2600	Other non-current liabilities	<u>229,617</u>	<u>1</u>	<u>203,918</u>	<u>1</u>
1900	Other non-current assets (notes 6(u) and 8)	207,416	1	171,338	1			<u>793,496</u>	<u>2</u>	<u>839,314</u>	<u>3</u>
1980	Other non-current financial assets (notes 6(a) and 6(d))	<u>1,192,989</u>	<u>4</u>	<u>587,100</u>	<u>2</u>			<u>11,716,693</u>	<u>38</u>	<u>12,328,460</u>	<u>41</u>
		<u>10,194,117</u>	<u>33</u>	<u>10,538,958</u>	<u>35</u>						
							Total liabilities				
							Equity:				
							Equity attributable to owners of parent (note 6(w)):				
						3110	Ordinary shares	<u>4,433,931</u>	<u>15</u>	<u>4,433,931</u>	<u>15</u>
						3200	Capital surplus (note 6(s))	<u>9,103,595</u>	<u>30</u>	<u>9,084,110</u>	<u>30</u>
							Retained earnings:				
						3310	Legal reserve	2,742,830	9	2,671,978	9
						3320	Special reserve	821,051	3	1,461,039	5
						3350	Unappropriated retained earnings	<u>2,245,159</u>	<u>7</u>	<u>737,295</u>	<u>2</u>
								<u>5,809,040</u>	<u>19</u>	<u>4,870,312</u>	<u>16</u>
						3400	Other equity interests	<u>(863,832)</u>	<u>(3)</u>	<u>(821,051)</u>	<u>(3)</u>
								<u>18,482,734</u>	<u>61</u>	<u>17,567,302</u>	<u>58</u>
						3610	Non-controlling interests	<u>326,010</u>	<u>1</u>	<u>371,388</u>	<u>1</u>
							Total equity	<u>18,808,744</u>	<u>62</u>	<u>17,938,690</u>	<u>59</u>
							Total liabilities and equity	<u>\$ 30,525,437</u>	<u>100</u>	<u>\$ 30,267,150</u>	<u>100</u>
	Total assets	<u>\$ 30,525,437</u>	<u>100</u>	<u>30,267,150</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, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(z) and 7)	\$ 25,022,009	100	21,637,035	100
5110 Cost of sales (notes 6(f), 6(u), 7 and 12)	18,323,414	73	16,218,266	75
5900 Gross profit	<u>6,698,595</u>	27	<u>5,418,769</u>	25
Operating expenses (notes 6(u) and 12):				
6100 Selling expenses	1,475,134	6	1,381,074	7
6200 Administrative expenses	2,023,608	8	1,963,636	9
6300 Research and development expenses	722,433	3	708,239	3
6450 Impairment loss (gain) determined in accordance with IFRS 9 (notes 6(d), 6(e) and 9(b))	61,955	-	12,318	-
	<u>4,283,130</u>	17	<u>4,065,267</u>	19
6900 Net operating income	<u>2,415,465</u>	10	<u>1,353,502</u>	6
Non-operating income and expenses:				
7100 Interest income (notes 6(m) and 6(ab))	95,896	-	66,828	-
7190 Other income (note 6(t))	100,137	-	186,005	1
7210 Net gains (losses) on disposals of property, plant and equipment	17,050	-	101,268	1
7225 Net gains (losses) on disposals of investments (note 6(g))	8,136	-	-	-
7235 Gains on financial assets (liabilities) at fair value through profit or loss, net	34,067	-	26,293	-
7050 Finance costs (notes 6(s), 6(t) and 6(ab))	(49,553)	-	(58,564)	-
7590 Other expenses and losses (note 9(b))	(74,612)	-	(10,813)	-
7630 Foreign exchange gains (losses), net (note 6(ac))	3,202	-	3,793	-
7670 Impairment loss (note 6(g))	-	-	(10,381)	-
7770 Share of profit (loss) of associates accounted for using the equity method (note 6(g))	12,092	-	(30,596)	-
	<u>146,415</u>	-	<u>273,833</u>	2
7900 Profit before tax	2,561,880	10	1,627,335	8
7950 Less: Income tax expenses (note 6(v))	565,869	2	377,655	2
Profit	<u>1,996,011</u>	8	<u>1,249,680</u>	6
8300 Other comprehensive income:				
Items that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(4,404)	-	15,002	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	-	-	51,947	-
8320 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss (note 6(g))	22	-	229	-
8349 Less: income tax related to items that will not be reclassified to profit or loss (note 6(v))	(881)	-	3,001	-
	<u>(3,501)</u>	-	<u>64,177</u>	-
8360 Items that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(52,140)	-	47,600	-
8399 Less: income tax related to items that will be reclassified to profit or loss (note 6(v))	(1,820)	-	(479)	-
	<u>(50,320)</u>	-	<u>48,079</u>	-
8300 Other comprehensive income	<u>(53,821)</u>	-	<u>112,256</u>	-
Total comprehensive income	<u>\$ 1,942,190</u>	<u>8</u>	<u>\$ 1,361,936</u>	<u>6</u>
Profit, attributable to:				
8610 Owners of parent	\$ 1,939,688	8	1,236,141	6
8620 Non-controlling interests	56,323	-	13,539	-
	<u>\$ 1,996,011</u>	<u>8</u>	<u>\$ 1,249,680</u>	<u>6</u>
Total comprehensive income attributable to:				
8710 Owners of parent	\$ 1,893,581	8	1,342,083	6
8720 Non-controlling interests	48,609	-	19,853	-
	<u>\$ 1,942,190</u>	<u>8</u>	<u>\$ 1,361,936</u>	<u>6</u>
Earnings per share (note 6(y))				
9750 Basic earnings per share	<u>\$ 4.37</u>		<u>2.79</u>	
9850 Diluted earnings per share	<u>\$ 4.31</u>		<u>2.74</u>	

(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, 2021 and 2020
(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, 2020	\$ 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 year	-	-	-	-	11,261	42,734	51,947	94,681	105,942	6,314	112,256
Total comprehensive income for the year	-	-	-	-	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	-	-	-
Other	-	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
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	70,852	-	(70,852)	-	-	-	-	-	-
Special reserve	-	-	-	(639,988)	639,988	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(997,634)	-	-	-	(997,634)	-	(997,634)
	-	-	70,852	(639,988)	(428,498)	-	-	-	(997,634)	-	(997,634)
Profit for the period	-	-	-	-	1,939,688	-	-	-	1,939,688	56,323	1,996,011
Other comprehensive income for the year	-	-	-	-	(3,326)	(42,781)	-	(42,781)	(46,107)	(7,714)	(53,821)
Total comprehensive income for the year	-	-	-	-	1,936,362	(42,781)	-	(42,781)	1,893,581	48,609	1,942,190
Changes in equity of associates and joint ventures accounted for using the equity method	-	8,395	-	-	-	-	-	-	8,395	-	8,395
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	10,924	-	-	-	-	-	-	10,924	-	10,924
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(93,987)	(93,987)
Others	-	166	-	-	-	-	-	-	166	-	166
Balance at December 31, 2021	\$ 4,433,931	9,103,595	2,742,830	821,051	2,245,159	(863,832)	-	(863,832)	18,482,734	326,010	18,808,744

(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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,561,880	1,627,335
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	1,573,973	1,866,471
Expected credit loss	61,955	12,318
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(65,551)	8,230
Interest expense	49,553	58,564
Interest income	(95,896)	(66,828)
Share of (gain) loss of associates and joint ventures accounted for using equity method	(12,092)	30,596
Gain on disposal of property, plant and equipment	(17,050)	(101,268)
Gain on disposal of investments accounted for using equity method	(8,136)	-
Impairment loss	-	10,381
Others	685	4,413
Total adjustments to reconcile profit (loss)	1,487,441	1,822,877
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value	(145,509)	(444,865)
Decrease (increase) in contract assets	601,307	(534,135)
Increase in notes and accounts receivable (including related parties)	(682,769)	(835,858)
Decrease in inventories	21,468	77,316
Increase in other current assets	(27,780)	(105,991)
Increase in notes and accounts payable (including related parties)	368,500	354,764
Increase in provisions	56,753	43,276
Increase in other current liabilities	237,578	139,061
Decrease in net defined benefit liabilities	(23,440)	(3,352)
Increase (decrease) in current contract liabilities	(18,816)	63,361
Others	(735)	6,413
Total changes in operating assets and liabilities	386,557	(1,240,010)
Cash inflow generated from operations	4,435,878	2,210,202
Interest received	76,757	55,168
Interest paid	(48,603)	(51,394)
Income taxes paid	(365,752)	(325,955)
Net cash flows from operating activities	4,098,280	1,888,021
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	377,705
Acquisition of investments accounted for using the equity method	(13,984)	(20,086)
Proceeds from disposal of investments accounted for using the equity method	8,232	-
Acquisition of property, plant and equipment	(952,587)	(851,821)
Proceeds from disposal of property, plant and equipment	120,369	268,185
Decrease in refundable deposits	3,032	15,069
Acquisition of intangible assets	(45,839)	(72,026)
Increase in other financial assets	(52,994)	(1,529,652)
Increase in restricted deposits	(80,111)	(507,196)
Decrease (increase) in prepayments for equipment	(39,705)	2,075
Net cash flows used in investing activities	(1,053,587)	(2,317,747)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(1,541,935)	1,449,743
Repayments of bonds	-	(1,126,100)
Repayments of long-term borrowings	(23,406)	(10,872)
Proceeds from long-term borrowings	-	99,111
Increase (decrease) in guarantee deposits received	41,317	(48,934)
Payment of lease liabilities	(48,347)	(56,247)
Cash dividends paid	(997,634)	(620,563)
Exercise of employee stock options	-	2,566
Acquisition of ownership interests in subsidiaries	(72,788)	-
Change in non-controlling interests	(17,273)	-
Other financing activities	166	323
Net cash flows used in financing activities	(2,659,900)	(310,973)
Effect of exchange rate changes on cash and cash equivalents	(57,634)	(55,007)
Net increase (decrease) in cash and cash equivalents	327,159	(795,706)
Cash and cash equivalents at beginning of year	4,186,992	4,982,698
Cash and cash equivalents at end of year	\$ 4,514,151	4,186,992

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

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(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, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- 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"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

- (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, 2022, would not have a significant impact on its consolidated financial statements:

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

(Continued)

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

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

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

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

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

(4) Summary of significant accounting policies

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

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

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

Investor	Name of subsidiary	Nature of business	Percentage of ownership		Description
			December 31, 2021	December 31, 2020	
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 %	

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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, 2021	December 31, 2020	
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-ye	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-ye and Forever	Evervision Electronics Co., Ltd. (Evervision TW)	Manufacture and sales of liquid crystal displays and LED processing	66.75 %	65.50 %	Note 1
Pai-ye	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 %	100 %	
Everlight BVI	Everlight Electronics (China) Co., Ltd. (Everlight China)	Manufacture of LEDs	100 %	100 %	
Everlight BVI and Everlight China	Everlight Lighting (China) Co., Ltd. (Everlight Lighting China)	Sale of LEDs	100 %	100 %	
Everlight BVI and Everlight China	Everlight Electronic (Guangzhou) Co., Ltd. (Everlight Electronic (Guangzhou))	Business development and customer services	100 %	100 %	
Everlight BVI	Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	Manufacture of LED-related components	100 %	100 %	
Everlight BVI	Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	Manufacture and sale of LED backlights and related components	100 %	90 %	Note 2
The Company and Everlight Electronic (Guangzhou)	Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	Research and sale of LED lighting products	100 %	100 %	
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	
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 %	

(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, 2021	December 31, 2020	
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 Group has purchased 1.25% equity of Evervision TW from the third party in September 2021. As a result, its percentage of ownership in Evervision TW increased from 65.5% to 66.75%.

Note 2: The Group has purchased 10% equity of Everlight Fujian from the third party in July 2021. As a result, its percentage of ownership in Everlight Fujian increased from 90% to 100%.

(d) Foreign currencies

(i) Foreign currency transaction

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

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

(f) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. 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.

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

(g) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL 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 charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

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

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 shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

(h) Inventories

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

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

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

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

The 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.

The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

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

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

(j) Joint arrangements

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

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The 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.

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

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

(iii) Subsequent expenditure

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

(iv) Depreciation

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

Land is not depreciated.

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

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

- 1) Buildings: 20~60 years
- 2) Building improvements: 2~35 years
- 3) Machinery and equipment: 1~10 years
- 4) Modeling equipment: 2~6 years
- 5) Office and other equipment: 1~11 years

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

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

(m) Leases

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

(i) As a lessee

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

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

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

Lease payments included in the measurement of the lease liability 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.

(Continued)

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

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

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

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

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

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

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

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

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

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

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

(ii) As a lessor

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

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

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

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The 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.

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

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

(ii) Subsequent Expenditure

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

(iii) Amortization

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

- 1) Patents: the shorter of contract period and estimated useful lives
- 2) ERP software system: 1~10 years

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

(o) Impairment of non financial assets

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

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

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

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

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

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

(p) Provisions

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

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.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(ii) Construction contracts

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

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

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(iii) Financing components

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

(r) Government grants and government assistance

The Group recognizes an unconditional government grant related to manufacture and research in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as reduction of depreciation expenses on a systematic basis over the useful life of the asset.

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(iii) Short-term employee benefits

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

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

(t) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an 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.

(u) Income taxes

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

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

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.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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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.

(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 following period.

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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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 receivables

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).

(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

	December 31, 2021	December 31, 2020
Cash, checking accounts, and demand deposits	\$ 3,225,139	3,270,386
Time deposits	1,209,953	905,606
Bonds purchased under resale agreements	79,059	11,000
	\$ 4,514,151	4,186,992

(i) Time deposits with maturities within three months or less from the acquisition date that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Therefore, time deposits are classified as cash and cash equivalents. The time deposits with maturities over three months from the acquisition date are recorded as other current financial assets amounting to \$4,574,117 and \$4,630,544 as of December 31, 2021 and 2020, respectively. The non-current portion of the time deposits with maturities over three months from the acquisition date as recorded as other non-current financial assets amounting to \$325,916 and \$218,450 as of December 31, 2021 and 2020, respectively.

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

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

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging	\$ 10,485	13,011
Listed convertible bonds	-	21,641
Structured deposits and financial products	460,979	105,196
Beneficiary certificate-funds	84,454	50,357
Stocks listed on domestic markets	650,931	675,580
Unlisted common shares	42,071	232,773
	\$ 1,248,920	1,098,558
Current	\$ 1,206,849	1,056,736
Non-current	42,071	41,822
	\$ 1,248,920	1,098,558
	December 31, 2021	December 31, 2020
Current financial liabilities held-for-trading (recorded as other current liabilities):		
Derivative instruments not used for hedging	\$ 82	59,522
	\$ 82	59,522

- (i) Listed convertible bonds are hybrid instruments. Even though it is required to record the host contract and embedded derivative separately, they are recognized as financial assets designated as at fair value through profit or loss because those investments cannot be reliably measured at fair value as of the acquisition date.
- (ii) Capital guarantee financial products (Structured deposits) held by the Group, which were recognized as financial assets mandatorily measured at fair value through profit or loss, because the interest was not based on the time value on principal amount outstanding.
- (iii) The Group had acquired \$585,151 in shares of Ginko International Co., Ltd., which the Group intended to sell in the near term, from active markets in 2021. The aforementioned investment was recognized as financial assets designated as at fair value through profit or loss.
- (iv) The Group had acquired \$577,185 in shares of Casetek Holding Limited from active markets in 2020 and sold its shares of Casetek Holding Limited at a fair value of \$588,853 in active market in January 2021. The accumulated realized gain on financial assets at fair value through profit or loss was \$11,668.
- (v) The Group had sold its unlisted common shares of Kaistar Lighting (Xiamen) Co., Ltd. at a fair value of \$171,265 in January 2021. The accumulated realized gain on financial assets at fair value through profit or loss was \$24,355.

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- (vi) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net income pre-tax for 2021 and 2020 will be \$38,873 and \$47,936, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.
- (vii) The Group uses derivative financial instruments to hedge certain foreign exchange and interest risks the Group is exposed to, arising from its operating and financing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

1) Forward exchange contracts

December 31, 2021				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	40,000	USD to TWD	2022.01.06~2022.04.07
Forward exchange sold	USD	13,000	USD to RMB	2022.01.06~2022.03.15
Forward exchange sold	EUR	3,000	EUR to USD	2022.01.06~2022.03.24
Financial liabilities:				
Forward exchange sold	USD	2,000	USD to TWD	2022.04.12
Forward exchange sold	USD	2,000	USD to RMB	2022.02.22~2022.03.10
Forward exchange sold	EUR	250	EUR to USD	2022.03.08
December 31, 2020				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
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
Financial liabilities:				
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

2) Cross currency swap

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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

3) Other derivative financial instrument contracts

December 31, 2021			
Contract amount (in thousands)		Rate	Maturity period
Financial assets:			
RMB	105,270	3.05%~3.45%	2022.01.21~2022.03.29

December 31, 2020			
Contract amount (in thousands)		Rate	Maturity period
Financial assets:			
RMB	24,000	2.33%~3.05%	2021.03.24

(viii) As of December 31, 2021 and 2020, 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

The Group disposed all its financial assets at fair value through other comprehensive income in 2020, with the fair value of \$377,705, and recognized an accumulated disposal loss of \$545,307, which was accounted for as other comprehensive income. The loss had been transferred to retained earnings.

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(d) Notes and accounts receivable (including related parties)

	December 31, 2021	December 31, 2020
Notes receivable from operating activities	\$ 7,780	13,899
Accounts receivable-measured as amortized cost	7,836,526	7,156,820
	7,844,306	7,170,719
Less: Allowance for uncollectible accounts	(173,403)	(156,392)
	\$ 7,670,903	7,014,327
Notes and accounts receivable, net	\$ 6,998,255	6,832,904
Accounts receivable due from related parties, net	36,502	33,332
Long-term receivables (recorded as other non-current financial assets)	636,146	148,091
	\$ 7,670,903	7,014,327

(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:

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 5,530,937	0.000%	-
Overdue 0-90 days	313,876	0.000%	-
Overdue 91-180 days	41,308	0.499%	206
Overdue 181-270 days	17,856	1.238%	221
Overdue 271-365 days	6,556	30.750%	2,016
Overdue over one year	150,276	100%	150,276
	\$ 6,060,809		152,719

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	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
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
	\$ 5,482,851		143,742

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

	December 31, 2021		
Credit rating	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Rating A	\$ 1,755,329	0.098%	1,725
Rating B	28,168	67.307%	18,959
	\$ 1,783,497		20,684

	Gross carrying amount
Not overdue	\$ 1,666,931
Overdue 0-90 days	86,057
Overdue 91-180 days	1,510
Overdue 181-270 days	831
Overdue 271-365 days	2,278
Overdue over one year	25,890
	\$ 1,783,497

	December 31, 2020		
Credit rating	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Rating A	\$ 1,674,307	0.154%	2,568
Rating B	13,561	74.346%	10,082
	\$ 1,687,868		12,650

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	Gross carrying amount
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
	\$ 1,687,868

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

	2021	2020
Balance on January 1	\$ 156,392	147,549
Impairment loss recognized (reversal gain)	26,193	12,318
Amounts written off	(7,617)	(3,690)
Effects of foreign exchange	(1,565)	215
Balance on December 31	\$ 173,403	156,392

- (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 compensated 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 compensated 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, 2021 and 2020, the compensated deposits amounted to \$75,040 and \$60,591, respectively, were recorded under other current financial assets.

As of December 31, 2021 and 2020, the details of the factored accounts receivable were as follows:

December 31, 2021					
Amount of sold A/R	Limitation amount	Amount advanced unpaid	Advance amount paid	Amount derecognized	Interest rate
\$ 144,122	315,195	-	144,122	144,122	3.5%
December 31, 2020					
Amount of sold A/R	Limitation amount	Amount advanced unpaid	Advance amount paid	Amount derecognized	Interest rate
\$ 138,643	348,225	-	138,643	138,643	3.5%

(Continued)

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

(iv) As of December 31, 2021 and 2020, the Group did not provide any notes and accounts receivable as collateral for its loans. Furthermore, the Group provided part of its bank deposits (recorded as other financial assets) as collateral for the factoring of accounts receivable. Please refer to note 8 for details.

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

	December 31, 2021	December 31, 2020
Other accounts receivable	\$ 99,274	73,115
Less: Loss allowance	(35,762)	-
	\$ 63,512	73,115

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

	December 31, 2021	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 63,512	35,762
Overdue	-	-
Gross carrying amount	63,512	35,762
Impairment losses	-	(35,762)
Carrying amount	\$ 63,512	-
	December 31, 2020	
	Lifetime ECL- not credit- impaired	Lifetime ECL- credit-impaired
Not overdue	\$ 73,115	-
Overdue	-	-
Gross carrying amount	73,115	-
Impairment losses	-	-
Carrying amount	\$ 73,115	-

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The movements in the allowance for impairment loss with respect to other receivables were as follows:

	<u>2021</u>	<u>2020</u>
Balance of January 1	\$ -	4,978
Recognition of impairment losses on other receivables	35,762	-
Amount written off for uncollected receivable during the year	-	(4,978)
Balance of December 31	<u>\$ 35,762</u>	<u>-</u>

As of December 31, 2021 and 2020, the Group did not provide any other receivables as collateral for its loans.

(f) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 270,696	299,602
Work in progress	253,634	277,744
Finished goods	<u>1,162,235</u>	<u>1,130,687</u>
	<u>\$ 1,686,565</u>	<u>1,708,033</u>

In 2021 and 2020, inventory cost (excluding construction cost) recognized as cost of sales amounted to \$18,155,742 and \$15,610,768, respectively.

The write-down of the inventories to net realizable value amounted to \$25,834 which was recorded as cost of sales for the year ended December 31, 2021.

The Group reversed its allowance for inventory valuation and obsolescence loss amounting to \$39,404 for the year ended December 31 2020, and recorded that as a 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, 2021 and 2020, 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates	<u>\$ 92,754</u>	<u>58,356</u>

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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- (ii) The Group's financial information on investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2021	December 31, 2020
The carrying amount of equity of the individually insignificant associates	\$ 92,754	58,356
	2021	2020
Attributable to the Group:		
Profit (loss) from continuing operations	\$ 12,092	(30,596)
Other comprehensive income	22	229
	\$ 12,114	(30,367)

- (iii) Tekcore Co., Ltd (Tekcore) had completed cash injection in 2021. The Group did not invest in proportion to the percentage of ownership, which resulted in a change of the Group's equity ownership in Tekcore, the difference was adjusted by increasing the capital surplus by \$963. In addition, the stockholders' equity of Tekcore was changed by issuing convertible bonds in 2021. The difference was reflected by increasing the capital surplus by \$7,432 accounted for using the equity method. In September 2021, the Group had sold shares in Tekcore with the considerations of \$256. The gain on disposal of investment amounting to \$160 was recognized under net gain (loss) on disposal of investment. The aforementioned transactions decreased the Group's percentage of ownership from 15.40% to 14.91%. Since the Group is still able to exercise significant influence over Tekcore's operations and financial policies, the long-term investment in Tekcore was accounted for using the equity method.
- (iv) The Group had acquired 1.47% ownership of Tekcore from the third parties, with the cash considerations of \$4,865 in 2020, resulting in its percentage of ownership to increase from 13.93% to 15.40%.
- (v) The Group had acquired 20% ownership of Well Service Company Ltd. (Well) from the third parties, with the cash considerations of \$14,000 in April 2020, resulting in its percentage of ownership to increase from 20% to 40%. Well had completed cash injections in January and February 2021. The Group did not invest in proportion to the percentage of ownership, therefore, the percentage of ownership in Well decreased from 40% to 5.42%. Since the Group is still 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.
- (vi) As of December 31, 2020, the Group evaluated the carrying amount of part of associates in excess of its recoverable amount, and the Group recognized an impairment loss of \$9,431.
- (vii) The Group had sold its entire 5.42% shares in Well and lost its significant influence over Well with the considerations of \$7,976 in August 2021. The gain on disposal of investment amounting to \$7,976 was recognized under net gain (loss) on disposal of investment.

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(viii) The additional cash invested by the Group in EleOcom Inc. (EleOcom) in 2020 was not in proportion to the percentage of ownership in investment; therefore, the ownership of equity in EleOcom was changed in 2020. 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.

(ix) Pledges

As of December 31, 2021 and 2020, 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 2021 and 2020. Please refer to note 9(b) for details. As of December 31, 2021 and 2020, the Group accumulatively recognized losses of \$198,878 and \$58,754, respectively.

(i) Acquisition of subsidiaries

The Group had invested in Everlight Intelligence Technology KZ LLP through Everlight Intelligent 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.

(j) Changes in a parent's ownership interest in a subsidiary

The Group had acquired shares of Evervision from the third party with the cash considerations of \$4,159, and its percentage of ownership increased from 65.50% to 66.75% in September 2021. In addition, the Group had acquired shares of Everlight Fujian from the third party with the cash considerations of \$68,629, and its percentage of ownership increased from 90% to 100% in July 2021.

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

The effects of the changes in shareholdings were as follows:

	For the years ended December 31, 2021
Carrying amount of non-controlling interest on acquisition	\$ 76,714
Consideration paid to non-controlling interests	(72,788)
Other equity	<u>6,998</u>
Capital surplus-differences between consideration and carrying amounts of subsidiaries acquired or disposed	<u>\$ 10,924</u>

(k) Loss control of subsidiaries

- (i) 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>\$ 19</u>

(l) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Cost or deemed cost:							
Balance on January 1, 2021	\$ 644,653	8,348,875	13,440,013	1,707,690	1,205,810	159,204	25,506,245
Add: additions	-	35,318	765,142	200,122	32,556	81,216	1,114,354
Add: reclassification	-	48,278	113,095	83	1,660	(165,587)	(2,471)
Less: sales	-	-	(921,840)	(35,948)	(648)	(1,175)	(959,611)
Less: retirement	-	-	(74,754)	(74,032)	(16,255)	-	(165,041)
Effect of movements in exchange rates	<u>(4,273)</u>	<u>(53,764)</u>	<u>(34,975)</u>	<u>(2,936)</u>	<u>(5,537)</u>	<u>(593)</u>	<u>(102,078)</u>
Balance on December 31, 2021	<u>\$ 640,380</u>	<u>8,378,707</u>	<u>13,286,681</u>	<u>1,794,979</u>	<u>1,217,586</u>	<u>73,065</u>	<u>25,391,398</u>

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

	<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>
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 movement in exchange rates	<u>1,370</u>	<u>42,634</u>	<u>70,521</u>	<u>6,818</u>	<u>5,402</u>	<u>2,131</u>	<u>128,876</u>
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>
Depreciation and impairments loss:							
Balance on January 1, 2021	\$ -	4,182,535	11,122,999	1,311,360	779,906	-	17,396,800
Add: depreciation for the year	-	359,461	851,488	164,159	76,447	-	1,451,555
Less: sales	-	-	(836,836)	(18,734)	(648)	-	(856,218)
Less: retirement	-	-	(74,342)	(74,014)	(15,804)	-	(164,160)
Effect of movements in exchange rates	<u>-</u>	<u>(35,806)</u>	<u>(25,886)</u>	<u>(1,974)</u>	<u>(4,414)</u>	<u>-</u>	<u>(68,080)</u>
Balance on December 31, 2021	<u>\$ -</u>	<u>4,506,190</u>	<u>11,037,423</u>	<u>1,380,797</u>	<u>835,487</u>	<u>-</u>	<u>17,759,897</u>
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	<u>-</u>	<u>31,003</u>	<u>59,270</u>	<u>4,839</u>	<u>1,960</u>	<u>-</u>	<u>97,072</u>
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>
Carrying amounts:							
Balance on December 31, 2021	<u>\$ 640,380</u>	<u>3,872,517</u>	<u>2,249,258</u>	<u>414,182</u>	<u>382,099</u>	<u>73,065</u>	<u>7,631,501</u>
Balance on January 1, 2020	<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>
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>

- (i) There was no indication that the property and equipment may be impaired in 2021 and 2020.
- (ii) As of December 31, 2021 and 2020, 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

(m) 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, 2021	\$ 355,387	98,608	37,861	491,856
Acquisitions	-	26,903	20,526	47,429
Disposal	(789)	(36,313)	(10,528)	(47,630)
Effect of changes in foreign exchange rates	(482)	(5,613)	(2,815)	(8,910)
Balance on December 31, 2021	<u>\$ 354,116</u>	<u>83,585</u>	<u>45,044</u>	<u>482,745</u>
Balance on January 1, 2020	\$ 354,542	72,207	34,357	461,106
Acquisition	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>
Accumulated depreciation and impairment losses:				
Balance on January 1, 2021	\$ 22,048	40,146	17,426	79,620
Depreciation for the year	10,927	27,770	13,923	52,620
Disposal	(499)	(35,621)	(10,105)	(46,225)
Effect of changes in foreign exchange rates	(28)	(1,696)	(1,225)	(2,949)
Balance on December 31, 2021	<u>\$ 32,448</u>	<u>30,599</u>	<u>20,019</u>	<u>83,066</u>
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>
Carrying amount:				
Balance on December 31, 2021	<u>\$ 321,668</u>	<u>52,986</u>	<u>25,025</u>	<u>399,679</u>
Balance on January 1, 2020	<u>\$ 343,247</u>	<u>40,939</u>	<u>20,324</u>	<u>404,510</u>
Balance on December 31, 2020	<u>\$ 333,339</u>	<u>58,462</u>	<u>20,435</u>	<u>412,236</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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(n) Other current financial assets

	December 31, 2021	December 31, 2020
Time deposits with maturities over three months	\$ 4,574,117	4,630,544
Restricted time deposits	624,837	569,543
Restricted deposits	75,040	60,591
Other receivables	<u>63,512</u>	<u>73,115</u>
	<u>\$ 5,337,506</u>	<u>5,333,793</u>

The restricted time deposits are applicable to “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” for the Group. The restricted time deposits accounts are used for the purpose of offshore funds.

As of December 31, 2021 and 2020, 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.

(o) Short-term borrowings

The short-term loans were summarized as follows:

	December 31, 2021	December 31, 2020
Unsecured bank loans	<u>\$ 2,489,960</u>	<u>4,031,895</u>
Unused short-term credit lines	<u>\$ 12,755,628</u>	<u>11,952,194</u>
Annual interest rates	<u>0.50%~2.55%</u>	<u>0.45%~3.28%</u>

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

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

(p) Provisions

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

	December 31, 2021	December 31, 2020
Provisions - current	\$ 77,934	58,132
Provisions - non-current	<u>51,895</u>	<u>-</u>
	<u>\$ 129,829</u>	<u>58,132</u>

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(ii) The movements in provisions of the Group were as follows:

	Onerous Contracts Provision
Balance at January 1, 2021	\$ 58,132
Provision made during the year	103,811
Provision reversed during the year	<u>(32,114)</u>
Balance at December 31, 2021	<u>\$ 129,829</u>
Balance at January 1, 2020	\$ -
Provision made during the year	<u>58,132</u>
Balance at December 31, 2020	<u>\$ 58,132</u>

The provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The mentioned above provisions for the onerous contract, including the amount of provisions estimated by Kazakh Joint Operation Project, as of December 31, 2021 and 2020, were \$114,113 and \$58,132 respectively.

(q) Other current liabilities

	December 31, 2021	December 31, 2020
Refund liabilities – current	\$ 64,630	7,508
Derivative instruments not used for hedging	82	59,522
Wages and salaries payable	233,518	232,959
Other payables	922,005	919,378
Others	<u>740,944</u>	<u>562,724</u>
	<u>\$ 1,961,179</u>	<u>1,782,091</u>

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

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(r) Long-term loans

The details were as follows:

December 31, 2021				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	KZT	6.75%~14.78%	2023.10	\$ 23,016
"	KZT	9.47%~13.16%	2025.9	70,435
"	JPY	0.00%~0.90%	2030.10	9,624
Less: current portion				(33,503)
Total				\$ 69,572
Unsecured long-term credit lines				\$ -

December 31, 2020				
	Currency	Rate	Maturity year	Amount
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				\$ 103,241
Unsecured long-term credit lines				\$ -

- (i) As mentioned in Note 6(h), the Group cooperated with other companies joint operations of the government's streetlighting project in the Republic of Kazakhstan. According to the Consortium contracts, the Group borrowed long-term loans on behalf of the Consortium to meet the capital needs of the joint operation. The loan would be repaid by the cash in-flow generated from the joint operations. Other members of the Consortium are the joint guarantors of the long-term loans. The Group recognized its direct share (53.6%) to the joint operation's long-term loans in accordance with contracts. However, if the cash in-flow generated from the joint operation projects was not sufficient to repay all of the aforementioned long-term loans, the Group shall undertake the final settlement obligation on the portion of other Consortium members (46.4%) in an amount of \$80,897. Due to the financial difficulties, other Consortium members failed to perform the obligations in accordance with the Consortium contract. Based on conservatism, the Group recognized a full provision of \$80,897 on the portion of other Consortium members long-term loans in 2021. Please refer to Note 6 (p) and Note 9 (b) for details.
- (ii) For information on the Group's interest risk and liquidity risk, please refer to Note 6(ac) for details.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(iii) The Group provided parts of bank deposits (recorded as other non-current financial assets) as a reserve for long-term borrowings on December 31, 2021, please refer to Note 8 for details. The Group did not provide any asset as collateral for its loans as of December 31, 2020.

(s) 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:

	December 31,
	2020
Total convertible bonds issued	\$ 5,000,000
Cumulated repurchased and redeemed amount	(5,000,000)
Non-current	\$ -
Equity components – conversion options (recognized as capital surplus – redemption rights)	-
	2020
Interest expense	\$ (6,066)

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:

	The sixth
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	345,000
The total amount of the convertible bonds at issuance	\$ 5,000,000

(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.

(t) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	\$ 42,140	37,033
Non-current	\$ 274,444	286,908

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

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

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>6,143</u>	<u>5,911</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>5,533</u>	<u>5,570</u>
Expenses relating to short-term leases	\$ <u>29,947</u>	<u>26,424</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>439</u>	<u>388</u>
Covid-19-related rent concessions (recognized in other income)	\$ <u>1,605</u>	<u>1,264</u>

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

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>88,804</u>	<u>93,276</u>

(i) Real estate leases

As of December 31, 2021 and 2020, the Group leases land and buildings for its office space and factory. The leases of land typically run for a period for 3 years to 50 years, of office space for 1 to 5 years, and of factory for 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(ii) Other leases

The Group leases vehicles and other equipment, with lease terms of 2 to 10 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group also leases office, vehicles, and IT equipment with contract terms of 1 to 5 years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

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

(u) Employee benefits

(i) Defined benefit plans

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ (157,613)	(169,848)
Fair value of plan assets	<u>77,789</u>	<u>71,138</u>
Net defined benefit obligations assets (liabilities)	<u>\$ (79,824)</u>	<u>(98,710)</u>
Defined benefit assets	\$ 9,926	10,732
Defined benefit liabilities	<u>(89,750)</u>	<u>(109,442)</u>
	<u>\$ (79,824)</u>	<u>(98,710)</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 \$77,789 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

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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>2021</u>	<u>2020</u>
Defined benefit obligation at January 1	\$ (169,848)	(211,548)
Benefits paid by the plan	20,318	33,376
Current service costs and interest	(2,833)	(3,988)
Remeasurement in net defined benefit assets (liability)	<u>(5,250)</u>	<u>12,312</u>
Defined benefit obligation at December 31	<u>\$ (157,613)</u>	<u>(169,848)</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>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 71,138	94,690
Contributions made	9,556	6,078
Benefits paid from the plan assets	(4,267)	(33,376)
Expected return on plan assets	516	1,055
Remeasurement in net defined benefit assets (liability)	<u>846</u>	<u>2,691</u>
Fair value of plan assets at December 31	<u>\$ 77,789</u>	<u>71,138</u>
Actual return on plan assets	<u>\$ 1,362</u>	<u>3,746</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>2021</u>	<u>2020</u>
Service cost	\$ 1,572	1,625
Interest cost	1,261	2,363
Expected return on plan assets	<u>(516)</u>	<u>(1,055)</u>
	<u>\$ 2,317</u>	<u>2,933</u>

(Continued)

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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.625%~0.750%	0.625%~0.750%
Future salary increasing rate	1.000%~3.500%	1.000%~3.500%

The expected allocation payment made by the Company and Evervision TW to the defined benefit plans for the one-year period after the reporting date was \$22,024 and \$0, respectively.

The weighted-average duration of the defined benefit obligation of the Company and Evervision TW are 15.22 years and 12.81 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:

	<u>Influences of defined benefit liabilities</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
The Company		
December 31, 2021		
Discount rate	\$ (5,226)	5,468
Future salary increasing rate	5,229	(5,037)
December 31, 2020		
Discount rate	(5,286)	5,556
Future salary increasing rate	5,312	(5,101)
	<u>Influences of defined benefit assets</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
Evervision TW		
December 31, 2021		
Discount rate	\$ (283)	294
Future salary increasing rate	287	(278)
December 31, 2020		
Discount rate	281	293
Future salary increasing rate	(286)	(276)

(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, 2021 and 2020 were \$107,192 and \$101,903, respectively.

(v) Income taxes

(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Current tax expense		
Recognized during the period	\$ 606,602	521,053
Adjustment for prior periods	(4,540)	(7,377)
Surtax on unappropriated earnings	5,747	1,327
	607,809	515,003
Deferred tax expense		
Recognition and reversal of temporary differences	(41,940)	(137,348)
	(41,940)	(137,348)
Income tax expense	\$ 565,869	377,655

(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, 2021 and 2020 was as follows:

	2021	2020
Exchange differences on translating foreign operations	\$ (1,820)	(479)
Actuarial gains (losses) on defined benefit plans	(881)	3,001
	\$ (2,701)	2,522

- 3) Reconciliation of income tax and profit before tax for 2021 and 2020 was as follows:

	2021	2020
Profit before income tax	\$ 2,561,880	1,627,335
Income tax using the Company's domestic tax rate	\$ 512,376	325,467
Effect of tax rates in foreign jurisdiction	172,089	58,352
Non-deductible expenses	5,182	1,213
Tax exemption of investment disposal income	(3,431)	(630)
Investment tax credits	(19,334)	(18,379)
Effect of tax rates in foreign dividends received	-	(5,143)
Realized investment losses	-	(18,477)
Net gains or losses on domestic investments	(18,200)	(8,965)
Changes in unrecognized deferred tax assets and liabilities	(89,214)	15,098
Changes in unrecognized deferred tax assets arising from tax loss	(27,122)	19,509
Surtax on unappropriated earnings	5,747	1,327
Adjustment for prior periods and others	27,766	8,283
	\$ 565,859	377,655

(Continued)

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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	\$ 75,586	99,603
Tax losses	<u>282,054</u>	<u>510,468</u>
	<u><u>\$ 357,640</u></u>	<u><u>610,071</u></u>

Details of unrecognized deferred tax liabilities were as follow:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Temporary differences related to investments in subsidiaries	<u>\$ 604,222</u>	<u>539,025</u>

The Group is able to control the timing of the reversal of the part of temporary differences associated with investments in subsidiaries as of December 31, 2021 and 2020. 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, 2021, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets, and their expiry years thereof were as follows:

	<u>Year of occurrence</u>	<u>Deductible amount</u>	<u>Tax credit amount</u>	<u>Expiry year</u>
Subsidiaries in the ROC	2011~2021	\$ 121,568	24,314	2021~2031
Subsidiaries in the PRC	2016~2021	209,198	52,449	2021~2026
Subsidiaries in the United States	2008~2017	127,179	43,241	2028~2037
Subsidiaries in the United States	2018~2021	136,844	46,527	None
Subsidiaries in Germany	2014~2021	372,055	<u>115,523</u>	None
			<u><u>\$ 282,054</u></u>	

(Continued)

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 2021 and 2020 were as follows:

	<u>Defined benefit Plans</u>	<u>Investment loss accounted for using equity method</u>	<u>Loss for market price decline and obsolete inventories</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance on January 1, 2021	\$ 21,950	270,230	44,762	143,191	480,133
Recognized in profit or loss	(1,478)	35,321	1,314	15,897	51,054
Recognized in other comprehensive income	750	-	-	242	992
Balance on December 31, 2021	<u>\$ 21,222</u>	<u>305,551</u>	<u>46,076</u>	<u>159,330</u>	<u>532,179</u>
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>
Deferred tax liabilities:					
	<u>Defined benefit Plans</u>	<u>Difference between book and tax depreciation</u>	<u>Others</u>	<u>Total</u>	
Balance on January 1, 2021	\$ 2,101	1,409	67,303	70,813	
Recognized in profit or loss	(33)	(3,280)	12,427	9,114	
Recognized in other comprehensive income	(131)	-	(1,578)	(1,709)	
Balance on December 31, 2021	<u>\$ 1,937</u>	<u>(1,871)</u>	<u>78,152</u>	<u>78,218</u>	
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>	

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.

(Continued)

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

- 4) The tax authorities have examined the Company's income tax returns through 2019.

The income tax returns of the Group and other consolidated entities in the ROC have been examined by the tax authorities through 2019.

(w) Capital and other equities

As of December 31, 2021 and 2020, the authorized common stocks amounted to \$10,000,000 (of which \$400,000 were reserved for the exercising of employee share options); face value of each share is \$10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,393 thousand shares were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2021 and 2020 was as follows:

(in thousands of shares)	<u>2021</u>	<u>2020</u>
Balance on January 1	443,393	443,246
Employee stock options exercised	-	147
Balance on December 31	<u><u>443,393</u></u>	<u><u>443,393</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.

(ii) Capital surplus

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Additional paid-in capital	\$ 7,817,145	7,817,145
Difference between consideration and carrying amount of subsidiaries disposed	78,895	67,971
Changes in equity of associates accounted for using the equity method	14,884	6,489
Treasury stock resulting from the redemption of convertible bonds	1,071,632	1,071,632
Share-based payment – employee stock options	119,974	119,974
Others	<u>1,065</u>	<u>899</u>
	<u><u>\$ 9,103,595</u></u>	<u><u>9,084,110</u></u>

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), the unrealized land revaluation increment and foreign currency translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. According to the regulations, the retained earnings increased by \$283,890 on the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special earnings reserve, and when the relevant assets were used, disposed of, or reclassified, this special earnings reserve shall be reserved as distributable earnings proportionately. As of December 31, 2021 and 2020, the carrying amount of special earnings reserve amounted to \$283,890 in both years.

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

In accordance with the ruling issued by the FSC, 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. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. A portion of the undistributed prior-period earnings shall be reclassified as special reserve (which does not qualify for earnings distribution) to account for the cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Based on a resolution of the annual shareholder's meeting held on July 29, 2021 and June 12, 2020, the appropriations of dividends from the earnings distribution for 2020 and 2019 were as follows:

	2020		2019	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 2.25	997,634	1.40	620,563

On March 23, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

	2021	
	Amount per share (dollars)	Total amount
Dividends distributed to commons shareholders:		
Cash	\$ 3.50	1,551,876

(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
Balance of January 1, 2021	\$ (821,051)	-	(821,051)
Foreign exchange differences (net of taxes):			
The Group	(42,781)	-	(42,781)
Balance on December 31, 2021	<u>\$ (863,832)</u>	<u>-</u>	<u>(863,832)</u>
Balance of January 1, 2020	\$ (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
Balance on December 31, 2020	<u>\$ (821,051)</u>	<u>-</u>	<u>(821,051)</u>

(x) 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

<u>Date of issuance</u>	For the year ended December 31, 2020							<u>Remaining duration</u>
	<u>2020.1.1 Outstanding units</u>	<u>Current units granted</u>	<u>Current units exercised</u>	<u>Current units abandoned</u>	<u>Current units expired</u>	<u>2020.12.31 Outstanding units</u>	<u>2020.12.31 Exercisable units</u>	
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>	

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

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.

<u>Option holding period</u>	<u>Exercisable percentage (cumulative) – the sixth</u>
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.
 - 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 for the year ended December 31, 2020. As of December 31, 2020, all of the stock options had expired.

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

- (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:

	<u>The first phase of the sixth</u>	<u>The second phase of the sixth</u>
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.

- (y) Earnings per share

For the years ended December 31, 2021 and 2020, the Group's basic and diluted earnings per share were calculated as follows:

	<u>2021</u>	<u>2020</u>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,939,688</u>	<u>1,236,141</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>443,393</u>	<u>443,361</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 1,939,688	1,236,141
Dilutive effect of potential ordinary shares:		
Convertible bonds	-	6,066
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>1,939,688</u>	<u>1,242,207</u>
Weighted-average number of outstanding ordinary shares (thousands) (basic)	443,393	443,361
Dilutive effect of potential ordinary shares:		
Employee stock bonus	6,321	4,830
Convertible bonds	-	4,862
Employee stock options	-	42
Weighted-average number of outstanding ordinary shares (thousands) (diluted)	<u>449,714</u>	<u>453,095</u>

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

(z) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021				
	LED	LCD	Illumination	Others	Total
Primary geographical markets:					
Asia	\$ 20,625,442	306,612	686,077	65,848	21,683,979
Europe	1,580,358	155,277	739,965	-	2,475,600
Others	640,941	159,938	61,551	-	862,430
Total	<u>\$ 22,846,741</u>	<u>621,827</u>	<u>1,487,593</u>	<u>65,848</u>	<u>25,022,009</u>
Major products					
Construction revenue	\$ -	-	203,874	-	203,874
Sales revenue	<u>22,846,741</u>	<u>621,827</u>	<u>1,283,719</u>	<u>65,848</u>	<u>24,818,135</u>
	<u>\$ 22,846,741</u>	<u>621,827</u>	<u>1,487,593</u>	<u>65,848</u>	<u>25,022,009</u>
	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	<u>\$ 18,750,279</u>	<u>620,298</u>	<u>2,160,403</u>	<u>106,055</u>	<u>21,637,035</u>
Major products					
Construction revenue	\$ -	-	729,617	-	729,617
Sales revenue	<u>18,750,279</u>	<u>620,298</u>	<u>1,430,786</u>	<u>106,055</u>	<u>20,907,418</u>
	<u>\$ 18,750,279</u>	<u>620,298</u>	<u>2,160,403</u>	<u>106,055</u>	<u>21,637,035</u>

(ii) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 7,780	13,899	27,542
Accounts receivables	7,836,526	7,156,820	6,310,794
Less: allowance for impairment	(173,403)	(156,392)	(147,549)
	<u>\$ 7,670,903</u>	<u>7,014,327</u>	<u>6,190,787</u>
Contract assets-illumination	<u>\$ 39,191</u>	<u>640,498</u>	<u>106,363</u>
Contract liabilities-illumination	<u>\$ -</u>	<u>64,992</u>	<u>-</u>
Contract liabilities-Advance receipt	<u>\$ 68,297</u>	<u>22,121</u>	<u>23,752</u>

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The amount of revenue recognized for the years ended December 31, 2021 and 2020 that was included in the contract liability balance at the beginning of the period were \$77,807 and \$13,609, 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.

(aa) Remuneration of employees and directors

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

The remuneration to employees amounted to \$286,630 and \$163,907, and the remuneration to directors amounted to \$26,042 and \$16,812, in 2021 and 2020, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees and directors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These remunerations are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting. The amounts, as stated in the consolidated financial statements are identical to those of the actual distributions for 2021 and 2020.

(ab) Non-operating income and expenses

The interest income and finance costs in 2021 and 2020 were as follows:

(i) Interest income

	2021	2020
Cash in banks	\$ 93,874	64,005
Other	2,022	2,823
	\$ 95,896	66,828

(ii) Finance costs – interest expenses

	2021	2020
Loans	\$ 43,410	46,587
Lease liabilities	6,143	5,911
Convertible Bonds	-	6,066
	\$ 49,553	58,564

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

(ac) 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, including estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,489,960	(2,493,283)	(2,493,283)	-	-
Notes and accounts payable (including related parties)	5,090,680	(5,090,680)	(5,090,680)	-	-
Payables on construction and equipment	631,866	(631,866)	(631,866)	-	-
Other payables	1,894,243	(1,894,243)	(1,894,243)	-	-
Lease liabilities (including current and non-current)	316,584	(408,445)	(47,511)	(29,060)	(331,874)
Long-term loans (including current portion)	103,075	(124,524)	(45,422)	(32,492)	(46,610)
Guaranteed deposits received	190,635	(190,635)	-	-	(190,635)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	82				
Outflow	-	(118,640)	(118,640)	-	-
Inflow	-	118,769	118,769	-	-
	<u>\$ 10,717,125</u>	<u>(10,833,547)</u>	<u>(10,202,876)</u>	<u>(61,552)</u>	<u>(569,119)</u>

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 4,031,895	(4,044,909)	(4,044,909)	-	-
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	(176,305)	(53,215)	(38,459)	(84,631)
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>(11,750,403)</u>	<u>(11,100,456)</u>	<u>(71,425)</u>	<u>(578,522)</u>

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:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD	\$ 176,639	USD/TWD =27.69	4,891,134	187,600	USD/TWD =28.5080	5,348,101
RMB	665,090	RMB/TWD =4.3482	2,891,944	559,459	RMB/TWD =4.3690	2,444,276
HKD	480,141	HKD/TWD =3.5517	1,705,317	409,013	HKD/TWD =3.6770	1,503,941
Financial liabilities						
Monetary items						
USD	92,004	USD/TWD =27.69	2,547,591	140,389	USD/TWD =28.5080	4,002,210
USD	50,363	USD/RMB =6.3681	1,394,511	35,572	USD/RMB =6.5250	1,014,087
RMB	1,096,884	RMB/TWD =4.3482	4,769,471	1,050,631	RMB/TWD =4.3690	4,590,207

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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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, 2021 and 2020 would have increased (decreased) the profit before tax by \$82,215 for the year ended December 31, 2021, and decreased (increased) the profit before tax by \$17,814 for the year ended December 31, 2020. 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, 2021 and 2020, the foreign exchange gains (losses), including both realized and unrealized, amounted to \$3,202 and \$3,793, respectively.

(iv) Interest rate analysis

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

	Carrying amount	
	December 31, 2021	December 31, 2020
Variable rate instruments:		
Financial assets	\$ 3,690,118	3,379,582
Financial liabilities	<u>(1,414,499)</u>	<u>(3,550,615)</u>
	<u><u>\$ 2,275,619</u></u>	<u><u>(171,033)</u></u>

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

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax for the years ended December 31, 2021 and 2020, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

	2021	2020
Increase by 0.25%	\$ 5,689	(428)
Decrease by 0.25%	(5,689)	428

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

(v) Fair value

1) Procedure of valuation

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

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

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

2) The kinds of financial instruments and fair value

The fair value of the Group's financial assets and liabilities at fair value through profit or loss, 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.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	December 31, 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 10,485	-	10,485	-	10,485
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>1,238,435</u>	735,385	503,050	-	1,238,435
	<u>1,248,920</u>				
Financial assets measured at amortized cost:					
Cash and cash equivalents	4,514,151	-	-	-	-
Notes and accounts receivable (including related parties)	7,034,757	-	-	-	-
Other current financial assets	5,337,506	-	-	-	-
Refundable deposits (recorded as other non-current assets)	119,623	-	-	-	-
Other non-current financial assets	<u>1,192,989</u>	-	-	-	-
	<u>18,199,026</u>				
	<u>\$ 19,447,946</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ <u>82</u>	-	82	-	82
Financial liabilities measured at amortized cost:					
Short-term borrowings	2,489,960	-	-	-	-
Notes and accounts payable (including related parties)	5,090,680	-	-	-	-
Payables on construction and equipment	631,866	-	-	-	-
Lease liabilities	316,584	-	-	-	-
Other current payables (recorded as other current liabilities)	1,894,243	-	-	-	-
Long-term loans (including current portion)	103,075	-	-	-	-
Guaranteed deposits received (recorded as other non-current liabilities)	<u>190,635</u>	-	-	-	-
	<u>10,717,043</u>				
	<u>\$ 10,717,125</u>				

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
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>				
Financial assets measured at amortized cost					
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	<u>587,100</u>	-	-	-	-
	<u>17,096,776</u>				
	<u>\$ 18,195,334</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ <u>59,522</u>	-	59,522	-	59,522
Financial liabilities measured at amortized cost:					
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 (recorded as other non-current liabilities)	<u>149,318</u>	-	-	-	-
	<u>11,539,766</u>				
	<u>\$ 11,599,288</u>				

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

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

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

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

- 4) Fair value valuation technique of financial instruments measured at fair value
- a) The fair value of financial assets and liabilities traded in active markets, including listed stocks, fund beneficiary certificates, emerging stocks and listed convertible bonds, etc., is based on quoted market prices.
 - b) The fair value of unlisted shares without an active market is assessed by using the net asset value per share approach, P/E ratio approach, and P/B ratio approach.
 - c) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated by adapting a valuation technique using the estimates and hypothesis referred from those used by financial instruments, or the binomial options pricing model which is generally accepted by the market participants.
 - d) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.
- 5) There were no transfers from one level to another of the Group for the years ended December 31, 2021 and 2020.
- 6) As of December 31, 2020, all the financial assets measured in Level 3 of the fair value hierarchy had been disposed. The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Group for the year ended December 31, 2020:

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

(ad) Financial risk management

(i) Briefings

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

1) Accounting receivable and other receivables

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

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

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

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

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, 2021 and 2020.

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to notes 6(o) and 6(r) for the unused credit lines of short-term and long-term loans as of December 31, 2021 and 2020.

(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.

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

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.

(ae) 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 11,716,693	12,328,460
Total equity	18,808,744	17,938,690
Interest-bearing liabilities	2,593,035	4,166,339
Debt-to-equity ratio	62 %	69 %
Interest-bearing liabilities to equity ratio	14 %	23 %

(af) 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, 2021 and 2020, were acquisition of right-of-use assets by lease; please refer to note 6(m). Reconciliations of liabilities arising from financing activities were as follows:

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Amendment</u>	<u>Non-cash changes</u>		<u>December 31, 2021</u>
				<u>Amortization of interest and issuance costs</u>	<u>Foreign exchange movement</u>	
Short-term borrowings	\$ 4,031,895	(1,541,935)	-	-	-	2,489,960
Long-term borrowings	134,444	(23,406)	-	-	(7,963)	103,075
Lease liabilities	323,941	(48,347)	46,709	-	(5,719)	316,584
Guarantee deposits received	149,318	41,317	-	-	-	190,635
Total liabilities from financing activities	<u>\$ 4,639,598</u>	<u>(1,572,371)</u>	<u>46,709</u>	<u>-</u>	<u>(13,682)</u>	<u>3,100,254</u>

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

	January 1, 2020	Cash flow	Non-cash changes			December 31, 2020
			Acquisition	Amortization of interest and issuance costs	Foreign exchange movement	
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>

(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>
Tekcore Co. Ltd (Tekcore)	Equity-accounted investee by the Group
Well Service Company Ltd. (Well)	Equity-accounted investee by the Group

Note: After the reelection by the shareholders' meeting of Well and the Group disposed all its shareholdings in August 2021, the Group is no longer the corporate director of Well and Well 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>2021</u>	<u>2020</u>
Associates	\$ <u>68,171</u>	<u>60,445</u>

There were no significant differences in the collection periods and sales prices between the related parties and other customers, and the payment term was 60 to 165 days. There were no significant differences in the payment term between the related parties and other customers.

(ii) Purchase

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

	<u>2021</u>	<u>2020</u>
Associates	\$ <u>671,198</u>	<u>503,122</u>

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
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(iii) Accounts receivable from related parties

The accounts receivable due from related parties was as follows:

	December 31, 2021	December 31, 2020
Associates	\$ 36,502	33,332

(iv) Accounts payable to related parties

The accounts payable to related parties was as follows:

	December 31, 2021	December 31, 2020
Associates	\$ 284,448	243,676

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 51,796	46,333
Others	396	2,966
	\$ 52,192	49,299

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

(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

Assets	Objectives	December 31, 2021	December 31, 2020
Time deposits and restricted deposits (recorded as other non-current assets)	Guarantee for contract grant and guarantee for construction contracts	\$ 220,559	220,559
Restricted deposits (recorded as other current financial assets)	Contract of accounts receivable factoring	75,040	60,591
Restricted deposits (recorded as other non- current financial assets)	Reserve account for long- term borrowings	10,368	-
		\$ 305,967	281,150

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 Government, the Republic of Kazakhstan. The project period is six years and the total contract price is USD 8,967 thousand. Consortium A has completed installation of light fixtures under the contract. On January 4, 2019, the Pavlodar Government completed the acceptance of the installation. Nevertheless, during the subsequent operation period, the Pavlodar Government found a shortage in certain equipment of the intelligent control system, installed by A3 Commerce LLP, a member of Consortium A, and suspended release of the project payments for the second quarter of 2020, as well as the ensuing quarters, and issued a letter on October 26, 2020, asking Consortium A to install the missing intelligent control system according to the contract as soon as possible.

The Group believes that Consortium members A3 Commerce LLP failed to diligently perform its obligations of installing the intelligent control system, and Altocom Asia LLP failed to exercise the duty of management of maintenance and operation, and that both entities have become incompetent. To protect its rights and interests, the Group sent a letter to the Pavlodar Government in December 2020, asking for a change by removing A3 Commerce LLP and Altocom Asia LLP from the Consortium. However, the Pavlodar Government only sent a letter in January 2021, reemphasizing its request to correct the issues of equipment shortage and defects as mentioned above, and then filed a lawsuit on February 9, 2021, at a Kazakhstan court, demanding a termination of the contract with Consortium A and a compensation of KZT 268,883 thousand (approximately \$18,203). The Group has retained Baker McKenzie Taipei Office and Almaty Office, with the goal of negotiating with Pavlodar Government to amend the contract and to allow the Group to complete the unfinished project individually. Because the Pavlodar Government failed to proceed with the negotiation with Consortium A before directly filing a lawsuit to terminate the contract, the local court in Kazakhstan has dismissed both the Pavlodar Government's action on March 10, 2021 and its appeal on April 22,

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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2021, for that the procedure was not compliant with the laws. The Pavlodar Government promptly started its negotiations with Consortium A after its action was dismissed.

According to the opinion issued by its lawyers on March 22, 2021, the Group is now trying to understand the claims and share of responsibilities of both parties, hoping to come up with a negotiation proposal to resolve the disputes. However, the actual outcome remains unpredictable. The maximum risk exposure in the case of contract termination is approximately \$141,599. As of December 31, 2020, the Group has estimated a projected loss of \$58,754 for 2020 based on reasonably estimated obligations. It also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Group's right caused by their project defects.

Further on June 21, 2021, the Energy and Utilities Department of the Pavlodar region filed a lawsuit against the Utilities, Road, and Passenger Traffic Department of the Pavlodar City, all members of Consortium A, as well as all its contractors, claiming to invalidate the acceptance of the project completion in January 2019. The Group has hired lawyers to defend in court arguing that because the very same lawsuit was initiated by the Pavlodar Government in December 2020, and the court already ruled that the lawsuit was baseless and dismissed the case, so on the basis of the principle of double jeopardy, as well as on the fact that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Government has no legal right to claim to verify the acceptance is invalid, the lawsuit shall be dismissed. The lawyers have also asked the court to transfer the case to another court. On July 21, 2021, the first instance court ruled for a change of venue. Later, the Energy and Utilities Department of the Pavlodar region filed an appeal against such ruling. On August 5, 2021, the second instance court reversed the ruling of change of venue, and the case was remanded to the first instance court to continue the review. On September 13, 2021, the first instance court decided to dismiss the Group's arguments regarding the principle of double jeopardy, as well as regarding that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Government has no legal right to claim to verify the acceptance is invalid, and the court issued a judgment determining the project acceptance in January 2019 is invalid. Nevertheless, the Group believes the decision is apparently inconsistent with the law, and filed an appeal on October 1, 2021, to dismiss the ruling and another appeal on October 19, 2021, against the above judgment that determines the acceptance is invalid. On December 28, 2021, the second instance court judge dismissed the Group's motion and appeal, a dismissal that has the effect of a final court judgment. The Group will continue to file an appeal against the second instance court judgment with the third instance court. The claim of the case is only to confirm the project acceptance in January 2019 is invalid, and is not seeking a compensation.

Because the negotiations between the parties were not successful, the Pavlodar Government again filed a lawsuit against Consortium A, asking to terminate the contract with Consortium A and demanding a compensation of KZT 1,345,882 thousand (approximately \$85,733) on February 10, 2022. The Group has retained lawyers for defense to ensure protection of the maximum legal interest of the Group. In view that termination of agreement may not be the best possible outcome for the parties, efforts are being made to continue negotiations with the Pavlodar Government to seek a resolution that benefits both parties.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The Group and a local company Altocom Asia LLP in Kazakhstan (hereinafter "Consortium B") executed a contract for the project of installation as well as maintenance and operation for intelligent street lights with the Taraz Government, the Republic of Kazakhstan in 2019. The project period is six years. The total contract price is USD 14,196 thousand. Consortium B is installing light fixtures according to the contract. On March 18, 2021, the Taraz Government claimed that Consortium B performed certain project work before the corresponding design papers were ready and failed to complete the project as agreed by December 30, 2020, and therefore, the Government filed a lawsuit to terminate the contract. However, the Group believed that Consortium B has proceeded with the relevant work under the contract and that there were no delays or defects as claimed. According to the opinion issued by its lawyers on March 22, 2021, the Group is now trying to understand the claims and share of responsibilities of the parties. However, the actual outcome remains unpredictable. Because the Taraz Government failed to proceed with the negotiation with Consortium B before directly filing a lawsuit to terminate the contract, the lawyers representing the Group are expecting to make a defense against the Taraz Government's action by claiming that the procedure was not compliant with the laws. The Group's lawyers have also filed a motion for change of venue and have been trying to negotiate with the Taraz Government to resolve the disputes. On April 22, 2021, the local court of laws granted the motion for change of venue and decided to transfer the case to a local commercial court. On July 21, 2021, the commercial court of Taraz Province issued a ruling against the Group. The Group filed an appeal on August 19, 2021. On September 23, 2021, the second instance court issued a judgment to dismiss the appeal, and such judgment is final and binding. Because the Group believes Consortium B was not at fault, it plans to file an appeal against the second instance court judgment with the third instance court. In this case, the judgment is only to determine whether the termination of contract is valid, and the Taraz Government did not claim for compensations. On the other hand, the Group will claim against the Taraz Government for return of equipment or price. Based on the evaluation, the above-mentioned matters do not have any material effects on the finance and operations of the Group.

According to the opinion issued by its lawyers on March 17, 2022, the Group evaluated the outcome of the final judgments of the two cases and possible amount to be claimed, and entered an additional provision of \$55,981 for 2021 recorded as other expenses and losses. Further, in response to the expected uncollectible accounts receivable due to the above two cases and expenditures of loans to other Consortium members, the Group entered reserve for loss totaling \$84,143 recorded as impairment loss, as well as provisions in the amount of \$80,897 based on the Group's expected responsibility for Consortium members' unpaid bank loans under the Consortium contract. Further, it also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Group's right caused by their project defects. For the other parts, further evaluations will be made when more specific information about case development is available. Nevertheless, based on the Group's evaluation, the above-mentioned matters do not have any material effects on the finance and operations.

As of December 31, 2021, the accumulated losses of the above two cases were \$198,878, including impairment loss of \$84,143, other expenses and losses of \$622 and provisions of \$114,113.

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

(c) Significant commitments unrecognized:

- (i) As of December 31, 2021 and 2020, the Group's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$756,448 and \$391,230, respectively.
- (ii) As of December 31, 2021 and 2020, the unused balance of the Group's outstanding standby letters of credit amounted to \$27,836 and \$0, respectively.

(10) Losses Due to Major Disasters: none

(11) Subsequent Events: none

(12) Other

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

By function	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	2,069,021	1,846,976	3,915,997	1,711,129	1,725,175	3,436,304
Labor and health insurance	89,025	134,522	223,547	73,783	129,858	203,641
Pension	74,075	35,434	109,509	56,720	48,116	104,836
Others	128,991	75,838	204,829	104,401	68,201	172,602
Depreciation	942,416	561,759	1,504,175	1,168,308	626,719	1,795,027
Amortization	41,352	28,446	69,798	44,145	27,299	71,444

(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, 2021:

- (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, 2021 (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 2.

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

- (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.
- (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, 2021 and 2020.

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.

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

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

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

	2021					
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$22,846,741	621,827	1,487,593	65,848	-	25,022,009
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$22,846,741</u>	<u>621,827</u>	<u>1,487,593</u>	<u>65,848</u>	<u>-</u>	<u>25,022,009</u>
Reportable segment profit (loss)	<u>\$ 2,867,377</u>	<u>46,363</u>	<u>(505,311)</u>	<u>7,036</u>	<u>-</u>	<u>2,415,465</u>
Reportable segment assets						<u>\$30,525,437</u>
	2020					
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	\$18,750,279	620,298	2,160,403	106,055	-	21,637,035
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$18,750,279</u>	<u>620,298</u>	<u>2,160,403</u>	<u>106,055</u>	<u>-</u>	<u>21,637,035</u>
Reportable segment profit (loss)	<u>\$ 1,559,576</u>	<u>12,227</u>	<u>(204,306)</u>	<u>(13,995)</u>	<u>-</u>	<u>1,353,502</u>
Reportable segment assets						<u>\$30,267,150</u>

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(c) Entity-wide information

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

(i) Revenues from external customers:

<u>Geographical information</u>	<u>2021</u>	<u>2020</u>
Asia	\$ 21,683,979	18,604,230
Europe	2,475,600	2,311,708
America	621,917	471,670
Others	<u>240,513</u>	<u>249,427</u>
	<u>\$ 25,022,009</u>	<u>21,637,035</u>

(ii) Non-current assets:

<u>Geographical information</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Asia	\$ 9,245,134	9,627,670
Europe	243,597	283,131
Others	<u>28,456</u>	<u>37,114</u>
	<u>\$ 9,517,187</u>	<u>9,947,915</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 2021 and 2020.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 1 Loans to other parties
December 31, 2021

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	Note
													Item	Value			
0	The Company	WOFI Holding	Other current financial assets	Yes	\$ 283,676	\$ -	-	1.0%	Short term financing	-	Financing Services	-	-	-	\$ 1,848,273	\$ 7,393,093	Note5
0	The Company	Everlight Lighting China	Other receivables	Yes	569,530	169,240	-	-%	Short term financing	-	Business turnover	-	-	-	1,848,273	7,393,093	Note5
0	The Company	Everlight Lighting China	Other receivables	Yes	521,784	521,784	406,557	1.0%	Short term financing	-	Financing Services	-	-	-	1,848,273	7,393,093	Note5
0	The Company	Altocom Asia LLP	Other receivables	No	84,371	84,371	25,434	1.0%	Short term financing	-	Financing Services	25,434	-	-	1,848,273	7,393,093	-
0	The Company	A3 Commerce LLP	Other receivables	No	33,450	33,450	9,704	1.0%	Short term financing	-	Financing Services	9,704	-	-	1,848,273	7,393,093	-
					\$ 808,845	441,695											
1	Everlight Zhongshan	Zhongshan Everlight Lighting	Other receivables	Yes	65,093	19,567	-	2.5%	Short term financing	-	Financing Services	-	-	-	361,800	361,800	Note5
2	Everlight BVI	Everlight China	Other receivables	Yes	1,107,600	553,800	553,800	-%	Short term financing	-	Financing Services	-	-	-	2,775,899	2,775,899	Note5
					\$ 573,367	553,800											

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's "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, 2021 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2021

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	5,869	\$ 82,445	-%	\$ 82,445	5,869	-%	
The Company	Cathay Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	100	6,350	-%	6,350	100	-%	
The Company	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	None	Current financial assets at fair value through profit or loss	666	28,538	-%	28,538	666	-%	
The Company	WT Microelectronics Co., Ltd. Preferred Stock A	None	Current financial assets at fair value through profit or loss	600	29,370	-%	29,370	600	-%	
The Company	Ginko International Co., Ltd.	None	Current financial assets at fair value through profit or loss	1,110	298,035	-%	298,035	1,110	-%	
					\$ 444,738					
Pai yee	Taishin 1699 Money Market Fund	None	Current financial assets at fair value through profit or loss	147	\$ 2,009	-%	2,009	220	-%	
Pai yee	Ginko International Co., Ltd.	None	Current financial assets at fair value through profit or loss	520	139,620	-%	139,620	520	-%	
					\$ 141,629					
Forever	Ginko International Co., Ltd.	None	Current financial assets at fair value through profit or loss	555	\$ 149,018	-%	149,018	555	-%	
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	\$ 42,071	-%	42,071	3,000	-%	
Everlight Zhongshan	Structured deposits	None	Current financial assets at fair value through profit or loss	-	\$ 65,499	-%	65,499	-	-%	
Everlight China	Structured deposits	None	Current financial assets at fair value through profit or loss	-	\$ 395,480	-%	395,480	-	-%	

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

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

Table 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, 2021

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	Casetek Holding Limited Stocks	Current financial assets at fair value through profit or loss	-	-	3,500	\$ 305,550	-	-	3,500	\$ 305,331	\$ 305,331	-	\$ (219) (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 NTS100 million or 20% of the capital stock
December 31, 2021

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)	\$ (1,440,684)	(7%)	OA 120	No significant difference to the general customers	General export receivables in 30-120 days	Accounts Receivable 480,604	8%	Note 2
The Company	Everlight Europe	75% owned subsidiary	(Sales)	(1,092,803)	(5%)	OA 120	No significant difference to the general customers	General export receivables in 30-120 days	Accounts Receivable 151,509	2%	Note 2
The Company	Everlight Lighting China	100% owned sub-subsiary	(Sales)	(907,885)	(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 536,760	9%	Note 2
The Company	ELA	99% owned subsidiary	(Sales)	(283,505)	(1%)	OA 140	No significant difference to the general customers	General export receivables in 30-120 days	Accounts Receivable 123,428	2%	Note 2
The Company	Everlight China	100% owned sub-subsiary	Purchases	10,281,932	74%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90-120 days	Accounts Payable (4,136,487)	(70%)	Note 2
The Company	Everlight Zhongshan	100% owned sub-subsiary	Purchases	386,226	3%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90-120 days	Accounts Payable (151,434)	(3%)	Note 2
The Company	Everlight Lighting China	100% owned sub-subsiary	Purchases	216,169	2%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90-120 days	Accounts Payable (106,140)	(2%)	Note 2
The Company	Tekcore	Equity accounted investee by the Company	Purchases	147,538	1%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90 days	Accounts Payable (68,727)	(1%)	-
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(424,737)	(100%)	OA 120	-	-	Accounts Receivable 151,434	100%	Note 2
Everlight China	The Company	Ultimate holding company	(Sales)	(10,769,438)	(98%)	OA 120	-	-	Accounts Receivable 4,136,487	98%	Note 2
Everlight China	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(247,301)	(2%)	OA 90	Terms not comparable to other general trading price	General export receivables in 90 days	Accounts Receivable 87,539	2%	Note 2
Everlight China	Tekcore	Equity accounted investee by the Company	Purchases	523,660	7%	OA 120	Terms not comparable to other general trading price	General purchase payments in 90 days	Accounts Payable (215,720)	(8%)	-
Everlight Lighting China	The Company	Ultimate holding company	Purchases	923,798	35%	Depending on the credit conditions of the ultimate customers	-	General purchase payments in 90-120 days	Accounts Payable (536,760)	(34%)	Note 2
Everlight Lighting China	The Company	Ultimate holding company	(Sales)	(216,250)	(7%)	OA 120	Terms not comparable to other general trading price	General export receivables in 90-120 days	Accounts Receivable 106,140	8%	Note 2
Everlight Lighting China	Everlight China	With the same parent company	Outsourced manufacturing fee	254,226	9%	OA 90	Terms not comparable to other general trading price	General purchase payments in 90 days	Accounts Payable (87,538)	(8%)	Note 2
ELA	The Company	Parent company	Purchases	283,474	100%	OA 140	-	-	Accounts Payable (123,049)	(100%)	Note 2
Everlight Europe	The Company	Parent company	Purchases	1,080,007	100%	OA 120	-	-	Accounts Payable (152,638)	(100%)	Note 2
Evlite	The Company	Parent company	Purchases	1,450,579	100%	OA 90	-	General purchases payments in 90-120 days	Accounts Payable (480,618)	(100%)	Note 2
Evervision TW	Vbest Kunshan	Equity accounted sub-subsiary by Evervision TW	Purchases	377,171	59%	OA 60	Terms not comparable to other general trading price	General purchases payments in 90-120 days	Accounts Payable (154,151)	(80%)	Note 2
Vbest Kunshan	Evervision TW	66.75% owned subsidiary	(Sales)	(378,017)	(99%)	OA 150	Terms not comparable to other general trading price	General export receivables in 90-120 days	Accounts Receivable 157,676	99%	Note 2

Note 1: The amounts were translated into New Taiwan dollars at the year ended December 31, 2021 average exchange rates.

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
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Table 5 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock
December 31, 2021

Unit: In Thousands of New Taiwan Dollar

Name of company	Counterparty	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Evlite	100% owned subsidiary	\$ 480,604	2.87	-		\$ 332,605	-
The Company	Everlight Europe	75% owned subsidiary	151,509	6.24	-		151,509	-
The Company	ELA	99% owned subsidiary	123,428	2.80	-		56,905	-
The Company	Everlight China	100% owned sub-sub-sidiary	344,834 (Note 4)	-	-		114,316	-
The Company	Everlight Lighting China	100% owned sub-sub-sidiary	536,760	1.53	-		234,430	-
The Company	Everlight Lighting China	100% owned sub-sub-sidiary	409,776 (Note3)	-	-		-	-
Everlight BVI	Everlight China	100% owned subsidiary	553,800 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	4,136,487	2.66	-		2,688,037	-
Everlight Zhongshan	The Company	Ultimate holding company	151,434	2.69	-		99,650	-
Vbest Kunshan	Evervision TW	66.75% owned subsidiary	157,676	1.70	-		76,509	-

Note 1: Information as of March 16, 2022.

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
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Table 6 Information derivative financial instruments transaction
December 31, 2021

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 15,000	2021.10.13~2021.12.30	2022.01.06-2022.03.15	USD/RMB 6.3925~6.4952	\$ 2,495	2,495
The Company	Pre-sale forward exchange contract	USD 42,000	2021.09.16~2021.12.30	2022.01.06-2022.04.12	USD/NTD 27.65~28.118	5,957	5,957
The Company	Pre-sale forward exchange contract	EUR 3,250	2021.09.24~2021.12.30	2022.01.06-2022.03.24	EUR/USD 1.13~1.1737	1,951	1,951
Everlight China	Other derivative financial instrument contracts	RMB 90,270	2021.08.10~2021.12.17	2022.01.21~2022.03.29	3.05%~3.45%	2,226	-
Everlight Zhongshan	Other derivative financial instrument contracts	RMB 15,000	2021.11.12	2022.02.14	3.15%	281	-

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 7 Business relationships and significant intercompany transactions
December 31, 2021

Unit: In Thousands of New Taiwan Dollar

No. (Note 1)	Name of company	Counter-party	Relationship (Note 2)	Intercompany transactions			
				Financial statements accounts	Amount	Terms	Percentage of consolidated net revenue or total assets
0	The Company	Everlight Europe	1	Sales revenue	\$ 1,092,803	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	4%
			1	Accounts receivable	151,509		0%
0	The Company	Evlite	1	Sales revenue	1,440,684	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	6%
			1	Accounts receivable	480,604		2%
0	The Company	Everlight Lighting China	1	Sales revenue	907,885	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	4%
			1	Accounts receivable	536,760		2%
			1	Other receivable due from related parties (Note 4)	409,775		Rate 1%
0	The Company	ELA	1	Sales revenue	283,505	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	1%
			1	Accounts receivable	123,428		0%
0	The Company	Everlight China	1	Other receivable due from related parties (Note 3)	344,834	OA 120 days, upon acceptance	1%
1	Everlight China	The Company	2	Sales revenue	10,769,438	There is no general price for comparison; and the credit period is OA 120 days.	42%
			2	Accounts receivable	4,136,487		14%
1	Everlight China	Everlight Lighting China	3	Outsourcing processing income	247,301	There is no general price for comparison; and the credit period is OA 90 days.	1%
			3	Accounts receivable	87,539		0%
2	Everlight Zhongshan	The Company	2	Sales revenue	424,737	There is no general price for comparison; and the credit period is OA 120 days.	2%
			2	Accounts receivable	151,434		0%
3	Everlight BVI	Everlight China	3	Other receivable due from related parties (Note 4)	553,800	Rate 0%	2%
4	Vbest Kunshan	Evervision TW	3	Sales revenue	378,017	There is no general price for comparison and the credit period is OA 150 days.	1%
			3	Accounts receivable	157,676		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, 2021

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 3)	Share of profits/losses of investee	Note
				September 30, 2021	December 31, 2020	Shares (In thousands)	Percentage of ownership	Carrying value	Shares (In thousands)	Financing Services			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	\$ 4,762,934	\$ 4,762,934	1,540	98%	\$ 6,800,953	1,540	98%	325,983	319,463	Subsidiaries (Note 4)
The Company	Pai yee	New Taipei City	Investment	580,253	580,253	23,940	100%	491,501	23,940	100%	26,479	26,479	Subsidiaries (Note 4)
The Company	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	9,178	11,375	98.91%	75,448	74,626	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%	233,834	4,477	24.27%	79,646	19,330	Subsidiaries (Note 4)
The Company	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	109,721	75	75%	98,429	73,821	Subsidiaries (Note 4)
The Company	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	68,433	38	100%	25,925	25,925	Subsidiaries (Note 4)
The Company	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	430,682	42,488	100%	19,399	19,399	Subsidiaries (Note 4)
The Company	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	183,089	20,000	100%	(21,667)	(21,574)	Subsidiaries (Note 4)
The Company	Tekcore	Nantou County	Manufacture and sale of EPIwafers and chips of LED	489,580	480,793	4,767	9.23%	58,279	4,767	9.66%	80,516	7,592	(Note 1)
The Company	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	131,006	7,000	100%	16,239	16,239	Subsidiaries (Note 4)
The Company	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	12,071	353	80%	2,631	2,105	Subsidiaries (Note 4)
The Company	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	11,952	200	100%	1,810	1,810	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%	(187,546)	5,775	100%	(306,498)	(306,498)	Subsidiaries (Note 4)
The Company	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	18,524	5	100%	8,942	8,942	Subsidiaries (Note 4)
Pai yee	Everlight BVI	Registered in British Virgin Islands	Investment	120,740	120,740	37	2%	138,795	37	2%	325,983	6,520	Subsidiaries (Note 4)
Pai yee	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	54,401	50,242	2,716	14.72%	122,421	2,716	14.72%	79,646	10,916	Subsidiaries (Note 4)
Pai yee	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	28,833	23,732	2,819	5.46%	34,475	2,483	5.74%	80,516	4,499	(Note 2)
Pai yee	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	2,570	254	100%	1,068	1,068	Sub-sub-sidiaries (Note 4)
Pai yee	ELI	India	Sale of LEDs	493	493	88	20%	3,015	88	20%	2,631	526	Subsidiaries (Note 4)
ELIT	ELIT KZ	Kazakhstan	Sale of LED lighting products	73	73	-	100%	6,365	-	100%	7,145	7,145	Sub-sub-sidiaries (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%	198,882	5,120	27.76%	79,646	22,110	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%	-	-	-
Evervision	Well	Hsinchu County	Electronic material trading	28,000	28,000	-	-	-	400	5.42%	-	-	-

Note 1: The market price is \$105,110.

Note 2: The market price is \$62,166.

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

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, 2021

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

Unit: In Thousands of New Taiwan Dollar - Foreign currency

Name of investee	Main businesses and products	Total amount of paid in capital (Note 6)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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, 2021 (Note 6)	Accumulated remittance of earnings as of December 31, 2021
					Outflow	Inflow		Shares/ Units (thousands)	Percentage of ownership					
<u>The Company and Pai yee:</u> Everlight China	Manufacture of LEDs	3,426,009 (US\$113,500、RMB65,129) (Note 7)	(Note 1)	3,055,868 (US\$110,360)	-	-	3,055,868 (US\$110,360)	-	100%	235,059	100%	235,059	5,202,984	(Note 8)
Everlight Lighting China	Sale of LEDs	276,900 (US\$10,000) (Note 11)	(Note 1)	143,988 (US\$5,200)	-	-	143,988 (US\$5,200)	-	100%	76,182	100%	76,182 (Note12)	324,516 (Note12)	-
Everlight Electronic	Business development and customer services	199,213 (US\$128、RMB45,000) (Note 19)	(Note 1)	3,544 (US\$128)	-	-	3,544 (US\$128)	-	100%	(624)	100%	(624) (Note20)	193,973 (Note20)	-
Everlight Zhongshan	Manufacture of LED related components	830,700 (US\$30,000)	(Note 1)	830,700 (US\$30,000)	-	-	830,700 (US\$30,000)	-	100%	8,212	100%	8,212	904,502	-
Everlight Fujian	Manufacture and sale of LED backlights and	692,250 (US\$25,000)	(Note 1)	610,272 (US\$16,250、RMB36,868)	-	-	610,272 (US\$16,250、RMB36,868)	-	100%	11,348	100%	10,825	676,747	-
ELMS	Research and sale of LED lighting products	413,079 (RMB95,000) (Note 22)	Direct investment	103,498 (US\$1,294、RMB15,562)	-	-	103,498 (US\$1,294、RMB15,562)	-	100%	249	100%	249 (Note21)	363 (Note21)	-
<u>Evervision TW:</u> Vbest Kunshan	Post assemble STN display and assemble module	498,420 (US\$18,000)	(Note 2)	498,420 (US\$18,000)	-	-	498,420 (US\$18,000)	-	66.75%	6,974	66.75%	4,655	431,830	-
<u>Everlight Lighting China:</u> Zhongshan Everlight	Research and sale of LED lighting products	143,491 (RMB33,000)	(Note 3)	-	-	-	-	-	100%	(595)	100%	(595)	5,378	-

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 9 Information on investment in Mainland China
December 31, 2021

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2021 (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)	4,935,767 (USD169,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 13 、 16 、 17 and 24)	5,061,190 (USD170,898 thousand 、 RMB75,669 thousand)	11,089,640
ELIT	135,810 (USD2,723 thousand 、 RMB13,893 thousand) (Notes 9 and 18)	135,810 (USD2,723 thousand 、 RMB13,893 thousand)	117,550
Evervision TW	585,256 (Notes 15 and 23) (USD21,136 thousand)	585,256 (USD21,136 thousand)	498,998 (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 China and Everlight Zhongshan, which recognized their gains and losses on investment in accordance with interim financial statements of investees, the gains and losses on investment of the remaining companies were recognized according to the investees' self reported financial statements and the amounts were translated into New Taiwan dollars at the year ended December 31 average exchange rates in 2021.

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

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

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

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

Note 9 : The liquidation of Yi Yao was completed in January 2020; the aforesaid investment amounting to USD 48 thousand was included in the Company's accumulated outflow of investment from Taiwan and amounting to USD 723 thousand was included in the ELIT's accumulated outflow of investment from Taiwan.

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

Note 11 : The difference from the Company's outflow of investment was due to the amount of USD 4,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.

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

Note 13 : Shanghai Yaming Lighting Co., Ltd. (Yaming) had been in the process of liquidation in 2020, the aforesaid investment amounting to USD 1,464 thousand was included in the Company's accumulated outflow of investment from Taiwan.

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

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

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

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

Note 18 : 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 RMB 45,000 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 USD 386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

Note 24 : In July 2021, Everlight BVI had acquired the shares of Everlight Electronics (Fujian) Co.,Ltd. from a third party with a cash consideration of RMB 15,446 thousand and USD 69 thousand, and the shareholding increased from 90% to 100%. As of December 31, 2021, the aforementioned amount has been paid.

(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, 2021.

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	2021	2020	Difference	
			Amount	%
Current Assets	20,331,320	19,728,192	603,128	3.06
Fix Assets	7,631,501	8,109,445	(477,944)	(5.89)
Intangible Assets	58,654	83,572	(24,918)	(29.82)
Other Assets	2,503,962	2,345,941	158,021	6.74
Total Assets	30,525,437	30,267,150	258,287	0.85
Current Liabilities	10,923,197	11,489,146	(565,949)	(4.93)
Long-term Liabilities	793,496	839,314	(45,818)	(5.46)
Total Liabilites	11,716,693	12,328,460	(611,767)	(4.96)
Equity attribute to owners of parent	18,482,734	17,567,302	915,432	5.21
Capital Stock	4,433,931	4,433,931	-	-
Capital Surplus	9,103,595	9,084,110	19,485	0.21
Retained Earnings	5,809,040	4,870,312	938,728	19.27
Other Equity Interests	(863,832)	(821,051)	(42,781)	5.21
Treasury stock	-	-	-	-
Non-Controlling Interests	326,010	371,388	(45,378)	(12.22)
Total Equity	18,808,744	17,938,690	870,054	4.85
1. Analysis of changes in financial ratios: The decrease in intangible assets mainly due to amortization in the current period.				
2. Response plan: The above changes have no material impact on the Company.				

- **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	2021	2020	Difference Amount	Difference (%)
Operating revenue		25,022,009	21,637,035	3,384,974	15.64
Cost of sales		18,323,414	16,218,266	2,105,148	12.98
Gross profit		6,698,595	5,418,769	1,279,826	23.62
Operating expenses		4,283,130	4,065,267	217,863	5.36
Operating Income		2,415,465	1,353,502	1,061,963	78.46
Non-operating income and expenses		146,415	273,833	(127,418)	(46.53)
Income before tax		2,561,880	1,627,335	934,545	57.43
Income tax expenses		565,869	377,655	188,214	49.84
Net Income		<u>1,996,011</u>	<u>1,249,680</u>	746,331	59.72

Analysis of changes in financial ratios(Over 20%):

1. Gross profit increases due to increase in operating revenue than previous period, and the gross profit margin also increase because of the change of product mix which was more favorable.
2. Operating profit increases 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.
3. Non-business income and expenditure decrease mainly due to the decrease in net gain or loss on disposals of property, plant and equipment and other income.
4. Taxes expense increases mainly due to the increase in earning before tax in this period.

7.3 Analysis of Cash Flow

7.3.1 Latest 2 years

NT\$, '000 ; %

Item	Year	2021	2020	Difference (%)
Operating Activities		4,098,280	1,888,021	117.07
Investment Activities		(1,053,587)	(2,317,747)	(54.54)
Financing Activities		(2,659,900)	(310,973)	(755.35)

Analysis of change in cash flow in the current year :

1. Cash flows from operating activities increased mainly due to decrease in contract asset and financial assets at fair value through profit or loss for this period, resulting in a higher cash from operations.
2. Cash flows from investing activities increased mainly due to decrease in other financial assets and restricted assets, resulting in a higher cash from investing.
3. Cash flows from financing activities decreased mainly due to decrease in short-term borrowings, resulting in a lower cash from financing.

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
4,514,151	2,448,220	2,410,192	4,552,192	-	-
<p>1. Analysis of cash flow changes in the coming year:</p> <p>(1) Operating activities: Mainly due to the expected cash inflow from the operation of the company.</p> <p>(2) Investment activities: Mainly due to cash outflows from the purchase of factory offices and machinery and equipment.</p> <p>(3) Financing activities: Mainly due to the net cash outflows arising from the full year financing activities such as cash dividends, employee bonuses, director remuneration, and financing activities.</p> <p>2. Measures and liquidity analysis of expected cash shortfall: None</p>					

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

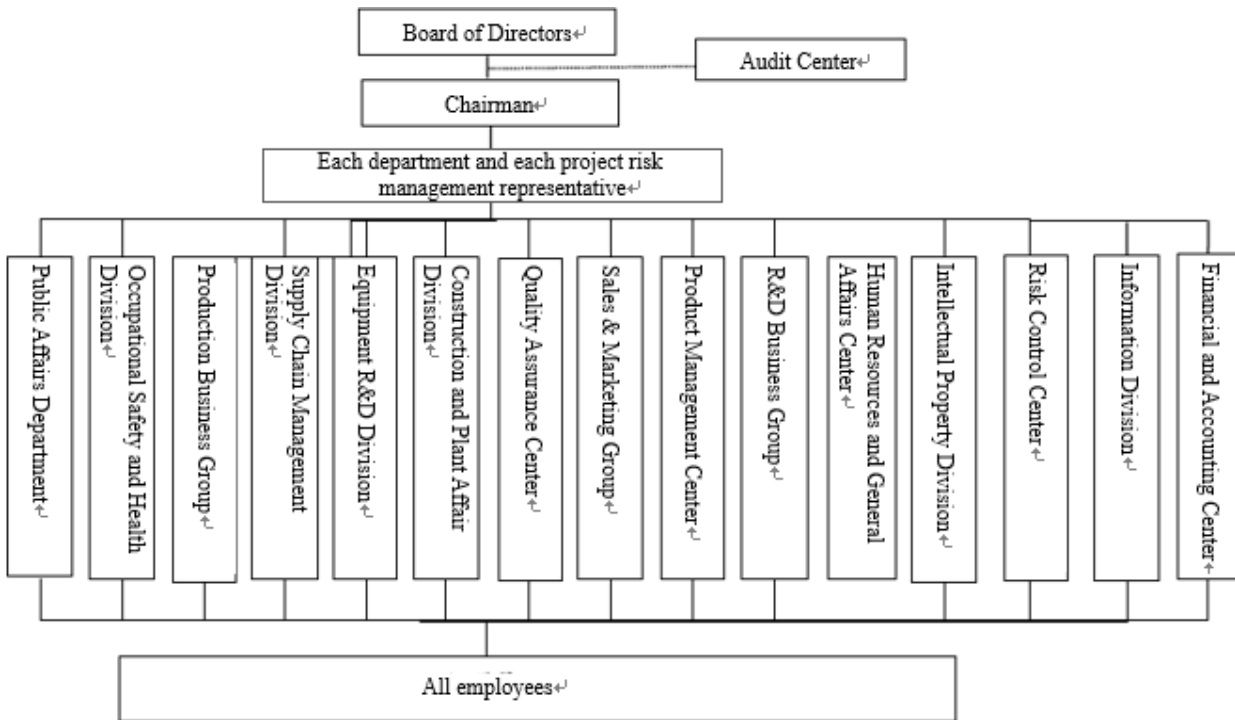
Our Investment	Profit/Loss	Business	Main Reason of Profit/Loss	Improvement Plan	Investment Plan
Everlight (BVI) Co., Ltd.	325,983	Holding company	The investment benefits of equity method	Not applicable	None
Pai Yee Investment Co., Ltd.	26,479	Investment company	The investment benefits of equity method and dividend income	Not applicable	None
Everlight Americas, Inc.	74,626	LED Sales	Revenue increased and well expanding controled	Expand business	None
Evervision Electronics Co., Ltd.	52,356	Production and sales of LCD panel	Gross profit increased and well expanding controled	Not applicable	None
Everlight Electronic Europe GmbH	73,821	LED Sales	Revenue and Gross profit increased	Not applicable	None
Everlight Optoelectronics Korea Co., Ltd.	25,925	LED Sales	Well expanding controled	Not applicable	None
Forever Investment Co., Ltd.	19,399	Investment company	The investment loss of equity method	Not applicable	None

Our Investment	Profit/Loss	Business	Main Reason of Profit/Loss	Improvement Plan	Investment Plan
Everlight Lighting Intellengence Technology Co., Ltd.	(21,574)	Sale of LED lighting products	Expected Credit Loss	None	None
Tekcore Co. Ltd	12,091	Production and sales of LED wafers and chips	Gains on disposals of property, plant and equipmen	Not applicable	None
Evlite Electronics Co., Ltd.	16,239	LED Sales	Well expanding controled	Not applicable	None
Everlight Electronics India Private Limited	2,631	LED Sales	Revenue increased	Not applicable	None
Everlight Electronics Singapore Pte.Ltd.	1,810	LED Sales	Revenue increased	Not applicable	None
WOFI Leuchten GmbH	(306,498)	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	8,942	LED Sales	Revenue increased	Not applicable	None
Everlight Lighting Management Consulting(Shanghai) Co., Ltd.	249	Research and sale of LED lighting products	Liquidation profit and loss	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 associate with the inability to achieve annual sales targets; formulation and execution of marketing strategies for all business units to reduce the risks associated with product development and marketing.

Product Management Center: Hold accountable for planning and implementing the product strategy, life cycle, gross margin and future planning for the development of new products. Make suggestions to the company in compliance with the development trends of the industry and products from the market viewpoint to reduce or avoid the risk of failing to achieve the business goal of the company.

R&D Business Group: Control of risks related to the R&D and design of new products as well as the trial production stage, reduction and prevention of relevant risks through strategic thinking and control of R&D costs; assessment of key technologies and industry information, development and adoption of new materials and processes through integration of company resources and reduction or prevention of relevant risks.

Human Resources and General Affairs Center: Risks controls for human resource planning, training, recruitment, selection, appointment, and labor law compliance to reduce risks associated with human resource issues in order to achieve the goal of sustainable operations. The company's communications, power allocation, energy control, plant electrics, business equipment and other transactions to ensure smooth operations.

Information Division: Risk controls regarding the applicability, reliability, adaptability, and security of information systems to reduce or prevent the incidence of risks related to company systems and information technology project implementation as well as information security risks.

Legal Center: Divided into Legal division and Intellectual Property Division. Legal Division hold accountable for risk management of legal affairs and 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 2020 and 2021 were NT\$58,564 thousand and NT\$49,553 thousand, respectively 0.27% and 0.20% 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 92.80% of the total revenue are from export activities. Excessive exchange rate fluctuations would cost the profit of the Company and its subsidiaries. In 2020 and 2021, the Company and its subsidiaries recognized exchange benefits of NT\$ 3,793 thousand and profit NT\$ 3,202 thousand, accounting for 0.02% and 0.01% 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 inve

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, 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) In January, 2020, Bench Walk Lighting LLC (“BWL”) filed a litigation in the United States District Court for the District of Delaware alleging that the Company infringed BWL US patents US 6806658, US 7115428, US 7145182, US 7239080, US 7470936, US 7488990, US 7519287, US 7847300, US 9887338 及 US 9209,373. The patents are related to the design of lead frame, substrate and package in LED products. The Company believes that the LED products do not infringe and the patents should be

invalid, so the Company evaluated the final judgment of the case should have no significant impact on the operation of the Company and its subsidiaries.

- (5) The Group and local companies A3 Commerce LLP and Altocom Asia LLP in Kazakhstan (hereinafter "Consortium A") executed in 2017 a contract for the project of installation as well as maintenance and operation of intelligent street lights with the Pavlodar Provincial Government, the Republic of Kazakhstan. The project period is six years and the total contract price is USD 8,967,000. 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 ensuing quarters, and issued a letter on October 26, 2020, asking Consortium A to install the missing intelligent control system according to the contract as soon as possible.

The Group believes that Consortium members A3 Commerce LLP failed to diligently perform its obligations of installing the intelligent control system, and Altocom Asia LLP failed to exercise the duty of management of maintenance and operation, and that both entities have become incompetent. To protect its rights and interests, the Group sent a letter to the Pavlodar 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 only sent a letter in January 2021, reemphasizing its request to correct the issue of equipment shortage and defects as mentioned above, and then filed a lawsuit on February 9, 2021, at a Kazakhstan court, demanding a termination of the contract with Consortium A and a compensation of KZT 268,883,000 dollars (approximately NTD 18,203,000). 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 independently 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 both the Pavlodar Provincial Government's action on March 10, 2021 and its appeal on April 22, 2021, for that the procedure was not compliant with the laws. The Pavlodar Provincial Government promptly started its negotiations with Consortium A after its action was dismissed.

Heeding 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 \$141,599,000. As of December 31, 2020, the Group has entered a

projected loss of \$58,754,000 for 2020 based on reasonably estimated obligations. It also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Group's right caused by their project defects.

Further on June 21, 2021, the Energy and Utilities Department of the Pavlodar region filed a lawsuit against the Utilities, Road, and Passenger Traffic Department of the Pavlodar City, all members of Consortium A, as well as all its contractors, claiming to invalidate the acceptance of the project completion in January 2019. The Group has hired lawyers to defend in court arguing that because the very same lawsuit was initiated by the Pavlodar Provincial Government in December 2020, and the court already ruled that the lawsuit was baseless and dismissed the case, so on the basis of the principle of double jeopardy, as well as on the fact that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Provincial Government has no legal right to claim to verify the acceptance is invalid, the lawsuit shall be dismissed. The lawyers have also asked the court to transfer the case to another court. On July 21, 2021, the first instance court ruled for a change of venue. Later, the Energy and Utilities Department of the Pavlodar region filed an appeal against such ruling. On August 5, 2021 the second instance court reversed the ruling of change of venue, and the case was remanded to the first instance court to continue the review. On September 13, 2021, the first instance court decided to dismiss the Group's arguments regarding the principle of double jeopardy, as well as regarding that the plaintiff failed to comply with the pre-trial procedure for negotiation and that the Pavlodar Provincial Government has no legal right to claim to verify the acceptance is invalid, and the court issued a judgment determining the project acceptance in January 2019 is invalid. Nevertheless, the Group believe the decision is apparently not in consistent with law, and filed an appeal on October 1, 2021 to dismiss the ruling and another appeal on October 19, 2021 against the above judgment that determines the acceptance is invalid. On December 28, 2021, the high court judge dismissed the Group's motion and appeal, a dismissal that has the effect of a final court judgment.. The Group appealed the motion and judgment of the high court proceedings to the upreme court. On April 4, 2022, the supreme court dismissed the appeal. The Group will continue to appeal against the supreme court judgment. The claim of the case is only to confirm the project acceptance in January 2019 is invalid, and is not seeking a compensation.

Because the negotiations between the parties were not successful, the Pavlodar Provincial Government on February 10, 2022 again filed a lawsuit against Consortium A, asking to terminate the contract with Consortium A and demand a compensation of KZT 1,345,882,000 dollars (approximately NTD 85,733,000). The Group has retained lawyers for defense to ensure protection of the maximum legal interest of the Group. In view that termination of agreement may not be the best possible outcome for the parties, efforts are being made to continue negotiations with the Pavlodar Provincial Government to seek a resolution that benefits both parties.

Taraz

The Group and a local company Altocom Asia LLP in Kazakhstan (hereinafter "Consortium B") executed a contract for the project of installation as well as maintenance and operation for intelligent street lights with the Taraz Provincial Government, the Republic of Kazakhstan in 2019. The project period is six years. The total contract price is USD 14,196,000. 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 its lawyers on March 22, 2021, the Group is now trying to understand the claims and share of responsibilities of the parties. However, the actual outcome remains unpredictable. Because the Taraz Provincial Government failed to proceed with the negotiation with Consortium B before directly filing a lawsuit to terminate the contract, the lawyers representing the Group are expecting to make a defense against the Taraz Provincial Government's action by claiming that the procedure was not compliant with the laws. The Group's lawyers have also filed a motion for change of venue and have been trying to negotiate with the Taraz Provincial Government to resolve the disputes. On April 22, 2021, the local court of laws granted the motion for change of venue and decided to transfer the case to a local commercial court. On July 21, 2021, the commercial court of Taraz Province issued a ruling against the Group. The Group filed an appeal on August 19, 2021. On September 23, 2021, the second instance court issued a judgment to dismiss the appeal, and such judgment is final and binding. In this case, the judgment is only to determine whether the termination of contract is valid, and the Taraz Provincial Government did not claim for compensations. On the other hand, the Group will claim against the Taraz Provincial Government for return of equipment or price. Based on the evaluation, the above-mentioned matters do not have any material effects on the finance and operations of the Group.

Heeding to the opinion issued by its lawyers on March 17, 2022, the Group evaluated the outcome of the final judgments of the two cases and possible amount to be claimed, and entered an additional liability reserve of \$55,981,000 for 2021 under non-operating revenue and expenses – other expenses. Further, in response to the expected uncollectible accounts receivable due to the above two cases and expenditures of loans to other Consortium members, the Group entered reserve for loss totaling \$84,143,000 under expected credit losses, as well as reserve for loss in the amount of \$80,897,000 based on the Group's expected responsibility for Consortium members' unpaid bank loans under the Consortium contract. Further, it also reserves the right to take legal recourse against Consortium members A3 Commerce LLP and Altocom Asia LLP for damage to the Group's right caused by their project defects. For the other parts, further

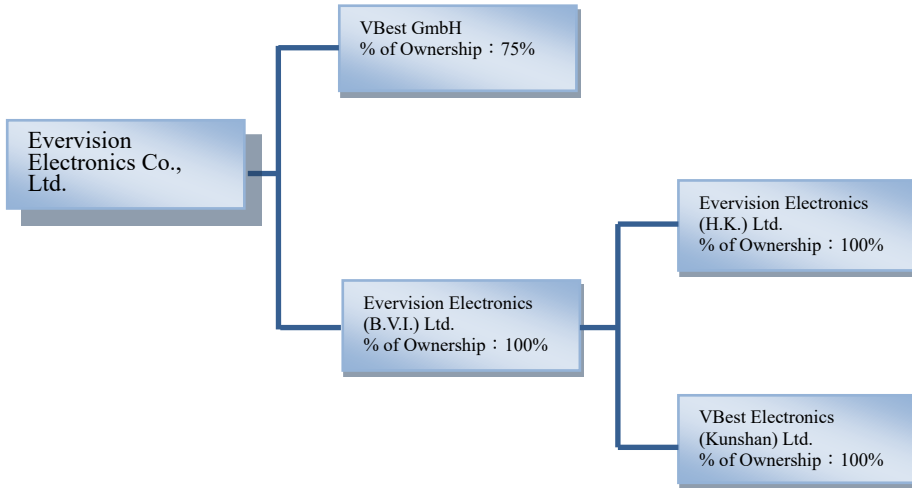
evaluations will be made when more specific information about case development is available. Nevertheless, upon the Group's evaluation, the above-mentioned matters do not have any material effects on its finance and operations.

As of December 31, 2021, the accumulated losses of the above two cases are \$198,878,000, including reserve for credit loss of \$84,143,000, other losses of \$622,000 and liability reserve of \$114,113,000.

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 : None



8.1.2 Basic information of related companies

	Incorporate Date	Address	Capital ('000)	Business	Remark
Pai Yee Investment Co., Ltd.	1997.09.06	No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City	NTD239,400	Investment company	
Everlight (BVI) Co.,Ltd.	1995.10.06	Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands.	USD153,995	Holding company	
Everlight Americas, Inc.	2003.01.27	3220 Commander Drive, Suite 100, Carrollton, TX 75006	USD11,500	LED Sales	
Everlight Electronics Europe GmbH	2000.10.16	Siemensallee 84, Building 7302,5F,D-76187 KARLSRUHE GERMANY	EUR100	LED Sales	
Everlight Optoelectronics Korea Co.,Ltd.	2008.02.11	7F,S706-1 Garden 5 Works Choongmin Rd52., Songpa-gu, Seoul , KOREA	USD200	LED Sales	
Forever Investment Co., Ltd.	2007.04.11	No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City	NTD424,875	Investment company	
Everlight Lighting Intellgence Technology Co., Ltd.	2011.3.31	5F,No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City	NTD 200,000	Sale of LED lighting products	
Evlite Electronics Co.,Ltd.	1996.01.04	Units 1606~10, Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	HKD7,000	LED Sales	
Evervision Electronics Co., Ltd.	1998.04.15	6th Floor, No.186 Jianyi Road, Zhonghe District, New Taipei City	NTD184,441	Manufacture and sales of LCD and LED processing	
Everlight Electronics (China) Ltd.	2001.02.07	No. 2135, Zhongshan North Road,Wujiang Economic and Technological Development Zone	USD124,140	LED production	
Everlight Lighting (China) Ltd.	2002.09.28	Room 1327, No. 139, Futexiyi Road, China (Shanghai) Pilot Free Trade Zone ShangHai China	USD10,000	LED Sales	
Everlight Electronics (Guangzhou) Ltd.	2007.06.08	Room 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.	1990.2.22	B-04-20, Krystal Point, 303, Jalan Sultan Azlan Shah, 11900 Sungai Nibong, Penang	MYR254	Sales promotion and customer service	

Everlight Electronics (Fujian) Ltd.	2010.07.20	3rd Floor, Building 1, Qinghua Road, Rongshen Industrial Park, Rongqiao Economic and Technological Development Zone, Fuqing City	USD25,000	LED and related backlight component sales and production	
Evervision Electronics (B.V.I.) Ltd.	1998.03.12	Mandar House, 3rd Floor, Suite 301, P.O. Box 3159, Road Town, Tortola, British Virgin Islands	USD20,567	Holding company	
VBest GmbH	2006.7.13	Siemensallee 84, Building 7302,5F,D-76187 KARLSRUHE GERMANY	EUR25	LCD display sales	
Evervision Electronics(H.K.) Ltd.	1998.09.23	Units 1606-1610 16/F Prosperity place 6 shing yip street kwun tong KL	HKD300	LCD display sales	
VBest Electronics (Kunshan) Ltd.	2001.05.25	No. 8, Chengbei Road, High-tech Industrial Park, Yushan Town Development Zone, Kunshan City, Jiangsu Province	USD18,000	LCD display production	
Everlight Electronics India Private Limited	2012.7.25	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	RMB33,000	LED and lighting products R&D and Sales	
WOFI Leuchten GmbH	2006.11.14	Im Langel 6, 59872 Meschede	EUR16,775	Lighting products and accessories sales	
WOFI Wortmann & Filz GmbH	2012.8.13	Im Langel 6, 59872 Meschede	EUR100	Lighting products and accessories sales	
Euro Technics Trade GmbH	2004.8.16	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	
WOFI Technics Trade Ltd.	2006.3.1	12/F Fortis Bank Tower, 77 Gloucester Rd, Hong Kong	HKD100	Lighting products and accessories sales	
Action GmbH	2000.9.13	Im Langel 6, 59872 Meschede	EUR 26	Lighting products and accessories sales	

WOFI Verkaufsgesellschaft mbH (WOFI VG)	2017.10.11	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	
Lamp For Less GmbH	2018.7.27	Im Langel 6, 59872 Meschede	EUR 25	Lighting products and accessories sales	
Everlight Intelligence Technology KZ LLP	2020.01.17	Kazakhstan, Almaty, Almalinskiy district, Nawruzbay Batyr str., 68	KZT 1,000	Sale of LED lighting products	

8.1.3 Industries covered by all of our related subsidiaries:

Industries covered by all of our related subsidiaries includes the manufacture and sale of visible and sensing components, the manufacture and sale of LED, the processing and manufacture and sale of LCD products, the development of lighting products and electronic components, and some of the subsidiaries are investment business related.

8.1.4 Director, Supervisors and Managers of Our Subsidiaries:

NT\$, '000, shares, %

Company	Position	Name	representative	Ownership		Remark
				Shares	Ownership %	
Pai Yee Investment Co., Ltd.	Chairman	Everlight Electronics Co., Ltd.	Robert Yeh	23,939,525	100	
	Director	Everlight Electronics Co., Ltd.	Wu-Yan Yeh			
	Director	Everlight Electronics Co., Ltd.	Alice Fu			
	Supervisor		Bo-Wen Zhou	0	0	
	President	Robert Yeh				
Everlight (BVI) Co., Ltd.	Director	Everlight Electronics Co., Ltd.	Robert Yeh	1,539,945.94	98	
	President	Robert Yeh				
Everlight Americas, Inc.	Director	Everlight Electronics Co., Ltd.	Robert Yeh	11,375,000	99	
	President	Bernd Kammerer		125,000	1	
Everlight Electronics Europe GmbH	Director	Everlight Electronics Co., Ltd.	Bernd Kammerer	75,000	75	
	President	Bernd Kammerer		25,000	25	
Everlight Optoelectronics Korea Co.,Ltd.	Director	Everlight Electronics Co., Ltd.	Robert Yeh	37,890	100	
	Director	Everlight Electronics Co., Ltd.	Ting-Wei Yeh			
	Director	Everlight Electronics Co., Ltd.	Chung-Wei Wang			
	Supervisor	Everlight Electronics Co., Ltd.	Yu-Keng Shih (Registering)			
Forever Investment Co., Ltd.	Chairman	Everlight Electronics Co., Ltd.	Robert Yeh	42,487,490	100	
	President	Robert Yeh				
Everlight Lighting Intellengence Technology Co., Ltd.	Chairman	Everlight Electronics Co., Ltd.	Robert Yeh	20,000,000	100	
	Director	Everlight Electronics Co., Ltd.	Kai-Hung Cheng			
	Supervisor	Everlight Electronics Co., Ltd.	Alice Fu			
Evlite Electronics Co., Ltd.	Director	Everlight Electronics Co., Ltd.	Robert Yeh	Note1	100	
	Director	Everlight Electronics Co., Ltd.	Alice Fu			
Everlight Electronics (China) Ltd.	Chairman	Everlight (BVI) Co., Ltd.	Wu-Liu Tsai			
	Director	Everlight (BVI) Co., Ltd.	Robert Yeh			
	Director	Everlight (BVI) Co., Ltd.	Chih-Min Lin	Note1	100	
	Supervisor	Everlight (BVI) Co., Ltd.	Alice Fu			
Everlight Lighting (China) Ltd.	Chairman	Everlight (BVI) Co.,Ltd.	Robert Yeh			
	Director	Everlight (BVI) Co.,Ltd.	Chi-Hui Chen		52	
	Director	Everlight Electronics (China) Ltd.	Wu-Liu Tsai	Note1	48	
	Supervisor	Everlight (BVI) Co.,Ltd.	Alice Fu			
Everlight Electronics (Guangzhou) Ltd.	President	Chi-Hui Chen				
	Chairman	Everlight (BVI) Co.,Ltd.	Chi-Hui Chen	968,300	2.11	
	Director	Everlight (BVI) Co.,Ltd	Robert Yeh			
	Director	Everlight Electronics (China) Ltd.	Alice Fu	45,000,000	97.89	
	Supervisor	Ltd.	Yu-Keng Shih (Registering)			
Everlight Electronics (Zhongshan) Ltd.	Chairman	Everlight (BVI) Co.,Ltd.	Wu-Liu Tsai			
	Director	Everlight (BVI) Co.,Ltd.	Robert Yeh			
	Director	Everlight (BVI) Co.,Ltd.	Alice Fu	Note1	100	
	Supervisor	Everlight (BVI) Co.,Ltd.	Yu-Keng Shih (Registering)			

Company	Position	Name	representative	Ownership		Remark
				Shares	Shares	
Everlight Electronics (Fujian) Ltd.	Chairman Supervisor President	Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd. Robert Yeh	Robert Yeh Alice Fu	Note1	100	
Everlight Optoelectronics (M) SDN. BHD.	Director Director	Pai Yee Investment Co., Ltd. Pai Yee Investment Co., Ltd.	Low Khee Poay Wu-Liu Tsai	253,649	100	
Evervision Electronics Co., Ltd.	Director Supervisor President	Everlight Electronics Co., Ltd. Alice Fu Robert Yeh	Robert Yeh	12,313,105	66.75	
Evervision Electronics (BVI) Ltd.	Director	Evervision Electronics Co., Ltd.	Robert Yeh	20,566,735	100	
VBest GmbH	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.	Hung-I Liao	Note1	100	
	Supervisor	Evervision Electronics (BVI) Ltd.	Chi-Jung Huang			
	President	Hung-I Liao				
Everlight Electronics India Private Limited	Director	Pai Yee Investment Co., Ltd.	Robert Yeh	88,200	20	
	Director	Everlight Electronics Co., Ltd.	Alice Fu	352,800	80	
	Director	Everlight Electronics Co., Ltd.	Wu-Liu Tsai (Registering)			
	Director	Everlight Electronics Co., Ltd.	Anuradha Rajashekar			
Everlight Lighting Management Consulting (Shanghai) Co., Ltd.	Chairman	Everlight Electronics Co., Ltd.	Wu-Liu Tsai (Registering)	Note1	52.63 47.37	
	Vice Chairman	Everlight Electronics (Guangzhou) Ltd.	Chi-Hui Chen			
	Director	Everlight Electronics Co., Ltd.	Cheng-Hsiung Ho			
	Supervisor	Everlight Electronics Co., Ltd.	Alice Fu			
Everlight Electronics Singapore Pte. Ltd.	President	Li-Yu Huang				
	Director	Everlight Electronics Co., Ltd.	Wu-Liu Tsai (Registering)	200,000	100	
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	Everlight Electronics Co., Ltd.	Yu-Keng Shih (Registering)			
	President	Hideaki Yomo				
Zhongshan Everlight Lighting Ltd.	Execute	Everlight Lighting (China) Ltd.	Chih-Chi Chang (Registering)	Note1	100	
	Director	Everlight Lighting (China) Ltd.	Cheng-Hsiung He (Registering)			
	Supervisor	Chih-Chi Chang				
WOFI Leuchten GmbH	Director	Everlight Electronics Co., Ltd.	Robert Yeh	16,775,000	100	
	President	Yu-He Chang(Registering)				
WOFI Wortmann & Filz GmbH	Director	Everlight Electronics Co., Ltd.	Robert Yeh	100,000	100	
	President	Yu-He Chang(Registering)				
Euro Technics Trade GmbH	Director	Everlight Electronics Co., Ltd.	Robert Yeh	25,000	100	
	President	Yu-He Chang(Registering)				
WOFI Technics Trade Limited	Director	Everlight Electronics Co., Ltd.	Robert Yeh	100,000	100	
	President	Yu-He Chang(Registering)				

Action GmbH	Director President	Everlight Electronics Co., Ltd. Yu-He Chang(Registering)	Robert Yeh	26,000	100	
WOFI Verkaufsgesellschaft mbH (WOFI VG)	Director President	Everlight Electronics Co., Ltd. Yu-He Chang(Registering)	Robert Yeh	25,000	100	
Lamp for less	Director President	Everlight Electronics Co., Ltd. Yu-He Chang(Registering)	Robert Yeh	25,000	100	
Everlight Intelligence Technology KZ LLP	Director President	Everlight Electronics Co., Ltd. Kai-Hung Cheng	Robert Yeh	Note1	100	

Note1:Limited

8.1.5 Operating overview of our subsidiaries:

NT\$, '000

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Pai Yee Investment Co., Ltd.	239,400	508,179	3,799	504,380	-	(3,426)	26,479	1.11
Everlight (BVI) Co.,Ltd.	4,649,435	7,530,889	591,141	6,939,748	-	(174)	325,982	-
Everlight Americas,Inc.	318,435	158,561	149,282	9,279	374,896	(40,596)	75,448	-
Evlite Electronics Co., Ltd.	24,862	938,688	807,682	131,006	1,430,378	(58,830)	16,239	-
Everlight Electronics Europe GmbH	2,938	397,601	251,307	146,294	1,351,989	129,932	98,428	-
Everlight Electronics (China) Ltd.	3,783,265	9,580,288	4,377,304	5,202,984	10,998,959	241,195	235,059	-
Everlight Lighting (China) Ltd.	289,018	1,892,443	1,567,927	324,516	3,064,041	104,667	76,182	-
Forever Investment Co., Ltd.	424,875	430,834	152	430,682	-	(3,275)	19,399	0.46
Everlight Electronics (GuangZhou) Co., Ltd.	199,879	253,495	59,522	193,973	-	(43,135)	(624)	-
Everlight Electronics (Zhongshan) Ltd.	879,689	999,787	95,285	904,502	425,048	(1,546)	8,212	-
Everlight Optoelectronics Korea Co.,Ltd.	4,414	84,119	15,686	68,433	-	(60,537)	25,925	-

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Everlight Electronics (Fujian) Ltd.	725,646	678,272	1,525	676,747	-	(648)	11,348	-
Evervision Electronics Co., Ltd.	184,441	1,056,724	212,251	844,473	833,419	72,378	79,646	4.32
Evervision Electronics (B.V.I.) Ltd.	696,251	647,953	-	647,953	-	-	6,951	-
VBest GmbH	783	80,309	29,073	51,236	143,403	8,986	12,324	-
Evervision Electronics (H.K.) Ltd.	1,065	1,023	15	1,009	-	(37)	(31)	-
VBest Electronics (Kunshan)	642,931	761,586	114,454	647,132	387,346	(1,110)	6,983	-
Everlight Lighting Intellengence Technology Co., Ltd.	200,000	433,920	238,002	195,918	363,688	(24,992)	(21,667)	(1.08)
Everlight Optoelectronics (M) SDN. BHD.	1,687	3,655	1,085	2,570	-	(4,021)	1,068	-
Everlight Electronics India Private Limited	1,640	16,738	1,652	15,086	-	(6,341)	2,631	-
Everlight Lighting Management Consulting (Shanghai) Co., Ltd.	413,079	363	-	363	-	-	249	-
Everlight Electronics Singapore Pte. Ltd.	5,177	13,748	1,796	11,952	-	(13,391)	1,810	-

Company	Capital	Total Assets	Total Liability	Net Value	Revenues	Operating Income	Net Income/Loss (After Tax)	EPS (After Tax)
Everlight Japan Corporation	12,030	37,426	18,902	18,524	-	(39,995)	8,942	-
WOFI Leuchten GmbH	710,544	850,564	1,038,110	(187,546)	807,961	(272,104)	(306,498)	-
Zhongshan Everlight Lighting Ltd.	143,491	12,736	7,358	5,378	6,635	(384)	(595)	-
Everlight Intelligence Technology KZ LLP	64	66,609	60,244	6,365	94,651	8,069	7,145	-

Note: All subsidiaries need to be explored, and the exchange rates are NT\$/US\$-27.69, NT\$/EUR-31.5195, NT\$/HK\$-3.5517, NT\$/RMB-4.3482, NT\$/KOW-0.0233, NT\$/INR-0.3719, NT\$/JPY-0.2406, NT\$/SIN-20.5476, NT\$/MYR-6.6499, NT\$/KZT-0.0637.

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 2021 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 :