

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2018 and 2017**

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

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## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of the Everlight Electronics Co., Ltd. and its subsidiaries ("the Group") as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$6,327,790 thousand and \$6,888,615 thousand, constituting 17% and 19% of consolidated total assets at March 31, 2018 and 2017, respectively, total liabilities amounting to \$2,227,176 thousand and \$1,697,498 thousand, constituting 11% and 9% of consolidated total liabilities at March 31, 2018 and 2017, respectively, and the absolute value of total comprehensive income (loss) amounting to \$(67,358) thousand and \$(255,375) thousand, constituting 36% and 524% of consolidated total comprehensive income (loss) for the three months ended March 31, 2018 and 2017, respectively.

Furthermore, as stated in Note 6(j), the other equity accounted investments of the Everlight Electronics Co., Ltd. and its subsidiaries in its investee companies of \$90,474 thousand and \$92,267 thousand as of March 31, 2018 and 2017, respectively, and its equity in net earnings on these investee companies of \$480 thousand and \$(4,654) thousand for the three months ended March 31, 2018 and 2017, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Everlight Electronics Co., Ltd. and its subsidiaries as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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)  
May 4, 2018

### **Notes to Readers**

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

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



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2018 and 2017**

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

**Consolidated Balance Sheets**

**March 31, 2018, December 31, 2017, and March 31, 2017**

(Expressed in Thousands of New Taiwan Dollars)

	Assets	March 31, 2018		December 31, 2017		March 31, 2017		March 31, 2018		December 31, 2017		March 31, 2017			
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%		
Current assets:															
1100	Cash and cash equivalents (note 6(a))	\$	6,828,775	18	4,769,006	13	4,808,737	13	2100	Short-term borrowings (note 6(o))	10	2,181,411	6	2,123,413	6
1110	Current financial assets at fair value through profit or loss (note 6(b))		1,631,201	4	638,276	2	481,273	1	2130	Current contract liabilities (note 6(y))	-	-	-	-	-
1170	Notes and accounts receivable, net (note 6(f))		7,580,980	20	8,424,725	23	8,231,458	22	2170	Notes and accounts payable	9	3,914,346	11	4,081,972	11
1180	Accounts receivable due from related parties, net (notes 6(f) and 7)		103,077	-	120,553	-	95,991	-	2180	Accounts payable to related parties (note 7)	4	1,670,285	4	1,900,634	5
1310	Inventories (note 6(i))		2,348,494	6	2,489,652	7	2,551,790	7	2213	Payable on construction and equipment	1	630,289	2	974,789	3
1470	Other current assets		523,854	2	476,456	1	499,969	1	2230	Current tax liabilities	-	129,541	-	395,367	1
1476	Other current financial assets (notes 6(f), 6(g), 6(n) and 8)		6,047,009	16	7,149,683	19	7,113,753	19	2300	Other current liabilities (notes 6(b), 6(p) and 6(q))	6	2,370,856	6	1,893,727	5
			25,063,390	66	24,068,351	65	23,782,971	63	2410	Bonds payable, current portion (note 6(q))	20	7,453,249	20	-	-
								2322	Long-term borrowings, current portion (note 6(r))	-	-	-	-	3,529	-
										18,909,411	50	18,349,977	49	11,373,431	31
Non-current assets:															
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))		547,256	2	-	-	-	-	2530	Bonds payable (note 6(q))	-	-	-	7,234,853	19
1523	Non-current available-for-sale financial assets (note 6(d))		-	-	529,707	1	729,015	2	2570	Deferred tax liabilities	1	232,329	1	263,886	1
1543	Non-current financial assets at cost (note 6(e))		-	-	40,049	-	369,313	1	2640	Non-current provisions for employee benefits	-	162,022	-	169,156	-
1550	Investments accounted for using equity method (note 6(j))		90,474	-	89,994	-	92,267	-	2600	Other non-current liabilities (notes 6(b) and 6(q))	1	257,872	1	273,552	1
1600	Property, plant and equipment (note 6(m))		11,154,031	29	11,427,695	31	10,981,021	30			2	652,223	2	7,941,447	21
1780	Intangible assets		178,106	-	186,440	1	213,632	1			52	19,002,200	51	19,314,878	52
1840	Deferred tax assets		334,057	1	324,828	1	281,281	1							
1900	Other non-current assets (notes 6(f) and 8)		504,864	2	507,784	1	611,932	2							
			12,808,788	34	13,106,497	35	13,278,461	37							
									3310	Legal reserve	6	2,390,096	6	2,209,534	6
									3320	Special reserve	4	1,419,253	4	609,032	2
									3350	Unappropriated retained earnings	4	1,326,186	4	2,745,769	7
											14	5,135,535	14	5,564,335	15
									3400	Other equity interests	(2)	(830,794)	(2)	(1,675,361)	(5)
											47	17,848,938	48	17,414,725	47
									3610	Non-controlling interests	1	323,710	1	331,829	1
											48	18,172,648	49	17,746,554	48
											100	37,174,848	100	37,061,432	100

See accompanying notes to consolidated financial statements.

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STANDARDS**

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

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2018 and 2017**

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

		<b>For the three months ended March 31</b>			
		<b>2018</b>		<b>2017</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110	Sales revenue	\$ 6,505,818	104	6,973,153	104
4190	Less: Sales discounts and allowances	225,630	4	255,218	4
	Net sales revenue (notes 6(h), 6(y), 6(z) and 7)	6,280,188	100	6,717,935	100
5110	Total cost of sales (notes 6(h), 6(i), 6(t), 7 and 12)	4,910,578	78	5,099,761	76
5900	Gross profit	1,369,610	22	1,618,174	24
	Operating expenses (notes 6(t) and 12):				
6100	Selling expenses	432,856	7	362,016	5
6200	Administrative expenses	530,546	9	494,837	7
6300	Research and development expenses	214,385	3	186,335	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS9 (note 6(f))	(2,765)	-	-	-
		1,175,022	19	1,043,188	15
6900	Net operating income	194,588	3	574,986	9
	Non-operating income and expenses:				
7100	Interest income (note 6(ab))	21,228	-	24,907	(1)
7190	Other income (note 6(l))	25,387	-	45,798	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net (note 6(q))	14,543	-	42,671	1
7050	Finance costs (notes 6(q) and 6(ab))	(38,887)	-	(30,598)	-
7590	Other expenses and losses	(3,857)	-	(31,271)	-
7630	Foreign exchange gains (losses), net (note 6(ad))	(36,318)	-	(198,948)	(3)
7770	Share of profit (loss) of associates accounted for using equity method (note 6(j))	480	-	(4,654)	-
		(17,424)	-	(152,095)	(3)
7900	Profit before tax	177,164	3	422,891	6
7950	Tax expense (note 6(u))	58,418	1	99,246	1
	Profit (loss)	118,746	2	323,645	5
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(ac))	(26,795)	-	-	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(u))	(3,569)	-	-	-
		(23,226)	-	-	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	88,231	1	(451,666)	(7)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets (note 6(ac))	-	-	174,241	3
8370	Share of other comprehensive income (loss) of associates accounted for using equity method (note 6(j))	-	-	(1,918)	-
8399	Less: income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss (note 6(u))	(5,161)	-	(4,415)	-
	Components of other comprehensive income that will be reclassified to profit or loss	93,392	1	(274,928)	(4)
8300	Other comprehensive income, net	70,166	1	(274,928)	(4)
	Total comprehensive income	\$ 188,912	3	48,717	1
	Profit, attributable to:				
	Owners of parent	\$ 109,250	2	312,718	5
	Non-controlling interests	9,496	-	10,927	-
		\$ 118,746	2	323,645	5
	Total comprehensive income attributable to:				
	Owners of parent	\$ 174,818	3	56,610	1
	Non-controlling interests	14,094	-	(7,893)	-
		\$ 188,912	3	48,717	1
	Earnings per share (note 6(x))				
9750	Basic earnings per share	\$ 0.25		0.71	
9850	Diluted earnings per share	\$ 0.24		0.61	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Changes in Equity**

**For the three months ended March 31, 2018 and 2017**

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

	Equity attributable to owners of parent											
	Retained earnings					Other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on gains (losses) translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total attributable equity to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	\$ 4,390,357	9,108,900	2,209,534	609,032	2,433,051	(342,475)	(1,076,778)	-	(1,419,253)	17,331,621	339,722	17,671,343
Profit for the period	-	-	-	-	312,718	-	-	-	-	312,718	10,927	323,645
Other comprehensive income for the period	-	-	-	-	-	(430,349)	174,241	-	(256,108)	(256,108)	(18,820)	(274,928)
Total comprehensive income for the period	-	-	-	-	312,718	(430,349)	174,241	-	(256,108)	(256,108)	(7,893)	48,717
Share-based payments transactions	4,026	22,468	-	-	-	-	-	-	-	26,494	-	26,494
Balance at March 31, 2017	\$ 4,394,383	9,131,368	2,209,534	609,032	2,745,769	(772,824)	(902,537)	-	(1,675,361)	17,414,725	331,829	17,746,554
Balance at January 1, 2018	\$ 4,404,486	9,139,711	2,390,096	1,419,253	1,326,186	(437,489)	(393,305)	-	(830,794)	17,848,938	323,710	18,172,648
Effects of retrospective application	-	-	-	-	-	-	393,305	(389,010)	4,295	4,295	-	4,295
Adjusted balance at January 1, 2018	4,404,486	9,139,711	2,390,096	1,419,253	1,326,186	(437,489)	-	(389,010)	(826,499)	17,853,233	323,710	18,176,943
Profit for the period	-	-	-	-	109,250	-	-	-	-	109,250	9,496	118,746
Other comprehensive income for the period	-	-	-	-	3,569	88,794	-	(26,795)	61,999	65,568	4,598	70,166
Total comprehensive income for the period	-	-	-	-	112,819	88,794	-	(26,795)	61,999	174,818	14,094	188,912
Share-based payments transactions	907	(3,056)	-	-	-	-	-	-	-	(2,149)	-	(2,149)
Balance at March 31, 2018	\$ 4,405,393	9,136,655	2,390,096	1,419,253	1,439,005	(348,695)	-	(415,805)	(764,500)	18,025,902	337,804	18,363,706

See accompanying notes to consolidated financial statements.

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STANDARDS**

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

**Consolidated Statements of Cash Flows**

**For the three months ended March 31, 2018 and 2017**

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

	<b>For the three months ended March 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 177,164	422,891
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	533,809	526,579
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	(2,765)	(15,154)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	19,283	(21,466)
Interest expense	38,887	30,598
Interest income	(21,228)	(24,907)
Share-based payments	(3,836)	13,950
Share of loss (profit) of associates and joint ventures accounted for using equity method	(480)	4,654
Others	1,536	16,815
<b>Total adjustments to reconcile profit (loss)</b>	<b>565,206</b>	<b>531,069</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets held for trading	-	(26,244)
Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value	(428,543)	-
Decrease in notes and accounts receivable (including related parties)	864,401	967,483
Decrease (increase) in inventories	141,158	(70,656)
Increase in other current assets	(47,263)	(15,749)
Decrease in notes and accounts payable (including related parties)	(596,733)	(1,175,650)
Decrease in provisions	(16,824)	(8,493)
Decrease in other current liabilities	(257,493)	(412,446)
Decrease in non-current provisions for employee benefits	(17,540)	(9,226)
Increase in current contract liability	1,617	-
Others	(22,595)	(4,495)
<b>Total changes in operating assets and liabilities</b>	<b>(379,815)</b>	<b>(755,476)</b>
Cash inflow (outflow) generated from operations	362,555	198,484
Interest received	16,043	4,431
Interest paid	(9,957)	(4,336)
Income taxes paid	(37,133)	(51,529)
<b>Net cash flows from (used in) operating activities</b>	<b>331,508</b>	<b>147,050</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(344,327)	(533,078)
Proceeds from disposal of property, plant and equipment	18,965	36,764
Increase in refundable deposits	(13,297)	(18,284)
Acquisition of intangible assets	(19,623)	(17,900)
Decrease (increase) in other financial assets	623,930	(2,423,524)
Increase in restricted deposit	(86,932)	-
Decrease (increase) in prepayments for business facilities	8,877	(146,107)
<b>Net cash flows from (used in) investing activities</b>	<b>187,593</b>	<b>(3,102,129)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	1,506,260	810,368
Decrease (increase) in guarantee deposits received	870	(14,055)
Exercise of employee share options	1,687	12,544
Other financing activities	-	(6,298)
<b>Net cash flows from (used in) financing activities</b>	<b>1,508,817</b>	<b>802,559</b>
Effect of exchange rate changes on cash and cash equivalents	31,851	(135,171)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,059,769</b>	<b>(2,287,691)</b>
Cash and cash equivalents at beginning of period	4,769,006	7,096,428
<b>Cash and cash equivalents at end of period</b>	<b>\$ 6,828,775</b>	<b>4,808,737</b>

See accompanying notes to consolidated financial statements.



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

**Notes to the Consolidated Financial Statements**

**March 31, 2018 and 2017**

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

**(1) Company history**

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

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Please refer to note 4(c) for related information of the Group entities main business activities.

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

These consolidated financial statements were authorized for issuance by the board of directors on May 4, 2018.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendment to IFRS 2 " <i>Classification and Measurement of Share-based Payment Transactions</i> "	January 1, 2018
Amendments to IFRS 4 " <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> "	January 1, 2018
IFRS 9 " <i>Financial Instruments</i> "	January 1, 2018
IFRS 15 " <i>Revenue from Contracts with Customers</i> "	January 1, 2018
Amendment to IAS 7 " <i>Statement of Cash Flows - Disclosure Initiative</i> "	January 1, 2017
Amendment to IAS 12 " <i>Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses</i> "	January 1, 2017
Amendments to IAS 40 " <i>Transfers of Investment Property</i> "	January 1, 2018

(Continued)

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
<b>Annual Improvements to IFRS Standards 2014–2016 Cycle:</b>	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 " <i>Foreign Currency Transactions and Advance Consideration</i> "	January 1, 2018

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

(i) IFRS 15 "*Revenue from Contracts with Customers*"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "*Revenue*" and IAS 11 "*Construction Contracts*". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 18, IAS 11 and the related Interpretations for comparative reporting period. The Group's recognizes the cumulative effect upon the initially Application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue was recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

(Continued)

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

3) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

Impacted line items on the consolidated balance sheet	March 31, 2018			January 1, 2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15
Notes and accounts receivable	\$ 7,551,135	29,845	7,580,980	8,424,725	32,151	8,456,876
Impact on assets		\$ 29,845			32,151	
Contract liabilities-current	\$ -	(9,686)	(9,686)	-	(8,069)	(8,069)
Other current liabilities	(2,128,814)	(20,159)	(2,148,973)	(2,370,856)	(24,082)	(2,394,938)
Impact on liabilities		\$ (29,845)			(32,151)	

Impacted line items on the consolidated statement of cash flows	For the three months ended March 31, 2018		
	Before adjustments	Impact of changes in accounting policies	After adjustments
Cash flows from (used in) operating activities:			
Adjustments:			
Decrease (increase) in notes and accounts receivable	\$ 862,095	2,306	864,401
Increase (decrease) in contract liabilities	-	1,617	1,617
Increase (decrease) in other current liabilities	(255,570)	(3,923)	(259,493)
Impact on cash inflow (outflow) generated from operations		\$ -	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

#### 1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(c).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

#### 2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

#### 3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)



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

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
<b>Financial Assets</b>				
Cash and cash equivalents	Loans and receivables (note 2)	4,769,006	Amortized cost	4,769,006
Derivative instruments	Held-for-trading	23,461	Mandatorily at FVTPL	23,461
Debt securities	Designated as at FVTPL	224,079	Mandatorily at FVTPL	224,079
Equity instruments	Available-for-sale (note 1)	569,756	FVOCI	574,051
	Held-for-trading (note 3)	390,736	FVTPL	390,736
Accounts receivables	Loans and receivables (note 2)	8,545,278	Amortized cost	8,545,278
Other financial assets (Structured deposits)	Loans and receivables (note 2)	568,862	Mandatorily at FVTPL	568,862
Other current financial assets	Loans and receivables (note 2)	6,580,821	Amortized cost	6,580,821
Other non-current financial assets	Loans and receivables (note 2)	81,959	Amortized cost	81,959
Guarantee deposits paid	Loans and receivables (note 2)	165,224	Amortized cost	165,224
Restricted deposits	Loans and receivables (note 2)	6,900	Amortized cost	6,900

Note1: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of \$4,295 thousand in those assets recognized, and a increase of \$4,295 thousand in the reserves were recognized on January 1, 2018.

Note2: Trade, note, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. There's no increasing in the allowance for impairment was recognized in opening retained earnings upon transition to IFRS 9 on January 1, 2018.

Note3: Under IAS 39, these equity securities were designated as at hold-to-trading because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

(Continued)

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

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	\$ 638,276	-	-		-	-
Additions – debt instruments:						
From loans and receivables (structured deposits) – required reclassification based on classification criteria	-	568,862	-		-	-
Total	\$ 638,276	568,862	-	1,207,138	-	-
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	\$ 569,756	(569,756)	-		-	-
Available for sale to FVOCI	-	569,756	4,295		-	4,295
Total	\$ 569,756	-	4,295	574,051	-	4,295
Amortized cost						
Beginning balance of cash and cash equivalents, bond investment without an active market, accounts and other receivables, and other financial assets)	\$ 20,718,050	-	-		-	-
Subtractions:						
To FVTPL – required reclassification based on classification criteria	-	(568,862)	-		-	-
Total	\$ 20,718,050	(568,862)	-	20,149,188	-	-

There is no material impact on the Group's basic or diluted earnings per share for the three months ended March 31, 2018 and 2017.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ag).

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
IFRS 16 " <i>Leases</i> "	January 1, 2019
IFRS 17 " <i>Insurance Contracts</i> "	January 1, 2021
IFRIC 23 " <i>Uncertainty over Income Tax Treatments</i> "	January 1, 2019
Amendments to IFRS 9 " <i>Prepayment features with negative compensation</i> "	January 1, 2019
Amendments to IAS 28 " <i>Long-term interests in associates and joint ventures</i> "	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 " <i>Plan Amendment, Curtailment or Settlement</i> "	January 1, 2019

Those which may be relevant to The Group are set out below:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
January 13, 2016	IFRS 16 " <i>Leases</i> "	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>· For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.</li> <li>· A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

(Continued)

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

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
June 7, 2017	IFRIC 23 " <i>Uncertainty over Income Tax Treatments</i> "	<ul style="list-style-type: none"> <li>· In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.</li> <li>· If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.</li> </ul>
December 12, 2017	Annual Improvements to IFRS Standards 2015–2017 Cycle: <ul style="list-style-type: none"> <li>· IAS 12 Income Taxes</li> </ul>	<ul style="list-style-type: none"> <li>· Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits-i.e. in profit or loss, OCI or equity.</li> </ul>

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

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

**(a) Statement of compliance**

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

(Continued)



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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2017. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2017.

(b) Basis of consolidation

Principles of preparation of the consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2017.

List of subsidiaries in the consolidated interim financial statements:

Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			March 31, 2018	December 31, 2017	March 31, 2017	
The Company	Pai-ye Investment Co., Ltd. (Pai-ye)	Investment	100 %	100 %	100 %	
The Company and Pai-ye	Everlight (BVI) Co., Ltd. (Everlight BVI)	Investment	100 %	100 %	100 %	
The Company	Everlight Electronics (Europe) GmbH (Everlight Europe)	Sale of LEDs	75 %	75 %	75 %	Note 8
The Company	Zenaro Lighting GmbH (Zenaro GmbH)	Research, manufacture and sale of LED lighting products	- %	100 %	100 %	Notes 7 and 8
The Company	Everlight Americas, Inc. (ELA)	Sale of LEDs	99 %	99 %	99 %	Note 8
The Company	Everlight Optoelectronics Korea Co., Ltd. (ELK)	Sale of LEDs	100 %	100 %	100 %	Note 8
The Company	Ever Power Investment Co., Ltd. (Ever Power)	Investment	100 %	100 %	100 %	
The Company	Forever Investment Co., Ltd. (Forever)	Investment	100 %	100 %	100 %	
The Company	Everlight Lighting Co., Ltd. (ELL)	Sale of LED lighting products	100 %	100 %	100 %	Note 8
The Company	Zenaro Lighting Co., Ltd. (Zenaro TW)	Sale of LED lighting products and investment	100 %	100 %	100 %	Note 8
The Company	WOFI Leuchten GmbH (WOFI Holding)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 8
The Company and Pai-ye	Everlight Electronic India Private Limited (ELI)	Sale of LEDs	100 %	100 %	100 %	Note 8
The Company	Evlite Electronics Co., Ltd. (Evlite)	Sale of LEDs	100 %	100 %	100 %	Note 8
The Company	Everlight Electronics Singapore Pte. Ltd. (ELS)	Sale of LEDs	100 %	100 %	100 %	Note 8
The Company	Everlight Japan Corporation (ELJ)	Sale of LEDs	100 %	100 %	100 %	Note 8

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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
			March 31, 2018	December 31, 2017	March 31, 2017	
The Company 、Pai- yee, Ever Power and Forever	Evervision Electronics Co., Ltd. (Evervision TW)	Manufacture and sales of liquid crystal displays and LED processing	65.50 %	65.50 %	63.48 %	Notes 5 and 8
The Company and ELL	Everlight SS Lighting (Hong Kong) Co., Ltd. (Everlight SSL (HK) )	Investment	- %	- %	100 %	Notes 4 and 8
Pai-yee	Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia)	Business development and customer services	100 %	100 %	100 %	Note 8
Everlight BVI	Everlight Electronics (China) Co., Ltd. (Everlight China)	Manufacture of LEDs	100 %	100 %	100 %	
Everlight BVI and Everlight China	Everlight Lighting (China) Co., Ltd. (Everlight Lighting China)	Sale of LEDs	100 %	100 %	100 %	Note 8
Everlight BVI and Everlight China	Guangzhou Yi-Liang Trading Co., Ltd. (Guangzhou Yi- Liang)	Business development and customer services	100 %	100 %	100 %	Notes 1 and 8
Everlight BVI	Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	Manufacture of LED- related components	100 %	100 %	100 %	
Everlight BVI	Evertop Optoelectronics (Fujian) Co., Ltd. (Everlight Fujian, former name: Evertop Optoelectronics (Fujian Co., Ltd.))	Manufacture and sale of LED backlights and related components	90 %	90 %	90 %	Note 8
Everlight BVI	Eralite Optoelectronics (Jiangsu) Co., Ltd. (Eralite )	Manufacture and sale of LED backlights and related components	100 %	100 %	100 %	Note 8
The Company and Guangzhou Yi-Liang	Everlight Lighting Management (Shanghai) Co., Ltd. (ELMS)	Research and sale of LED lighting products	100 %	100 %	100 %	Notes 2 and 8
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. ( Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	100 %	Note 8
The Company and ELL	Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	Research of electronic components	100 %	100 %	100 %	Note 8
Zenaro TW	Zenaro Lighting Inc. (USA) (Zenaro USA)	Research, manufacture and sale of LED lighting products	100 %	100 %	100 %	Note 8
WOFI Holding	WOFI Wortmann & Fliz GmbH (WOFI W&F GmbH)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 8
WOFI Holding	Euro Technics Trade GmbH (ETT)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 8

(Continued)

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

Investor	Name of subsidiary	Nature of business	Percentage of ownership			Description
			March 31, 2018	December 31, 2017	March 31, 2017	
WOFI Holding	WOFI Technics Trade Limited (WTT)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 8
WOFI Holding	Action GmbH (Action)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	Note 8
WOFI Holding	WOFI Verkaufsgesellschaft mbH (WOFI VG)	Sale of lighting products, pendants and accessories	100 %	100 %	-	% Notes 6 and 8
Evervision TW	Evervision Electronics (B.V.I.) Limited (Evervision BVI)	Investment	100 %	100 %	100 %	Note 8
Evervision TW	VBest GmbH (Vbest)	Sale of LCDs	75 %	75 %	75 %	Note 8
Evervision	VBest Electronics (Kunshan) Ltd. (Vbest Kunshan)	Manufacture of LCDs	100 %	100 %	100 %	Note 8
Evervision	Evervision Electronics (H.K.) Limited (Evervision HK)	Sale of LCDs	100 %	100 %	100 %	Note 8
Evervision	Topbest Holding (Samoa) Limited (Topbest)	Sale of LCDs	100 %	100 %	100 %	Note 8
Evervision	Blaze International Limited (Blaze)	Sale of LCDs	100 %	100 %	100 %	Note 8
Topbest	Debao (DG) Electronic Co., Ltd. (Debao)	Manufacture of LCDs	-	%	-	% 100 % Notes 3 and 8

Note 1: Guangzhou Yi-Liang was a subsidiary of Everlight BVI. However, in March 2017, it became a joint subsidiary of Everlight BVI and Everlight China due to Everlight China's investment in it.

Note 2: ELMS was a subsidiary of the Company. However, in June 2017, it became a joint subsidiary of the Company and Guangzhou Yi-Liang due to Guangzhou Yi-Liang's investment in it.

Note 3: The subsidiary completed liquidation procedure in June 2017.

Note 4: The subsidiary completed liquidation procedure in July 2017.

Note 5: The group has purchased 2.02% equity of Evervision TW from a third party in August 2017. As a result, its shareholding in Evervision TW increased from 63.48% to 65.50%.

Note 6: The Subsidiary was incorporated in October 2017.

Note 7: The subsidiary completed liquidation procedure in January 2018.

Note 8: Non-significant subsidiary, its financial statements, have not been reviewed.

(c) Financial instruments (applicable from January 1, 2018)

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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:

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 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.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

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

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

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments 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 of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). 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.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

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

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

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

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

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses 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 expected credit loss (ECL), except for the following which are measured as 12-month ECL:

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

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

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### 6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

(d) Revenue from contracts with customers (applicable from January 1, 2018)

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

### Notes to the Consolidated Financial Statements

#### (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.

#### (e) Income taxes

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

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

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

#### (f) Employee benefits

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2017.

#### (6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2017. Please refer to Note 6 of the 2017 annual consolidated financial statements.

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

(a) Cash and cash equivalents

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Cash, checking accounts and demand deposits	\$ 3,308,835	3,276,550	3,729,741
Time deposits	2,844,065	1,200,787	825,496
Bonds purchased under resale agreements	<u>675,875</u>	<u>291,669</u>	<u>253,500</u>
	<b><u>\$ 6,828,775</u></b>	<b><u>4,769,006</u></b>	<b><u>4,808,737</u></b>

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

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

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Financial assets designated as at fair value through profit or loss:			
Listed convertible bonds	\$ -	33,814	50,900
Credit-Linked Note (CLN)	-	59,651	32,431
Foreign unlisted common shares	-	387,680	-
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging	9,212		
Listed convertible bonds	73,172		
Credit-Linked Note (CLN)	71,245		
Structured deposits	951,465		
Beneficiary certificate-Funds	130,556		
Equity instruments held-for-trading	395,551		
Financial assets held-for-trading			
Derivative instruments not used for hedging	-	23,461	42,913
Non-derivative financial assets	<u>-</u>	<u>133,670</u>	<u>355,029</u>
	<b><u>\$ 1,631,201</u></b>	<b><u>638,276</u></b>	<b><u>481,273</u></b>

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

**Notes to the Consolidated Financial Statements**

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Financial liabilities designated as at fair value through profit or loss:			
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging	\$ 27,030	23,883	49,541
Debt components of convertible bonds payable	<u>53,436</u>	<u>46,988</u>	<u>38,267</u>
	<u>\$ 80,466</u>	<u>70,871</u>	<u>87,808</u>
Current(recorded as other current liabilities)	<u>\$ 80,466</u>	<u>70,871</u>	<u>49,541</u>
Non-current(recorded as other non-current liabilities)	<u>\$ -</u>	<u>-</u>	<u>38,267</u>

- (i) Capital guaranteed financial products (Structured deposits) held by the Group, which were originally recorded as other current financial assets on December 31 and March 31, 2017, were reclassified as financial assets mandatorily measured at fair value through profit or loss on March 31, 2018, because the interest was not based on the time value on principal amount outstanding.
- (ii) The Group uses derivative financial instruments to hedge certain foreign exchange and interest risk the Group is exposed to, arising from its operating and financing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss on March 31, 2018 and financial assets held-for-trading on December 31, 2017 and March 31, 2017:

1) Forward exchange contracts

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

(Continued)

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

December 31, 2017				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	31,500	USD to TWD	2018.01.04~2018.03.15
Forward exchange sold	USD	29,000	USD to RMB	2018.01.04~2018.03.15
Forward exchange sold	EUR	689	EUR to USD	2018.02.27~2018.03.09
Financial liabilities:				
Forward exchange sold	EUR	4,238	EUR to USD	2018.01.05~2018.03.20
March 31, 2017				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	40,000	USD to TWD	2017.04.06~2017.06.20
Forward exchange sold	EUR	2,809	EUR to USD	2017.04.06~2017.09.08
Forward exchange sold	USD	21,000	USD to RMB	2017.04.06~2017.06.08
Financial liabilities:				
Forward exchange sold	USD	1,500	USD to TWD	2017.05.11~2017.06.08
Forward exchange sold	EUR	8,082	EUR to USD	2017.04.07~2017.09.12
2) Swap contracts				
March 31, 2018				
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Currency Swap	EUR	245	EUR to USD	2018.04.06
December 31, 2017				
	Contract amount (in thousands)		Currency	Maturity date
Financial liabilities:				
Currency Swap	EUR	541	EUR to USD	2018.01.05~2018.01.19

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

3) Cross currency swap

<b>March 31, 2018</b>					
<b>Contract amount (in thousands)</b>		<b>Contract Period</b>	<b>Interest rate payable</b>	<b>Interest rate receivable</b>	<b>Swap period</b>
<b>Financial liabilities:</b>					
USD	10,000	2017.05.25~2018.05.25	0.26%	0.50%+1LIBOR	2017.05.25~2018.05.25
USD	5,000	2017.05.25~2018.05.23	0.26%	0.55%+1LIBOR	2017.05.25~2018.05.23
USD	15,000	2018.01.04~2019.01.15	0.23%	0.50%+1LIBOR	2018.01.04~2019.01.15
USD	5,000	2018.03.09~2019.03.08	0.23%	0.70%+1LIBOR	2018.03.09~2019.03.08
USD	5,000	2018.03.09~2019.03.11	0.18%	0.50%+1LIBOR	2018.03.09~2019.03.11
USD	5,000	2018.03.23~2019.03.25	0.23%	0.70%+1LIBOR	2018.03.23~2019.03.25
USD	5,000	2018.03.28~2019.03.27	0.18%	0.52%+1LIBOR	2018.03.28~2019.03.27
<b>December 31, 2017</b>					
<b>Contract amount (in thousands)</b>		<b>Contract Period</b>	<b>Interest rate payable</b>	<b>Interest rate receivable</b>	<b>Swap period</b>
<b>Financial assets:</b>					
USD	10,000	2017.03.09~2018.03.09	0.36%	0.50%+1LIBOR	2017.03.09~2018.03.09
USD	5,000	2017.03.23~2018.03.23	0.35%	0.60%+1LIBOR	2017.03.23~2018.03.23
USD	5,000	2017.03.30~2018.03.28	0.30%	0.50%+1LIBOR	2017.03.30~2018.03.28
USD	10,000	2017.05.25~2018.05.25	0.26%	0.50%+1LIBOR	2017.05.25~2018.05.25
USD	5,000	2017.05.25~2018.05.23	0.26%	0.55%+1LIBOR	2017.05.25~2018.05.23
<b>March 31, 2017</b>					
<b>Contract amount (in thousands)</b>		<b>Contract Period</b>	<b>Interest rate payable</b>	<b>Interest rate receivable</b>	<b>Swap period</b>
<b>Financial assets:</b>					
USD	5,000	2017.03.30~2018.03.28	0.30%	0.50%+1LIBOR	2017.03.30~2018.03.28
<b>Financial liabilities:</b>					
USD	10,000	2016.05.19~2017.05.23	0.65%	0.60%+1LIBOR	2016.05.19~2017.05.23
USD	5,000	2016.05.20~2017.05.24	0.50%	0.50%+1LIBOR	2016.05.20~2017.05.24
USD	10,000	2017.03.09~2018.03.09	0.36%	0.50%+1LIBOR	2017.03.09~2018.03.09
USD	5,000	2017.03.21~2018.03.23	0.35%	0.60%+1LIBOR	2017.03.21~2018.03.23
USD	11,225	2017.03.09~2017.06.09	0.30%	1.63%	2017.03.09~2017.06.09

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

4) Other derivative financial instrument contracts

<b>March 31, 2018</b>			
<b>Contract amount (in thousands)</b>		<b>Rate</b>	<b>Maturity Period</b>
Financial assets:			
TWD	70,900	2.50%~3.75%	2018.05.03~2019.05.03
RMB	62,000	3.30%~4.22%	2018.04.09~2018.06.11
<b>December 31, 2017</b>			
<b>Contract amount (in thousands)</b>		<b>Rate</b>	<b>Maturity Period</b>
Financial assets:			
TWD	59,300	2.50%~3.75%	2018.03.05~2018.08.18
RMB	124,000	3.30%~4.25%	2018.01.15~2018.02.13
<b>March 31, 2017</b>			
<b>Contract amount (in thousands)</b>		<b>Rate</b>	<b>Maturity Period</b>
Financial assets:			
USD	5,000	1.5%	2017.04.07
TWD	32,400	2.50%~2.75%	2018.03.05~2018.08.18
RMB	65,500	3.90%	2017.05.23

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

(iv) As of March 31, 2018, December 31 and March 31, 2017, the Group did not provide any aforementioned financial assets as collateral for its loans.

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

	<b>March 31, 2018</b>
Equity investments at fair value through other comprehensive income	
Stocks listed on domestic markets	\$ 427,007
Stocks unlisted on domestic markets	110,200
Stocks unlisted on foreign markets	10,049
	<u>\$ 547,256</u>

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

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

On January 1, 2018, the Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets and financial assets measured at cost on December 31, 2017 and March 31, 2017.

No strategic investments were disposed three months ended March 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

- (ii) The Group's information of market risk, please refer to note 6(ad).  
 (iii) As of March 31, 2018, the Group did not provide any aforementioned financial assets as collateral for its loans.

- (d) Non-current available-for-sale financial assets

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Investments in listed securities:		
Stocks listed on domestic markets	\$ 451,507	632,615
Investments in unlisted securities:		
Stocks unlisted on domestic markets	<u>78,200</u>	<u>96,400</u>
	<u>\$ 529,707</u>	<u>729,015</u>

- (i) There were no significant changes in the available-for-sale financial assets of the Group for the three months ended March 31, 2017. For related information, please refer to note 6(c) of the 2017 annual consolidated financial statements.
- (ii) The aforementioned investments were classified as financial assets at fair value through other comprehensive income on March 31, 2018; please refer to note 6(c).
- (iii) The changes in fair value are recognized in other comprehensive income, please refer to note 6(ac) for details.
- (iv) As of December 31 and March 31, 2017, the Group did not provide any aforementioned financial assets as collateral for its loans.
- (v) The Group's information of market risk, please refer to note 6(ad).

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

(e) Non-current financial assets at cost

	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Domestic unlisted common shares	\$ 30,000	30,000
Foreign unlisted common shares	10,049	339,313
	<b>\$ 40,049</b>	<b>369,313</b>

- (i) The aforementioned investments held by the Group were measured at cost value, less, accumulated impairment losses as of December 31 and March 31, 2017, given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably. These investments were classified as non-current financial assets at fair value through other comprehensive income on March 31, 2018.
- (ii) As of December 31 and March 31, 2017, the Group did not provide any aforementioned financial assets as collaterals for its loans.
- (iii) The Group's information of market risk, please refer to note 6(ad).
- (f) Notes and accounts receivable

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Notes receivable	\$ 27,133	28,368	34,944
Accounts receivable	7,815,241	8,681,112	8,437,658
	7,842,374	8,709,480	8,472,602
Less: allowance for uncollectible accounts	(126,581)	(132,051)	(117,308)
allowance for sales discounts	-	(32,151)	(27,845)
	<b>\$ 7,715,793</b>	<b>8,545,278</b>	<b>8,327,449</b>
Notes and accounts receivable, net	\$ 7,580,980	8,424,725	8,231,458
Accounts receivable due from related parties, net	103,077	120,553	95,991
Long-term receivables (recorded as other non-current assets)	31,736	-	-
	<b>\$ 7,715,793</b>	<b>8,545,278</b>	<b>8,327,449</b>

(i) Impairment loss on notes and accounts receivables

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on March 31, 2018. 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. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

The loss allowance provision in Taiwan region as of March 31, 2018 was determined as follows:

	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 5,552,746	0.128%	7,115
Overdue 0-90 days	210,972	0.916%	1,931
Overdue 91-180 days	154,144	5.177%	7,980
Overdue 181-270 days	183,810	10.083%	18,534
Overdue 271-365 days	640	65%	416
Overdue over one year	57,045	100%	57,045
	<u>\$ 6,159,357</u>		<u>93,021</u>

The loss allowance provision in non-Taiwan region as of March 31, 2018 was determined as follows:

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

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

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

As of December 31 and March 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, were as follows:

	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Not overdue	\$ 7,843,735	8,064,329
Overdue 0-90 days	519,757	209,996
Overdue 91-180 days	175,788	19,713
Overdue 181-270 days	499	10,372
Overdue 271-365 days	1,930	5,435
Overdue over one year	<u>3,569</u>	<u>17,604</u>
	<b><u>\$ 8,545,278</u></b>	<b><u>8,327,449</u></b>

- (ii) For the three months ended March 31, 2018 and 2017, the movements in the allowance for impairment loss with respect to notes and accounts receivable were as follow:

	<b>Three months ended March 31, 2018</b>	<b>Three months ended March 31, 2017</b>
Balance on January 1	\$ 132,051	137,349
Impairment loss recognized (reversed impairment loss)	(2,765)	(15,154)
Amounts written off	(2,840)	(3,580)
Foreign exchange (gains) losses	<u>135</u>	<u>(1,307)</u>
Balance on March 31	<b><u>\$ 126,581</u></b>	<b><u>117,308</u></b>

- (iii) The Group entered into accounts receivable factoring agreement with banks. Based on the term of agreement, the Group is not responsible for any inability of repayment by accounts receivable during the debt transfer and repayment period. From the factoring of AR, the Group will receive prepayment and pledged deposit amounts in accordance with the factoring agreement. The Group will pay interest to the bank, calculated based on the agreed interest rate for the repayment period made by the customer. Furthermore, the pledged deposit amount cannot be withdrawn prior to the repayment made by the customer, the remaining amount and pledged deposit will be received from banks upon the actual payment from customer and will be recorded under bank accounts. In addition, the Group has to pay the transaction fee with a certain percentage. As of March 31, 2018 and December 31, 2017, the uncollected accounts receivable under factoring and pledged deposit amounted to \$0, \$120,544, \$0 and \$33,686, respectively, were recorded under other current financial assets.

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

As of March 31, 2018 and December 31, 2017, the details of the factored accounts receivable was as follows:

<b>March 31, 2018</b>				
<b>Amount of sold A/R</b>	<b>Limitation amount</b>	<b>Advance amount</b>	<b>Amount Derecognized</b>	<b>Interest rate</b>
<b>\$ 529,885</b>	<b>556,301</b>	<b>409,341</b>	<b>529,885</b>	<b>1.5%</b>

  

<b>December 31, 2017</b>				
<b>Amount of sold A/R</b>	<b>Limitation amount</b>	<b>Advance amount</b>	<b>Amount Derecognized</b>	<b>Interest rate</b>
<b>\$ 336,656</b>	<b>554,988</b>	<b>302,970</b>	<b>336,656</b>	<b>1.5%</b>

(iv) As of March 31, 2018, December 31 and March 31, 2017, the Group did not provide any notes and accounts receivable and other receivables 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.

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Other accounts receivable	\$ 56,794	79,510	109,183
Less: Loss allowance	(4,978)	(4,978)	(4,978)
	<b>\$ 51,816</b>	<b>74,532</b>	<b>104,205</b>

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 on March 31, 2018:

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

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

For the three months ended March 31, 2018, the movement in the allowance for financial assets of other receivables were as follows:

	<b>Lifetime ECL- not credit- impaired</b>	<b>Lifetime ECL- credit-impaired</b>	<b>Total</b>
Balance on March 31, 2018 (Same as balance on January 1, 2018)	\$ <u>-</u>	<u>4,978</u>	<u>4,978</u>

As of December 31 and March 31, 2017, the aging analysis of other receivables, which were past due but not impaired, were as follows:

	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Not overdue	\$ <u>74,532</u>	<u>104,205</u>

For the three months ended March 31, 2017, the movement in the allowance for other receivables were as follows:

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance on March 31, 2017 (Same as balance on January 1, 2017)	\$ <u>4,978</u>	<u>-</u>	<u>4,978</u>

(h) Construction contracts

Construction revenue recognized in profit or loss during the three months ended March 31, 2017 was as follows:

	For the three months ended <u>March 31, 2017</u>	
Construction revenue recognized in current profit	\$ <u>58,611</u>	
	December 31, <u>2017</u>	March 31, <u>2017</u>
Accumulated costs incurred	\$ 672,628	547,891
Add: Accumulated profit and losses recognized arising from the construction	<u>236,075</u>	<u>237,244</u>
Accumulated costs and profit recognized (less losses recognized)	908,703	785,135
Less: progress billings	<u>908,703</u>	<u>785,135</u>
Amount due from (to) customers for contract work – presented as an asset (liability)	\$ <u>-</u>	<u>-</u>

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

(i) Inventories

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Raw materials	\$ 604,968	426,023	543,786
Work in progress	375,913	418,989	538,597
Finished goods	<u>1,367,613</u>	<u>1,644,640</u>	<u>1,469,407</u>
	<b><u>\$ 2,348,494</u></b>	<b><u>2,489,652</u></b>	<b><u>2,551,790</u></b>

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

The Group reversed its allowance for inventory valuation and obsolescence loss amounting to \$7,994 in the three months ended March 31, 2017, and recorded them as reduction of cost of sales because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

As of March 31, 2018, December 31 and March 31, 2017, the Group did not provide any inventories as collateral for its loans.

(j) Investments accounted for using equity method

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Associates	\$ <u>90,474</u>	<u>89,994</u>	<u>92,267</u>

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
The carrying amount of individually insignificant associates equity	\$ <u>90,474</u>	<u>89,994</u>	<u>92,267</u>

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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	<b>For the three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Attributable to the Group:		
Profit (loss) from continuing operations	\$ 480	(4,654)
Other comprehensive income	-	(1,918)
	<u>\$ 480</u>	<u>(6,572)</u>

(iii) There were no significant changes in the investments accounted for using equity method of the Group for the three months ended . For related information, please refer to note 6(h) of the 2017 annual consolidated financial statements.

(iv) Pledges

As of March 31, 2018, December 31 and March 31, 2017, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

(k) Changes in subsidiaries' equity

There were no significant changes in the acquisitions of subsidiaries' equity of the Group for the three months ended March 31, 2018. For related information, please refer to note 6(i) of the 2017 annual consolidated financial statements.

(l) Loss control of subsidiaries

(i) For loss control of subsidiaries of the Group in 2017, please refer to note 6(j) of the 2017 annual consolidated financial statements.

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

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

Other current assets	\$ 3,864
Other current liabilities	-
Carrying amount of net assets	<u>\$ 3,864</u>
Other equity	<u>\$ (4,945)</u>

(Continued)

**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(m) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
<b>Cost or deemed cost:</b>							
Balance on January 1, 2018	\$ 651,235	8,016,840	14,063,604	1,564,202	1,181,827	294,190	25,771,898
Add: additions	-	17,861	57,633	26,852	19,760	35,408	157,514
Add: reclassification	-	46,441	35,612	118	(19,596)	(18,581)	43,994
Less: disposals	-	-	(29,143)	(10,257)	(19,399)	(950)	(59,749)
Effect of movements in exchange rates	110	34,226	78,223	6,178	6,745	-	125,482
Balance on March 31, 2018	<u>\$ 651,345</u>	<u>8,115,368</u>	<u>14,205,929</u>	<u>1,587,093</u>	<u>1,169,337</u>	<u>310,067</u>	<u>26,039,139</u>
Balance on January 1, 2017	\$ 648,882	7,735,911	14,676,783	1,520,663	1,072,384	290,038	25,944,661
Add: additions	-	34,316	136,948	50,304	28,799	53,918	304,285
Add: reclassification	-	154,912	93,538	621	16,906	(84,226)	181,751
Less: disposals	-	(48,155)	(122,741)	(8,633)	(5,409)	(3,799)	(188,737)
Effect of movements in exchange rates	(2,143)	(174,256)	(376,906)	(29,560)	(42,894)	(30,591)	(656,350)
Balance on March 31, 2017	<u>\$ 646,739</u>	<u>7,702,728</u>	<u>14,407,622</u>	<u>1,533,395</u>	<u>1,069,786</u>	<u>225,340</u>	<u>25,585,610</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2018	\$ -	3,012,162	9,691,147	1,050,195	590,699	-	14,344,203
Add: depreciation for the year	-	110,394	324,928	47,191	24,170	-	506,683
Less: disposals	-	-	(22,574)	(10,196)	(7,742)	-	(40,512)
Effect of movements in exchange rates	-	21,260	48,263	2,994	2,217	-	74,734
Balance on March 31, 2018	<u>\$ -</u>	<u>3,143,816</u>	<u>10,041,764</u>	<u>1,090,184</u>	<u>609,344</u>	<u>-</u>	<u>14,885,108</u>
Balance on January 1, 2017	\$ -	2,620,339	10,400,942	1,059,448	535,813	-	14,616,542
Add: depreciation for the year	-	102,924	334,368	46,760	20,755	-	504,807
Add: reclassification	-	-	(456)	-	456	-	-
Less: disposals	-	(34,439)	(90,707)	(6,011)	(5,108)	-	(136,265)
Effect of movements in exchange rates	-	(84,710)	(266,394)	(17,859)	(11,532)	-	(380,495)
Balance on March 31, 2017	<u>\$ -</u>	<u>2,604,114</u>	<u>10,377,753</u>	<u>1,082,338</u>	<u>540,384</u>	<u>-</u>	<u>14,604,589</u>
<b>Carrying amounts:</b>							
Balance on January 1, 2018	<u>\$ 651,235</u>	<u>5,004,678</u>	<u>4,372,457</u>	<u>514,007</u>	<u>591,128</u>	<u>294,190</u>	<u>11,427,695</u>
Balance on March 31, 2018	<u>\$ 651,345</u>	<u>4,971,552</u>	<u>4,164,165</u>	<u>496,909</u>	<u>559,993</u>	<u>310,067</u>	<u>11,154,031</u>
Balance on January 1, 2017	<u>\$ 648,882</u>	<u>5,115,572</u>	<u>4,275,841</u>	<u>461,215</u>	<u>536,571</u>	<u>290,038</u>	<u>11,328,119</u>
Balance on March 31, 2017	<u>\$ 646,739</u>	<u>5,098,614</u>	<u>4,029,869</u>	<u>451,057</u>	<u>529,402</u>	<u>225,340</u>	<u>10,981,021</u>

As of March 31, 2018, December 31 and March 31, 2017, 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**

(n) Other current financial assets

	March 31, 2018	December 31, 2017	March 31, 2017
Time deposits with maturities over three months	\$ 5,874,649	6,472,603	5,918,963
Capital guarantee financial products	-	568,862	1,090,585
Restricted cash in bank	120,544	33,686	-
Other receivables	<u>51,816</u>	<u>74,532</u>	<u>104,205</u>
	<u>\$ 6,047,009</u>	<u>7,149,683</u>	<u>7,113,753</u>

- (i) The Group purchased rate-related principal guarantee financial products and floating income principal guarantee financial products to optimize the use of its working Capital. These investments were classified as financial assets at fair value through profit or loss on March 31, 2018; please refer to note 6(b). The Group's capital guarantee financial products which have yet to mature on December 31 and March 31, 2017, were as follows:

December 31, 2017				
Contract amount (in thousands)	Rate	Maturity period	Amount	
RMB 124,000	3.30%~4.25%	2018.01~2018.02	\$	<u>568,862</u>
March 31, 2017				
Contract amount (in thousands)	Rate	Maturity period	Amount	
RMB 213,000	3.10%~3.90%	2017.04~2017.06	\$	938,755
USD 5,000	1.5%	2017.04		<u>151,830</u>
			\$	<u>1,090,585</u>

The Group recognized the interest income of principal guarantee financial products for the three months ended March 31, 2017, please refer to note 6(ab).

- (ii) As of March 31, 2018 and December 31, 2017, 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. As of March 31, 2017, the Group did not provide any financial assets as collateral for its loans.

(o) Short-term borrowings

The short-term loans were summarized as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Unsecured bank loans	\$ <u>3,687,671</u>	<u>2,181,411</u>	<u>2,123,413</u>
Unused short-term credit lines	\$ <u>12,583,819</u>	<u>14,433,426</u>	<u>14,866,203</u>
Annual interest rates	<u>0.43%~2.8%</u>	<u>0.43%~2.75%</u>	<u>1.06%~2.70%</u>

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

**Notes to the Consolidated Financial Statements**

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

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

(p) Other current liabilities

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Refund liabilities	\$ 29,845	-	-
Derivative instruments not used for hedging	27,030	23,883	49,541
Embedded derivative – put option	53,436	46,988	-
Wages and salaries payable	259,310	253,954	248,282
Other payables	1,478,562	1,529,986	1,274,221
Others	<u>300,790</u>	<u>516,045</u>	<u>321,683</u>
	<b><u>\$ 2,148,973</u></b>	<b><u>2,370,856</u></b>	<b><u>1,893,727</u></b>

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

(q) Convertible bonds payable

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Total convertible bonds issued	\$ 9,000,000	9,000,000	9,000,000
Unamortized discounted bonds payable	(171,307)	(198,304)	(274,200)
Cumulated converted amount	(184,600)	(184,600)	(184,600)
Cumulated repurchased and redeemed amount	<u>(1,160,500)</u>	<u>(1,160,500)</u>	<u>(1,301,500)</u>
	7,483,593	7,456,596	7,239,700
Unamortized amount of the cost of issuing convertible bonds	(2,847)	(3,347)	(4,847)
Bonds payable, current portion	<u>(7,480,746)</u>	<u>(7,453,249)</u>	<u>-</u>
Non-current	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>7,234,853</u></b>

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Embedded derivative – put option (recognized as financial liabilities at fair value through profit or loss, and recorded as other current liabilities)	\$ <u>53,436</u>	<u>46,988</u>	<u>-</u>
Embedded derivative – put option (recognized as financial liabilities at fair value through profit or loss, and recorded as other non-current liabilities)	\$ <u>-</u>	<u>-</u>	<u>38,267</u>
Equity components – conversion options (recognized as capital surplus – redemption rights)	\$ <u>601,110</u>	<u>601,110</u>	<u>601,110</u>
		<b>For the three months ended March 31,</b>	
		<u>2018</u>	<u>2017</u>
Embedded derivative – gains or losses resulting from remeasuring call and put options at fair value (recorded as gains (losses) on financial assets (liabilities) at fair value through profit or loss)		\$ <u>(6,448)</u>	<u>(461)</u>
Interest expense		\$ <u>(26,997)</u>	<u>(25,439)</u>

There were no significant differences in the convertible payable of the Group . For related information, please refer to note 6(n) of the 2017 annual consolidated financial statements.

(r) Long-term loans

The details of long-term borrowings were as follows:

<u>Banks</u>	<u>Expiration</u>	<u>Currency</u>	<u>Range of interest rates</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Bank SinoPac	2017.10.7	TWD	1.465%~1.675%	\$ -	-	3,529
Less: current portion				-	-	(3,529)
				\$ <u>-</u>	<u>-</u>	<u>-</u>
Unused long-term credit lines				\$ <u>-</u>	<u>-</u>	<u>-</u>

- (i) For information on the Group's interest risk and liquidity risk, please refer to 6(ad) for details.
- (ii) The Group did not provide any assets as collateral for its loans.
- (iii) There were no significant issues, repurchases and repayments of long-term borrowings . Information on interest expense for the period is discussed in Note 6(ab). Please refer to Note 6(o) of the 2017 annual consolidated financial statements for other related information.
- (s) Operating lease

There were no significant differences between the new lease contracts and the long-term prepaid rents of the Group . For related information, please refer to note 6(p) of the 2017 annual consolidated financial statements.

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

(t) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year, the pension cost of the Company and Evervision TW in the interim consolidated financial statements shall be measured and disclosed in accordance with the actuarial report measured on December 31, 2017 and 2016.

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

	<b>For the three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Cost of sales and operating expenses	<u>\$ 1,039</u>	<u>1,361</u>

(ii) Defined contribution plans

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

	<b>For the three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Cost of sales and operating expenses	<u>\$ 37,439</u>	<u>30,786</u>

(u) Income taxes

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

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing 2018. The group spreads the effect of the change in the tax rate by an adjustment to the estimated annual effective income tax rate.

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

	<b>For the three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Current tax expense	<u>\$ 58,418</u>	<u>99,246</u>

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

**Notes to the Consolidated Financial Statements**

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

	<b>For the three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Exchange differences on translating foreign operations	(5,161)	(4,415)
Actuarial gains (losses) on defined benefit plans	(3,569)	-
	<u><b>\$ (8,730)</b></u>	<u><b>(4,415)</b></u>

- (iii) The tax authorities have examined the Company's income tax returns through 2015. The income tax returns of the subsidiaries in the ROC have been assessed by the tax authorities through 2016.

- (v) Capital and other equities

Except as described below, there were no significant change in the capital and other equity. For related information, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2017.

As of March 31, 2018 and 2017, 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 440,539 and 439,438 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding were as follows:

(in thousands of shares)	<b>For the three months ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Balance on January 1	440,449	439,036
Employee stock options exercised	90	402
Balance on March 31	<u><b>440,539</b></u>	<u><b>439,438</b></u>

- (i) Ordinary shares

Based on a resolution at the annual shareholders' meeting held on June 12, 2015, the Company increased the authorized common stock to \$10,000,000. As of May 4, 2018, the registration procedures related to the authorized common stock had not been completed.

The employee stock options exercised amounting to \$907 resulted in a capital surplus of \$3,118 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$2,338). The registration procedures of the employee stock options amounting to \$1,615 had not been completed.

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The employee stock options exercised amounting to \$4,026 in three months ended March 31, 2017 which resulted in capital surplus of \$16,359 (including the stock options converted into addition paid-in capital arising from the ordinary shares of \$7,841). The registration procedures of the employee stock options had been completed.

#### (ii) Capital surplus

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

	March 31, 2018	December 31, 2017	March 31, 2017
Additional paid-in capital	\$ 7,682,087	7,678,969	7,640,589
Difference between consideration and carrying amount of subsidiaries disposed	150,743	150,743	142,260
Changes in equity of associates accounted for using equity method	6,489	6,489	6,489
Redemption rights resulting from issuance of convertible bonds	601,110	601,110	601,110
Treasury stock resulting from the redemption of convertible bonds	470,522	470,522	469,181
Share-based payment – employee stock options	225,660	231,834	271,695
Others	44	44	44
	<u>\$ 9,136,655</u>	<u>9,139,711</u>	<u>9,131,368</u>

#### (iii) Retained earnings

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

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

#### 1) Earnings distribution

The Company proposal the 2017 earning distribution in the board of directors' meeting on Mach 23, 2018; where as 2016 earning distribution had been approved in the shareholders' meeting on June 16, 2017. Information related to dividends distributed were as follows:

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**EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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	2017		2016	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ <u>3.00</u>	<u>1,321,133</u>	<u>3.00</u>	<u>1,322,385</u>
2) Other equity (net of tax)				
	Foreign exchange differences arising from foreign operation	Available- for-sale financial assets	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2018	\$ (437,489)	(393,305)	-	(830,794)
Effect of retrospective application	-	393,305	(389,010)	4,295
Balance at January 1, 2018 after adjustments	(437,489)	-	(389,010)	(826,499)
Foreign exchange differences (net of taxes):				
The Group	88,794	-	-	88,794
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
The Group	-	-	(26,795)	(26,795)
Balance on March 31, 2018	\$ <u>(348,695)</u>	<u>-</u>	<u>(415,805)</u>	<u>(764,500)</u>
Balance of January 1, 2017	\$ (342,475)	(1,076,778)	-	(1,419,253)
Foreign exchange differences (net of taxes):				
The Group	(428,431)	-	-	(428,431)
Associates	(1,918)	-	-	(1,918)
Unrealized gains and losses from available-for-sale financial assets (net of taxes):				
The Group	-	174,241	-	174,241
Balance on March 31, 2017	\$ <u>(772,824)</u>	<u>(902,537)</u>	<u>-</u>	<u>(1,675,361)</u>

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**Notes to the Consolidated Financial Statements**

(w) Share-based payment

Except as described below, there were no significant changes in the share-based payment of the Group. For related information, please refer to note 6(t) of the 2017 annual consolidated financial statements.

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

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

  

Three months ended March 31, 2017								
Date of issuance	2017.1.1 Outstanding units	Current units granted	Current units exercised	Current units abandoned	Current units expired	2017.3.31 Outstanding units	2017.3.31 Exercisable units	Remaining duration
August 6, 2015	70,000	-	-	-	-	70,000	-	3.3 years
April 2, 2015	4,192,000	-	-	141,000	-	4,051,000	-	3.0 years
July 18, 2013	1,440,300	-	180,600	21,200	-	1,238,500	1,238,500	1.3 years
June 4, 2012	972,650	-	174,500	7,500	-	790,650	790,650	0.2 years
January 2, 2012	1,092,500	-	47,500	1,045,000	-	-	-	- year
	<u>7,767,450</u>	<u>-</u>	<u>402,600</u>	<u>1,214,700</u>	<u>-</u>	<u>6,150,150</u>	<u>2,029,150</u>	
Weighted-average exercise price (dollars)	\$ <u>26.00</u>	<u>-</u>	<u>31.16</u>	<u>37.80</u>	<u>-</u>	<u>23.34</u>	<u>27.83</u>	

The compensation cost of the stock options, which were overestimated, have been reversed in the previous years due to the abandonment of resigned employees amounted to \$3,836 three months ended March 31, 2018. The compensation cost of the stock options amounted to \$13,950 three months ended March 31, 2017.

(x) Earnings per share

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

		For the three months ended March 31,	
		2018	2017
Basic earnings per share:			
Profit attributable to ordinary shareholders of the Company		\$ <u>109,250</u>	<u>312,718</u>

(Continued)

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

	<u>2018</u>	<u>2017</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u><u>440,502</u></u>	<u><u>439,319</u></u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ 109,250	312,718
Dilutive effect of potential ordinary shares:		
Convertible bonds	<u>10,807</u>	<u>25,900</u>
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u><u>\$ 120,057</u></u>	<u><u>338,618</u></u>
Weighted-average number of outstanding ordinary shares (thousands)	440,502	439,319
Dilutive effect of potential ordinary shares:		
Employee stock bonus	699	1,089
Convertible bonds	54,726	114,837
Employee stock options	<u>1,950</u>	<u>3,186</u>
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)	<u><u>497,877</u></u>	<u><u>558,431</u></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.

(y) Revenue from contracts with customers

(i) Disaggregation of revenue

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

(Continued)

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

(ii) Contract balance

	<b>March 31, 2018</b>	<b>January 1, 2018</b>
Notes receivable	\$ 27,133	28,368
Accounts receivables	7,815,241	8,681,112
Less: allowance for impairment	<u>(126,581)</u>	<u>(132,051)</u>
	<u><b>\$ 7,715,793</b></u>	<u><b>8,577,429</b></u>
Contract assets-illumination	<u>\$ -</u>	<u>-</u>
Contract liabilities	<u><b>\$ 9,686</b></u>	<u><b>8,069</b></u>

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

For details on construction contracts as of March 31, 2017, please refer to note (6)(h).

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.

(z) Net sales revenue

The details of sales revenue March 31, 2017 were as follows:

<b>Items</b>	<b>Net sales For the three months ended March 31, 2017</b>
Sales revenue:	
Luminous and sensing element	\$ 5,916,946
Illumination	535,618
Other	<u>206,760</u>
	6,659,324
Construction revenue	<u>58,611</u>
Net sales revenue	<u><b>\$ 6,717,935</b></u>

(aa) Remuneration of employees, directors and supervisors

In accordance with the Company's articles, if there is annual net income, the Company should appropriate 6%~12% as remuneration to employee and remuneration to directors and supervisors not exceeding 1%. However, if the Company has accumulated deficits, the after-tax earnings shall first be offset against any deficit. The employees include those in the subsidiaries who meet specific conditions.

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

For the three months ended March 31, 2018 and 2017, the remuneration to employees amounted to \$8,087 and \$23,376, and the remuneration to directors and supervisors amounted to \$943 and \$2,727, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees, directors and supervisors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These remuneration are expensed under operating expenses for the period. The differences between the actual amounts and the estimation of employee compensation will be treated as changes in accounting estimates and adjusted in profit or loss in the following year. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting.

The remuneration to employees amounted to \$84,213 and \$130,006, and the remuneration to directors and supervisors amounted to \$7,677 and \$15,314, in 2017 and 2016, respectively. The related information can be accessed from the Market Observation Post System website. There had no differences between the actual amounts and the estimation of employee compensation in 2017 and 2016.

(ab) Non-operating income and expenses

The interest income and finance costs were as follows:

(i) Interest income

<b>For the three months ended March 31,</b>	
<b>2018</b>	<b>2017</b>
Cash in banks	\$ 18,455
Structured notes and deposits	-
Other	2,773
<b>\$ 21,228</b>	<b>24,907</b>

(ii) Finance costs – interest expenses

<b>For the three months ended March 31,</b>	
<b>2018</b>	<b>2017</b>
Loans	\$ 11,890
Convertible Bonds	26,997
<b>\$ 38,887</b>	<b>30,598</b>

(Continued)

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

(ac) Reclassification adjustments of the components of other comprehensive income

The reclassification adjustments of the components of other comprehensive income were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Available-for-sale financial assets:		
Net change in fair value	\$ -	174,241
Equity instruments at fair value through other comprehensive income:		
Net change in fair value	(26,795)	-
Net change in fair value recognized in other comprehensive income	<u>\$ (26,795)</u>	<u>174,241</u>

(ad) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(z) of the 2017 annual consolidated financial statement.

(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(f).

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

(ii) Liquidity Risk

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

(Continued)

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>March 31, 2018</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 3,687,671	(3,687,671)	(3,687,671)	-	-
Notes and accounts payable (including related parties)	4,987,898	(4,987,898)	(4,987,898)	-	-
Payable on construction and equipment	443,476	(443,476)	(443,476)	-	-
Other payables	1,478,562	(1,478,562)	(1,478,562)	-	-
Unsecured convertible bonds	7,483,593	(7,654,900)	(7,654,900)	-	-
Guarantee deposits received	132,892	(132,892)	-	-	(132,892)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	1,115				
Outflow	-	(263,695)	(263,695)	-	-
Inflow	-	263,463	263,463	-	-
Cross currency swap:	25,915				
Outflow	-	(1,479,460)	(1,479,460)	-	-
Inflow	-	1,456,000	1,456,000	-	-
Debt components of convertible bonds payable	53,436	-	-	-	-
	<u>\$ 18,294,558</u>	<u>(18,409,091)</u>	<u>(18,276,199)</u>	<u>-</u>	<u>(132,892)</u>
<b>December 31, 2017</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,181,411	(2,181,411)	(2,181,411)	-	-
Notes and accounts payable (including related parties)	5,584,631	(5,584,631)	(5,584,631)	-	-
Payable on construction and equipment	630,289	(630,289)	(630,289)	-	-
Other payables	1,529,986	(1,529,986)	(1,529,986)	-	-
Unsecured convertible bonds	7,456,596	(7,654,900)	(7,654,900)	-	-
Guarantee deposits received	132,022	(132,022)	-	-	(132,022)

(Continued)



**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>
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	3,242				
Outflow	-	(151,737)	(151,737)	-	-
Inflow	-	148,414	148,414	-	-
Cross currency swap:	20,418				
Outflow	-	(1,063,350)	(1,063,350)	-	-
Inflow	-	1,044,680	1,044,680	-	-
Swap contracts:	223				
Outflow	-	(19,380)	(19,380)	-	-
Inflow	-	19,189	19,189	-	-
Debt components of convertible bonds payable	46,988	-	-	-	-
	<u>\$ 17,585,806</u>	<u>(17,735,423)</u>	<u>(17,603,401)</u>	<u>-</u>	<u>(132,022)</u>
<b>March 31, 2017</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,123,413	(2,123,413)	(2,123,413)	-	-
Notes and accounts payable (including related parties)	5,982,606	(5,982,606)	(5,982,606)	-	-
Payable on construction and equipment	974,789	(974,789)	(974,789)	-	-
Other payables	1,274,221	(1,274,221)	(1,274,221)	-	-
Unsecured convertible bonds	7,239,700	(7,513,900)	-	-	(7,513,900)
Long-term loans (including current portion)	3,529	(3,529)	(3,529)	-	-
Guarantee deposits received	104,574	(104,574)	-	-	(104,574)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	1,837				
Outflow	-	(306,772)	(306,772)	-	-
Inflow	-	307,211	307,211	-	-
Cross currency swap:	47,704				
Outflow	-	(1,295,538)	(1,295,538)	-	-
Inflow	-	1,250,614	1,250,614	-	-
Debt components of convertible bonds payable	38,267	-	-	-	-
	<u>\$ 17,790,640</u>	<u>(18,021,517)</u>	<u>(10,403,043)</u>	<u>-</u>	<u>(7,618,474)</u>

(Continued)

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

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	March 31, 2018			December 31, 2017			March 31, 2017		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
<b>Financial assets</b>									
Monetary items									
USD	\$	169,594 USD/TWD =29.12	4,938,577	187,502 USD/TWD =29.848	5,596,560		233,988 USD/TWD =30.336		7,098,260
USD		1,832 USD/RMB =6.2725	53,348	77 USD/RMB =6.5062	2,298		149,627 USD/RMB =6.8831		4,529,085
RMB		413,503 RMB/TWD =4.6425	1,919,688	406,740 RMB/TWD =4.5876	1,865,960		165,201 RMB/TWD =4.4073		728,090
<b>Financial liabilities</b>									
Monetary items									
USD		137,043 USD/TWD =29.12	3,990,692	107,063 USD/TWD =29.848	3,195,616		243,003 USD/TWD =30.336		7,371,739
USD		53,676 USD/RMB =6.2725	1,563,045	59,615 USD/RMB =6.506	1,779,389		82,503 USD/RMB =6.8831		2,502,811
RMB		989,298 RMB/TWD =4.6425	4,592,816	1,128,819 RMB/TWD =4.5876	5,178,570		23,264 RMB/TWD =4.4073		102,531

2) Sensitivity analysis

The Group's exposure to foreign currency risk of monetary items arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at fair value through other comprehensive income (available-for-sale financial assets), loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of each major foreign currency against the Group's functional currency as of March 31, 2018 would have decreased (increased) the net profit before tax by \$81,634 for the three months ended March 31, 2018, and increased (decreased) the net profit before tax by \$202,016 for the three months ended March 31, 2017. 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 , the foreign exchange gains or losses, including both realized and unrealized, amounted to losses \$36,318 and \$198,948, respectively.

(Continued)

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

4) Interest rate analysis

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

	Carrying amount		
	March 31, 2018	December 31, 2017	March 31, 2017
Variable rate instruments:			
Financial assets	\$ 4,423,043	4,077,763	4,653,319
Financial liabilities	(3,687,671)	(2,181,411)	(2,126,942)
	<u>\$ 735,372</u>	<u>1,896,352</u>	<u>2,526,377</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, were as following, which would be mainly resulted from bank borrowings and cash in banks with variable interest rates.

	For the three months ended March 31,	
	2018	2017
Increase by 0.25%	\$ 460	1,579
Decrease by 0.25%	(460)	(1,579)

5) Fair value

a) The kinds of financial instruments and fair value

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

(Continued)

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

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

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## EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

March 31, 2018					
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at amortized cost:</b>					
Short-term borrowings	3,687,671	-	-	-	-
Notes and accounts payable (including related parties)	4,987,898	-	-	-	-
Payable on construction and equipment	443,476	-	-	-	-
Other current payables (recorded as other current liabilities)	1,478,562	-	-	-	-
Bonds payable (including current portion)	7,483,593	-	-	-	-
Guarantee deposits received	132,892	-	-	-	-
	<u>18,214,092</u>				
	<u><b>\$ 18,294,558</b></u>				
December 31, 2017					
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>					
Derivative financial assets	\$ 23,461	-	23,461	-	23,461
Non-derivative financial assets held-for-trading	133,670	133,670	-	-	133,670
Designated at initial recognition	93,465	33,814	59,651	-	93,465
Stock unlisted on foreign markets	<u>387,680</u>	-	387,680	-	387,680
	<u>638,276</u>				
<b>Available-for-sale financial assets:</b>					
Stocks listed on domestic markets	451,507	451,507	-	-	451,507
Unquoted equity instruments	<u>78,200</u>	-	-	78,200	78,200
	<u>529,707</u>				
<b>Financial assets at cost</b>	<u>40,049</u>	-	-	-	-
<b>Loans and receivables:</b>					
Cash and cash equivalents	4,769,006	-	-	-	-
Notes and accounts receivable (including related parties)	8,545,278	-	-	-	-
Other current financial assets	7,149,683	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	81,959	-	-	-	-
Refundable deposits (recorded as other non-current assets)	165,224	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	<u>6,900</u>	-	-	-	-
	<u>20,718,050</u>				
	<u><b>\$ 21,926,082</b></u>				

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

December 31, 2017					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities	\$ 23,883	-	23,883	-	23,883
Debt components of convertible bonds payable	<u>46,988</u>	-	-	46,988	46,988
	<u>70,871</u>				
<b>Financial liabilities at amortized cost through profit or loss:</b>					
Short-term borrowings	2,181,411	-	-	-	-
Notes and accounts payable (including related parties)	5,584,631	-	-	-	-
Payable on construction and equipment	630,289	-	-	-	-
Other current payables (recorded as other current liabilities)	1,529,986	-	-	-	-
Bonds payable (including current portion)	7,453,249	-	-	-	-
Guarantee deposits received	<u>132,022</u>	-	-	-	-
	<u>17,511,588</u>				
	<u>\$ 17,582,459</u>				
March 31, 2017					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss:</b>					
Derivative financial assets	\$ 42,913	-	42,913	-	42,913
Non-derivative financial assets held-for-trading	355,029	355,029	-	-	355,029
Designated at initial recognition	<u>83,331</u>	50,900	32,431	-	83,331
	<u>481,273</u>				
<b>Available-for-sale financial assets:</b>					
Stocks listed on domestic markets	632,615	632,615	-	-	632,615
Unquoted equity instruments	<u>96,400</u>	-	-	96,400	96,400
	<u>729,015</u>				
<b>Financial assets at cost</b>	<u>369,313</u>	-	-	-	-
<b>Loans and receivables:</b>					
Cash and cash equivalents	4,808,737	-	-	-	-
Notes and accounts receivable (including related parties)	8,712,731	-	-	-	-
Other current financial assets	7,113,753	-	-	-	-
Refundable deposits (recorded as other non-current assets)	186,550	-	-	-	-
Restricted cash in bank (recorded as other non-current assets)	<u>9,800</u>	-	-	-	-
	<u>20,831,571</u>				
	<u>\$ 22,411,172</u>				

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

	March 31, 2017				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative financial liabilities	\$ 49,541	-	49,541	-	49,541
Debt components of convertible bonds payable	<u>38,267</u>	-	-	38,267	38,267
	<u>87,808</u>				
<b>Financial liabilities at amortized cost through profit or loss:</b>					
Short-term borrowings	2,123,413	-	-	-	-
Notes and accounts payable (including related parties)	5,982,606	-	-	-	-
Payable on construction and equipment	974,789	-	-	-	-
Other current payables (recorded as other current liabilities)	1,274,221	-	-	-	-
Long-term loans (including current portion)	3,529	-	-	-	-
Bonds payable	7,239,700	-	-	-	-
Guarantee deposits received	<u>104,574</u>	-	-	-	-
	<u>17,702,832</u>				
	<u><b>\$ 17,790,640</b></u>				

- b) 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.
- c) There was no transfers from one level to another of the Group in the three months ended March 31, 2018 and 2017.

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

- d) 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 :

	Current financial assets at fair value through other comprehensive income (Available-for- sale financial assets) – unquoted equity instruments	Financial assets at fair value through profit or loss – asset components of convertible bonds payable	Financial liabilities at fair value through profit or loss – debt components of convertible bonds payable	Total
Balance on January 1, 2018	\$ 122,544	-	(46,988)	75,556
Total gains and losses recognized:				
In profit (loss)	-	-	(6,448)	(6,448)
In other comprehensive income	(2,295)	-	-	(2,295)
Balance on March 31, 2018	<u>\$ 120,249</u>	<u>-</u>	<u>(53,436)</u>	<u>66,813</u>
Balance on January 1, 2017	\$ 96,400	405	(38,211)	58,594
Total gains and losses recognized:				
In profit (loss)	-	(405)	(56)	(461)
Balance on March 31, 2017	<u>\$ 96,400</u>	<u>-</u>	<u>(38,267)</u>	<u>58,133</u>

The above total gains and losses are included in "other gains and losses" and "unrealized gain (loss) on available-for-sale financial assets" and "Unrealized gain (loss) from financial assets at fair value through other comprehensive income". The amount of total gains or losses for the years in above that were attributable to gains or losses relating to those assets and liabilities held at March 31, 2018 and 2017 were as follows:

	<b>For the three months ended March 31,</b>	
	<u>2018</u>	<u>2017</u>
Total gains and losses recognized:		
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	\$ (2,295)	-
In profit or loss (recorded as gains (losses) from financial assets (liabilities) at fair value through profit or loss)	(6,448)	(461)

(Continued)



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

**Notes to the Consolidated Financial Statements**

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

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

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

The quantitative information about significant unobservable inputs was as follows:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationships between significant unobservable inputs and fair value</b>
Current financial assets at fair value through other comprehensive income (Available-for-sale financial assets- equity instrument without quoted price)	Guideline Public Company method - Price-Book Method	Price-to-Book ratio (P/B Ratio) (0.67, 0.67 and 0.59 on March 31, 2018, December 31, 2017 and March 31,2017, respectively) Lack of marketability discount rate (20% on March 31, 2018, December 31, 2017 and March 31,2017)	The higher the P/B Ratio, the higher the fair value. The higher the lack of marketability discount, the lower the fair value.

(Continued)

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

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
Financial liabilities at fair value through profit or loss- call and put options of convertible bonds	Binomial options pricing model for convertible bond	Volatility (18.61%, 18.82% and 23.44% on March 31, 2018, December 31, 2017 and March 31, 2017, respectively)	The higher the volatility, the higher the fair value.

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

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

	<u>Input</u>	<u>Variation</u>	<u>Impacts of fair value change on other comprehensive income</u>		<u>Impacts of fair value change on net income or loss</u>	
			<u>Advantageous change</u>	<u>Disadvantageous change</u>	<u>Advantageous change</u>	<u>Disadvantageous change</u>
<b>March 31, 2018</b>						
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	\$ 3,910	3,910	-	-
	Lack of marketability discount	5%	\$ 3,910	3,910	-	-
Financial assets and liabilities at fair value through profit or loss	Volatility	5%	\$ -	-	33,628	32,246
<b>March 31, 2017</b>						
Available-for-sale financial assets	P/B ratio	5%	\$ 4,820	4,820	-	-
	Lack of marketability discount	5%	\$ 4,820	4,820	-	-
Financial assets and liabilities at fair value through profit or loss	Volatility	5%	\$ -	-	10,271	16,523

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

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

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

**(ae) Financial risk management**

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(aa) of the 2017 annual consolidated financial statements.

**(af) Capital management**

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in note 6(ab) of the 2017 annual consolidated financial statements. Also, management believes that there were no significant changes in the Group's capital management information as disclosed in the 2017 annual financial statements.

**(ag) 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 , were as follow:

	<b>January 1, 2018</b>	<b>Cash flow</b>	<b>March 31, 2018</b>
Short-term borrowings	\$ 2,181,411	1,506,260	3,687,671
Guarantee deposits received	<u>132,022</u>	<u>870</u>	<u>132,892</u>
Total liabilities from financing activities	<u><b>\$ 2,313,433</b></u>	<u><b>1,507,130</b></u>	<u><b>3,820,563</b></u>

**(7) Related-party transactions**

**(a) Names and relationship with related parties**

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

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

(Continued)

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

(b) Significant related party transactions

(i) Sales

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

	<b>For the three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Associates	\$ 22,809	20,493
Other related parties	26,002	25,222
	<u><b>\$ 48,811</b></u>	<u><b>45,715</b></u>

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

(ii) Purchase

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

	<b>For the three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Associates	\$ 121,300	108,853
Other related parties-Epistar	527,701	730,181
	<u><b>\$ 649,001</b></u>	<u><b>839,034</b></u>

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

(iii) Receivables from related parties

The receivables due from related parties were as follows:

<b>Related party categories</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Associates	\$ 49,913	49,383	46,779
Other related parties	53,164	71,170	49,212
	<u><b>\$ 103,077</b></u>	<u><b>120,553</b></u>	<u><b>95,991</b></u>

(Continued)

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

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Related party categories</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Associates	\$ 199,538	226,528	160,777
Other related parties-Epistar	1,215,379	1,443,757	1,739,857
	<u>\$ 1,414,917</u>	<u>1,670,285</u>	<u>1,900,634</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 7,183	21,940
Other	1,217	2,448
	<u>\$ 8,400</u>	<u>24,388</u>

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

**(8) Pledged assets**

The carrying amounts of the pledged assets are as follows:

<u>Assets</u>	<u>Objectives</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Time deposits and restricted cash in bank (recorded as other financial assets – non-current)	Guarantee for contract grant	\$ 6,974	6,900	9,800
Restricted cash in bank (recorded as other financial assets-current)	Contract of accounts receivable factoring	120,544	33,686	-
		<u>\$ 127,518</u>	<u>40,586</u>	<u>9,800</u>

**(9) Commitments and contingencies**

- (a) Except as described below, there were no significant differences between the commitments and the contingencies of the Group. For related information, please refer to note 9 of the 2017 annual consolidated financial statements.

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

(b) Significant commitments unrecognized:

- (i) As of March 31, 2018, December 31 and March 31, 2017, the Group's signed significant commitments to purchase machinery and equipment not yet due amounted to \$499,061, \$423,308 and \$1,689,395, respectively.
- (ii) As of March 31, 2018, December 31 and March 31, 2017, the unused balance of the Group's outstanding standby letters of credit amounted to \$38,135, \$49,009 and \$421,682, 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	For the three months ended March 31, 2018			For the three months ended March 31, 2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	448,955	430,456	879,411	439,422	421,649	861,071
Labor and health insurance	22,769	37,416	60,185	22,970	39,152	62,122
Pension	23,118	15,360	38,478	16,751	15,396	32,147
Others	32,358	20,497	52,855	32,984	20,025	53,009
Depreciation	355,267	151,416	506,683	365,533	139,274	504,807
Amortization	16,174	10,952	27,126	10,563	11,209	21,772

(b) Seasonality of interim operation

The operation of the Group is not subject to seasonal fluctuations.

**(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 three months ended March 31, 2018:

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

(i) Loans to other parties:

Unit: foreign currency in thousand dollars

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 5)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	WOFI Holding	Other current financial assets	Yes	358,904 (EUR10,000)	358,904 (EUR10,000)	358,904	1%	Short-term financing	-	Business turnover	-		-	1,802,590	7,210,360
1	Everlight Zhongshan	Zhongshan Everlight Lighting	Other receivables	Yes	34,819 (RMB7,500)	34,819 (RMB7,500)	34,819 (RMB7,500)	2.5%	Short-term financing	-	"	-		-	93,604	382,416

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

Note 2: According to Everlight Zhongshan "Procedures of Lending Funds to Other Parties", the total amount of loans to others cannot exceed 40% of the net worth of Everlight Zhongshan; and to borrowers having business relationship with Everlight Zhongshan, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short-term financing needs, the amount of cash fund financing cannot exceed 10% of Everlight Zhongshan's net worth.

Note 3: The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.

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

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of March 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Unit: foreign currency in thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	
The Company	MasterLink Securities Corporation Stocks	None	Current financial assets at fair value through profit or loss	351	\$ 3,232	-%	3,232	
"	SinoPac TWD Money Market Fund	"	"	3,610	50,039	-%	50,039	
"	Cathay Taiwan Money Market Fund	"	"	4,037	50,033	-%	50,033	
"	Taiwan Mobile Co., Ltd. convertible bonds	"	"	170	17,493	-%	17,493	
"	Gigasolar Materials Corporation convertible bonds	"	"	200	19,450	-%	19,450	
"	China Airlines Ltd. convertible bonds	"	"	220	22,374	-%	22,374	
"	Global PMX Co., Ltd. convertible bonds	"	"	30	3,255	-%	3,255	
"	ShunSin Technology Holdings Limited convertible bonds	"	"	100	10,600	-%	10,600	
"	Yuanta Fulgent Sun Third KY CLN	"	"	-	40,114	-%	40,114	
"	Yuanta YGG Second KY CLN	"	"	-	2,005	-%	2,005	
"	Yuanta Centerfab Third CLN	"	"	-	29,126	-%	29,126	
					<u>\$ 247,721</u>			
"	Hua-chuang Automobile Information Technical Center Co., Ltd., Stocks	The Company is the corporate director of this company	Non-current financial assets at fair value through other comprehensive income	20,000	78,200	4.00%	78,200	
"	Epistar Co., Ltd (Epistar) Stocks	The Company is the corporate director of this company	"	10,000	427,007	0.92%	427,007	
"	E&E Components (HK) Limited Stocks	None	"	450	428	7.80%	428	
The Company	E&E Components (S) Pte. Ltd. Stocks	None	Non-current financial assets at fair value through other comprehensive income	45	824	15.60%	824	
"	E&E Japan Co., Ltd. Stocks	None	"	-	8,797	19.51%	8,797	
					<u>\$ 515,256</u>			

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

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	
Pai-ye	Taishin Ta-Chong Money Market Fund	None	Current financial assets at fair value through profit or loss	2,156	30,484	-%	30,484	
"	Taipei Tech innofund Stocks	Pai-ye is the corporate director of this company	Non-current financial assets at fair value through other comprehensive income	3,000	32,000	10%	32,000	
Everlight Fujian	Kaistar Lighting (Xiamen) Co., Ltd.	None	Current financial assets at fair value through profit or loss	(Note 2)	371,400 (RMB80,000)	3.97%	371,400	
"	Country Lighting (B.V.I.) Ltd.	None	"	(Note 2)	20,919 (RMB4,506)	8.21%	20,919	
"	Structured deposits	None	"	-	168,151 (RMB36,220)	-%	168,151	
					\$ 560,470			
Erallite	Structured deposits	None	Current financial assets at fair value through profit or loss	-	284,639 (RMB61,312)	-%	284,639	
Everlight Zhongshan	Structured deposits	None	"	-	349,769 (RMB75,341)	-%	349,769	
Everlight Lighting China	Structured deposits	None	"	-	148,906 (RMB32,075)	-%	148,906	

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

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: foreign currency in thousand dollars

Name of Company	Name of Counter-party	Relationship	Transaction Details				Abnormal Transaction		Notes/ Account (Payable) or Receivable		Note
			Purchase/ (Sale)	Amount (Note 1)	Percentage of total purchases/ sales	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 3)	Percentage of total notes/accounts receivable (payable)	
The Company	Evilite	100% owned subsidiary	(Sales)	\$ (353,423)	(7)%	OA 120	No significant difference to the general customers	General export receivables in 30-120 days	486,765	7 %	Note 2
"	Everlight Europe	75% owned subsidiary	(Sales)	(320,075)	(6)%	OA 120	"	"	289,153	4 %	"
"	Everlight Lighting China	100% owned sub-subsidiary	(Sales)	(135,348)	(3)%	Depending on the credit conditions of the ultimate customers	"	"	541,287	8 %	"
"	ELA	99% owned subsidiary	(Sales)	(122,789)	(2)%	OA 140	"	"	192,547	3 %	"
"	Everlight China	100% owned sub-subsidiary	Purchases	2,430,787	67%	Depending on the demand for funding, OA 120	Terms not comparable to other general trading price	General purchases payments in 90-120 days	(4,118,058)	(65)%	"
"	Everlight Zhongshan	100% owned sub-subsidiary	Purchases	130,369	4%	Depending on the demand for funding, OA 120	"	"	(213,969)	(3)%	"
"	Epistar	The Company is the corporate director of this company	Purchases	306,388	8%	OA 150	"	"	(680,971)	(11)%	-
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(152,143) (RMB(32,982))	(100)%	Depending on the demand for funding, OA 95	-	Depending on the funding demand of both sides	278,624 (RMB60,016)	100 %	Note 2
Everlight China	"	"	(Sales)	(2,522,560) (RMB(546,849))	(99)%	Depending on the demand for funding, OA 120	-	"	4,118,013 (RMB887,025)	99 %	"
Everlight China	Epistar	The Company is the corporate director of this company	Purchases	220,889 (RMB47,885)	14%	OA 150	Terms not comparable to other general trading price	General purchases payments in 90 days	(531,489) (RMB(114,483))	(22)%	-

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

Name of Company	Name of Counter-party	Relationship	Transaction Details				Abnormal Transaction		Notes/ Account (Payable) or Receivable		Note
			Purchase/ (Sale)	Amount (Note 1)	Percentage of total purchases/ sales	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 3)	Percentage of total notes/accounts receivable (payable)	
Everlight Lighting China	The Company	Ultimate holding company	Purchases	135,891 (RMB29,459)	40%	Depending on the terms of the ultimate customer	-	Depending on the funding demand of both sides	(345,207) (RMB(117,438))	(58)%	Note 2
ELA	The Company	Parent company	Purchases	122,337 (US\$4,174)	100%	OA 140	-	-	(192,991) (US\$(6,627))	(99)%	#
Everlight Europe	The Company	Parent company	Purchases	326,619 (EUR9,064)	100%	OA 120	-	-	286,653 (EUR(7,987))	(99)%	#
Ev-lite	The Company	Parent company	Purchases	353,121 (HKD94,304)	100%	OA 120	-	Depending on the funding demand of both sides	486,569 (HKD(131,144))	(100)%	#

Note 1: The amounts were translated into New Taiwan dollars at the three months ended March 31, 2018 average exchange rates.  
Note 2: All transactions between companies mentioned in note 2 had been eliminated in the interim consolidated financial statements.  
Note 3: The accounts were translated into New Taiwan dollars at the exchange rate at the ended date of the reporting period.

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

Unit: foreign currency in thousand dollars

Name of company	Counter-party	Nature of relationship	Ending balance (Note 2)	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Everlight Europe	75% owned subsidiary	289,153	4.40	-	-	93,139 (US\$747 + EUR1,989)	-
"	ELA	99% owned subsidiary	192,547	2.85	-	-	29,994 (US\$1,030)	-
"	Ev-lite	100% owned subsidiary	486,765	2.63	-	-	149,322 (US\$215 + HKD38,559)	-
"	Everlight Lighting China	100% owned sub-subsidiary	541,287	0.90	-	-	31,105 (RMB6,700)	-
"	WOFI Holding	100% owned subsidiary	361,334 (Note 3)	-	-	-	-	-
The Company	Everlight China	100% owned sub-subsidiary	258,976 (Note 4)	-	-	-	39,289 (RMB8,463)	-
Everlight China	The Company	Ultimate holding company	4,118,013	2.37	-	-	922,507 (RMB198,709)	-
Everlight Zhongshan	The Company	Ultimate holding company	278,624	2.30	-	-	64,656 (RMB13,927)	-
Everlight Fujian	Everlight Lighting China	With the same parent company	138,005 (RMB29,726)	1.33	-	-	33,537 (RMB7,224)	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	277,921 (US\$9,544)	1.31	-	-	40,768 (US\$1,400)	-

Note 1 : Information as of May 2, 2018.  
Note 2 : The amounts were translated into New Taiwan dollars at the exchange rates at the reporting date.  
Note 3 : lending funds (including interest)  
Note 4 : Sales and reimbursement for purchase of fixed assets.  
Note 5 : The aforementioned transactions had been eliminated in the consolidated financial statements

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

(Continued)

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

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Counter- party	Relationship (Note 2)	Intercompany transactions			Percentage of consolidated net revenue or total assets
				Financial statements accounts	Amount	Terms	
0	The Company	Everlight Europe	1	Sales revenue	320,075	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	5 %
			1	Accounts receivable	289,153	"	1 %
0	The Company	ELA	1	Sales revenue	122,789	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	2 %
			1	Accounts receivable	192,547	"	1 %
0	The Company	Evlite	1	Sales revenue	353,423	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	6 %
			1	Accounts receivable	486,765	"	1 %
0	The Company	Everlight Lighting China	1	Sales revenue	135,348	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	2 %
			1	Accounts receivable	541,287	"	1 %
0	The Company	Everlight China	1	Other receivable due from related parties (Note 3)	258,976	Depending on the funding demand.	1 %
0	The Company	WOFI Holding	1	Other receivable due from related parties (Note 4)	361,334	Rate 1.0%	1 %
1	Everlight China	The Company	2	Sales revenue	2,522,560	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 120 days.	40 %
			2	Accounts receivable	4,118,013	"	11 %
2	Everlight Zhongshan	The Company	2	Sales revenue	152,143	There is no general price for comparison. Depending on the funding demand, and the credit period is OA 95 days.	2 %
			2	Accounts receivable	278,624	"	1 %
3	Everlight Fujian	Everlight Lighting China	3	Accounts receivable	138,005	There is no significant difference on the price offered to general customers; and the credit period is OA 90 days.	- %
4	Vbest Kunshan	Evervision TW	3	Accounts receivable	277,921	There is no significant difference on the price offered to general customers; and the credit period is OA 150 days.	1 %

Note 1: The numbers filled in as follows:

1.0 represents the parent company.

2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

1.represents the transactions from the parent company to the subsidiaries

2.represents the transactions from the subsidiaries to the parent company

3.represents the transactions between the subsidiaries

Note 3: Sales and reimbursement for purchase of fixed assets.

Note 4: lending funds (including interest)

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

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2018 (excluding information on investees in Mainland China):

Unit: foreign currency in thousand dollars

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Ending balance			Net income (Losses) of the Investee (Note 3)	Share of profits/losses of investee	Note
				March 31, 2018	December 31, 2017	Shares (In thousands)	Percentage of ownership	Carrying value			
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	4,947,563	4,947,563	1,603	98%	\$ 7,373,540	7,305	7,159	Subsidiaries (Note 4)
"	Pai-ye	New Taipei City	Investment	580,253	580,253	23,940	100%	442,968	1,008	1,008	Subsidiaries (Note 4)
"	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	7,017	(21,477)	(21,243)	Subsidiaries (Note 4)
"	Evervision TW and its subsidiaries	Zhonghe Dist., New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	163,416	4,904	1,189	Subsidiaries (Note 4)
"	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	113,527	35,388	26,541	Subsidiaries (Note 4)
"	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	111,165	609	609	Subsidiaries (Note 4)
"	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	448,041	1,685	1,686	Subsidiaries (Note 4)
"	Ever Power	New Taipei City	Investment	400,000	400,000	34,612	100%	33,794	-	-	Subsidiaries (Note 4)
"	Zenaro TW	New Taipei City	Sale of LED lighting products	380,100	380,100	20,062	100%	47,285	27	27	Subsidiaries (Note 4)
"	ELL	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	177,979	20,796	20,796	Subsidiaries (Note 4)
"	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	55,790	4,970	480	(Note 1)
"	Evilite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	129,023	1,151	1,151	Subsidiaries (Note 4)
"	Zenaro GmbH	Registered in Germany	Research, manufacture and sale of LED lighting products	-	181,884	(Note 2)	-%	(Note 2)	-	-	-
"	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	13,045	231 (INR507)	185	Subsidiaries (Note 4)
"	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	16,939	(640)	(640)	Subsidiaries (Note 4)
"	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	235,066	(4,594)	(4,594)	Subsidiaries (Note 4)
"	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	19,372	(2,979)	(2,979)	Subsidiaries (Note 4)
Pai-ye	Everlight BVI	Registered in British Virgin Islands	Investment	124,508	124,508	38	2%	148,640	7,305	146	Subsidiaries (Note 4)
"	Evervision TW and its subsidiaries	Zhonghe Dist., New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	86,562	4,904	661	Subsidiaries (Note 4)
"	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	(443)	-	-	Subsidiaries (Note 4)
"	ELI	India	Sale of LEDs	493	493	88	20%	3,455	231 (INR507)	46	Subsidiaries (Note 4)
Zenaro TW	Zenaro USA	Registered in the USA	Research, manufacture and sale of LED lighting products	299,007	299,007	7,100	100%	5,789	-	Recognized by Shareholding Percentage by Zenaro TW	Sub-subsidiaries (Note 4)
Forever	Evervision TW and its subsidiaries	Zhonghe Dist., New Taipei City	Manufacture and sales of LCDs and LED processing	30,978	30,978	5,120	27.76%	146,403	4,904	1,361	Subsidiaries (Note 4)

Note 1: The market price is \$91,055 thousand dollars.

Note 2: The liquidation process had been completed in January, 2018.

Note 3: The amounts were translated into New Taiwan dollars at the three months ended March 31, 2018 average exchange rates.

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

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

(c) Information on investment in Mainland China:

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

Unit: foreign currency in thousand dollars

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 6)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2018	Net income (losses) of the investee	Percentage of ownership owned directly or indirectly by the company	Investment Income (losses) (Note 4)	Carrying amount as of March 31, 2018 (Note 6)	Accumulated remittance of earnings as of March 31, 2018
					Outflow	Inflow						
The Company and Subsidiaries:												
Everlight China	Manufacture of LEDs	3,607,481 (US\$113,500 + RMB65,129) (Note 7)	(Note 1)	3,501,444 (US\$110,360)	-	-	3,501,444 (US\$110,360)	41,019	100%	41,019	5,560,422	(Note 8)
Everlight Lighting China	Sale of LEDs	232,960 (US\$8,000) (Note 11)	(Note 1)	168,714 (US\$5,200)	-	-	168,714 (US\$5,200)	(8,393)	100%	(8,393) (Note 12)	246,422 (Note 12)	-
Guangzhou Yi-Liang	Business development and customer services	212,640 (US\$128 + RMB45,000) (Note 20)	(Note 1)	4,142 (US\$128)	-	-	4,142 (US\$128)	(176)	100%	(176) (Note 21)	208,599 (Note 21)	-
Everlight Zhongshan	Manufacture of LED related components	873,600 (US\$30,000)	(Note 1)	930,868 (US\$30,000)	-	-	930,868 (US\$30,000)	(11,567)	100%	(11,567)	956,042	-
Everlight Fujian	Manufacture and sale of LED backlights and related	728,000 (US\$25,000)	(Note 1)	670,771 (US\$16,250 + RMB36,868)	-	-	670,771 (US\$16,250 + RMB36,868)	(10,605)	90%	(9,544)	626,887	-
Eralite	Manufacture and sale of LED backlights and related components	582,400 (US\$20,000)	(Note 1)	377,642 (US\$12,000)	-	-	377,642 (US\$12,000)	2,122	100%	2,122	307,138	-
Shanghai Yaming	Assemble LED lighting products	92,850 (RMB20,000)	(Note 1)	49,462 (US\$1,464)	-	-	49,462 (US\$1,464)	-	50%	-	34,684	-
	Research and sale of LED lighting products	441,038 (RMB95,000) (Note 23)	Direct investment	115,962 (US\$1,294 + RMB15,562)	-	-	115,962 (US\$1,294 + RMB15,562)	1,480	100%	1,480 (Note 22)	12,507 (Note 22)	-
Yi-Yao	Research of electronic components	53,249 (RMB11,470)	(Note 1)	33,054 (RMB6,462)	-	-	33,054 (RMB6,462)	-	100%	-	-	-
Overseas TW:												
Vbest Kunshan	Post-assemble STN display and assemble module	524,160 (US\$18,000)	(Note 2)	605,784 (US\$18,000)	-	-	605,784 (US\$18,000)	(23,770)	65.50%	(15,569)	409,186	-
Everlight Lighting China Zhongshan	Research and sale of LED lighting products	92,850 (RMB20,000)	(Note 3)	-	-	-	-	(6,780)	100%	(6,780)	(37,471)	-

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**Notes to the Consolidated Financial Statements**

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of March 31, 2018 (Note 6)	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (Note 6)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company and Pai-ye (Note 5)	5,544,213 (US\$181,003 thousand 、 RMB58,892 thousand) (Notes 9 、 10 、 16 and 17)	5,865,995 (US\$191,841 thousand 、 RMB60,223 thousand)	10,815,541
ELL	143,792 (US\$2,723 thousand 、 RMB13,893 thousand) (Notes 18 and 19)	143,792 (US\$2,723 thousand 、 RMB13,893 thousand)	106,787 (Note 13)
Evervision TW (Note 15)	615,480 (Note 15 and 24) (US\$21,136 thousand)	615,480 (US\$21,136 thousand)	394,908 (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 three months ended March 31 average exchange rates in 2018.  
Note 5: Including the investment amount of US\$ 3,851 thousand approved by Pai-ye.  
Note 6: The amounts were translated into New Taiwan dollars at the exchange rates at the end of the reporting period.  
Note 7: The difference from the Company's outflow of investment was due to the retained earnings transferred to the capital of Everlight China amounting to US\$ 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.  
Note 8: Including the remittance amounting to US\$ 10,140 thousand from Guangzhou Everlight to Everlight BVI to be invested in Everlight China by Everlight BVI in 2007.  
Note 9: In January 2011, the Company sold its subsidiary (Yi-Yao) in Mainland China, through Evlite, to its domestic subsidiary, ELL, at US\$ 245 thousand, and the Company had applied to eliminate its sales price. In addition, the aforesaid investment amount included its accumulated remittance for investment amounting to US\$ 48 thousand.  
Note 10: The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to US\$ 3,750 thousand was included in the Company's accumulated outflow of investment from Taiwan.  
Note 11: The difference from the Company's outflow of investment was due to the amount of US\$ 2,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.  
Note 12: Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.  
Note 13: After the investment of ELL in Mainland China, its net equity decreased due to its operating losses. Therefore, the amount in the approval letter from the Investment Commission of Ministry of Economic Affairs is higher than the limitation required for the investment in accordance with the legal authorities.  
Note 14: After the investment of Evervision TW in Mainland China, its net equity decreased due to its capital reduction in 2012. Therefore, the amount in the approval letter from the Investment Commission of Ministry of Economic Affairs is higher than required for the limitation on investment in accordance with the legal authorities.  
Note 15: Including the investment amount of the factory in Mainland China written off in 2012 amounting to US\$ 2,750 thousand.  
Note 16: Including the investments amounting to US\$ 216 thousand in Inferpoint Touch Solutions (ShenZhen) Limited and Inferpoint Systems (Shenzhen) Limited through Inferpoint Systems Limited, an investee at cost, in Mainland China. The Company sold its equities in December 2013, but had not applied to eliminate the investment amounting to US\$ 9,475 thousand.  
Note 17: Everlight Yi-Guang Technology (Shanghai) Ltd. had completed its liquidation in April 2014. The aforesaid investment amount included the accumulated outward remittance from the Company for investment amounting to US\$ 293 thousand.  
Note 18: ELL sold 100% equity of ELMS to the Company in January 2014. The aforesaid investment amounting to US\$ 2,000 thousand and RMB 13,893 thousand were included in ELL's accumulated outflow of investment from Taiwan.

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

- Note 19: Including ELL's accumulated outflow of investment from Taiwan amounting to US\$ 723 thousand. In January 2015, adjustments were made to coordinate with the organizational structure of the Group, and the Company acquired control over Yi-Yao through Everlight SSL(HK) invested Yi-Yao amounting RMB\$6,462 thousand.
- Note 20: The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in Guangzhou Yi-Liang from Everlight China's owned fund.
- Note 21: Including the gains or losses on investment and ending balance of carrying value of investment in Guangzhou Yi-Liang by Everlight China.
- Note 22: Including the gains or losses on investment and ending balance of the carrying value of investment in Guangzhou Yi-Ling by ELMS.
- Note 23: The difference from the Company's outflow of investment was due to the amount of RMB45,000 thousand invested in ELMS from Guangzhou Yi-Ling.
- Note 24: The liquidation of Debao was completed in June, 2017; and the aforesaid investment amounting to US\$386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.
- Note 25: Except for Yaming, the aforementioned transactions had been eliminated in the preparation of the consolidated financial statements.

(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 three months ended March 31, 2018.

**(14) Segment information:**

(a) General Information

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

Other operating segments mainly engage in the sale of raw materials for electronic products, masks, and electrophoretic displays. The above operating segments did not meet the quantitative thresholds in 2018 and 2017.

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

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

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

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

**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2018						
	<u>LED segment</u>	<u>LCD segment</u>	<u>Illumination segment</u>	<u>Others</u>	<u>Adjustments &amp; eliminations</u>	<u>Total</u>
Revenues						
Revenues from external customers	\$ 5,350,781	163,805	742,975	22,627	-	6,280,188
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 5,350,781</u>	<u>163,805</u>	<u>742,975</u>	<u>22,627</u>	<u>-</u>	<u>6,280,188</u>
Reportable segment profit (loss)	<u>\$ 233,584</u>	<u>(2,306)</u>	<u>(42,901)</u>	<u>6,211</u>	<u>-</u>	<u>194,588</u>
For the three months ended March 31, 2017						
	<u>LED segment</u>	<u>LCD segment</u>	<u>Illumination segment</u>	<u>Others</u>	<u>Adjustments &amp; eliminations</u>	<u>Total</u>
Revenues						
Revenues from external customers	\$ 5,916,946	183,214	594,229	23,546	-	6,717,935
Intersegment revenues	-	-	-	-	-	-
Total revenues	<u>\$ 5,916,946</u>	<u>183,214</u>	<u>594,229</u>	<u>23,546</u>	<u>-</u>	<u>6,717,935</u>
Reportable segment profit (loss)	<u>\$ 635,117</u>	<u>5,191</u>	<u>(72,469)</u>	<u>7,147</u>	<u>-</u>	<u>574,986</u>