Stock Code:2393

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2020 and 2019

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Everlight Electronics Co., Ltd. and its subsidiaries ("the Group") as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the changes in equity and cash flows for the nine months then ended, 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 Standard 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 reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 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 the total assets amounting to $5,072,420 thousand and $4,848,036 thousand, constituting 17% of the consolidated total assets; and the total liabilities amounting to $1,099,689 thousand and $865,485 thousand, constituting 10% and 8% of the consolidated total liabilities as of September 30, 2020 and 2019, respectively; as well as the absolute value of the total comprehensive income (loss) amounting to $(3,287) thousand, $18,990 thousand, $(117,682) thousand and $(154,386) thousand, constituting 1%, 44%, 13% and 41% of the consolidated total comprehensive income (loss) for the three months and nine months then ended, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of the Group in its investee companies of $62,621 thousand and $136,012 thousand as of September 30, 2020 and 2019, respectively, and its equity in net earnings on these investee companies of $(5,028) thousand, $(11,274) thousand, $(35,257) thousand and $(24,341) thousand for the three months and nine months then ended, 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 Group as of September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months then ended, as well as its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
November 12, 2020

Notes to Readers

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

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

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2020 and 2019

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020, December 31, 2019, and September 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2020		December 31, 2019		September 30, 2019	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 3,315,801	11	4,982,698	18	3,636,168	13
1110	Current financial assets at fair value through profit or loss (note 6(b))	2,079,062	7	596,882	2	1,996,716	7
1140	Current contract assets (note 6(x))	45,542	-	106,363	-	-	-
1170	Notes and accounts receivable, net (note 6(d))	6,581,424	23	6,027,709	21	6,438,675	23
1180	Accounts receivable due from related parties, net (notes 6(d) and 7)	33,502	-	34,684	-	32,195	-
1310	Inventories (note 6(f))	1,758,758	6	1,785,349	6	1,656,993	6
1470	Other current assets	493,575	2	423,006	2	546,025	2
1476	Other current financial assets (notes 6(a),6(d), 6(e), 6(m) and 8)	4,252,933	15	3,429,945	12	2,599,247	9
		18,560,597	64	17,386,636	61	16,906,019	60
	Non-current assets:						
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	37,360	-	41,201	-	38,006	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	-	-	325,758	1	254,730	1
1550	Investments accounted for using the equity method, net (note 6(g))	62,621	-	79,013	-	136,012	-
1560	Non-current contract assets (note 6(x))	594,956	2	-	-	-	-
1600	Property, plant and equipment (note 6(k))	8,252,200	28	8,909,437	32	9,226,022	33
1755	Right-of-use assets (note 6(l))	408,388	2	404,510	2	409,439	2
1780	Intangible assets	81,313	-	82,650	-	88,911	-
1840	Deferred tax assets	460,412	2	457,663	2	428,802	2
1900	Other non-current assets (notes 6(a), 6(d), 6(x) and 8)	535,433	2	662,204	2	674,636	2
		10,432,683	36	10,962,436	39	11,256,558	40
	Total assets	**$ 28,993,280**	**100**	**28,349,072**	**100**	**28,162,577**	**100**

		September 30, 2020		December 31, 2019		September 30, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2100	Short-term borrowings (note 6(n))	$ 3,635,233	12	2,582,152	9	2,895,628	11
2130	Current contract liabilities (note 6(x))	18,180	-	23,752	-	3,361	-
2170	Notes and accounts payable	4,338,534	15	4,199,131	15	3,965,790	14
2180	Accounts payable to related parties (note 7)	242,546	1	168,285	-	189,596	1
2213	Payable on machinery and equipment	458,140	2	298,852	1	372,225	1
2230	Current tax liabilities	251,128	1	201,077	1	94,546	-
2280	Current lease liabilities (note 6(r))	41,713	-	49,958	-	49,137	-
2300	Other current liabilities (notes 6(b) and 6(o))	1,820,422	6	1,621,844	6	1,528,121	6
2410	Bonds payable, current portion (note 6(q))	-	-	1,119,659	4	1,115,365	4
2322	Long-term borrowings, current portion (note 6(p))	13,609	-	15,778	-	16,058	-
		10,819,505	37	10,280,488	36	10,229,827	37
	Non-Current liabilities:						
2540	Long-term borrowings (note 6(p))	24,497	-	37,866	-	41,752	-
2570	Deferred tax liabilities	101,657	-	183,169	1	262,005	1
2580	Non-current lease liabilities (note 6(r))	279,260	1	262,852	1	266,371	1
2640	Non-current provisions for employee benefit	120,671	1	124,282	-	139,822	-
2600	Other non-current liabilities	183,698	1	265,987	1	229,728	1
		709,783	3	874,156	3	939,678	3
	Total liabilities	11,529,288	40	11,154,644	39	11,169,505	40
	Equity:						
	Equity attributable to owners of parent (note 6(u)):						
3110	Ordinary shares	4,433,931	15	4,432,457	16	4,431,913	16
3200	Capital surplus (note 6(q))	9,084,110	31	9,089,121	32	9,088,719	32
	Retained earnings:						
3310	Legal reserve	2,671,978	9	2,589,754	9	2,589,754	9
3320	Special reserve	1,461,039	5	1,224,277	4	1,224,277	4
3350	Unappropriated retained earnings	404,810	2	968,323	4	742,946	3
		4,537,827	16	4,782,354	17	4,556,977	16
3400	Other equity interests	(958,435)	(3)	(1,461,039)	(5)	(1,467,129)	(5)
		17,097,433	59	16,842,893	60	16,610,480	59
3610	**Non-controlling interests**	366,559	1	351,535	1	382,592	1
	Total equity	17,463,992	60	17,194,428	61	16,993,072	60
	Total liabilities and equity	**$ 28,993,280**	**100**	**28,349,072**	**100**	**28,162,577**	**100**

See accompanying notes to consolidated financial statements.

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

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the nine months ended September 30, 2020 and 2019

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

		For the three months ended September 30				For the nine months ended September 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating revenue (notes 6(x) and 7)**	$ 5,852,832	100	5,172,580	100	16,026,442	100	15,519,777	100
5110	**Cost of sales (notes 6(f), 6(s), 7 and 12)**	4,307,539	74	3,830,601	74	11,956,424	75	11,877,137	77
5900	**Gross profit**	1,545,293	26	1,341,979	26	4,070,018	25	3,642,640	23
	Operating expenses (notes 6(s) and 12):								
6100	Selling expenses	339,480	6	381,974	8	1,025,379	6	1,085,010	7
6200	Administrative expenses	487,795	8	490,725	9	1,451,252	9	1,459,395	9
6300	Research and development expenses	179,891	3	189,077	4	531,683	4	543,692	4
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (note 6(d))	5,417	-	2,081	-	27,445	-	(180)	-
		1,012,583	17	1,063,857	21	3,035,759	19	3,087,917	20
6900	**Net operating income**	532,710	9	278,122	5	1,034,259	6	554,723	3
	Non-operating income and expenses:								
7100	Interest income (note 6(z))	17,917	-	12,862	-	48,123	-	34,563	-
7190	Other income (note 6(l))	26,934	1	13,744	-	90,895	1	91,240	1
7210	Gains on disposals of property, plant and equipment	21,318	-	6,603	-	94,342	1	64,265	-
7225	Gains on disposals of investments	-	-	37,024	1	-	-	37,024	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	16,584	-	(8,650)	-	3,410	-	5,031	-
7050	Finance costs (notes 6(q), 6(r) and 6(z))	(11,057)	-	(19,244)	-	(42,441)	-	(52,786)	-
7590	Other expenses and losses	(358)	-	(11,105)	-	(4,215)	-	(33,813)	-
7630	Foreign exchange gains (losses), net (note 6(aa))	(18,629)	-	43,136	1	44,232	-	95,297	1
7770	Share of profit (loss) of associates accounted for using the equity method (note 6(g))	(5,028)	-	(11,274)	-	(35,257)	-	(24,341)	-
		47,681	1	63,096	2	199,089	2	216,480	2
7900	**Profit before tax**	580,391	10	341,218	7	1,233,348	8	771,203	5
7950	Less: Income tax expenses (note 6(t))	109,667	2	39,764	1	302,317	2	146,562	1
	Profit	470,724	8	301,454	6	931,031	6	624,641	4
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	-	-	(70,326)	(2)	51,947	1	(76,326)	(1)
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
		-	-	(70,326)	(2)	51,947	1	(76,326)	(1)
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**								
8361	Exchange differences on translation of foreign financial statements	126,302	2	(274,200)	(5)	(96,548)	(1)	(174,506)	(1)
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(t))	(1,342)	-	520	-	(808)	-	302	-
		127,644	2	(274,720)	(5)	(95,740)	(1)	(174,808)	(1)
8300	**Other comprehensive income**	127,644	2	(345,046)	(7)	(43,793)	-	(251,134)	(2)
	Total comprehensive income	**$ 598,368**	**10**	**(43,592)**	**(1)**	**887,238**	**6**	**373,507**	**2**
	Profit, attributable to:								
	Owners of parent	$ 462,269	8	292,068	6	914,917	6	598,437	4
	Non-controlling interests	8,455	-	9,386	-	16,114	-	26,204	-
		$ 470,724	**8**	**301,454**	**6**	**931,031**	**6**	**624,641**	**4**
	Total comprehensive income attributable to:								
	Owners of parent	$ 582,915	10	(41,160)	(1)	872,214	6	355,585	2
	Non-controlling interests	15,453	-	(2,432)	-	15,024	-	17,922	-
		$ 598,368	**10**	**(43,592)**	**(1)**	**887,238**	**6**	**373,507**	**2**
	Earnings per share (note 6(w))								
9750	**Basic earnings per share**	**$ 1.04**		**0.66**		**2.06**		**1.35**	
9850	**Diluted earnings per share**	**$ 1.03**		**0.64**		**2.03**		**1.32**	

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
			Retained earnings			Other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2019	$ 4,429,996	9,159,142	2,510,447	830,794	1,281,854	(632,321)	(591,956)	(1,224,277)	16,987,956	364,670	17,352,626
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	79,307	-	(79,307)	-	-	-	-	-	-
Special reserve	-	-	-	393,483	(393,483)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(664,555)	-	-	-	(664,555)	-	(664,555)
	-	-	79,307	393,483	(1,137,345)	-	-	-	(664,555)	-	(664,555)
Profit for the period	-	-	-	-	598,437	-	-	-	598,437	26,204	624,641
Other comprehensive income for the period	-	-	-	-	-	(166,526)	(76,326)	(242,852)	(242,852)	(8,282)	(251,134)
Total comprehensive income for the period	-	-	-	-	598,437	(166,526)	(76,326)	(242,852)	355,585	17,922	373,507
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(72,690)	-	-	-	-	-	-	(72,690)	-	(72,690)
Share-based payments transactions	1,917	2,267	-	-	-	-	-	-	4,184	-	4,184
Balance at September 30, 2019	**$ 4,431,913**	**9,088,719**	**2,589,754**	**1,224,277**	**742,946**	**(798,847)**	**(668,282)**	**(1,467,129)**	**16,610,480**	**382,592**	**16,993,072**
Balance at January 1, 2020	$ 4,432,457	9,089,121	2,589,754	1,224,277	968,323	(863,785)	(597,254)	(1,461,039)	16,842,893	351,535	17,194,428
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	82,224	-	(82,224)	-	-	-	-	-	-
Special reserve	-	-	-	236,762	(236,762)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(620,563)	-	-	-	(620,563)	-	(620,563)
	-	-	82,224	236,762	(939,549)	-	-	-	(620,563)	-	(620,563)
Profit for the period	-	-	-	-	914,917	-	-	-	914,917	16,114	931,031
Other comprehensive income for the period	-	-	-	-	-	(94,650)	51,947	(42,703)	(42,703)	(1,090)	(43,793)
Total comprehensive income for the period	-	-	-	-	914,917	(94,650)	51,947	(42,703)	872,214	15,024	887,238
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(6,426)	-	-	6,426	-	-	-	-	-	-
Share-based payments transactions	1,474	1,092	-	-	-	-	-	-	2,566	-	2,566
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(545,307)	-	545,307	545,307	-	-	-
Others	-	323	-	-	-	-	-	-	323	-	323
Balance at September 30, 2020	**$ 4,433,931**	**9,084,110**	**2,671,978**	**1,461,039**	**404,810**	**(958,435)**	**-**	**(958,435)**	**17,097,433**	**366,559**	**17,463,992**

See accompanying notes to consolidated financial statements.

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REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30 2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,233,348	771,203
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	1,427,215	1,598,727
Expected credit loss (gain)	27,445	(180)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(10,011)	63,883
Interest expense	42,441	52,786
Interest income	(48,123)	(34,563)
Share-based payments compensation cost	-	748
Share of loss of associates and joint ventures accounted for using the equity method	35,257	24,341
Gain on disposal of investments	-	(37,024)
Gain on disposal of property, plant and equipment	(94,342)	(64,265)
Others	835	4,906
Total adjustments to reconcile profit (loss)	1,380,717	1,609,359
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value	(1,479,708)	(723,710)
Decrease (increase) in contract assets	(534,135)	78,550
Decrease (increase) in notes and accounts receivable (including related parties)	(584,097)	268,891
Decrease in inventories	26,591	193,874
Decrease (increase) in other current assets	(69,724)	352
Increase (decrease) in notes and accounts payable (including related parties)	213,664	(346,997)
Decrease in provisions	(15,160)	(16,252)
Increase (decrease) in other current liabilities	203,939	(205,093)
Increase (decrease) in non-current provisions for employee benefits	(3,611)	2,338
Decrease in current contract liability	(5,572)	(22,830)
Others	1,313	31,235
Total changes in operating assets and liabilities	(2,246,500)	(739,642)
Cash inflow generated from (used in) operations	367,565	1,640,920
Interest received	44,846	40,440
Interest paid	(34,327)	(40,734)
Income taxes paid	(330,498)	(210,115)
Net cash flows from (used in) operating activities	47,586	1,430,511
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	377,705	-
Acquisition of investments accounted for using the equity method	(18,865)	(49,485)
Acquisition of property, plant and equipment	(639,472)	(618,919)
Proceeds from disposal of property, plant and equipment	236,774	107,978
Decrease in refundable deposits	9,170	8,451
Acquisition of intangible assets	(52,232)	(36,648)
Increase in other financial assets	(243,439)	(518,018)
Increase in restricted deposits	(502,450)	(166,468)
Increase in prepayments for business facilities	(1,153)	(42,980)
Net cash flows from (used in) investing activities	(833,962)	(1,316,089)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	1,053,081	(216,342)
Repayments of bonds	(1,126,100)	-
Repayments of long-term borrowings	(8,166)	(6,423)
Increase (decrease) in guarantee deposits received	(68,893)	30,042
Payment of lease liabilities	(43,466)	(37,665)
Cash dividends paid	(620,563)	(664,555)
Exercise of employee stock options	2,566	3,436
Other financing activities	323	-
Net cash flows from (used in) financing activities	(811,218)	(891,507)
Effect of exchange rate changes on cash and cash equivalents	(69,303)	(117,132)
Net decrease in cash and cash equivalents	(1,666,897)	(894,217)
Cash and cash equivalents at beginning of period	4,982,698	4,530,385
Cash and cash equivalents at end of period	$ **3,315,801**	**3,636,168**

See accompanying notes to consolidated financial statements.

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

(1) Company history

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

The consolidated financial statements are comprised of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Please refer to note 4(b) 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 November 12, 2020.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

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 significant changes are as follows:

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

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets conditions is a lease modification and the change in lease liability is recognized in profit or loss. The amendments have been endorsed by the FSC in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note (4)(c).

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The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss in the three months and the nine months ended September 30, 2020 were $402 and $803, respectively.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2021:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	January 1, 2021

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform－Phase 2"	January 1, 2021

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.
May 14, 2020	Amendments to IAS 37 “Onerous Contracts－Cost of Fulfilling a Contract”	The amendments clarify that the ‘ costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: ● the incremental costs – e.g. direct labor and materials; and ● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

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

(4) Summary of significant accounting policies

(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 are 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.

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, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2019.

List of subsidiaries in the consolidated financial statements:

			Percentage of ownership			
Investor	**Name of subsidiary**	**Nature of business**	**September 30, 2020**	**December 31, 2019**	**September 30, 2019**	**Description**
The Company	Pai-yee Investment Co., Ltd. (Pai-yee)	Investment	100 %	100 %	100 %	
The Company and Pai-yee	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 4
The Company	Everlight Americas, Inc. (ELA)	Sale of LEDs	99 %	99 %	99 %	
The Company	Everlight Optoelectronics Korea Co., Ltd. (ELK)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company	Forever Investment Co., Ltd. (Forever)	Investment	100 %	100 %	100 %	Note 4
The Company	Everlight Intelligence Technology Co., Ltd. (ELIT)	Sale of LED lighting products	100 %	100 %	100 %	Note 4
The Company	Zenaro Lighting Co., Ltd. (Zenaro TW)	Sale of LED lighting products and investment	- %	- %	100 %	Note 1
The Company	WOFI Leuchten GmbH (WOFI Holding)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
The Company and Pai-yee	Everlight Electronic India Private Limited (ELI)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company	Evlite Electronics Co., Ltd. (Evlite)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company	Everlight Electronics Singapore Pte. Ltd. (ELS)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company	Everlight Japan Corporation (ELJ)	Sale of LEDs	100 %	100 %	100 %	Note 4
The Company、Pai-yee and Forever	Evervision Electronics Co., Ltd. (Evervision TW)	Manufacture and sales of liquid crystal displays and LED processing	65.50 %	65.50 %	65.50 %	Note 4
Pai-yee	Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia)	Business development and customer services	100 %	100 %	100 %	Note 4
ELIT	Everlight Intelligence Technology KZ LLP (ELIT KZ)	Sale of LED lighting products	100 %	- %	- %	Notes 3 and 4
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 4

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			Percentage of ownership			
Investor	Name of subsidiary	Nature of business	September 30, 2020	December 31, 2019	September 30, 2019	Description
Everlight BVI and Everlight China	Everlight Electronic (Guangzhou) Co., Ltd. (Everlight Electronic (Guangzhou))	Business development and customer services	100 %	100 %	100 %	Note 4
Everlight BVI	Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan)	Manufacture of LED-related components	100 %	100 %	100 %	
Everlight BVI	Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian)	Manufacture and sale of LED backlights and related components	90 %	90 %	90 %	Note 4
The Company and Everlight Electronic (Guangzhou)	Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS)	Research and sale of LED lighting products	100 %	100 %	100 %	Note 4
Everlight Lighting China	Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting)	Research and sale of LED lighting products	100 %	100 %	100 %	Note 4
The Company and ELIT	Everlight Yi-Yao Technology (Shanghai) Ltd. (Yi-Yao)	Research of electronic components	- %	100 %	100 %	Note 2
WOFI Holding	WOFI Wortmann & Fliz GmbH (WOFI W&F GmbH)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
WOFI Holding	Euro Technics Trade GmbH (ETT)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
WOFI Holding	WOFI Technics Trade Limited (WTT)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
WOFI Holding	Action GmbH (Action)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
WOFI Holding	WOFI Verkaufsgesellschaft GmbH (WOFI VG)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
WOFI Holding	Lamp For Less GmbH (LFL)	Sale of lighting products, pendants and accessories	100 %	100 %	100 %	
Evervision TW	Evervision Electronics (B.V.I.) Limited (Evervision BVI)	Investment	100 %	100 %	100 %	Note 4
Evervision TW	VBest GmbH (VBest)	Sale of LCDs	75 %	75 %	75 %	Note 4
Evervision	VBest Electronics (Kunshan) Ltd. (VBest Kunshan)	Manufacture of LCDs	100 %	100 %	100 %	Note 4
Evervision	Evervision Electronics (H.K.) Limited (Evervision HK)	Sale of LCDs	100 %	100 %	100 %	Note 4

Note 1: The subsidiary completed the liquidation procedure in October 2019

Note 2: The subsidiary completed the liquidation procedure in January 2020.

Note 3: The subsidiary was incorporated in July 2020.

Note 4: Non-significant subsidiary, its financial statements for the nine months ended September 30, 2020 and 2019 have not been reviewed.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(c) Leases

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

(i) the rent concessions occurring as a direct consequence of the covid-19 pandemic;

(ii) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(iii) any reduction in lease payments that affects only those payments originally due on, or before 30 June 2021; and

(iv) there is no substantive change in other terms and conditions of the lease.

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

(d) 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.

(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 that the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(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, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

(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, 2019. Please refer to Note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

		September 30, 2020	December 31, 2019	September 30, 2019
Cash, checking accounts, and demand deposits	$	2,489,676	4,040,872	2,533,905
Time deposits		816,625	765,619	961,095
Bonds purchased under resale agreements		9,500	176,207	141,168
	$	**3,315,801**	**4,982,698**	**3,636,168**

(i) The time deposits with maturities within three months or less from the acquisition date that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Therefore, the time deposits are classified as cash and cash equivalents. The time deposits with maturities over three months from the acquisition date are recorded as other current financial assets amounting to $3,596,022, $3,207,851 and $2,443,515 as of September 30, 2020, December 31 and September 30, 2019, respectively. The non-current portion of the time deposits with maturities over three months from the acquisition date as recorded as other non-current financial assets amounting $0, $77,331 and $78,994 as of September 30, 2020, December 31 and September 30, 2019, respectively.

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

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

		September 30, 2020	December 31, 2019	September 30, 2019
Mandatorily measured at fair value through profit or loss:				
Derivative instruments not used for hedging	$	11,540	15,393	7,157
Listed convertible bonds		66,741	47,093	46,387
Structured deposits		1,018,613	86,499	1,490,540
Beneficiary certificate-funds		50,324	75,937	77,833
Stocks listed on domestic markets		570,369	6,514	6,454
Unlisted common shares		398,835	406,647	406,351
	$	**2,116,422**	**638,083**	**2,034,722**

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
Current	$ 2,079,062	596,882	1,996,716
Non-current	37,360	41,201	38,006
	$ 2,116,422	**638,083**	**2,034,722**

	September 30, 2020	December 31, 2019	September 30, 2019
Current financial liabilities held-for-trading (recorded as other current liabilities):			
Derivative instruments not used for hedging	$ 32,031	39,440	15,461
	$ 32,031	**39,440**	**15,461**

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

1) Forward exchange contracts

	September 30, 2020			
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	17,000	USD to TWD	2020.10.08~2020.12.17
Forward exchange sold	USD	15,000	USD to RMB	2020.10.13~2020.12.08
Financial liabilities:				
Forward exchange sold	USD	4,000	USD to TWD	2020.11.10~2020.12.15
Forward exchange sold	USD	4,000	USD to RMB	2020.11.12~2020.12.10

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

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	September 30, 2019			
	Contract amount (in thousands)		Currency	Maturity date
Financial assets:				
Forward exchange sold	USD	12,500	USD to TWD	2019.10.15~2019.11.14
Forward exchange sold	USD	6,000	USD to RMB	2019.10.22~2019.12.19
Forward exchange sold	EUR	3,750	EUR to USD	2019.10.15~2019.12.31
Financial liabilities:				
Forward exchange sold	USD	1,000	USD to TWD	2019.11.12
Forward exchange sold	USD	9,500	USD to RMB	2019.10.08~2019.12.17

2) Cross currency swap

September 30, 2020					
Contract amount (in thousands)		Contract period	Interest rate payable	Interest rate receivable	Maturity period
Financial liabilities:					
USD	30,000	2020.06.10~2021.03.10	0.37%	0.50%+3LIBOR	2021.03.10
USD	10,000	2020.03.17~2021.03.17	0.55%	0.45%+3LIBOR	2021.03.17

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

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

3) Other derivative financial instrument contracts

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

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

September 30, 2019		
Contract amount (in thousands)	**Rate**	**Maturity period**
Financial assets:		
RMB 122,500	3.4%~4%	2019.10.30~2019.12.27

(ii) As of September 30, 2020, December 31, and September 30, 2019, the Group did not provide any aforementioned financial assets as collateral for its loans.

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

	September 30, 2020	**December 31, 2019**	**September 30, 2019**
Equity investments at fair value through other comprehensive income			
Stocks listed on domestic markets	$ -	323,505	242,504
Stocks unlisted on domestic markets	-	2,253	12,226
	$ -	**325,758**	**254,730**

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

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

In the nine months ended September 30, 2020, the Group disposed all of its financial assets at fair value through other comprehensive income, with the fair value of $377,705, and recognized a loss of $545,307, which was accounted for as other comprehensive income. The loss had been transferred to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments in the nine months ended September 30, 2019.

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

(iii) As of September 30, 2020, December 31, and September 30, 2019, the Group did not provide any aforementioned financial assets as collateral for its loans.

(d) Notes and accounts receivable

	September 30, 2020	**December 31, 2019**	**September 30, 2019**
Notes receivable from operating activities	$ 14,327	27,542	20,690
Accounts receivable-measured as amortized cost	6,905,323	6,310,794	6,695,101
	6,919,650	6,338,336	6,715,791
Less: Allowance for uncollectible accounts	(172,211)	(147,549)	(119,259)
	$ 6,747,439	**6,190,787**	**6,596,532**

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

	September 30, 2020	December 31, 2019	September 30, 2019
Notes and accounts receivable, net	$ 6,581,424	6,027,709	6,438,675
Accounts receivable due from related parties, net	33,502	34,684	32,195
Long-term receivables (recorded as other non-current assets)	132,513	128,394	125,662
	$ 6,747,439	6,190,787	6,596,532

(i) Impairment loss on notes and accounts receivables

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

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

	September 30, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not overdue	$ 4,876,355	0.014%	677
Overdue 0-90 days	26,343	0.065%	17
Overdue 91-180 days	440	5.682%	25
Overdue 181-270 days	-		-
Overdue 271-365 days	27,344	83.978%	22,963
Overdue over one year	144,237	96.275%	138,864
	$ 5,074,719		162,546

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

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	September 30, 2019		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Not overdue	$ 5,097,448	0.125%	6,374
Overdue 0-90 days	85,534	0.904%	773
Overdue 91-180 days	20,460	4.682%	958
Overdue 181-270 days	75,179	0.326%	245
Overdue 271-365 days	48,976	11.154%	5,463
Overdue over one year	86,605	100%	86,605
	$ 5,414,202		**100,418**

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

	September 30, 2020		
Credit rating	**Gross carrying amount**	**Weighted-average loss rate**	**Loss allowance provision**
Rating A	$ 1,834,512	0.099%	1,807
Rating B	10,419	75.420%	7,858
	$ 1,844,931		**9,665**

	Gross carrying amount
Not overdue	$ 1,797,773
Overdue 0-90 days	27,537
Overdue 91-180 days	5,364
Overdue 181-270 days	3,838
Overdue 271-365 days	2,207
Overdue over one year	8,212
	$ 1,844,931

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

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

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

	September 30, 2019		
Credit rating	**Gross carrying amount**	**Weighted-average loss rate**	**Loss allowance provision**
Rating A	$ 1,286,670	0.308%	3,963
Rating B	14,919	99.725%	14,878
	$ 1,301,589		**18,841**

	Gross carrying amount
Not overdue	$ 1,217,974
Overdue 0-90 days	49,111
Overdue 91-180 days	14,641
Overdue 181-270 days	4,944
Overdue 271-365 days	1,706
Overdue over one year	13,213
	$ 1,301,589

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

	2020	2019
Balance on January 1	$ 147,549	127,287
Impairment loss recognized (reversed impairment loss)	27,445	(180)
Amounts written off	(2,821)	(7,332)
Foreign exchange (gains) losses	38	(516)
Balance on September 30	**$ 172,211**	**119,259**

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(iii) The Group entered into an accounts receivable factoring agreement with banks. Based on the terms of agreement, the Group is not responsible for any inability of repayment by accounts receivable during the debt transfer and repayment period. From the factoring of AR, the Group will receive prepayment and pledged deposit amounts in accordance with the factoring agreement. The Group will pay interest to the bank, calculated based on the agreed interest rate for the repayment period made by the customer. Furthermore, the pledged deposit amount cannot be withdrawn prior to the repayment made by the customer, the remaining amount and pledged deposit will be received from banks upon the actual payment from customer and will be recorded under bank accounts. In addition, the Group has to pay the transaction fee with a certain percentage. As of September 30, 2020, December 31, and September 30, 2019, the pledged deposits amounted to $68,127, $121,414 and $89,435, respectively, were recorded under other current financial assets.

As of September 30, 2020, December 31 and September 30, 2019, the details of the factored accounts receivable were as follows:

September 30, 2020					
Amount of sold A/R	**Limitation amount**	**Amount advanced unpaid**	**Advance amount paid**	**Amount derecognized**	**Interest rate**
$ 132,185	**342,233**	**-**	**132,185**	**132,185**	**2.20%**

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

September 30, 2019					
Amount of sold A/R	**Limitation amount**	**Amount advanced unpaid**	**Advance amount paid**	**Amount derecognized**	**Interest rate**
$ 208,973	**339,631**	**-**	**208,973**	**208,973**	**2.2%**

(iv) As of September 30, 2020, December 31, and September 30, 2019, the Group did not provide any notes and accounts receivable as collateral for its loans. Furthermore, the Group provided part of its bank deposits (recorded as other financial assets) as collateral for the factoring of accounts receivable. Please refer to note 8 for details.

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

	September 30, 2020	December 31, 2019	September 30, 2019
Other accounts receivable	$ 31,597	105,658	71,275
Less: Loss allowance	-	(4,978)	(4,978)
	$ 31,597	**100,680**	**66,297**

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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:

	September 30, 2020	
	Lifetime ECL-not credit-impaired	**Lifetime ECL-credit-impaired**
Not overdue	$ 31,597	-
Overdue	-	-
Gross carrying amount	31,597	-
Impairment losses	-	-
Carrying amount	**$ 31,597**	**-**

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

	September 30, 2019	
	Lifetime ECL-not credit-impaired	**Lifetime ECL-credit-impaired**
Not overdue	$ 66,297	-
Overdue	-	4,978
Gross carrying amount	66,297	4,978
Impairment losses	-	(4,978)
Carrying amount	**$ 66,297**	**-**

For the nine months ended September 30, 2020, the amount written off for uncollected receivable was $4,978. For the nine months ended September 30, 2019, the allowance for financial assets of other receivables had no change.

As of September 30, 2020, December 31 and September 30, 2019, the Group did not provide any other receivables as collateral for its loans.

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(f) Inventories

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	$ 330,832	233,262	268,375
Work in progress	314,369	301,293	302,448
Finished goods	1,113,557	1,250,794	1,086,170
	$ 1,758,758	**1,785,349**	**1,656,993**

The Group reversed its allowance for inventory valuation and obsolescence loss amounting to $89,078, $35,315, $29,887 and $62,370 in the three months and nine months ended September 30, 2020 and 2019, respectively, and recorded them as reduction of cost of sales, because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

As of September 30, 2020, December 31 and September 30, 2019, the Group did not provide any inventories as collateral for its loans.

(g) Investments accounted for using the equity method

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

	September 30, 2020	December 31, 2019	September 30, 2019
Associates	**$ 62,621**	**79,013**	**136,012**

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

	September 30, 2020	December 31, 2019	September 30, 2019
The carrying amount of equity of the individually insignificant associates	**$ 62,621**	**79,013**	**136,012**

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Attributable to the Group:				
Profit (loss) from continuing operations	**$ (5,028)**	**(11,274)**	**(35,257)**	**(24,341)**

(iii) Except as described below, there were no significant changes in the investments accounted for using the equity method of the Group for the nine months ended September 30, 2020. The related information for nine months ended September 30, 2019, please refer to note 6(g) of the 2019 annual consolidated financial statements.

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(iv) The Group had acquired 1.47% ownership of Tekcore Co., Ltd. (Tekcore) from third parties, with the cash considerations of $4,865, in the nine months ended September 30, 2020, resulting in its shareholding ratio to increase from 13.93% to 15.40%.

(v) The Group had acquired 20% ownership of Well Service Company Ltd. (Well) from third parties, with the cash considerations of $14,000 in May 2020, resulting in its shareholding ratio to increase from 20% to 40%.

(vi) Pledges

As of September 30, 2020, December 31, and September 30, 2019, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

(vii) The unreviewed financial statements of investment accounted for using equity method Investments were accounted for using equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(h) Joint operation

Except as described below, there were no significant changes in joint operation of the Group for the nine months ended September 30, 2020. The related information for the nine months ended September 30, 2019, please refer to note 6(h) of the 2019 annual consolidated financial statements.

The Group cooperated with Altocom Asia LLP in the joint operation of the streetlight project in the Republic of Kazakhstan for nine months ended September 30, 2020.

The joint operation ratio between the Group and the joint operators is 53.6% and 46.4%. The joint operators account for the input costs incurred in proportion, and share the income incurred by the project settlement and the expenses incurred jointly.

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

(i) Acquisition of a subsidiary

The Group had invested in Everlight Intelligence Technology KZ LLP through Everlight Intelligence Technology Co., Ltd. amounting to $73 in July 2020, with the main purpose of selling LED lighting products. The capital increase and the registration procedures had been completed.

(j) Loss control of subsidiaries

(i) Except as described below, there were no significant changes in the loss of control over the subsidiaries of the Group in the nine months ended September 30, 2020. The related information about losing control of subsidiaries in 2019, please refer to note 6(i) of the 2019 annual consolidated financial statements.

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(ii) Yi-Yao had completed its liquidation process in January 2020, and the Group received the liquidating dividend of $19. Yi-Yao is no longer included in the consolidation since the liquidation date.

The Group derecognized the assets, liabilities and the related equity. The carrying amount of assets and liabilities of Yi-Yao on the date of liquidation was as follows:

Other current assets	$ 19
Other current liabilities	-
Carrying amount of net assets	**$ 19**

(k) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Cost or deemed cost:							
Balance on January 1, 2020	$ 643,283	8,206,006	13,405,431	1,573,733	1,152,344	149,304	25,130,101
Add: additions	-	20,962	491,523	106,439	54,805	125,031	798,760
Add: reclassification	-	159,906	20,870	507	2,174	(139,142)	44,315
Less: sales	-	(106,588)	(537,186)	(25,838)	(7,231)	(3,422)	(680,265)
Less: retirement	-	(136)	(54,717)	(5,945)	(8,732)	-	(69,530)
Effect of movements in exchange rates	595	(25,084)	(56,449)	(6,193)	(7,246)	213	(94,164)
Balance on September 30, 2020	**$ 643,878**	**8,255,066**	**13,269,472**	**1,642,703**	**1,186,114**	**131,984**	**25,129,217**
Balance on January 1, 2019	$ 645,175	8,209,170	13,707,628	1,706,878	1,163,726	125,568	25,558,145
Add: additions	-	56,277	378,283	71,024	22,654	45,713	573,951
Add: reclassification	-	29,195	21,129	1,274	(25)	(23,500)	28,073
Less: sales	-	-	(327,266)	(55,859)	(1,781)	(4,709)	(389,615)
Less: retirement	-	(67)	(39,631)	(129,916)	(4,464)	-	(174,078)
Effect of movement in exchange rates	(1,634)	(85,690)	(144,402)	(14,899)	(15,770)	-	(262,395)
Balance on September 30, 2019	**$ 643,541**	**8,208,885**	**13,595,741**	**1,578,502**	**1,164,340**	**143,072**	**25,334,081**
Depreciation and impairments loss:							
Balance on January 1, 2020	$ -	3,759,924	10,591,974	1,158,879	709,887	-	16,220,664
Add: depreciation for the year	-	305,592	827,392	126,891	67,386	-	1,327,261
Add: reclassification	-	-	-	-	(228)	-	(228)
Less: sales	-	(17,642)	(507,486)	(7,374)	(5,862)	-	(538,364)
Less: retirement	-	(136)	(54,372)	(5,924)	(8,567)	-	(68,999)
Effect of movements in exchange rates	-	(14,975)	(41,652)	(3,816)	(2,874)	-	(63,317)
Balance on September 30, 2020	**$ -**	**4,032,763**	**10,815,856**	**1,268,656**	**759,742**	**-**	**16,877,017**

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		Land	Buildings and construction	Machinery and equipment	Modeling equipment	Office and other equipment	Prepaid Property, plant and equipment	Total
Balance on January 1, 2019	$	-	3,401,783	10,083,877	1,194,248	638,544	-	15,318,452
Add: depreciation for the year		-	331,497	942,291	142,163	73,092	-	1,489,043
Add: reclassification		-	-	-	-	(3)	-	(3)
Less: sales		-	-	(292,459)	(52,703)	(1,010)	-	(346,172)
Less: retirement		-	(67)	(39,562)	(129,811)	(4,368)	-	(173,808)
Effect of movements in exchange rates		-	(55,016)	(108,724)	(9,508)	(6,205)	-	(179,453)
Balance on September 30, 2019	$	**-**	**3,678,197**	**10,585,423**	**1,144,389**	**700,050**	**-**	**16,108,059**
Carrying amounts:								
Balance on January 1, 2020	$	**643,283**	**4,446,082**	**2,813,457**	**414,854**	**442,457**	**149,304**	**8,909,437**
Balance on September 30, 2020	$	**643,878**	**4,222,303**	**2,453,616**	**374,047**	**426,372**	**131,984**	**8,252,200**
Balance on January 1, 2019	$	**645,175**	**4,807,387**	**3,623,751**	**512,630**	**525,182**	**125,568**	**10,239,693**
Balance on September 30, 2019	$	**643,541**	**4,530,688**	**3,010,318**	**434,113**	**464,290**	**143,072**	**9,226,022**

As of September 30, 2020, December 31 and September 30, 2019, the aforesaid property, plant and equipment were not pledged as collateral.

(l) Right-of-use assets

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

		Land	Buildings and construction	Office and other equipment	Total
Cost:					
Balance on January 1, 2020	$	354,542	72,207	34,357	461,106
Acquisitions		909	39,434	13,564	53,907
Disposal		-	(4,420)	-	(4,420)
Lease amendment		(652)	-	-	(652)
Effect of changes in foreign exchange rates		(995)	(711)	352	(1,354)
Balance on September 30, 2020	$	**353,804**	**106,510**	**48,273**	**508,587**
Balance on January 1, 2019	$	357,906	65,058	24,891	447,855
Acquisition		-	-	6,778	6,778
Effect of changes in foreign exchange rates		(2,437)	(501)	(784)	(3,722)
Balance on September 30, 2019	$	**355,469**	**64,557**	**30,885**	**450,911**
Accumulated depreciation and impairment losses:					
Balance on January 1, 2020	$	11,295	31,268	14,033	56,596
Depreciation for the year		8,354	26,491	11,950	46,795
Disposal		-	(2,714)	-	(2,714)
Effect of changes in foreign exchange rates		(25)	(670)	217	(478)
Balance on September 30, 2020	$	**19,624**	**54,375**	**26,200**	**100,199**

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	Land	Buildings and construction	Office and other equipment	Total
Balance on January 1, 2019	$ -	-	-	-
Depreciation for the year	8,572	23,115	10,349	42,036
Effect of changes in foreign exchange rates	(82)	(260)	(222)	(564)
Balance on September 30, 2019	$ **8,490**	**22,855**	**10,127**	**41,472**
Balance on January 1, 2020	$ **343,247**	**40,939**	**20,324**	**404,510**
Balance on September 30, 2020	$ **334,180**	**52,135**	**22,073**	**408,388**
Balance on January 1, 2019	$ **357,906**	**65,058**	**24,891**	**447,855**
Balance on September 30, 2019	$ **346,979**	**41,702**	**20,758**	**409,439**

In the nine months ended September 30, 2020, the Group disposed right-of-use assets and recognized a gain of $7, which was accounted for as other income.

(m) Other current financial assets

	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits with maturities over three months	$ 3,596,022	3,207,851	2,443,515
Restricted time deposits	557,187	-	-
Restricted deposits	68,127	121,414	89,435
Other receivables	31,597	100,680	66,297
	$ **4,252,933**	**3,429,945**	**2,599,247**

The restricted time deposits are applicable to " The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" for the Group in 2020. The restricted time deposits accounts are used for the purpose of offshore funds.

As of September 30, 2020, December 31 and September 30, 2019, the Group had provided parts of financial assets as collateral for the factoring of accounts receivable and guarantee for contract grant; please refer to note 8 for more information.

(n) Short-term borrowings

The short-term loans were summarized as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured bank loans	$ **3,635,233**	**2,582,152**	**2,895,628**
Unused short-term credit lines	$ **12,593,735**	**15,356,175**	**22,104,830**
Annual interest rates	**0.45%~2.58%**	**0.43%~3.28%**	**0.42%~2.99%**

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

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

(o) Other current liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Refund liabilities – current	$ 7,380	7,308	6,475
Derivative instruments not used for hedging	32,031	39,440	15,461
Wages and salaries payable	241,866	228,081	240,812
Other payables	1,052,282	896,328	873,526
Others	486,863	450,687	391,847
	$ 1,820,422	**1,621,844**	**1,528,121**

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

(p) Long-term loans

The details were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured bank loans	$ 38,106	53,644	57,810
Less: current portion	(13,609)	(15,778)	(16,058)
Total	**$ 24,497**	**37,866**	**41,752**
Unused long-term credit lines	**$ -**	**-**	**-**
Range of interest rates	**6.96%~7.81%**	**6.96%~7.81%**	**6.96%~7.81%**

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

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

(iii) There were no significant issues, repurchases, and repayments of long-term borrowings in the nine months ended September 30, 2020. Information on interest expense for the period is discussed in Note 6(z). Please refer to Note 6(o) of the 2019 annual consolidated financial statements for other related information.

(q) Convertible bonds payable

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

	September 30, 2020	December 31, 2019	September 30, 2019
Total convertible bonds issued	$ 5,000,000	5,000,000	5,000,000
Unamortized discounted bonds payable	-	(6,066)	(10,110)
Cumulated repurchased and redeemed amount	(5,000,000)	(3,873,900)	(3,873,900)
	-	1,120,034	1,115,990
Unamortized amount of the cost of issuing convertible bonds	-	(375)	(625)
Bonds payable, current portion	-	(1,119,659)	(1,115,365)
Non-current	$ -	-	-
Equity components – conversion options (recognized as capital surplus – redemption rights)	$ -	87,820	87,820

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest expense	$ -	(4,044)	(6,066)	(12,090)

Except as described below, there were no significant changes in the convertible bonds payable of the Group in the nine months ended September 30, 2020 and 2019. For related information, please refer to note 6(p) of the 2019 annual consolidated financial statements.

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

(r) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Current	$ 41,713	49,958	49,137
Non-current	$ 279,260	262,852	266,371

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

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The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Interest on lease liabilities	$ 1,518	1,472	4,273	4,598
Variable lease payments not included in the measurement of lease liabilities	$ 1,277	866	3,969	2,656
Expenses relating to short-term leases	$ 8,562	8,467	21,074	28,619
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 95	30	250	179
Covid-19-related rent concessions (recognized in other income)	$ 402	-	803	-

The amounts recognized in the consolidated statement of cash flows for the Group were as follows:

	For the nine months ended September 30,	
	2020	**2019**
Total cash outflow for leases	$ 73,835	73,717

(i) Real estate leases

As of September 30, 2020 and 2019, the Group leases land and buildings for its office space and factory. The leases of land typically run for a period for 4 years to 50 years, of office space for 1 to 5 years, and of factory for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(ii) Other leases

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

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

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(s) 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, 2019 and 2018.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Cost of sales and operating expenses	$ **582**	**741**	**1,887**	**2,332**

(ii) Defined contribution plans

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Cost of sales and operating expenses	$ **23,733**	**32,114**	**75,363**	**100,439**

(t) Income taxes

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

(i) The amounts of income tax were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Current tax expense	$ **109,667**	**39,764**	**302,317**	**146,562**

(ii) The amounts of income tax (profit) recognized in other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Exchange differences on translating foreign operations	$ **(1,342)**	**520**	**(808)**	**302**

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(iii) The tax authorities have examined the Company's income tax returns through 2018. The income tax returns of the subsidiaries in the ROC have been assessed by the tax authorities through 2018.

(u) Capital and other equities

Except as described below, there were no significant changes in the capital and other equity in the nine months ended September 30, 2020 and 2019. For related information, please refer to note 6(u) of the 2019 annual consolidated financial statements.

As of September 30, 2020 and 2019, the authorized common stocks amounted to $10,000,000 (of which $400,000 were reserved for the exercising of employee share options); face value of each share is $10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,393 and 443,191 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding in the nine months ended September 30, 2020 and 2019 was as follows:

(in thousands of shares)	For the nine months ended September 30 2020	2019
Balance on January 1	443,246	443,000
Employee stock options exercised	147	191
Balance on September 30	**443,393**	**443,191**

(i) Ordinary shares

The employee stock options exercised in nine months ended September 30, 2020 amounted to $1,474, which resulted in a capital surplus of $6,868 (including the stock options converted into addition paid-in capital arising from the ordinary shares of $5,776). The registration procedures of the employee stock options had been completed.

The employee stock options exercised in nine months ended September 30, 2019 amounted to $1,917, which resulted in capital surplus of $8,945 (including the stock options converted into addition paid-in capital arising from the ordinary shares of $7,426). The registration procedures of the employee stock options had been completed.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(ii) Capital surplus

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

	September 30, 2020	December 31, 2019	September 30, 2019
Additional paid-in capital	$ 7,817,145	7,810,277	7,807,716
Difference between consideration and carrying amount of subsidiaries disposed	67,971	74,397	74,397
Changes in equity of associates accounted for using the equity method	6,489	6,489	6,489
Redemption rights resulting from issuance of convertible bonds	-	87,820	87,820
Treasury stock resulting from the redemption of convertible bonds	1,071,632	983,812	983,812
Share-based payment – employee stock options	119,974	125,750	127,909
Others	899	576	576
	$ 9,084,110	**9,089,121**	**9,088,719**

(iii) Retained earnings

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

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

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3) Earnings distribution

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

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

(iv) Other equity (net of tax)

	Foreign exchange differences arising from foreign operation	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2020	$ (863,785)	(597,254)	(1,461,039)
Foreign exchange differences (net of taxes):			
The Group	(94,650)	-	(94,650)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	51,947	51,947
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	545,307	545,307
Balance on September 30, 2020	$ **(958,435)**	**-**	**(958,435)**
Balance of January 1, 2019	$ (632,321)	(591,956)	(1,224,277)
Foreign exchange differences (net of taxes):			
The Group	(166,526)	-	(166,526)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(76,326)	(76,326)
Balance on September 30, 2019	$ **(798,847)**	**(668,282)**	**(1,467,129)**

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(v) Share-based payment

Except as described below, there were no significant changes in the share-based payment of the Group in the nine months ended September 30, 2020 and 2019. For related information, please refer to note 6(v) of the 2019 annual consolidated financial statements.

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

	Nine months ended September 30, 2020							
Date of issuance	**2020.1.1 Outstanding units**	**Current units granted**	**Current units exercised**	**Current units abandoned**	**Current units expired**	**2020.9.30 Outstanding units**	**2020.9.30 Exercisable units**	**Remaining duration**
August 6, 2015	1,000	-	1,000	-	-	-	-	- years
April 2, 2015	419,450	-	146,400	273,050	-	-	-	- years
	420,450	**-**	**147,400**	**273,050**	**-**	**-**	**-**	
Weighted-average exercise price (dollars)	**$ 17.40**	**-**	**17.41**	**17.40**	**-**	**-**	**-**	

	Nine months ended September 30, 2019							
Date of issuance	**2019.1.1 Outstanding units**	**Current units granted**	**Current units exercised**	**Current units abandoned**	**Current units expired**	**2019.9.30 Outstanding units**	**2019.9.30 Exercisable units**	**Remaining duration**
August 6, 2015	17,500	-	6,500	10,000	-	1,000	1,000	0.8 years
April 2, 2015	712,850	-	185,250	97,600	-	430,000	430,000	0.6 years
	730,350	**-**	**191,750**	**107,600**	**-**	**431,000**	**431,000**	
Weighted-average exercise price (dollars)	**$ 18.33**	**-**	**17.92**	**17.52**	**-**	**17.40**	**17.40**	

The compensation cost of the stock options amounted to \$0, \$0 and \$748 in the three months ended September 30, 2020, the nine months ended September 30, 2020 and the nine months ended September 30, 2019, respectively.

The compensation cost of the stock options, which were overestimated, have been reversed in the previous years due to the abandonment of resigned employees, which amounted to \$ 17 in the three months ended September 30, 2019.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(w) Earnings per share

For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, the Group's basic and diluted earnings per share were calculated as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	$ **462,269**	**292,068**	**914,917**	**598,437**
Weighted-average number of outstanding ordinary shares (thousands)	**443,393**	**443,143**	**443,357**	**443,086**
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (basic)	$ 462,269	292,068	914,917	598,437
Dilutive effect of potential ordinary shares:				
Convertible bonds	-	4,044	6,066	12,090
Profit attributable to ordinary shareholders of the Company (diluted)	$ **462,269**	**296,112**	**920,983**	**610,527**
Weighted-average number of outstanding ordinary shares (thousands) (basic)	443,393	443,143	443,357	443,086
Dilutive effect of potential ordinary shares:				
Employee stock bonus	3,774	2,382	4,161	2,532
Convertible bonds	-	19,120	6,483	18,681
Employee stock options	-	148	56	229
Weighted-average number of outstanding ordinary shares (thousands) (diluted)	**447,167**	**464,793**	**454,057**	**464,528**

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

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(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30, 2020				
	LED	**LCD**	**Illumination**	**Others**	**Total**
Primary geographical markets:					
Asia	$ 4,768,583	94,537	157,617	22,608	5,043,345
Europe	311,610	70,466	233,976	-	616,052
Others	124,725	44,126	24,578	6	193,435
Total	**$ 5,204,918**	**209,129**	**416,171**	**22,614**	**5,852,832**
Major products					
Construction revenue	$ -	-	67,350	-	67,350
Sales revenue	5,204,918	209,129	348,821	22,614	5,785,482
	$ 5,204,918	**209,129**	**416,171**	**22,614**	**5,852,832**

	For the three months ended September 30, 2019				
	LED	**LCD**	**Illumination**	**Others**	**Total**
Primary geographical markets:					
Asia	$ 4,042,495	45,825	159,576	15,757	4,263,653
Europe	361,886	64,487	186,730	-	613,103
Others	168,011	43,085	84,728	-	295,824
Total	**$ 4,572,392**	**153,397**	**431,034**	**15,757**	**5,172,580**
Major products					
Construction revenue	$ -	-	26,035	-	26,035
Sales revenue	4,572,392	153,397	404,999	15,757	5,146,545
	$ 4,572,392	**153,397**	**431,034**	**15,757**	**5,172,580**

	For the nine months ended September 30, 2020				
	LED	**LCD**	**Illumination**	**Others**	**Total**
Primary geographical markets:					
Asia	$ 12,417,921	237,948	1,064,844	87,663	13,808,376
Europe	920,218	124,637	601,780	-	1,646,635
Others	391,868	125,206	54,351	6	571,431
Total	**$ 13,730,007**	**487,791**	**1,720,975**	**87,669**	**16,026,442**
Major products					
Construction revenue	$ -	-	685,914	-	685,914
Sales revenue	13,730,007	487,791	1,035,061	87,669	15,340,528
	$ 13,730,007	**487,791**	**1,720,975**	**87,669**	**16,026,442**

(Continued)

	For the nine months ended September 30, 2019				
	LED	**LCD**	**Illumination**	**Others**	**Total**
Primary geographical markets:					
Asia	$ 12,088,922	212,367	479,771	49,373	12,830,433
Europe	1,083,507	166,798	709,922	-	1,960,227
Others	498,736	145,653	84,728	-	729,117
Total	**$ 13,671,165**	**524,818**	**1,274,421**	**49,373**	**15,519,777**
Major products					
Construction revenue	$ -	-	71,869	-	71,869
Sales revenue	13,671,165	524,818	1,202,552	49,373	15,447,908
	$ 13,671,165	**524,818**	**1,274,421**	**49,373**	**15,519,777**

(ii) Contract balance

	September 30, 2020	**December 31, 2019**	**September 30, 2019**
Notes receivable	$ 14,327	27,542	20,690
Accounts receivables	6,905,323	6,310,794	6,695,101
Less: allowance for impairment	(172,211)	(147,549)	(119,259)
	$ 6,747,439	**6,190,787**	**6,596,532**
Contract assets-illumination	**$ 640,498**	**106,363**	**-**
Contract liabilities	**$ 18,180**	**23,752**	**3,361**

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

The amount of revenue recognized for the nine months ended September 30, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were $12,475 and $19,575, respectively.

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

(y) Remuneration of employees, directors, and supervisors

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

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The remuneration to employees amounted to $61,703, $39,925, $138,501 and $67,804, and the remuneration to directors amounted to $5,609, $3,630, $12,577 and $7,473 in the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees, directors for the period, and are determined using the earnings allocation method which was stated under the Company's articles. These remunerations are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the board of directors' meeting.

The remuneration to employees amounted to $97,931 and $59,098. The remuneration to directors amounted to $10,486, in 2019, and the remuneration to directors and supervisors amounted to $6,895 in 2018. The related information can be accessed from the Market Observation Post System website. There had been no differences between the actual amounts and the estimation of employee compensation in 2019 and 2018.

(z) Non-operating income and expenses

For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, the interest income and finance costs were as follows:

(i) Interest income

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Cash in banks	$ 17,318	12,472	45,984	32,764
Other	599	390	2,139	1,799
	$ 17,917	**12,862**	**48,123**	**34,563**

(ii) Finance costs – interest expenses

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Loans	$ 9,539	13,728	32,102	36,098
Lease liabilities	1,518	1,472	4,273	4,598
Convertible Bonds	-	4,044	6,066	12,090
	$ 11,057	**19,244**	**42,441**	**52,786**

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

(aa) Financial Instruments

Except for the contention mentioned below, there were no significant changes 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(aa) of the 2019 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(d).

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

(ii) Liquidity Risk

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

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
September 30, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	$ 3,635,233	(3,635,233)	(3,635,233)	-	-
Notes and accounts payable (including related parties)	4,581,080	(4,581,080)	(4,581,080)	-	-
Payables on construction and equipment	458,140	(458,140)	(458,140)	-	-
Other payables	1,052,282	(1,052,282)	(1,052,282)	-	-
Lease liabilities (including current and non-current)	320,973	(417,831)	(47,148)	(27,981)	(342,702)
Long-term loans (including current portion)	38,106	(38,106)	(13,609)	(13,609)	(10,888)
Guaranteed deposits received	129,359	(129,359)	-	-	(129,359)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	674				
Outflow	-	(233,208)	(233,208)	-	-
Inflow	-	231,374	231,374	-	-
Cross currency swap:	31,357				
Outflow	-	(1,197,000)	(1,197,000)	-	-
Inflow	-	1,166,040	1,166,040	-	-
	$ 10,247,204	**(10,344,825)**	**(9,820,286)**	**(41,590)**	**(482,949)**

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

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
December 31, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,582,152	(2,582,152)	(2,582,152)	-	-
Notes and accounts payable (including related parties)	4,367,416	(4,367,416)	(4,367,416)	-	-
Payables on construction and equipment	298,852	(298,852)	(298,852)	-	-
Other payables	896,328	(896,328)	(896,328)	-	-
Lease liabilities (including current and non-current)	312,810	(410,960)	(55,075)	(39,776)	(316,109)
Unsecured convertible bonds	1,120,034	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	53,644	(53,644)	(15,778)	(15,778)	(22,088)
Guaranteed deposits received	198,252	(198,252)	-	-	(198,252)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	1,128				
Outflow	-	(118,174)	(118,174)	-	-
Inflow	-	117,355	117,355	-	-
Cross currency swap:	38,312				
Outflow	-	(942,000)	(942,000)	-	-
Inflow	-	903,180	903,180	-	-
	$ 9,868,928	**(9,973,343)**	**(9,381,340)**	**(55,554)**	**(536,449)**
September 30, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,895,628	(2,895,628)	(2,895,628)	-	-
Notes and accounts payable (including related parties)	4,155,386	(4,155,386)	(4,155,386)	-	-
Payables on construction and equipment	372,225	(372,225)	(372,225)	-	-
Other payables	873,526	(873,526)	(873,526)	-	-
Lease liabilities (including current and non-current)	315,508	(414,795)	(54,326)	(41,535)	(318,934)
Unsecured convertible bonds	1,115,990	(1,126,100)	(1,126,100)	-	-
Long-term loans (including current portion)	57,810	(57,810)	(16,058)	(16,058)	(25,694)
Guaranteed deposits received	161,411	(161,411)	-	-	(161,411)
Derivative financial liabilities:					
Forward exchange contracts not used for hedging:	3,938				
Outflow	-	(325,941)	(325,941)	-	-
Inflow	-	322,249	322,249	-	-
Swap contracts:	11,523				
Outflow	-	(942,000)	(942,000)	-	-
Inflow	-	931,260	931,260	-	-
	$ 9,962,945	**(10,071,313)**	**(9,507,681)**	**(57,593)**	**(506,039)**

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

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

	September 30, 2020			December 31, 2019			September 30, 2019		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets									
Monetary items									
USD	$ 164,539	USD/TWD =29.151	4,796,476	140,990	USD/TWD =30.106	4,244,645	134,278	USD/TWD =31.042	4,168,258
RMB	650,935	RMB/TWD =4.2775	2,784,374	360,871	RMB/TWD =4.3245	1,560,587	473,875	RMB/TWD =4.3588	2,065,026
HKD	384,017	HKD/TWD =3.7616	1,444,518	388,964	HKD/TWD =3.8647	1,503,229	340,895	HKD/TWD =3.9591	1,349,637
Financial liabilities									
Monetary items									
USD	110,190	USD/TWD =29.150	3,212,149	81,687	USD/TWD =30.106	2,459,269	75,967	USD/TWD =31.042	2,358,168
USD	42,531	USD/RMB =6.8166	1,239,821	39,782	USD/RMB =6.9617	1,197,677	39,977	USD/RMB =7.1217	1,240,966
RMB	1,096,144	RMB/TWD =4.2775	4,688,760	979,661	RMB/TWD =4.3245	4,236,544	943,310	RMB/TWD =4.3588	4,111,700

2) Sensitivity analysis

The Group's exposure to foreign currency risk of monetary items arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of each major foreign currency against the Group's functional currency as of September 30, 2020 and 2019 would have decreased (increased) the net profit before tax by $18,609 for the nine months ended September 30, 2020, and increased (decreased) the net profit before tax by $24,424 for the nine months ended September 30, 2019. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, the foreign exchange gains (losses), including both realized and unrealized, amounted to $(18,629), $43,136, $44,232 and $95,297, respectively.

4) Interest rate analysis

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

	Carrying amount		
	September 30, 2020	**December 31, 2019**	**September 30, 2019**
Variable rate instruments:			
Financial assets	$ 3,512,289	4,708,126	4,659,798
Financial liabilities	(2,494,368)	(1,127,971)	(2,276,457)
	$ 1,017,921	3,580,155	2,383,341

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

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax in the nine months ended September 30, 2020 and 2019, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

	For the nine months ended September 30,	
	2020	**2019**
Increase by 0.25%	$ 1,909	4,469
Decrease by 0.25%	(1,909)	(4,469)

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 are measured on a recurring basis. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

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	September 30, 2020				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	$ 11,540	-	11,540	-	11,540
Non-derivative financial assets mandatorily measured at fair value through profit or loss	2,104,882	687,434	1,417,448	-	2,104,882
	2,116,422				
Financial assets measured at amortized cost					
Cash and cash equivalents	3,315,801	-	-	-	-
Notes and accounts receivable (including related parties)	6,614,926	-	-	-	-
Other current financial assets	4,252,933	-	-	-	-
Refundable deposits (recorded as other non-current assets)	128,554	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	132,513	-	-	-	-
Restricted deposits (recorded as other non-current assets)	220,633	-	-	-	-
	14,665,360				
	$ 16,781,782				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	$ 32,031	-	32,031	-	32,031
Financial liabilities measured at amortized cost:					
Short-term borrowings	3,635,233	-	-	-	-
Notes and accounts payable (including related parties)	4,581,080	-	-	-	-
Payable on construction and equipment	458,140	-	-	-	-
Lease liabilities	320,973	-	-	-	-
Other current payables (recorded as other current liabilities)	1,052,282	-	-	-	-
Long-term loans (including current portion)	38,106	-	-	-	-
Guaranteed deposits received	129,359	-	-	-	-
	10,215,173				
	$ 10,247,204				

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	December 31, 2019				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	$ 15,393	-	15,393	-	15,393
Non-derivative financial assets mandatorily measured at fair value through profit or loss	622,690	129,544	493,146	-	622,690
	638,083				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	323,505	323,505	-	-	323,505
Unquoted equity instruments	2,253	-	-	2,253	2,253
	325,758				
Financial assets measured at amortized cost:					
Cash and cash equivalents	4,982,698	-	-	-	-
Notes and accounts receivable (including related parties)	6,062,393	-	-	-	-
Other current financial assets	3,429,945	-	-	-	-
Refundable deposits (recorded as other non-current assets)	137,724	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	205,725	-	-	-	-
Restricted deposits (recorded as other non-current assets)	222,083	-	-	-	-
	15,040,568				
	$ 16,004,409				

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	December 31, 2019				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	$ 39,440	-	39,440	-	39,440
	39,440				
Financial liabilities measured at amortized cost:					
Short-term borrowings	2,582,152	-	-	-	-
Notes and accounts payable (including related parties)	4,367,416	-	-	-	-
Payables on construction and equipment	298,852	-	-	-	-
Lease liabilities	312,810	-	-	-	-
Other current payables (recorded as other current liabilities)	896,328	-	-	-	-
Bonds payable (including current portion)	1,120,034	-	-	-	-
Long-term loans (including current portion)	53,644	-	-	-	-
Guaranteed deposits received	198,252	-	-	-	-
	9,829,488				
	$ 9,868,928				

	September 30, 2019				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial assets	$ 7,157	-	7,157	-	7,157
Non-derivative financial assets mandatorily measured at fair value through profit or loss	2,027,565	130,674	1,896,891	-	2,027,565
	2,034,722				
Financial assets at fair value through other comprehensive income:					
Stocks listed on domestic markets	242,504	242,504	-	-	242,504
Unquoted equity instruments	12,226	-	-	12,226	12,226
	254,730				

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	September 30, 2019				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Cash and cash equivalents	3,636,168	-	-	-	-
Notes and accounts receivable (including related parties)	6,470,870	-	-	-	-
Other current financial assets	2,599,247	-	-	-	-
Refundable deposits (recorded as other non-current assets)	147,845	-	-	-	-
Other non-current financial assets (recorded as other non-current assets)	204,656	-	-	-	-
Restricted deposits (recorded as other non-current assets)	222,082	-	-	-	-
	13,280,868				
	$ 15,570,320				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	$ 15,461	-	15,461	-	15,461
	15,461				
Financial liabilities measured at amortized cost:					
Short-term borrowings	2,895,628	-	-	-	-
Notes and accounts payable (including related parties)	4,155,386	-	-	-	-
Payables on construction and equipment	372,225	-	-	-	-
Lease liabilities	315,508	-	-	-	-
Other current payables (recorded as other current liabilities)	873,526	-	-	-	-
Bonds payable (including current portion)	1,115,990	-	-	-	-
Long-term loans (including current portion)	57,810	-	-	-	-
Guarantee deposits received	161,411	-	-	-	-
	9,947,484				
	$ 9,962,945				

(Continued)

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

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

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

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

c) 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.

d) There were no transfers from one level to another of the Group in the nine months ended September 30, 2020 and 2019.

e) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Group in the nine months ended September 30, 2020 and 2019:

	Current financial assets at fair value through other comprehensive income – unquoted equity instruments
Balance on January 1, 2020	$ 2,253
Disposal	(7,000)
Total gains and losses recognized:	
In profit (loss)	-
In other comprehensive income	4,747
Balance on September 30, 2020	$ -

(Continued)

		Current financial assets at fair value through other comprehensive income – unquoted equity instruments
Balance on January 1, 2019	$	75,052
Total gains and losses recognized:		
In profit (loss)		-
In other comprehensive income		(62,826)
Balance on September 30, 2019	**$**	**12,226**

The above total gains and losses are included in "Unrealized gain (loss) from financial assets at fair value through other comprehensive income". The amounts of total gains or losses for the years in above that were attributable to gains or losses relating to those assets and liabilities held at September 30, 2020 and 2019 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Total gains and losses recognized:				
In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income)	$ -	(62,826)	-	(62,826)

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

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

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Current financial assets at fair value through other comprehensive income (equity instruments without quoted prices)	Guideline Public Company method - Price-Book Method	·Price-to-Book ratio (P/B Ratio) (0.405 and 0.605 on December 31, and September 30, 2019, respectively) ·Lack of marketability discount rate (20% on December 31, and September 30, 2019)	·The higher the P/B ratio, the higher the fair value. ·The higher the lack of marketability discount, the lower the fair value.

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

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

	Input	Variation	Impacts of fair value changes on other comprehensive income: Advantageous change	Disadvantageous change
September 30, 2019				
Current financial assets at fair value through other comprehensive income	P/B ratio	5%	$ 610	610
〃	Lack of marketability discount	5%	$ 610	610

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

(ab) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(ab) of the 2019 annual consolidated financial statements.

(ac) 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(ac) of the 2019 annual consolidated financial statements. Also, management believes that there were no significant changes in the Group's capital management information as disclosed in the 2019 annual financial statements.

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

The Group's investing and financing activities which did not affect the current cash flow in the nine months ended September 30, 2020 and 2019, were acquisition of right-of-use assets by lease; please refer to note 6(l). Reconciliations of liabilities arising from financing activities were as follows:

			Non-cash changes			
	January 1, 2020	**Cash flows**	**Amendment**	**Amortization of interest and issuance costs**	**Foreign exchange movement**	**September 30, 2020**
Short-term borrowings	$ 2,582,152	1,053,081	-	-	-	3,635,233
Long-term borrowings	53,644	(8,166)	-	-	(7,372)	38,106
Lease liabilities	312,810	(43,466)	51,542	-	87	320,973
Bonds payable	1,119,659	(1,126,100)	-	6,441	-	-
Guarantee deposits received	198,252	(68,893)	-	-	-	129,359
Total liabilities from financing activities	**$ 4,266,517**	**(193,544)**	**51,542**	**6,441**	**(7,285)**	**4,123,671**

			Non-cash changes			
	January 1, 2019	**Cash flow**	**Acquisition**	**Amortization of interest and issuance costs**	**Foreign exchange movement**	**September 30, 2019**
Short-term borrowings	$ 3,111,970	(216,342)	-	-	-	2,895,628
Long-term borrowings	64,789	(6,423)	-	-	(556)	57,810
Lease liabilities	347,210	(37,665)	6,778	-	(815)	315,508
Bonds payable	1,102,525	-	-	12,840	-	1,115,365
Guarantee deposits received	131,369	30,042	-	-	-	161,411
Total liabilities from financing activities	**$ 4,757,863**	**(230,388)**	**6,778**	**12,840**	**(1,371)**	**4,545,722**

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(7) Related-party transactions

(a) Names and relationship with related parties

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

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

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

(b) Significant related party transactions

(i) Sales

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Associates	$ 15,108	16,694	44,002	42,126
Other related parties (Note)	-	-	-	53,148
	$ 15,108	16,694	44,002	95,274

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

There were no significant differences in the collection periods and sales prices between the related parties and other customers, and the payment term was 60 to 165 days.

(ii) Purchase

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Associates	$ 163,445	109,174	380,771	320,918
Other related parties-Epistar (Note)	-	-	-	642,995
	$ 163,445	109,174	380,771	963,913

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

(Continued)

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

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Related party categories	September 30, 2020	December 31, 2019	September 30, 2019
Associates	$ 33,502	34,684	32,195

(iv) Payables to related parities

The payables to related parties were as follows:

Related party categories	September 30, 2020	December 31, 2019	September 30, 2019
Associates	$ 242,546	168,285	189,596

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Short-term employee benefits	$ 9,140	5,171	31,208	17,510
Others	320	1,208	2,855	3,583
	$ 9,460	6,379	34,063	21,093

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

(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

Assets	Objectives	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits and restricted deposits (recorded as other financial assets – non-current)	Guarantee for contract grant and guarantee for construction contracts	$ 220,633	222,083	222,082
Restricted deposits (recorded as other financial assets-current)	Contract of accounts receivable factoring	68,127	121,414	89,435
		$ 288,760	343,497	311,517

(Continued)

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

(9) Commitments and contingencies

(a) There were no significant differences between the commitments and the contingencies of the Group. For related information, please refer to note 9 of the 2019 annual consolidated financial statements.

(b) Significant commitments unrecognized:

(i) As of September 30, 2020, December 31, and September 30, 2019, the Group's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to $329,352, $931,964 and $1,198,234, respectively.

(ii) As of September 30, 2020, December 31, and September 30, 2019, the unused balance of the Group's outstanding standby letters of credit amounted to $33,651, $0, and $0, respectively.

(10) Losses Due to Major Disasters: none

(11) Subsequent Events: none

(12) Other

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

By function	Three months ended September 30, 2020			Three months ended September 30, 2019		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	426,714	463,003	889,717	412,755	411,999	824,754
Labor and health insurance	19,360	25,414	44,774	20,018	34,602	54,620
Pension	13,105	11,210	24,315	18,527	14,328	32,855
Others	22,091	16,557	38,648	28,298	15,908	44,206
Depreciation	295,035	157,359	452,394	334,694	163,660	498,354
Amortization	11,110	6,987	18,097	11,576	8,513	20,089

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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By function / By item	Nine months ended September 30, 2020			Nine months ended September 30, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,215,402	1,314,328	2,529,730	1,189,944	1,236,155	2,426,099
Labor and health insurance	54,285	96,877	151,162	60,629	112,343	172,972
Pension	41,111	36,139	77,250	59,928	42,843	102,771
Others	76,530	50,416	126,946	83,291	48,575	131,866
Depreciation	897,681	476,375	1,374,056	1,035,314	495,765	1,531,079
Amortization	33,501	19,658	53,159	38,676	28,972	67,648

(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 for the nine months ended September 30, 2020:

(i) Loans to other parties:

Unit: foreign currency in thousand dollars

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	WOFI Holding	Other current financial assets	Yes	616,019	$ 308,010	-	1.00%	Short-term financing	-	Business turnover	-		-	1,709,743	6,838,973
0	The Company	Everlight Lighting China	Other receivables	Yes	283,537	283,537	164,165	-%	Short-term financing	-	Business turnover	-		-	1,709,743	6,838,973
						$ 591,547	164,165									
1	Everlight Zhongshan	Zhongshan Everlight Lighting	Other receivables	Yes	64,034	$ 44,785	44,785	2.5%	Short-term financing	-	Business turnover	-		-	348,908	348,908
2	Everlight BVI	WOFI Holding	Other receivables	Yes	68,447	-	-	-%	Short-term financing	-	Business turnover	-		-	2,592,358	2,592,358
2	Everlight BVI	Everlight China	Other receivables	Yes	583,020	583,020	583,020	-%	Short-term financing	-	Business turnover	-		-	2,592,358	2,592,358
						$ 627,805	627,805									

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

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

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

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

Note 4: The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.
Note 5: The aforementioned transactions had been eliminated in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of September 30, 2020 (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 Shares/Units (thousands)	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	Note
The Company	SinoPac TWD Money Market Fund	None	Current financial assets at fair value through profit or loss	3,377	$ 47,324	-%	47,324	
〃	Cathay Financial Holding Co., Ltd. Preferred Stock B	〃	〃	100	6,260	-%	6,260	
〃	Casetek Holding Limited Stocks	〃	〃	3,500	301,700	-%	301,700	
〃	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	〃	〃	666	29,238	-%	29,238	
〃	Gigasolar Materials Corporation convertible bonds	〃	〃	210	21,420	-%	21,420	
〃	China Airlines Ltd. convertible bonds	〃	〃	438	43,625	-%	43,625	
〃	Eva Airways Corporation convertible bonds	〃	〃	17	1,696	-%	1,696	
					$ 451,263			
Pai-yee	Taishin 1699 Money Market Fund	Note	Current financial assets at fair value through profit or loss	220	$ 3,000	-%	3,000	
〃	Casetek Holding Limited Stocks	〃	〃	1,860	160,332	-%	160,332	
					$ 163,332			
Pai-yee	Taipei Tech innofund Stocks	Pai-yee is the corporate director of this company	Non-current financial assets at fair value through profit or loss	3,000	$ 37,360	-%	37,360	
Forever	Casetek Holding Limited Stocks	None	Current financial assets at fair value through profit or loss	845	$ 72,839	-%	72,839	
Everlight Fujian	Kaistar Lighting (Xiamen) Co., Ltd	None	Current financial assets at fair value through profit or loss	(Note 2)	$ 342,200	3.97%	342,200	
〃	Country Lighting (B.V.I.) Ltd.	〃	〃	(Note 2)	19,275	8.21%	19,275	
〃	Financial products	〃	〃	-	291,878	-%	291,878	
					$ 653,353			
Everlight Electronic (Guangzhou)	Financial products	None	Current financial assets at fair value through profit or loss	-	$ 24,596	-%	24,596	
Everlight Zhongshan	Financial products	None	Current financial assets at fair value through profit or loss	-	$ 236,948	-%	236,948	
Everlight China	Financial products	None	Current financial assets at fair value through profit or loss	-	379,535	-%	379,535	
〃	Structured deposits	〃	〃	-	85,656	-%	85,656	
				-	$ 465,191			

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:

Unit: thousand dollars, thousand shares

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance Shares	Beginning Balance Amount	Purchases Shares	Purchases Amount	Sales Shares	Sales Price	Sales Cost	Sales Gain (loss) on disposal	Other amount	Ending Balance Shares	Ending Balance Amount
The Company	Epistar Co., Ltd. (Epistar) Stocks	Non-current financial assets at fair value through other comprehensive income	-	-	10,000	$ 323,505	-	-	10,000	$ 370,708	$ 370,708	-	$ 47,203 (Note)	-	-

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

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

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

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

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

Unit: foreign currency in thousand dollars

			Transaction Details				Abnormal Transaction		Notes/ Account (Payable) or Receivable		
Name of Company	Name of Counter-party	Relationship	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)	Note
The Company	Evlite	100% owned subsidiary	(Sales)	$ (995,532)	(7)%	OA 120	No significant difference to the general customers	General export receivables in 30~120 days	Accounts Receivable 446,375	8 %	Note 2
〃	Everlight Europe	75% owned subsidiary	(Sales)	(653,709)	(5)%	OA 120	〃	〃	Accounts Receivable 171,647	3 %	〃
〃	Everlight Lighting China	100% owned sub-subsidiary	(Sales)	(544,809)	(4)%	Depending on the credit conditions of the ultimate customers	〃	〃	Accounts Receivable 576,383	10 %	〃
〃	ELA	99% owned subsidiary	(Sales)	(188,731)	(1)%	OA 140	〃	〃	Accounts Receivable 103,208	2 %	〃
〃	Everlight China	100% owned sub-subsidiary	Purchases	6,585,162	75%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (4,037,857)	(72)%	〃
〃	Everlight Zhongshan	100% owned sub-subsidiary	Purchases	236,968	3%	OA 120	〃	〃	Accounts Payable (104,150)	(2)%	〃
〃	Everlight Lighting China	100% owned sub-subsidiary	Purchases	142,211	2%	OA 120	〃	〃	Accounts Payable (93,085)	(2)%	〃
Everlight Zhongshan	The Company	Ultimate holding company	(Sales)	(265,395)	(99)%	OA 95	-	-	Accounts Receivable 104,055	100 %	〃
Everlight China	The Company	Ultimate holding company	(Sales)	(6,813,249)	(98)%	OA 120	-	-	Accounts Receivable 4,037,024	98 %	〃
〃	Everlight Lighting China	With the same parent company	(Outsourced manufacturing revenue)	(109,907)	2%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	Accounts Receivable 68,815	2 %	〃
〃	Tekcore	Equity-accounted investee by the Company	Purchases	303,289	7%	OA 120	Terms not comparable to other general trading price	General purchases payments in 90 day	Accounts Payable (184,430)	(8)%	-
Everlight Lighting China	The Company	Ultimate holding company	(Sales)	(142,187)	(10)%	OA 120	Terms not comparable to other general trading price	General export receivable in 90-120 day	Accounts Receivable 93,087	10 %	Note 2
〃	The Company	Ultimate holding company	Purchases	649,321	43%	Depending on the terms of the ultimate customer	-	General purchases payments in 90-120 day	Accounts Payable (584,435)	(46)%	〃
〃	Everlight China	With the same parent company	Outsourced manufacturing fee	116,152	8%	OA 90	Terms not comparable to other general trading price	General purchases payments in 90 days	Accounts Payable (78,313)	(6)%	〃
ELA	The Company	Parent company	Purchases	232,174	100%	OA 140	-	-	Accounts Payable (104,548)	(98)%	〃
Everlight Europe	The Company	Parent company	Purchases	659,109	100%	OA 120	-	-	Accounts Payable (171,358)	(100)%	〃
Evlite	The Company	Parent company	Purchases	1,002,274	100%	OA 90	-	General purchases payments in 90-120 day	Accounts Payable (446,681)	(100)%	〃
Evervision TW	Vbest GmbH	Equity-accounted investee by Evervision TW	(Sales)	(116,055)	(18)%	OA 90	No significant difference to the general customers	General export receivable in 90~120 days	Accounts Receivable 37,779	18 %	〃
Evervision TW	Vbest Kunshan	Equity-accounted investee by Evervision TW	Purchases	334,338	60%	OA 150	Terms not comparable to other general trading price	General purchases payments in 90~120 days	Accounts Payable (281,455)	(88)%	〃
Vbest GmbH	Evervision TW	65.5% owned subsidiary	Purchases	116,342	100%	OA 90	Terms not comparable to other general trading price	-	Accounts Payable (37,838)	(100)%	〃
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	(Sales)	(334,974)	(98)%	OA 150	Terms not comparable to other general trading price	General export receivable in 90~120 days	Accounts Receivable 281,948	100 %	〃

Note 1: The amounts were translated into New Taiwan dollars at the nine months ended September 30, 2020 average exchange rates.
Note 2: The transaction amounts of the subsidiaries are inconsistent with the Company since the financial statements of the subsidiaries did not consider the adjustments made by the Company for processing trade and in-transit inventory. Furthermore, all transactions between companies mentioned in note 2 had been eliminated in the interim consolidated financial statements.
Note 3: The accounts were translated into New Taiwan dollars at the exchange rate at the ended date of the reporting period.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Unit: foreign currency in thousand dollars

Name of company	Counter-party	Nature of relationship	Ending balance (Note 2)	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Everlight Europe	75% owned subsidiary	$ 171,647	4.69	-		125,032	-
〃	ELA	99% owned subsidiary	103,208	1.90	-		26,022	-
〃	Evlite	100% owned subsidiary	446,375	2.98	-		171,902	-
〃	Everlight China	100% owned sub-subsidiary	177,609 (Note 4)	-	-		-	-
〃	Everlight Lighting China	100% owned sub-subsidiary	483,184	1.39	231,459	Improve accounts receivable collection	1,055	-
〃	Everlight Lighting China	100% owned sub-subsidiary	164,165 (Note 3)	-	-		33,279	-
Everlight BVI	Everlight China	100% owned subsidiary	583,020 (Note 3)	-	-		-	-
Everlight China	The Company	Ultimate holding company	4,037,024	2.35	-		834,850	-
Everlight Zhongshan	The Company	Ultimate holding company	104,055	2.81	-		21,448	-
Vbest Kunshan	Evervision TW	65.5% owned subsidiary	281,948	1.94	-		30,308	-

Note 1： Information as of November 12, 2020.
Note 2： The amounts were translated into New Taiwan dollars at the exchange rates at the reporting date.
Note 3： Lending funds (including interest).
Note 4： Receivables on machinery and equipment.
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).

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Counter-party	Relationship (Note 2)	Intercompany transactions			
				Financial statements accounts	Amount	Terms	Percentage of consolidated net revenue or total assets
0	The Company	Everlight Europe	1	Sales revenue	$ 653,709	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	4 %
			1	Accounts receivable	171,647	〃	1 %
0	The Company	ELA	1	Sales revenue	188,731	There is no significant difference on the price offered to general customers; and the credit period is OA 140 days.	1 %
			1	Accounts receivable	103,208	〃	- %

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

				Intercompany transactions			
No. (Note 1)	Name of company	Counter-party	Relationship (Note 2)	Financial statements accounts	Amount	Terms	Percentage of consolidated net revenue or total assets
0	The Company	Evlite	1	Sales revenue	995,532	There is no significant difference on the price offered to general customers; and the credit period is OA 120 days.	6 %
			1	Accounts receivable	446,375	〃	2 %
0	The Company	Everlight Lighting China	1	Sales revenue	544,809	There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer.	3 %
			1	Accounts receivable	483,184	〃	2 %
			1	Other receivable due from related parties (Note 4)	164,165	Rate 0%	- %
0	The Company	Everlight China	1	Other receivable due from related parties (Note 3)	177,609	OA 120 days, upon acceptance	1 %
1	Everlight China	The Company	2	Sales revenue	6,813,249	There is no general price for comparison; and the credit period is OA 120 days.	42 %
			2	Accounts receivable	4,037,024	〃	14 %
1	Everlight China	Everlight Lighting China	3	Sales revenue	109,907	There is no significant difference on the price offered to general customers; and the credit period is OA 90 days.	1 %
2	Everlight Zhongshan	The Company	2	Sales revenue	265,395	There is no general price for comparison; and the credit period is OA 95 days.	2 %
			2	Accounts receivable	104,055	〃	1 %
3	Everlight BVI	Everlight China	3	Other receivable due from related parties (Note 4)	583,020	Rate 0%	2 %
4	Evervision TW	Vbest GmbH	3	Sales revenue	116,055	There is no significant difference on the price offered to general customers; and the credit period is OA 90 days.	1 %
5	Vbest Kunshan	Evervision TW	3	Sales revenue	334,974	There is no significant difference on the price offered to general customers; and the credit period is OA 150 days.	2 %
			3	Accounts receivable	281,948	〃	1 %

Note 1: The numbers filled in as follows:
1.0 represents the parent company.
2. Subsidiaries are sorted in a numerical order starting from 1.
Note 2: Relationship with the transactions labeled as follows:
1.Represents the transactions from the parent company to the subsidiaries.
2.Represents the transactions from the subsidiaries to the parent company.
3.Represents the transactions between the subsidiaries.
Note 3: Receivables on machinery and equipment.
Note 4: Lending funds (including interest).

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2020 (excluding information on investees in Mainland China):

Unit: foreign currency in thousand dollars

				Original investment amount		Ending balance					
Investor company	Investee company	Location	Main businesses and products	September 30, 2020	December 31, 2019	Shares (In thousands)	Percentage of ownership	Carrying value	Net income (Losses) of the Investee (Note 3)	Share of profits/losses of investee	Note
The Company	Everlight BVI	Registered in British Virgin Islands	Investment	$ 4,762,934	4,759,166	1,540	98%	$ 6,349,488	266,421	261,093	Subsidiaries (Note 4)
〃	Pai-yee	New Taipei City	Investment	580,253	580,253	23,940	100%	461,245	4,672	4,672	Subsidiaries (Note 4)
〃	ELA and its subsidiaries	Registered in the USA	Sale of LEDs	373,396	373,396	11,375	98.91%	(72,220)	13,145	13,002	Subsidiaries (Note 4)

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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				Original investment amount		Ending balance					
Investor company	Investee company	Location	Main businesses and products	September 30, 2020	December 31, 2019	Shares (In thousands)	Percentage of ownership	Carrying value	Net income (Losses) of the Investee (Note 3)	Share of profits/losses of investee	Note
The Company	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	35,455	35,455	4,477	24.27%	183,579	8,624	2,093	Subsidiaries (Note 4)
〃	Everlight Europe	Registered in Germany	Sale of LEDs	2,203	2,203	75	75%	86,592	44,127	33,095	Subsidiaries (Note 4)
〃	ELK	Korea	Sale of LEDs	6,485	6,485	38	100%	43,664	10,065	10,065	Subsidiaries (Note 4)
〃	Forever	New Taipei City	Investment	400,000	400,000	42,488	100%	413,992	(11,514)	(11,514)	Subsidiaries (Note 4)
〃	ELIT	New Taipei City	Sale of LED lighting products	500,000	500,000	20,000	100%	266,478	72,890	60,044	Subsidiaries (Note 4)
〃	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	480,793	480,793	9,291	9.66%	36,694	(50,671)	(4,895)	(Note 1)
〃	Evlite	Kwun Tong, Kowloon, Hong Kong	Sale of LEDs	71,324	71,324	7,000	100%	114,515	11,487	11,487	Subsidiaries (Note 4)
〃	ELI	Registered in India	Sale of LEDs	1,984	1,984	353	80%	10,689	(1,054)	(843)	Subsidiaries (Note 4)
〃	ELS	Singapore	Sale of LEDs	5,989	5,989	200	100%	11,917	(896)	(896)	Subsidiaries (Note 4)
〃	WOFI Holding and its subsidiaries	Germany	Sale of lighting products, pendants and accessories	475,374	475,374	5,775	100%	(197,614)	(76,694)	(76,694)	Subsidiaries (Note 4)
〃	ELJ	Japan	Sale of LEDs	14,911	14,911	5	100%	8,516	(4,339)	(4,339)	Subsidiaries (Note 4)
Pai-yee	Everlight BVI	Registered in British Virgin Islands	Investment	120,740	124,508	37	2%	131,407	266,421	5,328	Subsidiaries (Note 4)
〃	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	50,242	50,242	2,485	13.47%	102,984	8,624	1,162	Subsidiaries (Note 4)
〃	Tekcore	Nantou County	Manufacture and sale of EPI wafers and chips of LED	23,732	18,867	5,517	5.74%	20,583	(50,671)	(2,665)	Note 2
〃	Everlight Malaysia	Registered in Malaysia	Business development and customer services	2,240	2,240	254	100%	758	-	-	Sub-subsidiaries (Note 4)
〃	ELI	India	Sale of LEDs	493	493	88	20%	2,914	(1,054)	(211)	Subsidiaries (Note 4)
ELIT	ELIT KZ	Kazakhstan	Sale of LED lighting products	73	-	-	100%	73	-	-	Sub-subsidiaries (Note 4)
Forever	Evervision TW and its subsidiaries	New Taipei City	Manufacture and sales of LCDs and LED processing	30,978	30,978	5,120	27.76%	180,249	8,624	2,394	Subsidiaries (Note 4)
〃	EleOcom Inc.	New Taipei City	Manufacture and sales of electronic components and communication equipment	45,000	45,000	4,500	32.14%	-	-	(14,792)	-
Evervision	Well	Hsinchu County	Electronic material trading	28,000	14,000	400	40%	5,344	(9,763)	(12,905)	-

Note 1: The market price is $55,748 thousand dollars.
Note 2: The market price is $33,105 thousand dollars.
Note 3: The amounts were translated into New Taiwan dollars at the nine months ended September 30, 2020 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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(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, 2020	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of September 30, 2020	Net income (losses) of the investee	Percentage of ownership owned directly or indirectly by the company	Investment Income (losses) (Note 4)	Carrying amount as of September 30, 2020 (Note 6)	Accumulated remittance of earnings as of September 30, 2020
The Company and Pai-yee:												
Everlight China	Manufacture of LEDs	3,587,228 (US$113,500、RMB65,129) (Note 7)	(Note 1)	3,217,104 (US$110,360)	-	-	3,217,104 (US$110,360)	246,936	100%	246,936	4,911,514	(Note 8)
Everlight Lighting China	Sale of LEDs	233,208 (US$8,000) (Note 11)	(Note 1)	151,585 (US$5,200)	-	-	151,585 (US$5,200)	9,801	100%	9,801 (Note 12)	174,560 (Note 12)	-
Everlight Electronic (Guangzhou)	Business development and customer services	196,219 (US$128、RMB45,000) (Note 19)	(Note 1)	3,731 (US$128)	-	-	3,731 (US$128)	83	100%	83 (Note 20)	191,711 (Note 20)	-
Everlight Zhongshan	Manufacture of LED related components	874,530 (US$30,000)	(Note 1)	874,530 (US$30,000)	-	-	874,530 (US$30,000)	(4,471)	100%	(4,471)	872,271	-
Everlight Fujian	Manufacture and sale of LED backlights and related	728,775 (US$25,000)	(Note 1)	631,407 (US$16,250、RMB36,868)	-	-	631,407 (US$16,250、RMB36,868)	5,912	90%	5,321	587,958	-
Shanghai Yaming Lighting Co., Ltd. (Yaming)	Assemble LED lighting products	85,550 (RMB20,000)	(Note 1)	42,677 (US$1,464)	-	-	42,677 (US$1,464)	-	50%	-	-	-
ELMS	Research and sale of LED lighting products	406,363 (RMB95,000) (Note 22)	Direct investment	104,288 (US$1,294、RMB15,562)	-	-	104,288 (US$1,294、RMB15,562)	(1,957)	100%	(1,957) (Note 21)	7,522 (Note 21)	-
Yi-Yao	Research of electronic components	49,063 (RMB11,470)	(Note 1)	27,641 (RMB6,462)	-	-	27,641 (RMB6,462)	-	- (Note 9)	-	(Note 9)	-
Evervision TW:												
Vbest Kunshan	Post-assemble STN display and assemble module	524,718 (US$18,000)	(Note 2)	524,718 (US$18,000)	-	-	524,718 (US$18,000)	2,447	65.50%	1,603	429,136	-
Everlight Lighting China:												
Zhongshan Everlight Lighting	Research and sale of LED lighting products	85,550 (RMB20,000)	(Note 3)	-	-	-	-	(1,568)	100%	(1,568)	(51,264)	-

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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 September 30, 2020 (Note 6)	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (Note 6)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company and Pai-yee (Note 5)	5,178,517 (US$169,003 thousand、RMB58,892 thousand) (Notes 9、10、16 and 17)	5,237,440 (US$170,829 thousand、RMB60,223 thousand)	10,258,459
ELIT	138,805 (US$2,723 thousand、RMB13,893 thousand) (Notes 9 and 18)	138,805 (US$2,723 thousand、RMB13,893 thousand)	167,560 (Note 13)
Evervision TW	616,136(Note 15and 23) (US$21,136 thousand)	616,136 (US$21,136 thousand)	463,177 (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 nine months ended September 30 average exchange rates in 2020.
Note 5: Including the investment amount of US$ 3,790 thousand approved by Pai-yee.
Note 6: The amounts were translated into New Taiwan dollars at the exchange rates at the end of the reporting period.
Note 7: The difference from the Company's outflow of investment was due to the retained earnings transferred to the capital of Everlight China amounting to US$ 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.
Note 8: Including the remittance amounting to US$ 10,140 thousand from Guangzhou Everlight to Everlight BVI to be invested in Everlight China by Everlight BVI in 2007.
Note 9: The liquidation of Yi-Yao was completed in January 2020; the aforesaid investment amounting to US$48 thousand was included in the Company’s accumulated outflow of investment from Taiwan and amounting to US$723 thousand was included in the ELIT’s accumulated outflow of investment from Taiwan.
Note 10: The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to US$ 3,750 thousand was included in the Company's accumulated outflow of investment from Taiwan.
Note 11: The difference from the Company's outflow of investment was due to the amount of US$ 2,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.
Note 12: Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.
Note 13: After the investment of ELIT in Mainland China, its net equity decreased due to its operating losses. Therefore, the amount in the approval letter from the Investment Commission of Ministry of Economic Affairs is higher than the limitation required for the investment in accordance with the legal authorities.
Note 14: After the investment of Evervision TW in Mainland China, its net equity decreased due to its capital reduction in 2012. Therefore, the amount in the approval letter from the Investment Commission of Ministry of Economic Affairs is higher than required for the limitation on investment in accordance with the legal authorities.
Note 15: Including the investment amount of the factory in Mainland China written off in 2012 amounting to US$ 2,750 thousand.
Note 16: Including the investments amounting to US$ 216 thousand in Inferpoint Touch Solutions (ShenZhen) Limited and Inferpoint Systems (Shenzhen) Limited through Inferpoint Systems Limited, an investee at cost, in Mainland China. The Company sold its equities in December 2013, but had not applied to eliminate the investment amounting to US$ 9,475 thousand.
Note 17: Everlight Yi-Guang Technology (Shanghai) Ltd. had completed its liquidation in April 2014. The aforesaid investment amount included the accumulated outward remittance from the Company for investment amounting to US$ 293 thousand.
Note 18: ELIT sold 100% equity of ELMS to the Company in January 2014. The aforesaid investment amounting to US$ 2,000 thousand and RMB 13,893 thousand were included in ELIT's accumulated outflow of investment from Taiwan.
Note 19: The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in Everlight Electronic (Guangzhou) from Everlight China’s owned fund.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Note 20: Including the gains or losses on investment and ending balance of carrying value of investment in Everlight Electronic (Guangzhou) by Everlight China.
Note 21: Including the gains or losses on investment and ending balance of the carrying value of investment in ELMS by Everlight Electronic (Guangzhou).
Note 22: The difference from the Company's outflow of investment was due to the amount of RMB45,000 thousand invested in ELMS from Everlight Electronic (Guangzhou).
Note 23: The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to US$386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Group and the investee companies in Mainland China for the nine months ended September 30, 2020.

(d) Major shareholders: There is no shareholders holding more than 5% shares.

(14) Segment information:

(a) General Information

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

Other operating segments mainly engage in the sale of raw materials for electronic products, masks, and electrophoretic displays. The above operating segments did not meet the quantitative thresholds in the nine months ended September 30, 2020 and 2019.

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

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

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

	For the three months ended September 30, 2020					
	LED segment	**LCD segment**	**Illumination segment**	**Others**	**Adjustments & eliminations**	**Total**
Revenues						
Revenues from external customers	$ 5,204,918	209,129	416,171	22,614	-	5,852,832
Intersegment revenues	-	-	-	-	-	-
Total revenues	**$ 5,204,918**	**209,129**	**416,171**	**22,614**	**-**	**5,852,832**
Reportable segment profit (loss)	**$ 534,004**	**27,958**	**(29,774)**	**522**	**-**	**532,710**

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	For the three months ended September 30, 2019					
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	$ 4,572,392	153,397	431,034	15,757	-	5,172,580
Intersegment revenues	-	-	-	-	-	-
Total revenues	$ 4,572,392	153,397	431,034	15,757	-	5,172,580
Reportable segment profit (loss)	$ 354,905	(1,959)	(74,892)	68	-	278,122

	For the nine months ended September 30, 2020					
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	$13,730,007	487,791	1,720,975	87,669	-	16,026,442
Intersegment revenues	-	-	-	-	-	-
Total revenues	$13,730,007	487,791	1,720,975	87,669	-	16,026,442
Reportable segment profit (loss)	$ 1,072,096	20,325	(47,000)	(11,162)	-	1,034,259

	For the nine months ended September 30, 2019					
	LED segment	LCD segment	Illumination segment	Others	Adjustments & eliminations	Total
Revenues						
Revenues from external customers	$13,671,165	524,818	1,274,421	49,373	-	15,519,777
Intersegment revenues	-	-	-	-	-	-
Total revenues	$13,671,165	524,818	1,274,421	49,373	-	15,519,777
Reportable segment profit (loss)	$ 740,482	10,771	(202,056)	5,526	-	554,723