

Everlight Electronics Co., Ltd.

2023 Annual Report

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

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Notice to readers

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

Corporation Information

1. Spokesperson & Deputy Spokesperson

Spokesperson

Name: Yin-Fu Yeh

Title: Chairman of BOD, GM

TEL: +886-2-2685-6688

Email: gm@everlight.com

Deputy Spokesperson

Name: Chien-Ming Ting

Title: Sr. Director

TEL: +886-2-2685-6688

Email: poaming@everlight.com

2. Headquarters, Branches and Plant

Corporate Headquarters

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

TEL: +886-2-2685-6688

Branch

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

TEL: +886-37-740-776

3. Common Share Transfer Agent and Registrar

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

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

Website: www.capital.com.tw

TEL: +886-2-2702-3999

4. Auditors

Company: KPMG

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

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

Website: www.kpmg.com.tw

TEL: +886-2-8101-6666

5. Overseas Securities Exchange: N/A

6. Corporate Website

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

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1. Letter to Shareholders

To Shareholders Report

Ladies and Gentlemen Shareholders,

Preface

In this challenging year, Everlight once again faced the impact of various global uncertainties. Since the lifting of the COVID-19 lockdown, the global economy has yet fully recovered, and a high-interest rate environment has also damaged the real estate and global consumption momentum. However, in such an environment, Everlight actively confronted challenges and continuously adjusted its business strategies to ensure our financial performance. Against this backdrop, the consolidated revenue for the 2023 fiscal year reached NT\$ 17.845 billion, representing a year-on-year decline of 10.3%; the gross profit margin continued to increase to 29%; the net profit attributable to the parent company was NT\$ 1.472 billion, a year-on-year growth of 19.6%, with earnings per share (EPS) of NT\$ 3.32. The board of directors approved the distribution of earnings of NT\$ 2.6 per share in cash and capital surplus of NT\$ 0.6 per share in cash as well, totaling a cash dividend of NT\$ 3.2 per share. The operating results demonstrate our ability to respond to market changes and our continuous optimization in product portfolio and cost control.

New technique and applications

The future of Everlight will focus more on high-value products, which has a wide range of applications: automotive ambient lighting has extended to consumer products, such as the RGB LEDs in gaming peripherals and networking equipment products to show the owners' personal touch. In the home appliance sector, manufacturers of washing machines, dishwashers, and air conditioners have also introduced RGB LED to design their product layout, which not only enrich the using experience but also increases product value. In the invisible LED field, photo couplers, IR, and sensors are the major 3 products of Everlight. The applications from green energy to industrial control, and to wearable products, household surveillance cameras, and the metaverse, indicate enormous prospects for the application of invisible LED technology. Everlight is committed to exploring markets in various fields and bringing more possibilities for industry development by continuously developing from mid-range photo couplers to high-end designs.

Additionally, we are venturing into the new market of the wide band gap semiconductor packaging and testing. Currently the wide band gap semiconductor is dominated by global giants, therefore the long lead time and high prices limit its development. However, in recent years,

Taiwanese supply chain in this field has become more and more critical, which can help lower the prices and shorten the lead time. Moreover, as back-end packaging and testing facilities remain relatively scarce, we found a good opportunity to enter this new market. Since LED and wide band gap semiconductor processes are similar and can share some of the existing equipment, which can increase our profit. Especially since Everlight has already been a part of the global supply chain of the automotive electronics market, further expanding our product line can enhance the company's value to the clients.

Summary of 2024 business plan

Looking ahead, we are aware that the global economy will continue to face multiple challenges, including geopolitical turmoil and fluctuations in financial markets. However, we are confident in Everlight's future development. While facing challenges, we continue to seek new opportunities, continuously optimize our product portfolio, and strive to improve internal management processes. We deeply understand that to stand out in a competitive market, we must have the ability to adapt flexibly and possess sharp market insights. Therefore, we are committed to making continuous efforts to create higher value for shareholders and work together to create a better future.

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

Chairman of BOD, Yin-Fu Yeh

2. Corporate Introduction

2.1 Date of Incorporation: May 28, 1983.

2.2 Company History

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

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

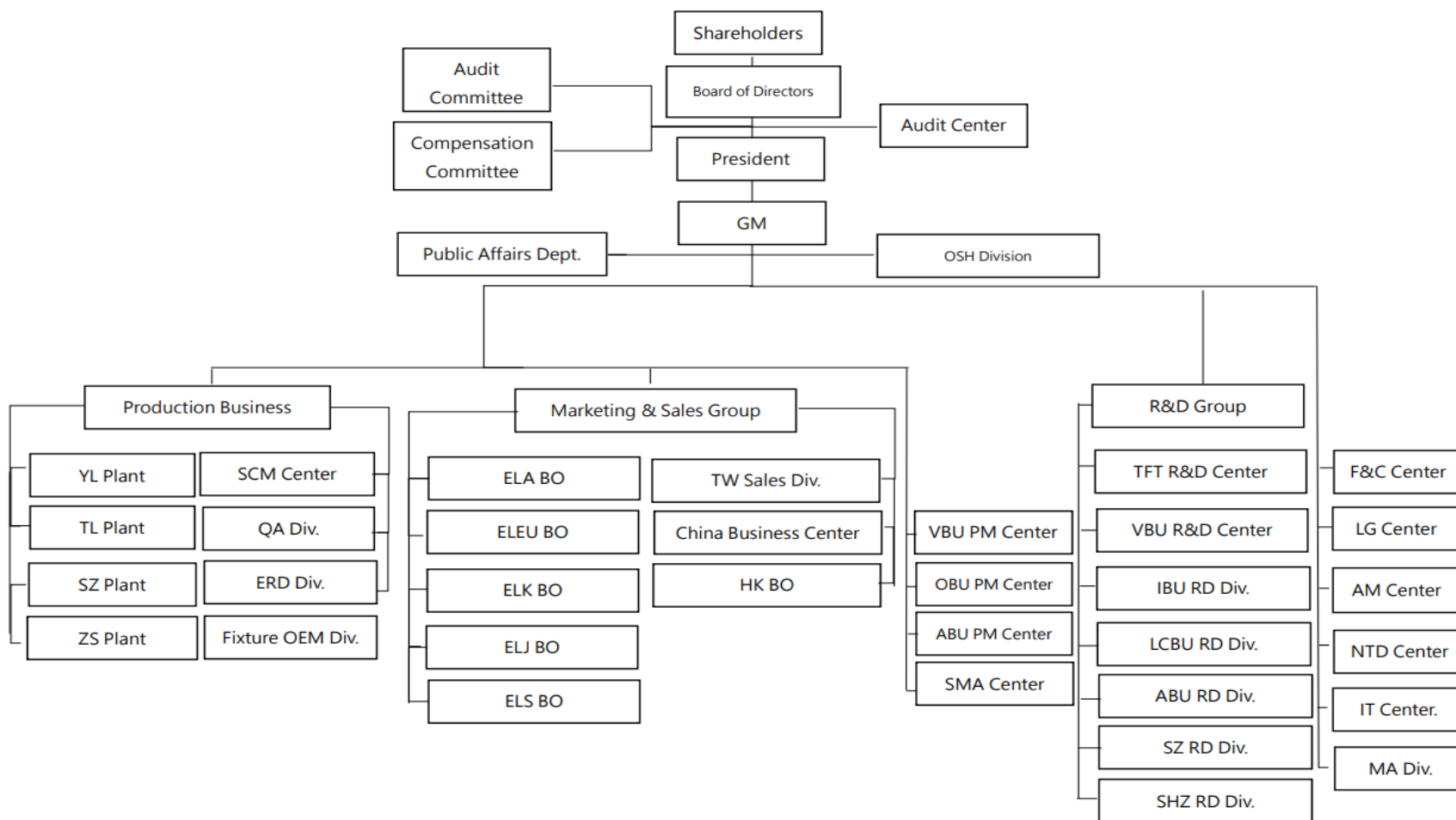
| | |
|----------|--|
| 2002 | Paid-in capital increased to NTD\$2,180,166thousand ◦ |
| 2003 | Paid-in capital increased to NTD\$2,464,267thousand ◦ |
| Feb 2004 | Offered 2 nd overseas convertible corporate bonds amounting to USD\$300 million. |
| 2004 | Paid-in capital increased to 2,736,647thousand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

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

3. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

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

| Department | Functions |
|--|--|
| AM Center General Affairs Division | <ol style="list-style-type: none"> 1. Facility Planning 2. Promote environmental related laws and regulations, regularly review and declare the discharge and declaration of air, water and waste pollution 3. Review and suggest on management system and execution of construction and safety and health in plant. |
| New Technology Center | <ol style="list-style-type: none"> 1. New product planning. 2. New product analysis and evaluation |
| Marketing Analysis Div. | <ol style="list-style-type: none"> 1. Collect and analyze market information 2. Provide product future market direction |
| R&D Group | <ol style="list-style-type: none"> 1. Evaluate industrial key technology and information. New product research and development. R&D process management and improvement. R&D project management and improve product quality and yield rate. 2. New product spec setting and test verification. Assist product department to test sample and spec verification. 3. Integrate corporate resource to import new material and manufacturing process. 4. New product development, improvement, and modification of production spec, BOM building, second source evaluation. R&D professional service and patent application. |
| PM Center & ABU Center & OBU Center | <ol style="list-style-type: none"> 1. Formulation and implementation Automotive of product marketing strategies. 2. Achieve product performance goals assigned by the company. 3. Responsible for new product development life cycle, gross profit and future planning. 4. Recommend to coordinate with the development of the industry and product trends from a market point of view. 5. From a market point of view, it is recommended that the company cooperate with the development of the industry and product trends. |
| Overseas Business Unit | <ol style="list-style-type: none"> 1. Build sales performance management system and continuously promote sales process improvement on operation efficiency and quality. 2. Develop new customer and maintain good relationship to achieve yearly sales goal. 3. Set up and execute product marketing strategy. 4. Manage distributor channel in Greater China and Overseas |
| Supply Chain Management Division | <ol style="list-style-type: none"> 1. Allocate production capacity by open order and manage abnormal production condition to achieve goals of production and inventory turnover. 2. Continuously control production status and reduce WIP. 3. Manage raw material, product, and shipping to fulfill production needs. |
| Equipment R&D and Facility Affairs Division | <ol style="list-style-type: none"> 1. Improve automation of machinery and develop mould. 2. Develop, import, and apply new machine and new model. 3. Execute factory construction project, factory affairs, and factory equipment maintenance to fulfill capacity expansion and production demand. |
| Quality Assurance Division | <ol style="list-style-type: none"> 1. Manage corporate quality system, suppliers, prohibited and restricted substance, and internal audit system. 2. Manage and plan laboratory, approve reliance report, handle defective product, and promote quality assurance conscious and training to ensure product reliability. 3. Standardize customer complaint process and analysis method, build feedback database of customer complaint, standardize CAR (correction action report) by basic tools of quality to decrease abnormal reoccurrence, customer complaint and external quality cost. |
| Production | <ol style="list-style-type: none"> 1. Produce LED according to open order and achieve goals of production and inventory |

| Department | Functions |
|------------|--|
| Plant | turnover. 2. Continuously decrease manufacturing cost, control production status and reduce WIP. 3. Manage raw material, product, and inventory to fulfill production needs. |

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

3.2.1 Information about directors

Apr. 14, 2024 Unit:Share

| Title | Nationality or Place of Registration | Name | Gender /Age | Date Elected | Term (Year) | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience & Education | Current Positions at Everlight and Other Companies | Managers, directors or supervisors who are spouses or relatives within the second degree of kinship | | | Remark |
|----------------------|--------------------------------------|--|---------------|--------------|-------------|--------------------|---------------------------|------|----------------------|------|-----------------------------|------|-------------------------------------|------|--|--|---|--------------|--------------|--------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| Chairman | R.O.C. | Yin-Fu Yeh | Male Above 70 | 2021.07 | 3 | 1983.6 | 16,168,553 | 3.65 | 14,168,553 | 3.20 | 651,333 | 0.15 | 0 | 0.00 | National Taipei University of Technology Department of Electronic Engineering | Please see note. | Director | Ting-Wei Yeh | Son | Note |
| Director | R.O.C. | Bo-Wen Zhou | Male Above 70 | 2021.07 | 3 | 1983.6 | 9,600,000 | 2.17 | 9,600,000 | 2.17 | 7,300,000 | 1.65 | 0 | 0.00 | Department of Information Engineering of Chien Hsin University of Science and Technology Everlight Electronics Co., Ltd. Vice President | Please see note. | - | - | - | |
| Director | R.O.C. | Shinh Wum International Investment LTD | Male 30-50 | 2021.07 | 3 | 2012.6 | 4,785,000 | 1.08 | 7,095,000 | 1.60 | 0 | 0.00 | 0 | 0.00 | Ph. D of Material Science of University of Southern California Sales VP of ELA President of Everlight Electronics director, Sr. Director | Please see note. | Chairman | Yin-Fu Yeh | Father | |
| | | representative: Ting-Wei Yeh | | | | | 500,000 | 0.11 | 500,000 | 0.11 | 0 | 0.00 | 0 | 0.00 | | | | | | |
| Director | R.O.C. | Bang-Yan Liu | Male 50-70 | 2021.07 | 3 | 2003.6 | 145,884 | 0.03 | 112,884 | 0.03 | 0 | 0.00 | 0 | 0.00 | Hsieh Chih Vocational High School Everlight production business unit president | Please see note. | - | - | - | |
| Independent Director | R.O.C. | Johnsee Lee | Male Above 70 | 2021.07 | 3 | 2015.6 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Ph. D of Chemical Engineering of Illinois Institute of Technology Industrial Technology Research Institute Chairman | Please see note. | - | - | - | |

| Title | Nationality or Place of Registration | Name | Gender /Age | Date Elected | Term (Year) | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience & Education | Current Positions at Everlight and Other Companies | Managers, directors or supervisors who are spouses or relatives within the second degree of kinship | | | Remark |
|----------------------|--------------------------------------|----------------|------------------|--------------|-------------|--------------------|---------------------------|------|----------------------|------|-----------------------------|------|-------------------------------------|------|--|--|---|------|--------------|--------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| Independent Director | R.O.C. | Chen-En Ko | Male Above 70 | 2021.07 | 3 | 2015.6 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | PhD of Department of Accounting at University of Minnesota Chung-Hua Institution for Economic Research Chairman Dean of College of Management at National Taiwan University Supervisor of CBC Taiwan Corporate Governance Association Chairman | Please see note. | - | - | - | |
| Independent Director | R.O.C. | Rong-Chun Lin | Male 50-70 | 2021.07 | 3 | 1997.6 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Ph. D of Business Administration of NCCU Dean of College of Management at Shih Chien University Consultant of Taiwan Academy of Banking and Finance | Please see note. | - | - | - | |
| Independent Director | R.O.C. | Liang-Gee Chen | Male 50-70 | 2021.07 | 3 | 2021.7 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Ph.D. of National Cheng Kung University Chair Professor, Department of Electrical Engineering, National Taiwan University Minister of Ministry of Science and Technology, R.O.C. | | - | - | - | |

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

Note: Wu-Liu Tsai resigned in July 2023.

Note :

| Name | Current Positions at Everlight and Other Companies |
|----------------|---|
| Yin-Fu Yeh | Everlight Electronics Chairman & President Tekcore Co. Ltd President Evervision Electronics Co., Ltd. Chairman & president Forever Investment Co., Ltd. Chairman & president Pai Yee Investment Co., Ltd. Chairman & president Evlite Electronics Co., Ltd. Director Everlight Lighting Intellengence Technology Co., Ltd. Chairman Evervision Electronics (BVI) Director Everlight (BVI) Co., Ltd Director & president Everlight Lighting (China) Chairman Everlight Americas, Inc. Director Everlight Electronics Europe GmbH Director Everlight Optoelectronics Korea Co., Ltd. Chairman Evervision (HK) Ltd. Director Everlight Japan Corporation Chairman, GM Everlight Intelligence Technology KZ LLP Director Everlight (China) Ltd. Director Everlight (Guazhou) Ltd. Director(Registration Changing) Everlight (Zhongshan) Ltd. Director |
| Bo-Wen Zhou | Everlight Electronics Director |
| Ting-Wei Yeh | Everlight Electronics Director Everlight Optoelectronics Korea Co.,Ltd. Director Everlight Americas, Inc. Director Everlight (China) Ltd. Director(Registration Changing) Everlight (Guazhou) Ltd. Director(Registration Changing) |
| Bang-Yan Liu | Everlight Electronics Director |
| Johnsee Lee | Everlight Electronics Independent Director Far Eastern New Century Independent Director San Fu Chemical Co., Ltd. Independent Director BRIM Biotechnology, Inc. Independent Director Hopax Chemicals. Mfg. Co., Ltd. Director Personal Genomics, Inc. Chairman Quark Biosciences, Inc. Chairman |
| Chen-En Ko | Everlight Electronics Independent Director Far Eastern New Century Independent Director Chang Type Industrial Co., Ltd. Indepent Director |
| Rong-Chun Lin | Everlight Electronics Independent Director China Metal Products Co., Ltd. Independent Director Antec, Inc. Independent Director |
| Liang-Gee Chen | Everlight Electronics Independent Director Nuvoton Technology Corporation Director |

| | |
|--|--|
| | Vanguard International Semiconductor Corporation Independent Director Ganzin Technology Director Himax Technologies, Inc. Director Qisda Corporation Independent Director |
|--|--|

3.2.2 Directors' Professional Qualifications and Independence Analysis:

| Criteria Name | Professional qualifications and experience | Independent status | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|-----------------------------|--|--------------------|---|
| Chairman Yin-Fu Yeh | <ol style="list-style-type: none"> 1. Possesses five or more years of work experience required for the Company's business 2. Currently the chairman and president of Everlight Electronics and its subsidiaries, and the chairman and president of Tekore(Note) 3. Not been a person of any conditions defined in Article 30 of the Company Law <p>Note: Resigned Chairman position on 2024/4/1</p> | | None |
| Director Bo-Wen Zhou | <ol style="list-style-type: none"> 1. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. 2. Currently the director of Everlight Electronics, served as VP of the Company 3. Not been a person of any conditions defined in Article 30 of the Company Law | | None |
| Director Bang-Yan Liu | <ol style="list-style-type: none"> 1. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. 2. Currently the director of Everlight Electronics, and served as production business unit president of the Company 3. Not been a person of any conditions defined in Article 30 of the Company Law | | Not Applicable |

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

| | | | |
|--|--|---|--------------------------------------|
| <p>Independent Director Chen-En Ko</p> | <ol style="list-style-type: none"> 1. More than five years as an Instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university 2. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company 3. Currently the independent director and the convenor of the audit and remuneration committee of the Company. 4. Honorary Professor of Accounting Department of National Taiwan University, Chairman and Dean of CIER, Dean of School of Management of National Taiwan University, Director of Accounting Department of National Taiwan University, Supervisor of CBC, Technology Consultant of Executive Yuan, Director and executive supervisor of TWSE, director and supervisor of OTC, and chairman of Taiwan Corporate Governance Association. 5. Not been a person of any conditions defined in Article 30 of the Company Law. | <ol style="list-style-type: none"> 1. Not a shareholder who holds the Company shares, together with those held by the person's spouse, minor children, or held by the person under others' names 2. Not a director, supervisor or employee of the company or any of its affiliates. 3. The spouse or the relative within the second degree of kinship not serve as a director, supervisor or employee of the Company or its affiliates 4. The person , the spouse and the relative within the second degree of kinship not serve as a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law. 6. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the Same person or are spouses: the person, the spouse, relative within the second degree of kinship not serve as not a director, supervisor, or employee of that other company or institution. 7. Not the spouse or the relative with in the second degree of kinship with other directors. 8. Not a professional individual who provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company and received compensation in the past 2 years. 9. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law | <p style="text-align: center;">2</p> |
|--|--|---|--------------------------------------|

| | | | |
|---|---|--|--------------------------------------|
| <p>Independent Director Johnsee Lee</p> | <ol style="list-style-type: none"> 1. More than five years as an Instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university 2. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. 3. Currently the independent director and the member of the audit and remuneration committee of the Company. 4. Worked in the Argonne National Laboratory and the Johnson & Johnson in US. After 1990, served as the deputy director and director in the chemical industry institute of ITRI, and the co-host of the National Program for Biotechnology and Pharmaceuticals, and the host of the Bioengineering Department of the Ministry of Economic Affairs, the chief host of the material research and development plan, the chief host of the forward-looking innovation research and development program of the Ministry of Economic Affairs. Since 2003, served as the dean of the ITRI. In 2010, transferred to the chairman of the Development center for Biotechnology. 5. Not been a person of any conditions defined in Article 30 of the Company Law. | <ol style="list-style-type: none"> 1. Not a shareholder who holds the Company shares, together with those held by the person's spouse, minor children, or held by the person under others' names 2. Not a director, supervisor or employee of the company or any of its affiliates. 3. The spouse or the relative within the second degree of kinship not serve as a director, supervisor or employee of the Company or its affiliates. 4. The person , the spouse and the relative within the second degree of kinship not serve as a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law. 6. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the Same person or are spouses: the person, the spouse, relative within the second degree of kinship not serve as not a director, supervisor, or employee of that other company or institution. 7. Not the spouse or the relative with in the second degree of kinship with other directors. 8. Not a professional individual who provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company and received compensation in the past 2 years. 9. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law | <p style="text-align: center;">3</p> |
|---|---|--|--------------------------------------|

| | | | |
|---|---|--|--------------------------------------|
| <p>Independent Director Rong-Chun Lin</p> | <ol style="list-style-type: none"> 1. More than five years as an Instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university 2. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. 3. Currently the independent director and the member of the audit and remuneration committee of the Company. 4. Served as the Deputy Dean of the School of Management of Shi Shi University, Supervisor of Everlight Electronics, Director of Dehwa Construction, Supervisor of King Core Electronics, General Manager of Sanyang Securities, Director and VP of Masterlink Securities, VP of Masterlink Investment Consultant, Supervisor and Executive Secretary of the Chairman of CMP, AVP of Citibank, Taipei Branch. 5. Not been a person of any conditions defined in Article 30 of the Company Law. | <ol style="list-style-type: none"> 1. Not a shareholder who holds the Company shares, together with those held by the person's spouse, minor children, or held by the person under others' names 2. Not a director, supervisor or employee of the company or any of its affiliates. 3. The spouse or the relative within the second degree of kinship not serve as a director, supervisor or employee of the Company or its affiliates. 4. The person , the spouse and the relative within the second degree of kinship not serve as a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law. 6. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the Same person or are spouses: the person, the spouse, relative within the second degree of kinship not serve as not a director, supervisor, or employee of that other company or institution. 7. Not the spouse or the relative with in the second degree of kinship with other directors. 8. Not a professional individual who provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company and received compensation in the past 2 years. 9. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law | <p style="text-align: center;">2</p> |
|---|---|--|--------------------------------------|

| | | | |
|--|---|--|--------------------------------------|
| <p>Independent Director Liang-Gee Chen</p> | <ol style="list-style-type: none"> 1. More than five years as an Instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university 2. More than five years work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. 3. Currently the independent director and the member of the audit and remuneration committee of the Company. Served as the deputy director of the Department of Electrical Engineering of National Taiwan University, the director of the Institute of Electronics of National Taiwan University, the director of the National Taiwan University Creative Entrepreneurship Program, the deputy R&D director of National Taiwan University, and the deputy dean of the Institute of Electrical Engineering, the director of the National Applied Research Laboratories from 2012 to 2013. In May 2016, transferred from the deputy dean of National Taiwan University to the Deputy Minister of Education of the Ministry of Education. In February 2017, transferred to the Minister of Science and Technology, and returned to National Taiwan University in May 2019. 4. Not been a person of any conditions defined in Article 30 of the Company Law. | <ol style="list-style-type: none"> 1. Not a shareholder who holds the Company shares, together with those held by the person's spouse, minor children, or held by the person under others' names 2. Not a director, supervisor or employee of the company or any of its affiliates. 3. The spouse or the relative within the second degree of kinship not serve as a director, supervisor or employee of the Company or its affiliates. 4. The person , the spouse and the relative within the second degree of kinship not serve as a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law. 6. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the Same person or are spouses: the person, the spouse, relative within the second degree of kinship not serve as not a director, supervisor, or employee of that other company or institution. 7. Not the spouse or the relative with in the second degree of kinship with other directors. 8. Not a professional individual who provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company and received compensation in the past 2 years. 9. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law | <p style="text-align: center;">2</p> |
|--|---|--|--------------------------------------|

Note: According to the Rules Governing Review of Securities Listings as well as the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, the Company has obtained the statement of

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

Note: Wu-Liu Tsai resigned in July 2023.

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

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

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

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

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

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

Diviersity of board members:

| Name | Condition | | | | | | | | | | | | |
|----------------|-----------|----------|-------------|---------------|---|---|---|---|---|---|---|---|--|
| | Gender | Ages | Nationality | Manager Level | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | Technology and Materials Application Expertise |
| Yin-Fn Yeh | Male | Above 70 | R.O.C. | V | V | | V | V | V | V | V | V | V |
| Chen-En Ko | Male | Above 70 | R.O.C. | | V | V | V | V | | V | V | V | |
| Johnsee Lee | Male | Above 70 | R.O.C. | | V | V | V | V | | V | V | V | V |
| Rong-Chun Lin | Male | 50-70 | R.O.C. | | V | V | V | V | | V | V | V | |
| Liang-Gee Chen | Male | 50-70 | R.O.C. | | V | | V | V | | V | V | V | V |
| Bo-Wen Zhou | Male | Above 70 | R.O.C. | | V | | V | V | V | V | V | V | |
| Bang-Yan Liu | Male | 50-70 | R.O.C. | | V | | V | V | V | V | V | V | |
| Ting-Wei Yeh | Male | 30-50 | R.O.C. | | V | | V | V | V | V | V | V | V |

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

Note: Wu-Liu Tsai resigned in July 2023.

There are eight directors in our Board including four directors and four independent directors. Percentage of independent director on the board is 50%. The terms of four independent directors is less than 3 sessions. the terms of one independent directos is less then 3 years, another one is in 4-6 years and the other two is in 6-9 years. All independent

directors meet the independence requirement.

Three directors who are also employees account for 25% and external directors 75%. The five board members with academic proficiency accounts for 50%; three of them with material appliance, and the other two with accounting, finance, and business administration background; the rest of four directors who possess abundant knowledge, expertise, and practical experience of industry, and risk management accounts for 50%. The combination of industry and academy could exert great synergy and implement the goal of diversification.

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

The board's diversification is as follows:

1. Out of the 8 directors, 4 are independent directors, accounting for 50% of the total.
2. There are a total of 4 directors with a background in science and technology, representing 50% of the board.
3. Among the 4 independent directors, 3 have a finance and accounting background, achieving a ratio of 75% of independent director seats.
4. Out of the 8 directors, 4 have extensive experience in the LED and related industries, accounting for 50% of the board.
5. The number of directors with manager role does not exceed one-third.

3.2.4 Major Shareholder of the institutional shareholder:

April 14, 2024

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

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

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

3.2 Information Regarding Management Team

April 14, 2024 Unit: Share

| Title | Nationality | Name | Gender | Date Effective | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience & Education | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remark |
|----------------------|-------------|-------------|--------|----------------|--------------|------|-----------------------------|------|-------------------------------------|------|--|---|---|--------------|--------------|--------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| Chairman & president | R.O.C. | Yin-Fu Yeh | Male | 1983.05.15 | 14,168,553 | 3.20 | 651,333 | 0.15 | 0 | 0.00 | Department of Electronic Engineering of National Taipei University of Technology | Everlight Electronics Chairman & President Tekcore Co. Ltd Chairman & President Evervision Electronics Co., Ltd. Chairman & president Forever Investment Co., Ltd. Chairman & president Pai Yee Investment Co., Ltd. Chairman & president Evlite Electronics Co., Ltd. Director Everlight Lighting Intellengence Technology Co., Ltd. Chairman Evervision Electronics (BVI) Director Everlight (BVI) Co., Ltd Director & president Everlight Lighting (China) Chairman Everlight Americas, Inc. Director Everlight Electronics Europe GmbH Director Everlight Optoelectronics Korea Co., Ltd. Chairman Evervision (HK) Ltd. Director Everlight Japan Corporation Chairman, GM Everlight Intelligence Technology KZ LLP Director Everlight (China) Ltd. Director Everlight (Guazhou) Ltd. Director (Registration Changing) Everlight (Zhongshan) Ltd. Director | Sr. Director | Ting-Wei Yeh | Son | Note |
| Sr. Director | R.O.C. | Min-Ta Tsao | Male | 2020.11.19 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Taipei Kai-Nan High School Everlight Electronics Director | Everlight (Guazhou) Ltd. Chairman (Registration Changing) | - | - | - | |

| Title | Nationality | Name | Gender | Date Effective | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience & Education | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remark |
|--------------|-------------|-----------------|--------|----------------|--------------|------|-----------------------------|------|-------------------------------------|------|---|---|---|------|--------------|--------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| Sr. Director | R.O.C. | Chien-Ming Ting | Male | 2021.1.5 | 1,000 | 0.00 | 0 | 0.00 | 0 | 0.00 | Master of Human Resource and Public Relations DaYeh University Everlight Human Resource and General Affair department director | None | - | - | - | |
| Sr. Director | R.O.C. | Cheng-Hsin Chen | Male | 2022.1.27 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Ph.D. and Master in Physics, National Taiwan University Everlight Electronics New Technology Development department Director,, INT TECH Co., LTD Director Gudeng Precision Industrial Co., LTD Director | None | - | - | - | |
| Sr. Director | R.O.C. | Yu-He Chang | Male | 2022.4.1 | 0 | 0.00 | 3,000 | 0.00 | 0 | 0.00 | Master of Advanced Technology R&D, National Taiwan University of Science and Technology Department of Electronic Engineering, National Taipei University of Technology Head of Xiamen LEEDARSON Taipei R&D Center and Business Development Department - Senior Director Director of Connectivity Standard Alliance | WOFI Leuchten GmbH GM WOFI Wortmann & Fliz GmbH GM Euro Technics Trade GmbH GM WOFI Technics Trade Limited GM (Registration Changing) Action GmbH GM WOFI VG GM Lamp for less GM (Note) | - | - | - | |
| Sr. Director | R.O.C. | Che-wei, Hsu | Male | 2022.4.7 | 30,000 | 0.00 | 0 | 0.00 | 0 | 0.00 | Master, Institute of Electrical Engineering, National Taiwan Ocean University Foreign Trade Association International Trade Talent Training Course Everlight Opto. Products department Director UTC R&D Manager, GE R&D Manager | Everlight Lighting (China) Chairman & GM | - | - | - | |
| Sr. Director | R.O.C. | Yi-Chen, Chen | Female | 2022.4.7 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Department of Economics, National Cheng Kung University Everlight Europe and America Business department Director ASUS Computer and Mobile Phone Division - Product Operation Center – Supervisor | Everlight Optoelectronics (M) SDN. BHD. Director Everlight Electronics India Private Limited Director Everlight Electronics Singapore Pte. Ltd. Director | - | - | - | |

| Title | Nationality | Name | Gender | Date Effective | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience & Education | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remark |
|--------------------|-------------|-------------|--------|----------------|--------------|------|-----------------------------|------|-------------------------------------|------|--|---|---|------|--------------|--------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| Sr. Director | R.O.C. | Ruey-Min Li | Male | 2023.6.6 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | BA., Department of Information Management, National Sun Yat-Sen University Sr. Director of Information Center & SAM | None | - | - | - | |
| Sr. Director | R.O.C. | Cheng-En Ko | Male | 2023.6.6 | 0 | 0.00 | - | - | 0 | 0.00 | MBA, University of Delaware Sr. Director, Everlight Electronics | Everlight (China) Ltd. Director Everlight (Guazhou) Ltd. Director | - | - | - | |
| Sr. Director | R.O.C. | I-Pei Li | | 2023.10.16 | 1,000 | 0.00 | - | - | 0 | 0.00 | Master, Department of Aeronautics and Astronautics, National Chneg Kung University Director of QA & Procurement Department n Primax Corporation Sr. Manager of QA Department in Microelectronics Tech. Inc. | None | - | - | - | |
| Sr. Director | R.O.C. | Hung-Yen Su | Male | 2023.12.25 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Master, Department of Electrical Engineering, Chang Gung University Sr. Director of LCBU Everlight Electronics Supervisor, Cal-Comp Electronics (Thailand) Public Co.Ltd. Sr. Supervisor, Chicony Power Tech. | None | - | - | - | |
| Accounting Officer | R.O.C. | Chun-Yu Lu | Female | 2020.12.23 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | BA. Department of Accounting, National CHENCHI University Everlight Financial and Accounting Center Manager | Everlight Optoelectronics Korea Co., Ltd. Supervisor Everlight Electronics (China) Supervisor Everlight (Guazhou) Ltd. Supervisor Everlight Electronics (Zhongshan) Supervisor Everlight Japan Corporation Supervisor | - | - | - | |

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

Note: The company was officially declared bankrupt by a local court in Germany in April and May 2024. The bankruptcy process is still in progress and the merged company has lost control over it

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

3.3.1 Remuneration Paid to Directors

Unit: NT\$ thousand

| Title | Name | Director Remuneration | | | | | | | | Total Remuneration (A+B+C+D) as a % of Net Loss after tax | | Compensation Earned by a Director Who is an Employee of Epistar or of Epistar's Consolidated Entities | | | | | | Total Compensation (A+B+C+D+E+F+G) as a % of Net Loss after tax | | Compensation Paid to Directors from Non-consolidated Affiliates | | | | | | |
|--|--|-----------------------|---------------------------|--------------------------------|---------------------------|-------------------------------|---------------------------|----------------|---------------------------|---|---------------------------|---|---------------------------|--------------------------------|---------------------------|--------------------------------------|-------|---|-------|---|-------------|---------------------------|--------|-------|-------|-----|
| | | Base Compensation (A) | | Severance Pay and Pensions (B) | | Compensation to Directors (C) | | Allowances (D) | | | | Base Compensation, Bonuses, and Allowances (E) | | Severance Pay and Pensions (F) | | Employees' Profits Sharing Bonus (G) | | | | | | | | | | |
| | | The Company | All Consolidated Entities | The Company | All Consolidated Entities | The Company | All Consolidated Entities | The Company | All Consolidated Entities | The Company | All Consolidated Entities | The Company | All Consolidated Entities | The Company | All Consolidated Entities | Cash | Stock | Cash | Stock | | The Company | All Consolidated Entities | | | | |
| Director | Yin-Fu Yeh | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Bo-Wen Zhou | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Bang-Yan Liu | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Shinh Wum International Investment Ltd. representative: Ting-Wei Yeh | 0 | 0 | 0 | 0 | 10,479 | 10,479 | 272 | 272 | 10,752 | 10,752 | 0.73% | 0.73% | 17,726 | 17,726 | 119 | 119 | 6,025 | 0 | 6,025 | 0 | 34,622 | 34,622 | 2.35% | 2.35% | N/A |
| | Wu-Liu Tsai** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Johnsee Lee | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Chen-En Ko | 3,120 | 3,120 | 0 | 0 | 9,292 | 9,292 | 240 | 240 | 12,652 | 12,652 | 0.86% | 0.86% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12,652 | 12,652 | 0.86% | 0.86% | N/A |
| | Rong-Chun Lin | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Liang-Gee Chen | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:</p> <p>(1) According to the Articles of Incorporation of Company, Upon the Company director or supervisor's performance of company duties, the Company shall pay compensation accordingly whether or not the Company makes profit from business. The board of directors' meeting is hereby authorized to determine compensation which shall be based on their degree of participation and value of contribution to the Company's operation, and shall not exceed the highest salary standard prescribed in the Company's salary determination guidelines.</p> <p>(2) If the Company makes a profit during the year, the directors' remuneration shall allocate no more than one percent of the profit.</p> <p>(3) Since the company has a remuneration committee and an audit committee, independent directors have a higher participation in major proposals, so they can earn the distribution of earnings and fixed monthly salary; directors who are not employees can participate in the distribution of earnings.</p> <p>2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | |

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

** Mr. Wu-Liu Tsai resigned in July 2023

3.3.2 Remuneration Paid to Directors

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

* Mr. Wu-Liu Tsai resigned in July 2023

3.3.3 Remuneration Paid to President and Vice Presidents

Unit: NT\$ thousand

| Title | Name | Salary (A) | | Severance Pay and Pensions (B) | | Bonuses and Allowances (C) | | Employees' Profit Sharing Bonus (D) | | | | Total Compensation as a % of 2018 Net Profit (A+B+C+D) | | Compensation Received from Non-consolidated From Affiliates |
|-----------|------------|-------------|---------------------------|--------------------------------|---------------------------|----------------------------|---------------------------|-------------------------------------|-------|---------------------------|-------|--|---------------------------|---|
| | | The Company | All Consolidated Entities | The Company | All Consolidated Entities | The Company | All Consolidated Entities | The Company | | All Consolidated Entities | | The Company | All Consolidated Entities | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| President | Yin-Fu Yeh | 8,407 | 8,407 | 0 | 0 | 2,217 | 2,217 | 4,966 | 0 | 4,966 | 0 | 15,590 1.06% | 15,590 1.06% | None |

| Range of Remuneration | Name of President and Vice President | |
|--------------------------------|--------------------------------------|-----------------------------|
| | The Company | All Consolidated Entities E |
| NT\$0~NT\$1,000,000 | | |
| NT\$1,000,000~NT\$2,000,000 | | |
| NT\$2,000,000~NT\$3,500,000 | | |
| NT\$3,500,000~NT\$5,000,000 | | |
| NT\$5,000,000~NT\$10,000,000 | | |
| NT\$10,000,000~NT\$15,000,000 | | |
| NT\$15,000,000~NT\$30,000,000 | Yin-Fu Yehi | Yin-Fu Yeh |
| NT\$30,000,000~NT\$50,000,000 | | |
| NT\$50,000,000~NT\$100,000,000 | | |
| 100,000,000 and above | | |
| Total | 1 | 1 |

3.3.4 Employees' Profit Sharing Bonus Paid to Management Team

Dec. 31, 2023 Unit: NT\$ thousand; Shares k

| Title | Name | Stock | Cash | Total Employees' Profit Sharing Bonus | Total Employees' Profit Sharing Bonus Paid to Management Team as a % of Net Loss |
|---|-----------------|-------|--------|---------------------------------------|--|
| President | Yin-Fu Yeh | 0 | 21,789 | 21,789 | 1.48% |
| Sr. Director | Chih-Min Ding | | | | |
| Sr. Director | Min-Ta Tsao | | | | |
| Sr. Director | Cheng-Hsin Chen | | | | |
| Sr. Director | YouHe Chang | | | | |
| Sr. Director | CHE WEI HSU | | | | |
| Sr. Director | Yichen Chen | | | | |
| Sr. Director | Ruey-Min Li | | | | |
| Sr. Director | CHENG-EN KO | | | | |
| Sr. Director | Ipei LI | | | | |
| Sr. Director | HUNG-YEN SU | | | | |
| Accounting Supervisor Financial Supervisor (Agent) Corporate Governance Officer | Chun-Yu Lu | | | | |

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

| Title | The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, President and vice presidents of the Company, to the net loss & Profit. | | | |
|------------------------------|---|---------------------------|-------------|---------------------------|
| | 2022 | | 2023 | |
| | The Company | All Consolidated Entities | The Company | All Consolidated Entities |
| Directors | 1.69% | 1.69% | 1.59% | 1.59% |
| President and Vice President | 2.34% | 2.34% | 1.06% | 1.06% |

The earnings in 2023 is more than in 2022 but the revenue is less, therefore the lower remuneration ratio allocated in 2023 relatively. The ratio of directors and managers remuneration to the net profit in 2023 is much lower to 2022 due to less high level managers.

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

- A. Board remuneration in our company is determined according to Article 20 of the Company's Articles of Incorporation. If the company is profitable in a fiscal year, a provision of no more than one percent is allocated for board remuneration. The allocation amount is calculated based on our company's "Employee Remuneration Allocation Measures." Both directors and independent directors can participate in the distribution of board remuneration. The reasonableness of compensation is reviewed by the Compensation Committee and the Board of Directors.

- B. Executive compensation in our company includes various allowances and bonuses to acknowledge and reward employees' efforts in their work. Related bonuses are determined based on the company's annual operational performance, financial condition, operational situation, and individual job performance. Additionally, if the company is profitable in a fiscal year, six to twelve percent is allocated for employee remuneration, calculated according to our company's "Employee Remuneration Allocation Measures." The performance evaluation results based on our "Performance Management Measures" serve as a reference for executive bonuses. The evaluation criteria for executives consist of two parts: (1) Financial indicators: distribution of departmental contributions to the company based on our management income statement and consideration of the managers' goal achievement rates; (2) Non-financial indicators: comprised of the practical application of the company's core values, operational management capabilities, and participation in sustainable business practices. The compensation for their operational performance is periodically reviewed based on the actual operational conditions and relevant regulations.
- C. The salary and compensation provided by our company, as defined in Article 7, Section 3 of our company's "Compensation Committee Organization Regulations," includes cash rewards, stock options, stock dividends, retirement benefits or severance pay, various allowances, and other measures with substantial rewards. Its scope aligns with the guidelines for disclosure items in the annual report of publicly traded companies concerning director and executive compensation.

2. Procedures for Setting Compensation:

- A. To regularly evaluate executive compensation, the performance evaluation results based on our company's "Performance Management Measures" serve as the basis. The general manager's remuneration is determined by referencing the "domestic industry distribution level" and linking it to the company's operational performance indicators, which is then submitted for board approval. To fully demonstrate the achievement of operational performance indicators, the evaluation scope for the general manager includes the three major strategic priorities: (1) Short-term operational indicators, (2) Mid-term strategic indicators, and (3) Corporate social responsibility. The evaluation scope encompasses key indicators such as revenue targets, cost efficiency, product research and development strategies, talent development strategies, environmental protection and workplace safety, social responsibility, and corporate governance. All these indicators are adjusted based on the company's operational strategy, recommendations from the Compensation Committee, and the Board of Directors.
- B. The performance evaluation and reasonableness of executive compensation in our company are reviewed and assessed annually by the Compensation Committee and the Board of Directors. It takes into account individual performance achievement rates, contributions to the company, overall operational performance, market salary surveys, industry development trends, and periodic reviews of the compensation system based on actual operational conditions and relevant regulations. The actual amounts of director and executive remuneration for the 111th fiscal year are determined after review by the Compensation Committee and approved by the Board of Directors.

3. Relationship with Operational Performance:

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

management level remains competitive within the industry, thereby retaining outstanding

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors Meeting Status

1. A total of 6 (A) meetings of the Board of Directors were held in 2023. The directors' attendance status is as follows.

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%) 【B/A】 | Remarks |
|----------------------|--|--------------------------|----------|---------------------------|---|
| Chairman | Yin-Fu Yeh | 6 | 0 | 100 | |
| Director | Bo-Wen Zhou | 6 | 0 | 100 | |
| Director | Bang-Yan Liu | 6 | 0 | 100 | |
| Director | Shinh Wum International Investment LTD representative : Ting-Wei Yeh | 6 | 0 | 100 | |
| Director | Wu-Liu Tsai | 3 | 0 | 100 | Resigned on 2023/7/15, The number of attendance required is 3 times |
| Independent director | Chen-En Ko | 6 | 0 | 100 | |
| Independent director | Johnsee Lee | 6 | 0 | 100 | |
| Independent director | Rong-Chun Lin | 6 | 0 | 100 | |
| Independent director | Liang-Gee Chen | 6 | 0 | 100 | |

*The overall Attendance rate of the board of directors is 100%

2. Other special disclosure:

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

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

| Term/____st/ nd/rd/th time Date | Contents of motion | Resolution |
|--|--|---|
| 14-14 2023.2.1 | The board of directors on 2022/9/8 has approved an endorsement guarantee case of USD 20,000,000, proposing to provide an equivalent of USD 18,700,000 in fixed deposit certificates as collateral. | It was approved and as per the resolution was executed. |
| Independent director's opinion:None | | |
| The Company's handling of independent director's opinion:N/A | | |
| 14-15 2023.3.13 | 2022 financial report and business report. Earning distribution of 2022. | It was approved and as per the resolution was executed. |

| | | |
|--|---|---|
| | Evaluate the independence of CPAs | |
| | Approved the CPA due to the internal rotation of KPMG | |
| | Approval of the Statement of Declaration on Internal Control System 2022. | |
| | Revision of certain cycle operation procedures in "Internal Control System" of the Company. | |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | |
| | Discussion of the proposal for the improvement plan of the Kazakhstan loan case. | |
| | Discussion of releasing the responsibility of endorsement guarantees by lending a loan. | |
| Independent director's opinion:None | | |
| The Company's handling of independent director's opinion:N/A | | |
| 14-16 2023.5.10 | 2023 financial report of Q1 | It was approved and as per the resolution was executed. |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | |
| Independent director's opinion:None | | |
| The Company's handling of independent director's opinion:N/A | | |
| 14-17 2023.8.10 | 2023 financial report of Q2 | It was approved and as per the resolution was executed. |
| | Evaluate the contents of service and remuneration 2023 about appointment of CPAs | |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | |
| Independent director's opinion:None | | |
| The Company's handling of independent director's opinion:N/A | | |
| 14-18 2023.11.8 | 2023 financial report of Q3 | It was approved and as per the resolution was executed. |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | |
| Independent director's opinion:None | | |
| The Company's handling of independent director's opinion:N/A | | |
| 14-19 2023.12.21 | Approval of auditing plan for 2024 | It was approved and as per the resolution was executed. |
| Independent director's opinion:None | | |
| The Company's handling of independent director's opinion:N/A | | |

- ii. There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2023.

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

| Term/ st/nd/rd/th time Date | Persons recusing themselves | Contents of motion | Status | Resolution |
|--------------------------------------|---|--|--|--|
| 14-16 2023.5.10 | Yin-Fu Yeh Wu-Liu Tsai Ting-Wei Yeh | Discussion of the Company's 2022 performance evaluation. | The directors in relation to the individual's interest conflicts, each of the directors temporarily left and avoided each other, and did not | Chen-En Ko was the acting chairman, avoidance directors did not vote and the other directors had no objection to the |

| | | | | |
|--------------------|----------------------------|--|--|---|
| | | | participate in the discussion and voting. | approval |
| 14-18 2023.11.8 | Yin-Fu Yeh Ting-Wei Yeh | Allocation of 2022 employee remuneration to managers and/or directors who were also employees. | The directors in relation to the individual's interest conflicts, each of the directors temporarily left and avoided each other, and did not participate in the discussion and voting. | Chen-En Ko was the acting chairman, avoidance directors did not vote and the other directors had no objection to the approval |

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

In December 2023, the board of directors approved the board performance evaluation measures to encourage self-assessment among board members and enhance the board's functionality. The internal board and functional committee performance evaluations are conducted annually. In the first quarter, the board conducts self-assessments and overall board self-evaluations, with results reviewed within the same quarter. External board performance evaluations are conducted at least once every three years by an external professional independent organization or a team of external experts and scholars, with the annual performance evaluation carried out in the fourth quarter of the year.

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

In 2024, both internal and external evaluations will be conducted. The most recent internal evaluation targets are the board of directors, board members, and functional committees. The evaluation results for 2023 had been executed and reported at board meeting on 2024/3/13.

(3-1) The execution of internal evaluation to the board of directors

| Evaluation cycle | Evaluation period (Note) | Scope of evaluation | Evaluation method | Evaluation items |
|------------------|--------------------------|----------------------------------|-------------------|--|
| Once a year | 2023.1.1-2023.12.31 | All Board of Directors | Self evaluation | <ol style="list-style-type: none"> 1. Participation in the company's operations 2. Improvement of the quality of the board decisions 3. The composition and structure of the board 4. The selection of directors and continuous education 5. Internal control |
| Once a year | 2023.1.1-2023.12.31 | Each Directors | Self evaluation | <ol style="list-style-type: none"> 1. Understanding of the Company's goals and tasks 2. Recognition of directors' duties 3. Participation in the company's operations 4. Internal relationship management and communication 5. Expertise and continuous education of directors 6. Internal control |
| Once a year | 2023.1.1-2023.12.31 | All functional committee members | Self evaluation | <ol style="list-style-type: none"> 1. Understanding of the Company's goals and tasks 2. Recognition of directors' duties 3. Participation in the company's operations 4. Internal relationship management and communication 5. Expertise and continuous education of directors 6. Internal control |

The overall board evaluation is divided into five major aspects: (1) participation in company operations, (2) improving the quality of board decisions, (3) board composition and structure, (4) director selection and continuous education, and (5) internal control. The overall average achievement rate is 97%. The board's achievement rate for each indicator is nearly 100%, except for director selection and continuous education, which is only 93%. This is primarily due to the lack of a clear plan for director education and succession planning. In the future, relevant systems will be developed to enhance the board's functions.

The evaluation of individual board members is divided into six major aspects: (1) understanding of company goals and missions, (2) awareness of director responsibilities, (3) participation in company operations, (4) management and communication of internal relationships, (5) director professionalism and continuous education, and (6) internal control. The average achievement rate is 99%. The self-assessment of board members shows an achievement rate close to 100% in all six indicators. However, some board members hold directorships in multiple companies, which has not affected their performance in the company. These concurrent positions have been verified to comply with legal regulations.

The evaluation of each functional committee is divided into five major aspects: (1) participation in company operations, (2) awareness of functional committee responsibilities, (3) improving the quality of functional committee decisions, (4) composition and member selection of the functional committee, and (5) internal control. The average achievement rate is 100%. The primary evaluation targets are the Audit Committee and the Compensation Committee, both of which are operating well.

(3-2) The external evaluation of performance

According to the "Board Performance Evaluation Measures," an external performance evaluation of the board of directors should be conducted by an external independent organization every three years. The previous evaluation was completed in 2020. The current external evaluation was completed in the fourth quarter of 2023.

The current external evaluation was conducted by the Taiwan Corporate Governance Association, covering the period from November 1, 2022, to October 31, 2023. The evaluation focused on the composition of the board of directors and its oversight methods. The Chinese Corporate Governance Association assessed eight dimensions of the board of directors, including guidance, authorization, supervision, communication, internal control, risk management, self-regulation, and other support systems, through online self-assessment questionnaires and on-site visits. The Chinese Corporate Governance Association and its assessment experts have no business dealings with the company and maintain independence. The assessment report issued by them was submitted to the board of directors on March 13, 2024.

The results of evaluation—

1. The Company's chairman fully respects the expertise of independent directors. Before formal meetings, they routinely consult independent directors on significant issues. Additionally, through annual strategic meetings, independent directors are ensured to grasp the Company's operational status and industry trends. In the event of significant matters, independent directors are promptly convened for meetings and updates. Through close communication and interaction with the management team, independent directors can effectively exercise their strategic guidance role, fostering a culture of excellent board operations.
2. The Company places emphasis on talent development and cultural identity. The Compensation Committee regularly reviews succession plans for key positions and offers recommendations on development and evaluation methods. There are thorough discussions each year regarding the fairness of compensation structures and the setting of performance goals, with detailed remarks recorded in meeting minutes.
3. The Company's Audit Committee actively supervises internal controls and risk management matters. It ensures the suitability of appointments for audit and finance executives. The internal audit head regularly provides the Audit Committee with internal audit reports and updates on reported cases through email every month. This includes information on new cases received each month and progress on existing complaint cases, allowing independent directors to access sufficient information to fulfill their roles effectively.
4. The Company has commissioned a third-party professional independent organization for the second time to conduct a board performance evaluation. Many recommendations from the previous evaluation report have been reinforced, demonstrating your company's commitment to continuously improving board effectiveness.

Suggestions—

1. The Company strategically plans and promotes sustainability-related matters, currently overseen by the Legal Affairs Center as the highest management unit for sustainability development. It is recommended that your company consider establishing a more integrated functional organization such as a Strategic Development Committee. This committee could include independent directors and board members to elevate leadership in sustainability-related matters, enhancing the company's resilience to face market challenges and demonstrating the board's commitment to actively promoting sustainability initiatives and participating in important strategic decisions.
2. While your company has practical measures to assist in board effectiveness, it is suggested to further institutionalize these practices to facilitate the effective performance of directors. Given the upcoming board election in 2024, establishing a "New Directors Orientation Program" could be beneficial. This program would provide newly appointed directors with necessary information (including company operations, industry dynamics, legal regulations,

and corporate governance-related rules and regulations) and arrange visits to key subsidiaries and meetings with important executives. This would help new directors quickly grasp the company's operational status and fulfill their duties effectively.

3. Members of your company's Audit Committee are actively engaged and maintain detailed records. However, it is recommended that the Audit Committee hold closed-door meetings regularly with the external auditors and internal auditors in the absence of management. This would ensure open communication channels and strengthen supervision of internal control systems and financial statements.

Improvement Measures—

1. In the future, committees relevant to operational needs and sustainability promotion will be established as per requirements.
2. Currently, a preliminary New Directors Orientation Program is being developed. This program will involve presentations to department heads and board/committee members, introducing company operations, organization, and other important considerations. To enhance the efficiency of new director training and shorten the time for new directors to become familiar with relevant matters, the Corporate Governance Officer will assist new directors in executing all duties related to the board.
3. A preliminary plan is being developed to hold closed-door meetings between accountants, audit heads, and the Audit Committee during the annual and semi-annual reporting periods in 2025.

Measures taken to strengthen the functionality of the Board:

The board of directors contains 8 directors who are all elected in shareholders' meeting by nomination system. Nomination system shall apply to Article 192-1 of Company Act and the tenure of director is 3 years and eligible for re-election.

The members of the Audit Committee are all independent directors. Regarding the qualifications, shareholding, concurrent positions restrictions, nomination and appointment methods, independence, and other matters related to independent directors, relevant regulations of the competent authority are followed. At the same time, to enhance the independence and diversity of the board, the number of independent director seats has been increased from 3 to 4, while the number of general directors has been reduced from 6 to 5, and female directors have been added. This current board has increased one independent director seat, bringing the total number of independent director seats from 3 to 4. It is also planned to increase the number of female directors in the next election to enhance the diversity of the board and comply with government policies.

The company adheres to the principle of information disclosure and transparency, promptly disclosing important decisions of the board on the Public Information Observation Platform to fully protect the rights of investors. In the future, we will continue to uphold this principle and fulfill our responsibility to serve shareholders and society.

Note: Originally, there were 9 director seats (including independent directors). One seat resigned on July 15, 112, so the current number of directors is 8.

3.4.2 Audit Committee Meeting Status

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

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

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

A total of 7 (A) Audit Committee meetings were held in 2023. The independent directors'

attendance status is as follows.

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%) 【B/A】 | Remarks |
|---------------------------------|----------------|--------------------------|----------|----------------------------------|---------|
| Independent Director (Chairman) | Chen-En Ko | 7 | 0 | 100 | |
| Independent Director | Johnsee Lee | 7 | 0 | 100 | |
| Independent Director | Rong-Chun Lin | 7 | 0 | 100 | |
| Independent Director | Liang-Gee Chen | 7 | 0 | 100 | |

* Overall attendance Rate is 100%

Other special disclosure:

- (1) Where the Audit Committee's operation meets any of the following circumstances, please clearly state the directors' meeting date, term, contents of motions and resolution of the Audit Committee, and the Company's handling of the Audit Committee's opinions:
 - i. Resolutions related to Securities and Exchange Act §14-5:

| Term/___st/n d/rd/th time Date | Contents of motion | Resolution of Audit Committee |
|---|--|---|
| 2-15 2023.2.1 | The board of directors on 2022/9/8 has approved an endorsement guarantee case of USD 20,000,000, proposing to provide an equivalent of USD 18,700,000 in fixed deposit certificates as collateral. | The motion was approved by all present directors unanimously, and approved by board meeting on 2023/2/1. |
| Independent director's opinion:None | | |
| The Company's handling of independent director's opinion:N/A | | |
| 2-16 2022.3.13 | 2022 financial report and business report. | The motion was approved by all present directors unanimously, and approved by board meeting on 2023/3/13. |
| | Earning distribution of 2022. | |
| | Evaluate the independence of CPAs | |
| | Approved the CPA due to the internal rotation of KPMG | |
| | Approval of the Statement of Declaration on Internal Control System 2022. | |
| | Revision of certain cycle operation procedures in "Internal Control System" of the Company. | |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | |
| | Discussion of the proposal for the improvement plan of the Kazakhstan loan case. | |
| Discussion of releasing the responsibility of endorsement guarantees by lending a loan. | | |
| Independent director's opinion:None | | |
| The Company's (the board of directors') handling of Audit Committee's opinion: N/A | | |
| 2-17 2023.5.10 | 2023 financial report of Q1 | The motion was approved by all present directors unanimously, and approved by board meeting on 2023/5/10 |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending. | |
| | Discussion of liquidation of Everlight(Fujiang) | |
| Independent director's opinion:None | | |
| The Company's (the board of directors') handling of Audit Committee's opinion: N/A | | |
| 2-18 2023.8.10 | 2023 financial report of Q2 | The motion was approved by all present directors unanimously, and approved by board meeting on 2023/8/10. |
| | Evaluate the contents of service and remuneration 2023 about appointment of CPAs | |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | |
| Independent director's opinion:None | | |
| The Company's (the board of directors') handling of Audit Committee's opinion: N/A | | |
| 2-19 2023.11.8 | 2023 financial report of Q3 | The motion was approved by all present directors unanimously, and approved by board meeting on 2023/11/8. |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | |

| | | |
|--|------------------------------------|--|
| Independent director's opinion:None | | |
| The Company's (the board of directors') handling of Audit Committee's opinion: N/A | | |
| 2-20 2023.12.21 | Approval of auditing plan for 2023 | The motion was approved by all present directors unanimously, and approved by board meeting on 2023/12/21. |
| Independent director's opinion:None | | |
| The Company's (the board of directors') handling of Audit Committee's opinion: N/A | | |

ii. There were no other resolutions that were not approved by the Audit Committee but were approved by two thirds or more of all directors in 2023.

(2) There were no recusals of independent directors due to conflicts of interests in 2023.

(3) Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2023:

Summary of the communication between independent directors and the external auditor

The Company's independent directors had fair communication with the external auditor. The communication in 2023 was outlined as following:

| Date | Attendees | Points of communication | Communication result |
|-----------|---|--|-------------------------------------|
| 2023/3/13 | Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen And CPA-Au, Yao-Chun | Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Audit and review scope 4. Audit and review discovery 5. Important update on regulations 6. KPMG Audit Quality Indicators | Independent director's opinion:None |
| 2023/5/10 | Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen And CPA-Au, Yao-Chun | Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Type of auditing reviewing conclusion. 4. Audit and review scope 5. Audit and review discovery 6. Important update on regulations | Independent director's opinion:None |
| 2023/8/10 | Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen And CPA-Au, Yao-Chun | Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Type of auditing reviewing conclusion. 4. Audit and review scope 5. Audit and review discovery 6. Important update on regulations | Independent director's opinion:None |

| | | | |
|-----------|---|---|---|
| 2023/11/8 | Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen And CPA-Au, Yao- Chun | Summary: 1. External auditor's Independence 2. External auditor's responsibility of auditing. 3. Type of auditing reviewing conclusion. 4. Audit and review scope 5. Audit and review discovery 6. Other matter of concerning 7. Plan of annual auditing 8. Important update on regulations | Independent director's opinion:None |
|-----------|---|---|---|

Summary of the communication between independent directors and internal audit officer

The Company's independent directors had fair communication about status and result of the audit affairs through email and meeting by month or quarter. The internal auditing would follow the resolution from Audit Committee about the audit subject and scope. The communication in 2023 was outlined as following:

| Date | Purpose | Method | Attendance | Topic | Result |
|-----------|--|-----------------|---|--|---|
| 112/01/31 | Internal control audit and the status of corrections report | Audit Committee | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | Internal control assessment by external experts | The independent director requests the head of internal audit to present a report on information security, risk, and disaster drills at the next audit committee meeting |
| 112/01/31 | 1.Review of audit reports 2. Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases | After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, responded |
| 112/02/24 | 1.Review of audit reports 2. Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases | After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, responded |

| | | | | | |
|-----------|--|-----------------|--|---|--|
| 112/03/13 | 1.Internal audit summary report 2.Internal Control System Statement 3. Revised of Internal Control System. | Audit Committee | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases 6. Progress of internal control system revision | The independent director requests relevant signature documents to be attached in the future to substantiate the effectiveness of the internal control statement. |
| 112/03/31 | 1.Review of audit reports 2. Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases | After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded |
| 112/04/28 | 1.Review of audit reports 2. Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases | After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded |
| 112/05/10 | Internal audit summary report | Audit Committee | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Progress of audit cases 2.Significant audit findings 3.Status of improvement tracking 4.Handling of reported cases | The independent director provided guidance and suggestions regarding the subsequent project implementation and audit focus |

| | | | | | |
|-----------|--|-----------------|--|--|---|
| 112/05/31 | 1.Review of audit reports 2. Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases | After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded |
| 112/06/30 | 1.Review of audit reports 2. Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases | After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded |
| 112/07/31 | 1.Review of audit reports 2. Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases | After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded |
| 112/08/10 | Internal audit summary report | Audit Committee | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Progress of audit cases 2.Significant audit findings 3.Status of improvement tracking 4.Handling of reported cases | The independent director emphasizes that deficiencies, suggestions, and improvement measures should be classified according to risk levels, with a focus on preventing recurrence. |
| 112/08/31 | 1.Review of audit reports 2.Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking | 1. After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded 2. The chairman of the audit committee stated |

| | | | | | |
|-----------|---|-----------------|--|--|---|
| | | | | 5.Handling of reported cases | that the monthly report of internal audit, following suggestions for improvement from independent directors, has been beneficial for internal controls |
| 112/09/28 | 1.Review of audit reports 2.Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases | After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded |
| 112/10/31 | 1.Review of audit reports 2.Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases | After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded |
| 112/11/08 | Internal audit summary report | Audit Committee | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Progress of audit cases 2.Significant audit findings 3.Status of improvement tracking 4.Handling of reported cases | The independent director provides guidance and recommendations on the subsequent execution methods |
| 112/11/30 | 1.Review of audit reports 2.Monthly report of internal audit | Email | Independent director Chen-En Ko Johnsee Lee Rong-Chun Lin Liang-Gee Chen Head of Internal Audit | 1.Review of audit reports 2.Progress of audit cases 3.Significant audit findings 4.Status of improvement tracking 5.Handling of reported cases | After the independent director expressed no objection to the contents of the internal audit report, Mr. Lin, the independent director, signed and responded |

(4) Continuing Education/Training of Directors in 2023

| Title | Name | Date | | Host by | Training Title | Hours | Total hours |
|----------------------|--------------|------------|------------|---|---|-------|-------------|
| | | From | To | | | | |
| Chairman | Yin-Fu Yeh | 2023/10/26 | 2023/10/26 | Taiwan Corporate Governance Association | Intellectual Property Management and Trade Secrets | 3.0 | 6.0 |
| | | 2023/9/28 | 2023/9/28 | Taiwan Corporate Governance Association | Trends and Risk Management in Digital Technology and Artificial Intelligence | 3.0 | |
| Director | Bo-Wen Zhou | 2023/10/26 | 2023/10/26 | Taiwan Corporate Governance Association | Intellectual Property Management and Trade Secrets | 3.0 | 6.0 |
| | | 2023/9/28 | 2023/9/28 | Taiwan Corporate Governance Association | Trends and Risk Management in Digital Technology and Artificial Intelligence | 3.0 | |
| Director | Bang-Yan Liu | 2023/10/26 | 2023/10/26 | Taiwan Corporate Governance Association | Intellectual Property Management and Trade Secrets | 3.0 | 6.0 |
| | | 2023/9/28 | 2023/9/28 | Taiwan Corporate Governance Association | Trends and Risk Management in Digital Technology and Artificial Intelligence | 3.0 | |
| Director | Ting-Wei Yeh | 2023/10/26 | 2023/10/26 | Taiwan Corporate Governance Association | Intellectual Property Management and Trade Secrets | 3.0 | 6.0 |
| | | 2023/9/28 | 2023/9/28 | Taiwan Corporate Governance Association | Trends and Risk Management in Digital Technology and Artificial Intelligence | 3.0 | |
| Independent Director | Johnsee Lee | 2023/11/06 | 2023/11/06 | Corporate Operating and Sustainable Development Association | How Directors Can Assist in Promoting Risk Management in Multinational Corporate Groups | 3.0 | 9.0 |
| | | 2023/08/08 | 2023/08/08 | Corporate Operating and Sustainable Development Association | Corporate Governance and Securities Regulations | 3.0 | |
| | | 2023/06/29 | 2023/06/29 | Independent Director Association Taiwan | Trends and Challenges in Information Security Management | 3.0 | |

| Title | Name | Date | | Host by | Training Title | Hours | Total hours |
|----------------------|----------------|------------|------------|---|--|-------|-------------|
| | | From | To | | | | |
| Independent Director | Liang-Gee Chen | 2023/10/26 | 2023/10/26 | Taiwan Corporate Governance Association | Intellectual Property Management and Trade Secrets | 3.0 | 6.0 |
| | | 2023/06/02 | 2023/06/02 | Chinese National Association of Industry and Commerce | Taishin Net Zero Summit Go Towards Green Energy | 3.0 | |
| Independent Director | Rong-Chun Lin | 2023/11/13 | 2023/11/13 | Taiwan Corporate Governance Association | Analysis of Sustainable Development and Practical Greenhouse Gas Carbon Management in Listed Companies | 3.0 | 20.0 |
| | | 2023/10/26 | 2023/10/26 | Taiwan Corporate Governance Association | Intellectual Property Management and Trade Secrets | 3.0 | |
| | | 2023/9/28 | 2023/9/28 | Taiwan Corporate Governance Association | Trends and Risk Management in Digital Technology and Artificial Intelligence | 3.0 | |
| | | 2023/9/27 | 2023/9/27 | Taiwan Investor Relations Institute | Empowering the Board of Directors to Become the Key Force Leading Sustainable Governance | 5.0 | |
| | | 2023/9/4 | 2023/9/4 | Financial Supervisory Commission | 2023 Taipei Corporate Governance Forum | 3.0 | |
| | | 2023/8/9 | 2023/8/9 | Securities and Futures Institute | Advanced Practical Seminar on Directors, Supervisors, and Corporate Governance Officers | 3.0 | |
| Independent Director | Chen-En Ko | 2023/10/12 | 2023/10/12 | Taiwan Corporate Governance Association | Empowering the Board for Sustainable Governance Seminar | 3.0 | 13.0 |
| | | 2023/7/26 | 2023/7/26 | Taiwan Corporate Governance Association | Seminar on Practical Insights into Board Performance Evaluation | 3.0 | |
| | | 2023/7/20 | 2023/7/20 | Taiwan Corporate Governance Association | Seminar on Corporate Control and Directors' Responsibilities | 3.0 | |
| | | 2023/5/25 | 2023/5/25 | Taiwan Corporate Governance Association | Strengthening ESG through the Board: Case Studies on Linking Executive Compensation to ESG Performance | 1.0 | |

| Title | Name | Date | | Host by | Training Title | Hours | Total hours |
|-------|------|-----------|-----------|---|---|-------|-------------|
| | | From | To | | | | |
| | | 2023/3/29 | 2023/3/29 | Taiwan Corporate Governance Association | Seminar on the Climate Change Response Act Analysis and Corporate Response Strategies | 2.0 | |
| | | 2023/3/10 | 2023/3/10 | Taiwan Corporate Governance Association | The Bizarre Global Economic Situation in 2023 | 1.0 | |

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

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|---|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| 1. Does the Company follow “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance principles? | V | | The Company has established, via Board resolution on Nov. 12, 2015, corporate governance best-practice principles and the latest amendment approved by board meeting on March 13, 2023. The principle is disclosed on our website investor/corporate governance/important regulations of the Company | None |
| 2. Shareholding Structure & Shareholders’ Rights (1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates? | V | | (1) The related operations would be handled by the Spokesperson and personnel of Finance department pursuant to the relevant laws and important regulations. Except spokesperson, there is exclusive area on the official website for investor to contact with the Company. (2) The Company keeps close relationship to the directors, officers and major shareholders of the Company. The Company takes advantage of annual shareholders’ meeting and dividend distribution to learn the change of main shareholders. (3) The Company and its affiliated companies operate independently. On March 23, 2021, the board of directors approved the regulations governing financial and business operations among affiliated companies. These regulations were revised on March 13, 2023, to strengthen financial and business interactions between our company and its affiliates. This aims to prevent irregular transactions and | None |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| (4) Has the Company established internal rules prohibiting insider trading on undisclosed information? | | | <p>improper benefit transfers in intercompany transactions, including the purchase and sale of goods, acquisition and disposal of assets, endorsements and guarantees, and loans. Additionally, our company strictly adheres to the internal control system regulations.</p> <p>(4) The Company established the operating procedure for prevention of insider trading. The subjects referred to therein include but are not limited to insiders, including their related parties, persons who forfeit the identity of insider for less than 6 months, and persons who access the information from said persons. The Company also requires employees and insiders to undergo education and training when insiders take office and at various times to prevent from insider trading.</p> <p>The Company arranges at least one annual legal briefing session for managers and senior executives at headquarters, and the Suzhou, Zhongshan, Yuanli, and Tongluo plants. The content includes the confidentiality and disclosure of significant information, prevention of insider trading, and transactions of shares by insiders. The duration of the legal briefing is 60 minutes.</p> <p>On December 25, 2023, a legal briefing session was conducted, attended by 31 participants. Electronic training materials and relevant regulations were also distributed to managers and executives for reference. Additionally, to prevent directors or employees from</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|---|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| | | | <p>using non-public information to trade securities, the board of directors approved revisions to the Corporate Governance Practices Code on March 23, 2022. The revised code explicitly prohibits directors from trading stocks during the 30-day period before the annual financial report announcement and the 15-day period before the quarterly financial report announcements.</p> <p>Each quarter, an email reminder is sent to directors and insiders about the board meeting dates for the approval of financial reports and the blackout periods for stock trading. A total of 20 participants received these email reminders.</p> | |
| <p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Company established a diversification policy of its Board of Directors and has it been implemented accordingly?</p> | V | | <p>(1) There are nine directors in our Board including four directors and four independent directors. Percentage of independent director on the board is 50%. The terms of four independent directors is less than 3 sessions. the terms of one independent director is less than 3 years, another one is in 4-6 years and the other two is in 6-9 years. All independent directors meet the independence requirement.</p> <p>Note: Wu-Liu Tsai resigned in July 2023.</p> <p>Two directors who are also employees account for 25% and external directors 75%. The board members with academic proficiency(PhD degree) accounts for 50%; four of them with material appliance, and the other three with accounting, finance, and business</p> | None |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|-----------------|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| | | | <p>administration background. The rest of directors who possess abundant knowledge, expertise, and practical experience of industry, and risk management accounts for 50%. The combination of industry and academia could exert great synergy and implement the goal of diversification.</p> <p>In addition, the company also focuses on the independence and professional background of board members. The goal is to increase the number of independent directors and increase the ratio of independent directors to more than 40%. The board aims to achieve a 50% representation of directors with a background in science and engineering, 50% representation of independent directors with expertise in finance and accounting, and 50% representation of directors with industry experience. Furthermore, future board appointments will prioritize the inclusion of female directors to promote gender equality in line with global trends.</p> <p>The diversification of the board is as follows:</p> <ol style="list-style-type: none"> 1 Out of eight directors, four are independent directors, accounting for 50% of the total. 2 There are four directors with a background in science and engineering, making up 50% of the board. 3 Among the four independent directors, three have expertise in finance and accounting, reaching 75%. 4 Out of the eight directors, four have extensive | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|---|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| <p>(2) Other than the Remuneration Committee and the Audit Committee that are required by law, does the Company plan to set up other Board committees?</p> <p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?</p> <p>(4) Does the Company regularly evaluate its external auditors' independence?</p> | | | <p>experience in the LED and related industries, representing 50% of the total.</p> <p>5 The number of directors with executive roles does not exceed one-third of the total.</p> <p>(2) The Company has set up Audit and Remuneration Committee and the committees executed related motions pursuant to laws. The Company will establish other functional committees pursuant to laws, or if necessary to the future operation.</p> <p>(3) The Board approved rules for "Board of Directors Self-Assessment of Performance" on December 26, 2019. From 2020, all Board Directors annually assess the functioning of the Board, Board Directors and functional Committee. The evaluation result in 2023 reported to the board meeting on 2024/3/13. Related valuation scope please refer to 3.4.1.</p> <p>(4) The Board of Directors of the Company evaluates the independence and suitability of its CPA on March 13, 2024. The Company also evaluates the accounting firm with regard to its financial interests, funding and guarantees, commercial relations, family and personal relations, employment relations, rotation of CPAs, and non-audit services, and obtains a statement of independence issued by the accounting firm. All results are consistent with independence with our audition accountants.</p> | |

| | | | |
|---|----------|---|-------------|
| <p>4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, or record minutes of board meetings and shareholders meetings, etc.</p> | <p>V</p> | <p>The corporate governance unit is Finance Division, which also is the designated unit responsible for board meeting, audit committee meeting and shareholders' meeting. The board meeting approved Chun-Yu Lu, who meet the requirement with three years experience of accounting/finance officer, as the governance officer on 2022/12/21. Primary duties are:</p> <ul style="list-style-type: none"> ➤ Convene board meetings and shareholder meetings in compliance with laws and regulations, and disclose significant information as required to enhance transparency and protect shareholders' interests. ➤ Prior to discussing any agenda items, ensure that there are no conflicts of interest involving directors or related parties, and confirm that directors comply with the rules on avoiding conflicts of interest. ➤ Arrange board meeting agendas in accordance with legal requirements and include tracking reports on important company projects. ➤ Assist directors in their appointment and continuous education, and provide diverse training topics based on their needs. ➤ Provide directors with the necessary information for the execution of their duties. ➤ Assist directors and supervisors in complying with legal requirements. ➤ Implement annual evaluations of the effectiveness of the board and functional committees, and conduct external assessments every three years. ➤ Arrange regular communications between independent directors and auditors, as well as establish communication channels between directors and the operational team based on operational needs. ➤ Address other matters stipulated in the company's articles of incorporation or agreements. | <p>None</p> |
|---|----------|---|-------------|

| | | | <ul style="list-style-type: none"> ➤ Review of the legal lompliance of independent director qualifications. ➤ Assistance with matters related to Board Member changes. <p>2023 Training Course(total 21 hours) as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Hosted by</th> <th>Course Title</th> <th>Period</th> <th>Hour</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Taiwan Institute of Directors</td> <td>Opportunities and Challenges in the Net Zero Trend</td> <td>2023/04/13</td> <td>3.0</td> </tr> <tr> <td>2</td> <td>Taiwan Corporate Governance Association</td> <td>Legal Risks and Responses in Corporate Investment and Financing - Starting from the Perspective of Corporate Director Responsibilities</td> <td>2023/04/14</td> <td>3.0</td> </tr> <tr> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Trends in ESG and Discussion on Global and Taiwanese Tax Reform and Corporate Tax Governance in the Pandemic Environment</td> <td>2023/05/12</td> <td>3.0</td> </tr> <tr> <td>4</td> <td>Taiwan Corporate Governance Association</td> <td>Regulations on the Duties and Powers Exercised by the Board of Directors and Functional Committees</td> <td>2023/05/26</td> <td>3.0</td> </tr> <tr> <td>5</td> <td>Taiwan Corporate Governance Association</td> <td>Trends and Risk Management in Digital Technology and Artificial Intelligence</td> <td>2023/09/28</td> <td>3.0</td> </tr> <tr> <td>6</td> <td>Taiwan Corporate Governance Association</td> <td>Prevention of Insider Trading Seminar of 2024</td> <td>2023/10/13</td> <td>3.0</td> </tr> <tr> <td>7</td> <td>Taiwan Corporate Governance Association</td> <td>Intellectual Property Management and Trade Secrets</td> <td>2023/10/26</td> <td>3.0</td> </tr> </tbody> </table> | | Hosted by | Course Title | Period | Hour | 1 | Taiwan Institute of Directors | Opportunities and Challenges in the Net Zero Trend | 2023/04/13 | 3.0 | 2 | Taiwan Corporate Governance Association | Legal Risks and Responses in Corporate Investment and Financing - Starting from the Perspective of Corporate Director Responsibilities | 2023/04/14 | 3.0 | 3 | Taiwan Corporate Governance Association | Trends in ESG and Discussion on Global and Taiwanese Tax Reform and Corporate Tax Governance in the Pandemic Environment | 2023/05/12 | 3.0 | 4 | Taiwan Corporate Governance Association | Regulations on the Duties and Powers Exercised by the Board of Directors and Functional Committees | 2023/05/26 | 3.0 | 5 | Taiwan Corporate Governance Association | Trends and Risk Management in Digital Technology and Artificial Intelligence | 2023/09/28 | 3.0 | 6 | Taiwan Corporate Governance Association | Prevention of Insider Trading Seminar of 2024 | 2023/10/13 | 3.0 | 7 | Taiwan Corporate Governance Association | Intellectual Property Management and Trade Secrets | 2023/10/26 | 3.0 | |
|---|---|--|---|------|-----------|--------------|--------|------|---|-------------------------------|--|------------|-----|---|---|--|------------|-----|---|---|--|------------|-----|---|---|--|------------|-----|---|---|--|------------|-----|---|---|---|------------|-----|---|---|--|------------|-----|--|
| | Hosted by | Course Title | Period | Hour | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Taiwan Institute of Directors | Opportunities and Challenges in the Net Zero Trend | 2023/04/13 | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | Taiwan Corporate Governance Association | Legal Risks and Responses in Corporate Investment and Financing - Starting from the Perspective of Corporate Director Responsibilities | 2023/04/14 | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Taiwan Corporate Governance Association | Trends in ESG and Discussion on Global and Taiwanese Tax Reform and Corporate Tax Governance in the Pandemic Environment | 2023/05/12 | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | Taiwan Corporate Governance Association | Regulations on the Duties and Powers Exercised by the Board of Directors and Functional Committees | 2023/05/26 | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | Taiwan Corporate Governance Association | Trends and Risk Management in Digital Technology and Artificial Intelligence | 2023/09/28 | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | Taiwan Corporate Governance Association | Prevention of Insider Trading Seminar of 2024 | 2023/10/13 | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | Taiwan Corporate Governance Association | Intellectual Property Management and Trade Secrets | 2023/10/26 | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| 5. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities? | V | | The Company has established a Corporate Social Responsibility section with contact information of responsible person on the Company website. The Company has also established a Stakeholder section to timely respond issues which stakeholders care about | None |
| 6. Has the Company appointed a professional registrar for its Shareholders' Meetings? | V | | The Company has engaged Capital Securities Corporation's agency department to handle matters relating to Shareholders' Meetings. | None |
| 7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating | V | | (1) The Company discloses financial information and corporate governance items on its company website: http://www.everlight.com (2) Besides Chinese version, the Company also provides English, Japanese, Korean and simplified Chinese version of official website. The Company has designated appropriate persons as spokesperson to handle information collection and disclosure. The Company discloses related information through MOPS, media, investor conference. In 2023, we have held two investors' conference which on 3/29 and 12/28, which are taped and disclosed on MOPS. We will keep disclose our financial and business information through investors' conference. (3) In 2023, the company announced and declared the quarterly within 45 days and annual financial reports within 90 days(2024/3/15) and the monthly operating situation within 10 days after the month end. | None |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|--|--|
| | YES | NO | Explanation | |
| status of each month before the prescribed deadline? | | | | |
| 8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)? | V | | <p>(1) The Company has got the certification of ISO9001, TS16949, ISO14001, OHSAS18001, TOSHMS, QC080000, and SA8000 social responsibility system. Additionally, the Company had disclosed 2023 CSR report which is certified by the third party in August, 2024. CSR reports are disclose in Everlight official website annually and also disclose in MOPS.</p> <p>(2) Training/Education of directors is disclosed in MOPS. Training hours of each director in board are more than 6 hours in 2023. Please refer to P. 46-48 for detail information.</p> <p>(3) The Company has annually purchased liability insurance since 1998 and declare in MOPS. The latest one is reported to the Board on 2023/11/8.</p> <p>(4) The company has adopted a Risk Management Policy, approved by the board of directors on November 12, 2021. The Risk Management Team consists of various risk management units. The team is responsible for effectively analyzing, identifying, and evaluating potential risks to provide the management with a risk management system to mitigate or reduce risks. The risk management system is integrated into daily operations to adjust business strategies, improve performance, and achieve sustainable growth and mission of continuous stability and sustainability. As the highest decision-making body for risk management in the company,</p> | None |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|-----------------|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| | | | <p>the board of directors requires the convener of the Risk Management Team to report on the operation and effectiveness of risk management to the board at least once a year.</p> <p>On 2023/11/8, an internal risk management report was reported to the audit committee and the board. The discussions primarily focused on information security risks and prevention, protection of trade secrets, management of technical data, compliance risks, risks related to business impact from epidemics and wars, and risks associated with green and energy-efficient equipment design. Strategies to address these risks were formulated. The annual implementation report was presented to the board on November 11 of the same year.</p> <p>(5) Succession planning for key management and board members</p> <p>1. Succession planning for board members: The current board of directors consists of eight members, including four independent directors, with diverse backgrounds spanning electronics, biotechnology, optoelectronics, chemical materials, finance, accounting, and management. They possess the industry decision-making capabilities, risk management skills, and managerial expertise required for executing business operations. The future composition and background of the board will continue to follow the current structure. In planning for board succession, individuals need to possess the</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|-----------------|------------------------------|----|--|--|
| | YES | NO | Explanation | |
| | | | <p>necessary expertise, skills, and qualities for their roles, aligning their vision and values with the company's business philosophy and corporate culture. To facilitate succession planning, the company continues to groom senior executives for entry into the board, allowing them to familiarize themselves with board operations and various business units through job rotations. As for independent directors, the company plans to include members from academia and industry to ensure diversity and integrity within the board.</p> <p>2. Succession planning for key management: Employees at or above the departmental level are considered key management personnel. Each individual has completed job descriptions and work instructions for their respective positions, and designated deputies have been assigned. Planned training and development activities are conducted systematically. Additionally, based on the company's development strategy, operational plans, and employee retirement patterns, key talent rotation is implemented to cultivate a diverse range of talents, promoting seamless talent succession.</p> <p>Regarding talent development, the company has initiated succession planning since 2018 as part of its sustainable business strategy. Through a series of assessments and analyses of personality traits and individual strengths and weaknesses, personalized training programs are systematically designed. The</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|-----------------|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| | | | <p>first cohort of participants completed their training in 2019, and the company continues to cultivate successors, key experts, and high-potential talents in 2023. This comprehensive talent development approach aims to foster a pool of highly skilled and competitive individuals for Epiroc's long-term success.</p> <p>3. Operation of succession planning for key management personnel</p> <p>From 2018, the company conducted the "Taiwanese Excellence in Management and Practices Program" in collaboration with National Taiwan University. The program was designed for key management personnel, including the chairman and the CEO. It covered various topics such as leadership, talent development, organizational behavior, financial management and analysis, marketing and brand management, operations management, strategic management, industry competition and growth, and corporate decision-making. Through this specialized training, participants were able to break free from the constraints of existing processes and thinking patterns, develop their potential for creativity and innovation, enhance the efficiency and effectiveness of their current roles, and cultivate their operational and decision-making capabilities.</p> <p>With the rapidly changing economic environment and the accelerated pace of business, it is crucial to ensure that the company's talent pipeline keeps up</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|---|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| | | | <p>with the demands. Therefore, the company holds annual strategic meetings for mid- to senior-level executives, including the CEO, to discuss future strategic planning. Talent development needs to be based on practical experience, which is why the company organizes comprehensive manager business simulation exercises, including financial-based business simulations, strategic thinking exercises, and evaluations of the effectiveness of talent development. These exercises aim to cultivate well-rounded successors in business management. The annual training plan includes a talent development ladder, with specific training courses outlined in the diagram below. At the end of each year, a capability assessment is conducted to evaluate the readiness for succession. During monthly employee meetings, the CEO and senior executives deliver speeches to share the company's internal operational focus, external industry knowledge, technological advancements, and exemplary business models with all employees. This sharing serves to disseminate the company's organizational culture and leadership practices in business management, while also fostering the sharing and inheritance of experiences to cultivate future key management talents.</p> | |
| <p>9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange According to the result of Corporate Governance Evaluation in 2023 announced by Taiwan Stock Exchange, the Company was one of the companies, which market value are more than 10 billion and in electronics business section, ranking in the 36%~50%.</p> | | | | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|---|------------------------------|----|-------------|--|
| | YES | NO | Explanation | |
| <p>In 2023 the newly achieved the Company's actions include: establishing written regulations on financial transactions between related parties, recording important questions raised by shareholders and the company's responses in the minutes of the shareholders' meetings, broadcasting shareholder meetings online or uploading uninterrupted audio and video recordings after the meetings, uploading information on changes in insider holdings to the Public Information Observation Platform by the 10th of each month, evaluating risks or opportunities in the community, and implementing corresponding measures. The specific measures and their effectiveness are disclosed on the company's website, annual report, or sustainability report.</p> <p>To safeguard shareholder rights, the Company will continue to enhance information transparency, strengthen communication channels and frequency with stakeholders, and promote sustainable operations and investment in energy-saving equipment. In response to ESG trends, the company will continue to promote workplace diversity, gender equality policies, and invest resources in domestic cultural industries to achieve workplace fairness and cultural diversity.</p> | | | | |

3.4.4 Remuneration Committee

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

| Qualifications | | Professional qualifications and experience (Note 2) | Independence situation (Note 3) | Number of members who are concurrently members of the compensation and remuneration committees of other public offering companies |
|-----------------------------------|------------|--|--|---|
| Title(Note 1) | Name | | | |
| Convener and Independent Director | Chen-En Ko | <ol style="list-style-type: none"> 1. Emeritus Professor, Department of Accounting, National Taiwan University 2. Dean and Professor, School of Management, National Taiwan University | <ol style="list-style-type: none"> (1) Non-employees of the company or its affiliates. (2) Non-directors and supervisors of the company or its affiliated companies (except if the company and its parent company, subsidiaries or subsidiaries of the same parent company are | 3 |

| | | | | |
|----------------------|---------------|--|---|---|
| Independent Director | Rong-Chun Lin | <ol style="list-style-type: none"> 1. Ph.D., Department of Business Administration, National Chengchi University 2. Deputy Dean of the School of Management, Shizhan University 3. Chairperson of Department of Business Administration, Shizhan University 4. Director of the Institute of Innovation and Entrepreneurship Management, University of Practice 5. The CEO of the International Business English Degree Program, Shizhan University 6. Independent Director of Xiangyu Biomedical Technology Co., Ltd 7. Consultant of Taiwan Academy of Banking and Finance 8. Supervisor of Everlight Electronics 9. Director of Dehwa Construction 10. Supervisor of King Core Electronics 11. General Manager of Sanyang Securities, Director 12. Director and VP of Masterlink Securities 13. VP of Masterlink Investment Consultant 14. AVP of Citibank, Taipei Branch. | <p>independent directors established in accordance with this Act or the laws of the local country, this is not the case.).</p> <p>(3) Others than themselves and their spouses, minor children, or natural person shareholders who hold more than 1% of the company's total issued shares or hold the top ten shares in the name of others.</p> <p>(4) Spouses, relatives within the second degree of kinship or lineal blood relatives within the third degree of kinship, not the managers listed in (1) or the persons listed in (2) and (3).</p> <p>(5) Directors of corporate shareholders who do not directly hold 5% or more of the total issued shares of the company, who hold the top five shares, or who designate a representative to serve as a director or supervisor of the company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Law; Supervisors or employees (except if the independent directors of the company and its parent company, subsidiaries or subsidiaries of the same parent company act concurrently with each other in accordance with this Act or the laws of the local country, this does not apply).</p> <p>(6) The directors,</p> | 2 |
|----------------------|---------------|--|---|---|

| | | | | |
|----------------------|-------------|---|---|---|
| Independent Director | Johnsee Lee | <ol style="list-style-type: none"> 1. President of Industrial Technology Research Institute 2. Chairman of Taiwan Precision Medicine Industry Association 3. Chairman of the Taiwan Bio Industry Organization 4. Chairman of the Biotechnology Development Center 5. Director, Institute of Chemical Industry, ITRI 6. Project leader of Argonne National Laboratory, USA 7. Senior Manager of Johnson & Johnson America West Company 8. Chairman of Monte Jade Science and Technology Association of Taiwan 9. Director of Taiwan Semiconductor Manufacturing Co., Ltd. 10. Chairman of Quark Biosciences, Inc. 11. Ph.D., Illinois Institute of Technology 12. MBA, University of Chicago, USA 13. Graduated from the Advanced Business Management Class at Harvard University | <p>supervisors or employees of other companies whose seats are not the same as the company's directors or whose voting shares are more than half of which are controlled by the same person (but if they are the company or its parent company, subsidiary company, or a child of the same parent company)</p> <p>This does not apply if the independent directors established by the company in accordance with this Act or the laws of the local country serve concurrently.)</p> <p>(7) Directors (council), supervisors (supervisors) or employees of other companies or institutions that are not the same person or spouse as the chairman, general manager or equivalent of the company (but if they are the company and its parent company) , subsidiaries or subsidiaries of the same parent company where independent directors established in accordance with this Act or the laws of the local country serve concurrently with each other, this is not the case). .</p> <p>(8) Non-directors (directors), supervisors</p> | 3 |
|----------------------|-------------|---|---|---|

| | | | | |
|----------------------|----------------|--|---|---|
| Independent Director | Liang-Gee Chen | <ol style="list-style-type: none"> 1. Minister of Science and Technology 2. Minister of State for Education, Ministry of Education 3. Emeritus Professor, Department of Electrical Engineering, National Taiwan University 4. Vice President of National Taiwan University 5. Associate Dean, School of Electric Power, National Taiwan University 6. Deputy R&D Director, National Taiwan University 7. Director, Institute of Electronics, National Taiwan University 8. Deputy Director, Department of Electrical Engineering, National Taiwan University 9. Director of the Institute of Electronics and the first director of the Institute of Electro-Optics, ITRI 10. Dean of the National Experimental Research Institute 11. Director of Nuvoton Technology Corporation Co., Ltd. 12. Director of GANZIN Co., Ltd. 13. Director of HIMAX Co., Ltd. 14. Independent Director of Vanguard International Semiconductor Co., Ltd. 15. Independent Director | <p>(supervisors), managers or shareholders holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the company (but if a specific company or institution holds the issued shares of the company) More than 20% of the total, but not more than 50%, and the independent directors of the company and its parent company, subsidiaries or subsidiaries of the same parent company are established in accordance with this Act or the laws of the local country.</p> <p>(9) Non-professionals, sole proprietors, partnerships, companies or institutions that provide auditing services for companies or affiliated companies or who have received remunerations in the last two years whose cumulative amount does not exceed NT\$500,000 in business, legal, financial, accounting and other related services Business owners, partners, directors (council), supervisors (supervisors), managers and their spouses.</p> <p>However, this does not apply to the members of the Compensation Committee, Public Takeover Review Committee, or Special Committee on Mergers and Acquisitions who perform their functions in accordance with the</p> | 2 |
|----------------------|----------------|--|---|---|

| | | | | |
|--|--|--|---|--|
| | | <p>of Qisda Co., Ltd.</p> <p>16. Independent Director of CyberLink</p> <p>17. Independent Director of Jinli Technology</p> <p>18. OTC Review Committee Member of OTC Center</p> <p>19. Director of National Taiwan University Creative and Entrepreneurship Program</p> <p>20. Executive Director, School of Innovation and Design, National Taiwan University</p> <p>21. Lecture, Distinguished Professor, Professor, Associate Professor, National Taiwan University</p> <p>22. Lecturer and Associate Professor, National Cheng Kung University</p> <p>23. Visiting Researcher, Bell Labs, USA</p> <p>24. Visiting Scholar, University of Washington</p> <p>25. Ph.D., M.S., B.S. in Electrical Engineering, National Cheng Kung University</p> | <p>Securities and Exchange Act or the Mergers and Acquisitions Act.</p> <p>(10) There is no one of the conditions in Article 30 of the Company Law.</p> | |
|--|--|--|---|--|

3.4.4.2 Remuneration Committee Meeting Status

- (1) The Company's Remuneration Committee consists of 4 members for the time being, who are all independent directors.
- (2) The current members shall hold the position from July 29, 2021 to July 28, 2024, and Mr. Chen-En Ko, Chairman of the Remuneration Committee, convened 5 (A) regular meetings in 2023. The Committee member attendance was as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) (B/A) | Note |
|----------|----------------|--------------------------|----------|-------------------------------------|------|
| Chairman | Chen-En Ko | 5 | 0 | 100% | |
| Member | Johnsee Lee | 5 | 0 | 100% | |
| Member | Rong-Chun Lin | 5 | 0 | 100% | |
| Member | Liang-Gee Chen | 5 | 0 | 100% | |

Annotation:

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

3.4.4.3 The Duty and the Responsibility of the Remuneration Committee

The Company's Remuneration Committee faithfully following the responsibility of the fiduciary and implementing the duty as following.

All of the suggestions and discussions from the remuneration committee will submit for the Board of Directors.

- (1) Regularly formulate and review the policy, regulation, standard, and structure of the managers' performance and compensation.
- (2) Regularly evaluate and formulate the managers' compensation.

3.4.4.4 The information of the Remuneration Committee Meeting

The information of the company's salary and compensation reviewed and evaluated by the Company's Remuneration Committee in 2023 was as follows:

| Meeting Date | Details of Reports and Discussions | The Conclusion of the Remuneration Committee | The Conclusion of the Board of Directors |
|--------------|--|--|---|
| 2023.03.13 | The appropriation total and allocation details of the remuneration to the directors in 2022. | All of the committee members reached a consensus and agreed. | Submitted for the Board of Directors and all attendance directors agreed. |
| | The appropriation total of the remuneration to the employee in 2022. | All of the committee members reached a consensus and agreed. | Submitted for the Board of Directors and all attendance directors agreed. |
| 2023.05.10 | The 2022 KPI performance evaluation of the president. | All of the committee members reached a consensus and agreed. | Submitted for the Board of Directors and all attendance directors agreed. |

| | | | |
|------------|---|--|---|
| | The 2023 KPI performance planning of the president. | All of the committee members reached a consensus and agreed | Submitted for the Board of Directors and all attendance directors agreed. |
| 2023.08.10 | The analysis of the salary structure of the company's managers and the comparison of the salary of the same industry. | Compared with the same industry, the salary of the company's managers is reasonable. | |
| | Compensation to senior management. | The committee members resolved to discontinue the discussion prior to the commencement of the meeting. | The submission to the Board of Directors is not needed. |
| 2023.11.08 | The management teams succession plan discussion. | The committee members examined the results of the management teams succession plan. | |
| | The allocation details of the remuneration to the employee in 2022. | All of the committee members reached a consensus and agreed. | Submitted for the Board of Directors and all attendance directors agreed. |
| 2023.12.21 | The 2024 KPI performance planning of the president. | All of the committee members reached a consensus and agreed. | Submitted for the Board of Directors and all attendance directors agreed. |

3.4.5 Status of corporate social responsibility


| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|--|--|
| | YES | NO | Explanation | |
| 1. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors | V | | <p>EVERLIGHT Electronics adheres to the vision and mission of sustainable development. On April 8, 2019, it passed the "Organizational Regulations of the Corporate Social Responsibility Committee," with the chairman assigning the Legal Department as a part-time unit for corporate social responsibility. In response to the global trend of sustainable development, the Legal Department focuses on integrating corporate social responsibility into the company's sustainable development efforts, assisting in promoting related activities, disseminating relevant information internally and externally, and producing an annual sustainability report (the latest issued in 2023). The company's highest management unit for promoting sustainable development is led by the Legal Department, which regularly communicates execution goals at external advisory meetings. Representatives from various departments are appointed to execute work plans and responsibilities, and the execution status is reported to the Board of Directors at least once a year.</p> <p>On March 23, 2022, during a board meeting, the "Corporate Social Responsibility Practices Guidelines" were amended and renamed the "Sustainable Development Practices Guidelines," concretizing EVERLIGHT's policy and blueprint for promoting corporate sustainable development.</p> | None |
| 2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company | V | | <p>Everlight Electronics, based on the international standard AA1000 SES, reconciles stakeholders through discussions between internal executive meetings and external experts, referencing stakeholder groups within the industry.</p> | None |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|--|--|
| | YES | NO | Explanation | |
| operation, and establish risk management related policy or strategy? | | | <p>Stakeholders are identified based on characteristics such as dependency, responsibility, influence, diverse perspectives, and tension of concern. Major stakeholders are defined as shareholders/financial institutions, employees, customers/dealers, suppliers/contractors, government agencies/public associations, community residents, and academic research units. Communication and responses to stakeholders are summarized in the following table:</p> <p>Everlight Electronics communicates and reconciles with stakeholders through diverse channels, earnestly addressing stakeholders' concerns and proposing corresponding strategies and actions, advocating responsible management. The interaction and communication mechanisms between Everlight Electronics and stakeholders are diversified, including but not limited to customer satisfaction surveys, supplier questionnaires, shareholder meetings, corporate briefings, etc. Through these diverse channels, Everlight Electronics communicates with stakeholders to understand their needs, expectations for Everlight Electronics, and issues concerning sustainable development.</p> <p>Everlight Electronics continuously optimizes communication channels, upholding four principles: transparency, inclusiveness, accountability, and equality, to facilitate stakeholders' willingness and effectiveness in communication. Everlight Electronics highly values the valuable opinions of all stakeholders and considers them as reference guidelines for promoting corporate sustainable development action plans.</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|-----------------|------------------------------|----|--|--|
| | YES | NO | Explanation | |
| | | | <p>In the process of promoting corporate sustainability, Everlight Electronics attaches great importance to the expectations and needs of internal and external stakeholders, aiming to ensure that the information disclosed in the sustainability report meets international sustainable development trends and is closer to stakeholders' expectations. Referring to the GRI Standards (2021) Materiality Identification Process, Everlight Electronics establishes a management framework for disclosing sustainability information through six steps: "Understanding the organizational context," "Materiality identification," "Impact identification," "Significance assessment," "Confirming material topics," and "Defining material topic boundaries." Every year, through diverse communication channels, Everlight Electronics regularly reviews stakeholder feedback and the evolving trends of sustainable development issues, conducts materiality analysis, identifies significant sustainable development issues, and establishes long-term sustainability goals accordingly. Concrete action plans are implemented to track the progress and effectiveness of sustainability actions, expanding the sustainable impact on society.</p> <p>The company has initiated the establishment of a risk management system at EVERLIGHT Electronics headquarters, with the risk assessment scope covering environmental, social, and governance issues.</p> <p>The "Risk Management Measures" of EVERLIGHT Electronics were revised and approved by the Board of Directors on November 12, 2021. The Legal Department</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| | | | <p>was designated as the convener, and it serves as a part-time unit for risk management. An external consultant team assists in implementing the system. Annual risk management meetings are held regularly (the most recent on February 8, 2023), and after producing the annual risk management report, the results are regularly reported to the Board of Directors, with the most recent update provided on October 27, 2023.</p> <p>Risk assessment criteria are based on semi-quantitative grading, distinguishing the probability and impact of risk events. The process includes risk identification, analysis, assessment, and management. Ultimately, risk management measures are decided by top management, and a risk report is produced.</p> | |
| <p>3. Environmentally</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics??</p> | V | | <p>(1) Believing that when promoting environmental protection, security and hygiene relevant business, Everlight must not only comply with relevant laws and regulations, but also align with internationally endorsed standards.</p> <p>EVERLIGHT's environmental protection, security and hygiene expects to achieve the goals of "accidents zero tolerance" and "environmentally sustainable development", and to become a benchmark enterprise in the global LED industry for environmental protection, security and hygiene. To achieve this goal, Everlight's strategies are "complying with regulatory commitments, promoting safety and health, intensifying resource utilization and pollution precaution, managing and controlling environmental security and sanitary risks,</p> | None |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|---|------------------------------|----|--|--|
| | YES | NO | Explanation | |
| (2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?? | | | <p>rooting deeply environmental security and sanitary culture, constructing a green supply chain, and comprehending corporate social responsibilities".</p> <p>Everlight is continually promoting and acquiring the certification of "Environmental Management System" (ISO 14001: 2015) and "Occupational Safety and Health Management System" (ISO 45001:2018), in which all the above verifications, Everlight continues to maintain its effectiveness, in main factories.</p> <p>Everlight upholds the spirit of continuous improvement, and actively fortifies its performance in responding to climate change, pollution precaution and control, energy and resource conservation, waste reduction and recycling, security and sanitary management, fire and explosion precaution, and earthquake jeopardization precaution, to diminish overall environmental, security and hygiene risks.</p> <p>(2) Everlight is committed to advancing energy conservation by implementing the "ISO 50001 Energy Management System." Currently, the system implementation is ongoing at key factories, with efforts to maintain its effectiveness.</p> <p>In response to regulatory requirements and customer demands regarding hazardous substance management, Everlight has introduced the Hazardous Substance Process Management System (IECQ QC080000). All factories have obtained certification and continue to uphold its effectiveness. Everlight ensures product compliance with international regulations and customer</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|---|--|
| | YES | NO | Explanation | |
| (3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics? | | | <p>requirements through the establishment of a product hazardous substance process management system. This includes compliance with regulations such as the European Union's Restriction of Hazardous Substances Directive (RoHS), the European Union's chemicals policy (Registration, Evaluation, Authorization and Restriction of Chemicals, REACH), substances regulated by the Montreal Protocol on Substances that Deplete the Ozone Layer, electronic product halogen-free standards, perfluorooctanesulfonic acid (PFOS), perfluorooctanoic acid (PFOA), and related substance restriction standards.</p>  <p>(3) Everlight Electronics values the impact of climate change and supports the evaluation of climate-related information, risks, and opportunities through the Task Force on Climate-Related Financial Disclosures (TCFD). The company has been progressively implementing international management systems such as ISO 14001, ISO 14064-1, and ISO 50001 at key factories and obtaining certifications. For information on relevant certificate expiration dates and certified factory details, please refer to the Everlight official</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures | | |
|--|------------------------------|----|---|--|---------------------------------|--|
| | YES | NO | Explanation | | | |
| (4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies? | | | <p>website.</p> <p>Everlight assesses the potential risks and opportunities of climate change for both the present and future, while considering relevant regulations from environmental protection authorities and stakeholder requirements. Each year, the company formulates energy-saving and water-saving measures, sets objectives, and tracks and manages progress accordingly.</p> <p>(4) Facing the threats posed by extreme weather events, Everlight Electronics adopts the "Greenhouse Gas Inventory Standard" (ISO 14064-1) for greenhouse gas emissions, establishing reduction targets, planning reduction measures, and consistently implementing ISO 14064-1 standards while obtaining third-party audit certifications. In terms of greenhouse gas emission management:</p> | | | |
| | | | Year | | 2022 | 2023 |
| | | | Projects (Units) | | Emissions (Metric tons of CO2e) | Intensity (Metric tons of CO2e per million NTD of revenue) |

| Assessment Item | Implementation Status (Note) | | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures | | |
|-----------------|------------------------------|----|-------------------------------|----------|--|-------------|--|
| | YES | NO | Explanation | | | | |
| | | | | ue) | NT D of reve nue) | | |
| | | | Parent | Scope 1 | 481.3 | 1,015.43 | |
| | | | | Scope 2 | 30,840 | 83,514.98 | |
| | | | | Scope 3 | NA | NA | |
| | | | | Subtotal | 31,321.3 | 84,530.41 | |
| | | | Subsidiaries | Scope 1 | — | — | |
| | | | | Scope 2 | — | — | |
| | | | | Subtotal | — | — | |
| | | | Total | | 31,321.3 | 84,530.41 | |
| | | | | | | | |
| | | | | Year | Scope(1) | Scope(2) | |
| | | | | 2019 | 977.6838 | 100765.1802 | |
| | | | | 2020 | 908.5047 | 104477.5399 | |
| | | | | 2021 | 985.9143 | 111025.0840 | |
| | | | | 2022 | 1,614.2000 | 89,646.1000 | |
| | | | | 2023 | 1,015.4300 | 83.514.9800 | |
| | | | In water resource management: | | | | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------|------------------------------|-----------------|--|--|-------------------|-----------------|------|-----|--------|------|-----|--------|------|-----|--------|------|-----|-------|------|-----|--------|------|-----------------------|------|---------|------|---------|------|---------|------|---------|--|
| | YES | NO | Explanation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>Over the past five years, water usage has been disclosed for Everlight's facilities including the Everlight headquarters in Shulin, Miaoli Yuanli Plant, Miaoli Tongluo Plant, Wujiang Plant in Suzhou, and Zhongshan Plant in Guangdong. Water usage is measured in millions of liters (ML), with intensity expressed as millions of liters per person (ML/person).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Water consumption</th> <th>Water intensity</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>468</td> <td>0.0861</td> </tr> <tr> <td>2020</td> <td>441</td> <td>0.0766</td> </tr> <tr> <td>2021</td> <td>405</td> <td>0.0848</td> </tr> <tr> <td>2022</td> <td>685</td> <td>0.175</td> </tr> <tr> <td>2023</td> <td>733</td> <td>0.1706</td> </tr> </tbody> </table> <p>In waste management:</p> <p>Over the past two years, waste emissions have been disclosed for Everlight's facilities including the Everlight headquarters in Shulin, Miaoli Yuanli Plant, Miaoli Tongluo Plant, Wujiang Plant in Suzhou, and Zhongshan Plant in Guangdong. Waste emissions are measured in metric tons (MT).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total waste emissions</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>1771.54</td> </tr> <tr> <td>2021</td> <td>1658.37</td> </tr> <tr> <td>2022</td> <td>2464.34</td> </tr> <tr> <td>2023</td> <td>2931.49</td> </tr> </tbody> </table> | Year | Water consumption | Water intensity | 2019 | 468 | 0.0861 | 2020 | 441 | 0.0766 | 2021 | 405 | 0.0848 | 2022 | 685 | 0.175 | 2023 | 733 | 0.1706 | Year | Total waste emissions | 2020 | 1771.54 | 2021 | 1658.37 | 2022 | 2464.34 | 2023 | 2931.49 | |
| Year | Water consumption | Water intensity | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2019 | 468 | 0.0861 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2020 | 441 | 0.0766 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021 | 405 | 0.0848 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022 | 685 | 0.175 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023 | 733 | 0.1706 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | Total waste emissions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2020 | 1771.54 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021 | 1658.37 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022 | 2464.34 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023 | 2931.49 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| <p>4. Society</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> | <p>V</p> | <p>(1) EVERLIGHT is deeply committed to upholding human rights and fostering a work environment of dignity, recognizing its paramount importance to both EVERLIGHT and its supply chain partners. To ensure comprehensive implementation of human rights protection measures:</p> <p>In 2023, EVERLIGHT provided 100% human rights protection training for new employees and conducted two full-scale online educational sessions for all existing staff. Looking ahead, EVERLIGHT will continue to prioritize human rights protection issues and promote ongoing education and awareness initiatives to mitigate potential risks.</p> <p>As a proud member of the Responsible Business Alliance (RBA), EVERLIGHT conducts rigorous due diligence investigations in alignment with RBA standards to ensure compliance with or surpassing the RBA Code of Conduct. Utilizing the standardized Self-Assessment Questionnaire (SAQ) developed by the Responsible Business Alliance, EVERLIGHT identifies and addresses the highest social, environmental, and ethical risks within its operations annually.</p> <p>In its commitment to respecting and safeguarding human rights and enhancing employee welfare, EVERLIGHT has obtained SA8000 certification for internal labor-related processes/documents and customer audit expectations and requirements. In 2023, EVERLIGHT successfully renewed its SA8000 international certification (Social Responsibility Management System). Moreover, the company has established policies aimed at protecting employee rights, including provisions for a secure work environment, adherence to local regulations and fair remuneration practices, open communication channels,</p> | <p>None</p> |
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| <p>(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment, with regular</p> | | <p>reasonable work hours, intellectual property protection, ethical conduct guidelines, participation in community service initiatives, prohibition of child and forced labor, non-implementation of punitive measures, rejection of bribery and corruption, and prevention of discrimination and unfair treatment. In 2023, a total of 1,002 employees participated in SA8000 awareness training courses within the group.</p> <p>Furthermore, in 2023, EVERLIGHT proactively engaged third-party organizations to conduct ongoing Verification Assessment Process (VAP) audits for its Suzhou Wujiang and Miaoli Yuanli facilities under the Responsible Business Alliance.</p> <p>(2) EVERLIGHT is dedicated to fostering a diverse workplace environment where mutual respect and inclusivity prevail, nurturing talents for the future and leveraging the full potential of global talent resources. By embracing diversity across management levels and employee demographics, EVERLIGHT enhances its competitive edge and ensures sustainable growth.</p> <p>Employee compensation at EVERLIGHT comprises monthly salaries, performance bonuses, and annual dividends tied to company profits. These incentives are aimed at recognizing employees' contributions, motivating their continued dedication, and aligning their interests with those of shareholders, thereby fostering a win-win-win scenario.</p> <p>The Compensation Committee determines the total amount and allocation method of performance bonuses and dividends based on company performance and industry benchmarks. After approval by the board of directors, employee compensation is disbursed according to position, contributions, and performance.</p> <p>(3) EVERLIGHT's environmental, health, and safety policy focuses on creating a safe working environment,</p> | |
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| <p>safety and health training?</p> | | | <p>actively preventing occupational injuries and illnesses, and promoting health awareness through educational training to maintain employees' physical and mental well-being. It aims to deepen all employees' understanding and responsibility for environmental protection, safety, and health while shaping a corporate culture centered around these principles. Key courses include prevention of unlawful infringements and occupational safety and health, which were mandatory for all new employees in Taiwan, with all 842 new hires in 2023 completing the training.</p> <p>In 2023, all EVERLIGHT facilities passed the ISO 45001 certification, demonstrating compliance with relevant laws, regulations, and customer requirements. The company's environmental, health, and safety objectives are as follows:</p> <ol style="list-style-type: none"> 1. Compliance with environmental, health, and safety laws, regulations, and customer requirements. 2. Resource conservation and support for green procurement, implementing pollution prevention and industrial waste reduction measures. 3. Continuous improvement in energy performance, voluntarily conducting greenhouse gas inventory, control, or reduction. 4. Integration of clean production and environmental design principles into product technology development and services. 5. Improvement of workplace safety and health and promotion of well-being, continuously advancing the zero accident initiative. 6. Encouragement of employee participation and commitment to environmental, health, and safety policies to achieve sustainable business objectives. | |
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| <p>(4) Has the Company established effective career development training plans?</p> | | <p>(4) Employee development is a crucial factor in EVERLIGHT's growth, as the company's continued progress is closely intertwined with the ongoing advancement of its workforce. To this end, the company integrates internal and external resources to provide diverse courses and meaningful job content, fostering a continuous and diverse learning environment. Additionally, EVERLIGHT has established the "EVERLIGHT Credit System 2.0" to promote growth within a framework of goals, discipline, and planning.</p> <p>A key strategy in EVERLIGHT's talent development is to build future capabilities and unleash learning potential. The company places importance on nurturing employees' abilities in advance, actively implementing comprehensive talent pipeline management. This approach addresses specific development needs through experiential learning, feedback and guidance, education and training, and voluntary service. Additionally, EVERLIGHT offers a variety of physical and online learning resources to enhance employees' self-directed learning awareness and support their self-growth. The company provides on-the-job training, classroom instruction, online learning, job coaching, mentorship programs, and job rotations to cultivate a culture of learning.</p> <p>The comprehensive education and training system and curriculum include:</p> <ul style="list-style-type: none"> - New Employee Series: Basic training and production line internship, product knowledge and quality courses, on-the-job training (OJT), etc. - Management Development Series: Corporate governance courses for senior executives, talent development series, team leadership, goal and performance management, etc.; project management, accountability execution, team collaboration | |
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| <p>(5) Has the Company complied with the relevant regulations and international standards on customer health and safety, customer privacy, marketing and labeling for its products and services? Has it established a consumer protection policy and complaints procedure?</p> | | <p>communication, etc., for mid-level managers; excellence training courses and new supervisor training for grassroots supervisors; site management (TWI), 5S management, reserve site cadre training, etc., for frontline supervisors.</p> <ul style="list-style-type: none"> - Professional Skills Series: Product-related courses, negotiation skills, LED processes, patent courses, project management, sales skills, customer relationship management, quality control techniques, five core series courses, etc. - Quality Management Series: ISO 9001, IATF 16949, QC 080000, and other related courses. - Employee Assistance Series: Operation system and software operation learning courses, emotional and stress management, health seminars. - Diverse Learning Channels: Electronic exhibition visits arranged by the company, various professional technical seminar courses, professional external training courses based on job requirements. - Online Learning Platform: The company has an internally built E-Learning online learning system platform, providing employees with real-time, self-directed learning resources without time or geographical constraints. <p>(5) In terms of customer information protection, EVERLIGHT adheres to relevant international norms and standards and has implemented the ISO 27001 international information security management system. Additionally, EVERLIGHT has established related information protection policies and standard procedures to ensure that only authorized personnel can access specific customer engineering and production information.</p> <p>For the protection of customer privacy rights,</p> | |
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| <p>(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?</p> | | <p>EVERLIGHT follows the procedures outlined in the "PRO-0000226 Personal Data Security Maintenance Management Measures" document. The company has set up a Personal Data Protection Management Execution Team, staffed by professionals with expertise in "BS10012 PIMS Personal Information Management System Lead Auditor" and "TPIPAS Personal Data Protection Auditor" roles, to assist in planning and implementing privacy protection measures.</p> <p>In case of related complaints, EVERLIGHT provides diverse channels for complaints. Consumers or customers can file complaints with EVERLIGHT via legal@everlight.com.</p> <p>(6) EVERLIGHT continues to strengthen its supply chain management, communicating with and encouraging suppliers (including contractors) to strive for excellence in quality, cost-effectiveness, delivery time, environmental protection, safety, and health. Through regular communication between management levels, management audits, and experience sharing, EVERLIGHT collaborates with key suppliers and contractors to enhance partnerships, pursue better performance, and make greater contributions to society.</p> <p>EVERLIGHT collaborates with suppliers on various sustainable development issues, such as promoting green supply chains, carbon management in response to climate change, reducing fire risks, environmental protection, safety and health management, and operational planning for natural disasters.</p> <p>EVERLIGHT is currently a formal member of the Responsible Business Alliance (RBA) and implements the RBA Code of Conduct through self-assessment and review of its policies and processes related to labor, health and safety, environment, ethical standards, and management systems.</p> | |
|---|--|---|--|

| | | <p>To strengthen sustainable management in the supply chain and effective risk management, EVERLIGHT cooperates with suppliers to comply with Taiwan's environmental, safety, health, and fire regulations. EVERLIGHT has also established a Supplier Code of Conduct, covering labor rights, health and safety, environment, ethical standards, and management systems. EVERLIGHT works with suppliers to assess and improve risks and impacts in economic, environmental, and social dimensions. EVERLIGHT also assists suppliers in enhancing sustainable performance through experience sharing and training, aiming to surpass international standards and become a global benchmark in LED packaging factories.</p> <p>Specific Practices for Supplier Management Regulation</p> <p>To intergrate the requirements of sustainable operation in to daily supply chain management, we established audit team to conduct regular evaluations of supplier seletion and mass production suppliers, based on cooperation. Furthermore, to comply with environmental protection requirements and audit the Certificated of restricted material used in supplier's product, we develop procedural documents for assessing, selecting, and managing suppliers. In addition, we provide quality management, technical guidance, and advice.</p> <table border="1" data-bbox="1133 1110 1736 1436"> <thead> <tr> <th data-bbox="1133 1110 1341 1174">Supplier assessment</th> <th data-bbox="1341 1110 1527 1174">Supplier audit</th> <th data-bbox="1527 1110 1736 1174">Supplier Propaganda</th> </tr> </thead> <tbody> <tr> <td data-bbox="1133 1174 1341 1436"> <ul style="list-style-type: none"> ● The new supplier must undergo an assessment by the audit team and adhere to Supplier Code of Conduct. ● All suppliers of </td> <td data-bbox="1341 1174 1527 1436"> <ul style="list-style-type: none"> ● We established an audit team to conduct regular evaluations of raw material suppliers on a quarterly basic each year. </td> <td data-bbox="1527 1174 1736 1436"> <ul style="list-style-type: none"> ● Each year, we request suppliers to provide documents such as the Social Accountability </td> </tr> </tbody> </table> | Supplier assessment | Supplier audit | Supplier Propaganda | <ul style="list-style-type: none"> ● The new supplier must undergo an assessment by the audit team and adhere to Supplier Code of Conduct. ● All suppliers of | <ul style="list-style-type: none"> ● We established an audit team to conduct regular evaluations of raw material suppliers on a quarterly basic each year. | <ul style="list-style-type: none"> ● Each year, we request suppliers to provide documents such as the Social Accountability | |
|---|---|--|---------------------|----------------|---------------------|---|---|--|--|
| Supplier assessment | Supplier audit | Supplier Propaganda | | | | | | | |
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| | | | <p>raw materials must be certified through the ISO 9001.</p> <ul style="list-style-type: none"> ● All suppliers of raw materials must comply with RoHS or relevant environmental regulations and meet Quality Agreement. ● The Suppliers shall sign <p>1. Letter of Commitment of supplier of Everlight Electronics for Corporate Social Responsibility, and the Social Accountability 8000 (SA8000)</p> <p>2. Declaration of Conformity to RBA Code of Conduct, and RBA Code of Conduct Audit Checklist.</p> | <p>Vendor quality rating if not do the effectiveness of improvement, the units (including Vendors) need to set up a continuous improvement project QIT(Quality Improvement team)team meetings and feedback to improve the report by quality, continuous monitoring of the integrity of quality.</p> | <p>8000 (SA8000) and RBA Code of Conduct Audit Checklist. Through the guidance and communication on self-assessment, to effectively improve environmental protection , healthy and safety performance in compliance with international regulations. The self – assessment for covers workplace hygiene, employee health, consumer care, regular risks, business ethics and conflict minerals.</p> | |
| 5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance? | V | | Everlight Electronics compiled the 2023 Annual Sustainability Report in accordance with GRI, SASB and TCFD and other standards, and a third-party organization TUV will issue a confidence report after GRI verification. | | | None |

| Assessment Item | Implementation Status (Note) | | | Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|-------------|--|
| | YES | NO | Explanation | |
| | | | | |
| <p>6. If the Company has established its sustainable development code of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences. Everlight "Sustainable Development Code of Practice" formulated by Everlight in accordance with the "Sustainable Development Code of Practice for Listed Companies". The specifications are generally consistent, but with regard to the specifications in Article 7, it is specifically stated that the decision-making circle should include experts with the qualifications of sustainable managers.</p> | | | | |
| <p>7. Other important information to facilitate better understanding of the Company’s implementation of sustainable development: For details, please refer to the EVERLIGHT Sustainability Special Network or the EVERLIGHT Sustainability Report.</p> | | | | |

1. Climate-related Information Execution Status

| | |
|--|--|
| <p>1. Describe the supervision and governance of climate-related risks and opportunities by the board of directors and management.</p> | <p>Everlight Electronics closely monitors global climate change trends and international response directions. It references the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in disclosing climate change information and the associated risks and opportunities in its key reports. It is committed to both adaptation and mitigation efforts regarding greenhouse gases, continuously analyzing and controlling internal energy usage to actively reduce greenhouse gas emissions.</p> <p>In response to the high uncertainty of climate change and rapid changes in policies and markets, Everlight Electronics convenes regular meetings with senior executives from various departments to identify significant climate risks and opportunities. Additionally, it further evaluates the potential risks posed by extreme climate events such as floods, droughts, typhoons, and high temperatures on its operational sites, aiming to grasp external environmental climate changes and market dynamics to comprehensively consider overall operational strategic</p> |
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| | <p>planning.</p> <p>Everlight Electronics adheres to its vision and mission of sustainable development. On April 8, 2019, it passed the "Corporate Social Responsibility Committee Organizational Regulations," with the Legal Department appointed by the Chairman as the part-time unit responsible for coordinating cross-departmental collaboration. It regularly convenes meetings to formulate, promote, and strengthen important policies and action plans for sustainable development (including climate-related issues) across the group's companies. It reviews, tracks, and revises the implementation and effectiveness of sustainable development and reports to the board of directors to achieve environmental sustainability goals.</p> <p>In accordance with the "Risk Management Measures" approved by the board of directors, Everlight Electronics has established a Risk Management Team composed of units responsible for relevant business areas. It conducts project analysis and control for significant climate change risks affecting the company's operations. It evaluates the feasibility of risk transfer with insurance resources to reduce company losses. The Audit Center formulates annual audit plans for internal control guidelines and related laws and regulations, reviewing the execution quality of various operations. The Risk Management Team is responsible for Everlight Electronics' risk management policies and procedures, including climate-related risk issues and the latest legal requirements for industry climate risks. It invites various risk management executing units to discuss the impact of various climate change risk factors on their responsibilities and prioritize them accordingly.</p> |
| <p>2. Explain how identified climate risks and opportunities affect the company's business, strategy, and finances (short-term, medium-term, long-term).</p> | <p>EVERLIGHT follows the guidance of the TCFD framework for assessing climate risks, collaborating with external consultants and research institutions to gradually develop methods and procedures for measuring climate risks.</p> <p>Everlight Electronics adheres to its vision and mission of sustainable development. On April 8, 2019, it passed the "Corporate Social Responsibility Committee Organizational Regulations," with the Legal Department appointed by the Chairman as the part-time unit responsible for coordinating cross-</p> |

departmental collaboration. It regularly convenes meetings to formulate, promote, and strengthen important policies and action plans for sustainable development (including climate-related issues) across the group's companies. It reviews, tracks, and revises the implementation and effectiveness of sustainable development and reports to the board of directors to achieve environmental sustainability goals.

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| | Risk Categories and Opportunities | Short term (1~3 years) | Medium term (3~5 years) | Long term (more than 5 years) |
|------|---|--|---|-------------------------------|
| Risk | <p>Transition Risks The risks associated with transitioning to a low-carbon economy. Transition risks include regulatory, technological,</p> | Greenhouse gas emissions cap and carbon tax/fee. | <p>1. Consumer demand and preference shifts 2. Transition to low-carbon technologies 3. Implementation of new renewable</p> | The net zero emissions trend |

| | | | | | |
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| | | market, and reputational risks. | | energy regulations 4. Inadequate climate adaptation actions leading to declining brand reputation | |
| | | Physical Risks Immediate physical risks stem from weather-related events such as storms, floods, droughts, etc., with their severity and frequency increasing over time. Long-term physical risks arise from prolonged changes in climate patterns, including shifts in precipitation levels and temperatures, which may result in rising | The extreme changes in climate patterns, including tropical cyclones such as typhoons, bring with them increased rainfall intensity, resulting in greater power and causing an increase in floods, damaging the company's operational assets. | The severe drought triggers a water shortage crisis, leading to disruptions in the supply chain. | The average temperature rises. |

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| | sea levels, reduced availability of water resources, etc. | | | |
| Opportunities | Opportunity The positive impacts on individuals resulting from climate change. Efforts to mitigate and adapt to climate change can create climate-related opportunities for individuals. | Research and innovation in new low-carbon products and services. | Enhancing resource efficiency. | Enhancing corporate reputation. |

Everlight Electronics conducts assessments on the aforementioned risks, presenting climate-related risks and opportunities that may have significant financial impacts, along with the following response strategies:

| Transition Risks/Climate Opportunities | | |
|---|---|--|
| Risk/Opportunity | Financial impact – / + | Response strategies |
| R: Greenhouse gas emissions cap and carbon tax/fee | – Paying carbon fees increases operating costs. | • Actively monitor the progress of regulatory updates. |
| R: Implementation of new renewable energy regulations | – Purchasing renewable energy certificates increases operating costs. | • Strengthen research and development to enhance energy efficiency. • Invest in energy-saving |

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| | | – Violating regulatory requirements results in fines, leading to an increase in operating expenses. | equipment. |
| | R: Net zero emissions trend | – The installation and operation costs of carbon reduction equipment increase. | •Continuously implement actions to reduce greenhouse gas emissions |
| | R: Shifting consumer demands and preferences O: Research and innovation in new low-carbon products and services | – Decrease in market sales leading to a decline in revenue + Increase the sales proportion of low-carbon products, thereby increasing revenue | •Continuously invest in the research and development of low-carbon products •Utilize raw materials with low carbon footprints •Innovate in the development of green products |
| | R : Transitioning to low-carbon technologies | – Developing new processes, increasing research and development costs, with the risk of financial loss if the development fails. | •Establishing project research and development teams. |
| | R : Inadequate climate adaptation actions result in a decline in brand reputation. | – Failing to meet stakeholders' expectations leads to damage to corporate reputation, resulting in decreased market sales. | •Actively addressing and responding to climate-related issues to strengthen the corporate social responsibility image, enhancing customer |

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| | | | identification. |
| | O : Enhance corporate reputation | + Enhance fundraising accessibility and reduce the cost of capital. | <ul style="list-style-type: none"> • Enhance corporate green image through transparent disclosure. • Strengthen corporate governance to establish a culture of prioritizing and taking action on climate-related issues. • Improve sustainability rating scores to build a positive image. |
| Physical Risks/Climate Opportunities | | | |
| | Risk/Opportunity | Financial impact –/+ | Response strategies |
| | <p>R: Extreme changes in climate patterns, such as tropical cyclones bringing heavier rainfall, leading to increased flooding.</p> <p>R: Supply chain disruptions (drought).</p> | <p>– Factory shutdowns leading to decreased revenue.</p> <p>– Damage to machinery and equipment resulting in property loss</p> <p>– Increased operating costs due to rising raw material prices</p> <p>– Decreased production leading to decreased revenue"</p> | <ul style="list-style-type: none"> • Consideration of flood risks in the location selection of new factory sites. • Assessing flood risks at production sites and implementing risk mitigation measures. • Developing alternative raw materials. • Identifying alternative suppliers in other regions. |
| | <p>R: Increase in average temperature</p> <p>O: Enhance energy</p> | <p>– Increased electricity costs leading to higher operating expenses (R)</p> <p>– Price increases due</p> | <ul style="list-style-type: none"> • Using renewable energy • Developing alternative raw materials |

| | | | |
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| | efficiency | to shortages of raw materials (R) – Increased costs or decreased production resulting in reduced revenue (R) + Decrease in electricity costs (O) | <ul style="list-style-type: none"> • Procuring energy-saving equipment • Implementing an environmental management system to track energy usage |
| <p>3. Describe the financial impact of extreme weather events and transition actions.</p> | <p>The financial impact of extreme weather events Everlight Electronics identifies potential risks to production or transportation stages such as flooding, droughts, changes in precipitation patterns, and extreme changes in climate patterns through internal discussions, inventory, and evaluation. Heavy rainfall causing floods can lead to temporary shutdowns of factories and equipment damage, resulting in temporary inability to ship products. Droughts and water shortages can affect normal operation of production lines, requiring adjustments such as reducing water usage or transferring goods from other factories to maintain supply, leading to increased operating costs. Everlight Electronics will continue to refine physical risk scenario analysis, strengthen climate adaptation management, and strategies for merged companies.</p> <p>The financial impact of transformation actions Under transformation risks, transitioning to a low-carbon economy may face extensive policy, regulatory, technological, and market changes. Depending on the nature, speed, and focus of these changes, within the analysis timeframe, factors such as carbon fees, greenhouse gas emissions caps, renewable energy regulations, and shifts in consumer preferences may increase operating costs or decrease sales volumes. Everlight Electronics addresses these transformation risks by implementing energy-saving and carbon reduction projects to minimize climate impacts on operations and supply chains, improving energy efficiency, planning investments in green energy equipment, and investing in innovative green product development to meet consumer demands.</p> | | |

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| <p>4. Explain how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system.</p> | <p>Everlight Electronics follows the provisions of Article 4 of the Risk Management Measures approved by the internal board of directors, establishing a Risk Management Committee. The Legal Center serves as the highest risk management unit within the group, with risk management representatives appointed by various department-level units serving as committee members. The committee conducts project analyses and controls for significant risks affecting company operations. It evaluates the feasibility of risk transfer in coordination with insurance resources to reduce company losses. The Audit Center formulates an annual audit plan based on internal control guidelines and relevant laws and regulations, reviewing the execution quality of various operations.</p> <p>To identify the impact and severity of climate change risk factors on various business aspects of Everlight Electronics, in Q4 of 2023, Everlight Electronics convened the Risk Management Committee to discuss the effects of various climate change risk factors on their respective business responsibilities. Regular reports on management execution status and risk control are submitted to the board of directors for review. Oversight and tracking reviews of the risk management execution by the management team are conducted to strengthen the company's resilience.</p> |
| <p>5. If scenario analysis is used to assess resilience to climate change risks, describe the scenarios, parameters, assumptions, analysis factors, and major financial impacts used.</p> | <p>Not applicable.</p> |
| <p>6. If there are transformation plans to manage climate-related risks, explain the content of the plan, as well as indicators and targets used to identify and manage physical and transition risks.</p> | <p>Not applicable.</p> |
| <p>7. If internal carbon pricing is used as a planning tool, explain the basis for price determination.</p> | <p>Not applicable.</p> |
| <p>8. If climate-related targets are set, explain the activities covered, scope of greenhouse gas emissions, planning schedule, annual progress, etc. If carbon offsets or renewable energy certificates (RECs) are used to achieve the goals, explain the source and quantity of carbon</p> | <p>Not applicable.</p> |

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| offsets or the number of RECs exchanged. | |
| 9. Greenhouse gas inventory and assurance status (to be filled in separately) | Please refer to Table 1-1 |

1-1 Greenhouse Gas Inventory and Assurance Situation

Form Filing Instructions:

1. The information in Scope 1 and Scope 2 categories shall be processed according to the schedule prescribed in Article 10, Paragraph 2 of this guideline, while the information in Scope 3 category may be voluntarily disclosed by the company.
2. The company may conduct greenhouse gas inventories according to the following standards:
 - (1) The Greenhouse Gas Protocol (GHG Protocol).
 - (2) ISO 14064-1 published by the International Organization for Standardization (ISO).
3. Assurance institutions should comply with the assurance-related regulations set by the Taiwan Stock Exchange Corporation and the Taipei Exchange Foundation.
4. Subsidiaries may report individually, aggregate (e.g., by country or region), or consolidate (Note 1).
5. The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but data calculated based on revenue (in NT\$ million) should be disclosed at least (Note 2).
6. Operating sites or subsidiaries not included in the inventory calculation shall not account for more than 5% of the total emissions. The total emissions referred to herein shall be the emissions calculated according to the mandatory inventory scope specified in Form Filing Instruction 1.
7. The assurance situation description should summarize the content of the assurance report of the assurance institution and include the complete assurance opinion letter in the annual report (Note 3).

1-1 Greenhouse Gas Inventory and Assurance Situation

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| <p>Basic Company Information</p> <p><input type="checkbox"/> Companies with a capital of NT\$100 billion or more, steel industry, cement industry</p> <p><input type="checkbox"/> Companies with a capital of NT\$50 billion or more but less than NT\$100 billion</p> <p><input checked="" type="checkbox"/> Companies with a capital of less than NT\$50 billion</p> | <p>According to the guidelines of the Sustainability Development Roadmap for Listed Companies, at least the following disclosures should be made:</p> <p><input checked="" type="checkbox"/> Individual inventory of the parent company</p> <p><input type="checkbox"/> Inventory of subsidiaries in consolidated financial statements</p> <p><input type="checkbox"/> Assurance of the parent company</p> <p><input type="checkbox"/> Assurance of subsidiaries in consolidated financial statements</p> |
|--|---|

| Scope 1 | Total Emissions (metric tons CO2e) | Density (metric tons CO2e/million NT\$) | Assurance Entity | Assurance Explanation (Note 3) |
|----------------|------------------------------------|---|--|--|
| Parent Company | 1,015.43 | NA | TUV-NORD Taiwan TUV-NORD Technical Supervision Consulting Co., Ltd. | continues to drive key plant initiatives, including obtaining ISO14064-1 compliance for major sites such as the Yuanli Plant in Miaoli, the Wujiang Plant in Suzhou, and the Zhongshan Plant in Guangdong. |
| Subsidiaries | — | | | |
| ...(Note 1) | | | | |
| Total | 1,015.43 | NA | | |
| Scope 2 | Total Emissions (metric tons CO2e) | Density (metric tons CO2e/million NT\$) | Assurance Entity | Assurance Explanation (Note 3) |
| Parent Company | 83,514.98 | NA | TUV-NORD Taiwan TUV-NORD Technical Supervision Consulting Co., Ltd. | continues to drive key plant initiatives, including obtaining ISO14064-1 compliance for major sites such as the Yuanli Plant in Miaoli, the Wujiang Plant in Suzhou, and the Zhongshan Plant in Guangdong. |
| Subsidiaries | — | | | |
| ...(Note 1) | | | | |
| Total | 83,514.98 | NA | | |
| Scope 3 | Not applicable. | | | |

1-1 The company's greenhouse gas inventory and verification status in the past two years

1-1-1 Greenhouse gas inventory information

Provide the greenhouse gas emissions for the past two years (in metric tons CO2e), intensity (in metric tons CO2e per million dollars), and data coverage scope.

According to the sustainability development pathway requirements for listed companies with paid-in capital of less than 5 billion NT dollars, Everlight Electronics is subject to the following timeline: Everlight Electronics shall commence inventorying from the year 115

(Taiwan era), while its consolidated financial reports for subsidiary companies shall commence inventorying from the year 116 (Taiwan era).

Everlight Electronics has established a greenhouse gas inventory mechanism in accordance with ISO 14064-1 standards and conducts regular annual inventories focusing on key manufacturing sites. The Miaoli Yuanli Plant, Suzhou Wujiang Plant, and Guangdong Zhongshan Plant have achieved compliance with ISO 14064-1 standards."

Greenhouse gas emissions in the last 2 years :

| Year | | 2022 | | 2023 | |
|------------------|----------|---------------------------------|--|---------------------------------|--|
| Projects (Units) | | Emissions (Metric tons of CO2e) | Intensity (Metric tons of CO2e per million NTD of revenue) | Emissions (Metric tons of CO2e) | Intensity (Metric tons of CO2e per million NTD of revenue) |
| Parent | Scope1 | 481.3 | / | 1,015.43 | / |
| | Scope2 | 30,840 | | 83,514.98 | |
| | Scope3 | NA | | NA | |
| | Subtotal | 31,321.3 | | 84,530.41 | |
| Subsidiaries | Scope1 | — | | — | |
| | Scope2 | — | | — | |
| | Subtotal | — | | — | |
| Total | | 31,321.3 | | | |

1-1-2 Greenhouse Gas Confirmation Information

Provide an explanation of the verification status for the most recent two years up to the printing date of the annual report, including the scope of verification, verifying entity, verification criteria, and verification opinion.

In accordance with the sustainability development pathway requirements for listed companies with paid-in capital of less than 5 billion NT dollars, Everlight Electronics is subject to the following timeline: Everlight Electronics is expected to complete verification by the year 117 (Republic of China calendar), while its consolidated financial reports for subsidiary companies should be verified by the year 118. Everlight Electronics has been verified by TUV-NORD Taiwan, a branch of the German-based technical surveillance and consulting company, in accordance with ISO 14064-1:2018 standards. The verification opinion is at a level of reasonable assurance.

1-2 Greenhouse gas reduction goals, strategies and specific action plans

Describe the greenhouse gas reduction base year and its data, reduction targets, strategies, specific action plans and achievement of reduction targets.

Everlight Electronics actively conducts greenhouse gas inventory and verification in accordance with the guidelines set forth by the Financial Supervisory Commission for greenhouse gas inventory and reduction. Following the requirements of the International Organization for Standardization ISO 14064-1 for greenhouse gas inventory and ISO 50001 for energy management systems, we are actively engaged in greenhouse gas inventory and verification. Currently, we are proactively conducting inventory and verification work at key factory sites and plan to formulate carbon reduction targets, strategies, and specific action plans based on recent inventory results, to comply with the regulations requiring disclosure of carbon reduction targets, strategies, and specific action plans by the Financial Supervisory Commission in the year 116 of the Republic of China.

Greenhouse Gas Reduction Baseline Year and Reduction Targets

To plan greenhouse gas reduction strategies, Everlight Electronics established reduction targets in the year 112 of the Republic of China, setting the reduction baseline year at 109, aiming to achieve a reduction compared to the baseline year by implementing specific actions in the fiscal year 119.

Greenhouse Gas Reduction Strategies and Specific Action Plans

Everlight Electronics integrates carbon management into its operational strategies, continuously adjusting relevant policies and programs. It develops proactive carbon reduction technologies such as process improvement and considers investing in low-carbon initiatives. Additionally, through an electronic dashboard platform, it consolidates group electricity usage information and implements comprehensive supervision of various greenhouse gas reduction projects, including enhancing energy efficiency, purchasing energy-saving machinery, and installing solar power generation systems. These efforts ensure that reduction targets are met on schedule, demonstrating a proactive approach to reducing carbon emissions and enhancing operational competitiveness."

For further climate concern information, please see our Sustainability Report on our web-site, www.everlight.com.

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

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

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

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

| Assessment Item | Implementation Status (Note) | | | Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|---|--|
| | YES | NO | Summary | |
| (2) Has the Company established a dedicated (part-time) unit supervised by the Board of Directors for the promotion of ethical corporate management that regularly (at least once a year) reports to the Board of Directors on its ethical management policy, precautions against unethical behavior, and implementation of oversight? | | | <p>trading partner. Everlight has formulated terms related to ethical conduct in the contract signed with the trading partner to protect mutual benefit before dealing business with them. Everlight conveys its standard of ethical conducts to its customers or suppliers in relevant activities and communicate corresponding issues with them</p> <p>(2) To fulfill the responsibility of supervising integrity operations, the Board of Directors of EVERLIGHT has established various organizations and channels, such as the Audit Committee, Compensation Committee, and Internal Audit. In March 2016, the company established the Legal Affairs Department as a part-time unit to promote corporate integrity operations. On March 25 of the same year, the implementation of the "Integrity Operations Guidelines" was approved by the Board of Directors. The head of the Legal Affairs Department serves as the convener, ensuring the implementation of integrity operations guidelines based on the responsibilities and scope of each unit. Regular reports on the execution of integrity operations management are submitted to the Board of Directors, and the results are presented to the board. Under the supervision of the board, EVERLIGHT ensures that the financial accounting information reported to regulatory authorities or disclosed to the public is complete, fair, accurate, timely, and understandable.</p> <p>For newly recruited employees, mandatory courses on ethical behavior are arranged, and regular advocacy of integrity and ethical policies is</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|---|------------------------------|----|--|--|
| | YES | NO | Summary | |
| (3) Has the Company established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly? | | | <p>conducted for all employees. Purchase documents with suppliers (such as procurement contracts) explicitly stipulate clauses related to integrity behavior, strictly prohibiting the promise or provision of commissions, benefits, rewards, bribes, intermediation fees, kickbacks, or any other improper benefits to relevant personnel.</p> <p>The company continues to conduct education and training on integrity and ethics, including anti-corruption measures and compliance with trade secrets laws. No incidents of corruption, bribery, extortion, or anti-competitive behavior have occurred among EVERLIGHT employees. Directors have all completed more than 6 hours of corporate governance-related education, seminars, and advocacy.</p> <p>(3) In order to perform due diligence in monitoring ethical operations, Everlight's board of directors has established several kinds of organizations and channels, such as audit committee, compensation committee, internal audit center and etc. Everlight has assigned that the legal division concurrently to be in charge of promoting ethical operations in March 2016. On May 25, 2016, the board of directors approves "Ethical Corporate Management Best Practice Principles" and the head of legal division as the convener of each department to ensure the implementation of the principles based on the scope and job description of each department and report the result to the board regularly. Under the supervision of the board, Everlight ensures that the financial or accounting information disclosed</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|--|--|
| | YES | NO | Summary | |
| (4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management? Do internal auditors devise and carry out audit plans based on risk assessments of unethical behavior to investigate non-compliance, or have CPAs been retained to conduct such audits? | | | <p>publicly and reported to the government are complete, fair, accurate, timely and understandable.</p> <p>Required training related to ethical conduct has been arranged for the new employees and regular propagation of policy related to ethical conduct is held. Contracts signed with suppliers (such as purchase contract) includes relevant terms regarding ethical conducts, such as promising and giving any commission, benefit, compensation, bribe, agency fee, kickback or other improper interest are prohibited.</p> <p>The company will report this policy to the board of directors every year. On November 12, 2010, when the board of directors was held, the head of legal affairs submitted the [CSR report], which included the current year's performance progress of integrity management and future medium and long-term goals. The content is to continue to follow the RBA guidelines, and there are 4 ethics-related education and training, lectures and promotions, and there has been no corruption, bribery, extortion and anti-competitive incidents among Everlight employees. Directors have completed more than 6 hours of corporate governance related education training, lectures and publicity.</p> <p>(4) On May 25, 2016, the board of directors approves "Ethical Corporate Management Best Practice Principles" and formulated a policy to prevent conflict of interest. Everlight stipulates clearly that no preference or privilege can be given to related parties and its employees cannot ask, offer, give and</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|---|--|
| | YES | NO | Summary | |
| (5) Does the Company provide internal and external ethical conduct training programs on a regular basis? | | | <p>take gift, treatment, kickback, bribe and etc. According to the "Employee Ethics Code", each employee should avoid any business, investment or relevant activities which may constitute conflict of interest between individual and Everlight unless with prior approval from the board of directors.</p> <p>(5) The company upholds the business philosophy of "Excellence, Innovation, Integrity, Quality, and Execution," which is prominently displayed through posters in various factories and emphasized through internal and external educational training programs. During the training period for new employees, integrity and ethical policy advocacy courses are arranged. Additionally, each employee can download and read the "Employee Code of Conduct" and "Integrity in Advertising and Fair Trade Antitrust Control Procedures" from the company's internal document management system (DMP) to ensure compliance.</p> <p>Integrity policies are continuously reinforced through electronic bulletin boards for employees, visiting suppliers, or guests. Mandatory courses on ethical behavior are arranged for new recruits, and regular advocacy of integrity and ethical policies is conducted for all employees. Purchase documents with suppliers (such as procurement contracts) specify terms related to integrity behavior, strictly prohibiting the promise or provision of commissions, benefits, rewards, bribes, intermediation fees, kickbacks, or any other improper benefits to relevant personnel.</p> | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|-----------------|------------------------------|----|--|--|
| | YES | NO | Summary | |
| | | | <p>The company continues to conduct ethical education and training, and there have been no incidents of corruption, bribery, extortion, or anti-competitive behavior among EVERLIGHT employees. Additionally, following the "Responsible Business Alliance Code of Conduct," the company has established the "Employee Code of Conduct" and "Integrity in Advertising and Fair Trade Antitrust Control Procedures." Through education, training, and advocacy, employees are required to adhere to ethical norms and moral standards, and are prohibited from accepting any form of gratuity. Externally, suppliers are required to sign the "Supplier Social Responsibility Commitment" and "Supplier Integrity Commitment," which stipulate adherence to high ethical standards and avoidance of violations of business integrity principles, including bribery, gift-giving, and falsification.</p> <p>The company actively implements integrity management policies, integrating them into organizational culture and daily operations. Various methods, including basic training for new hires and advocacy for all employees, are employed to deliver relevant courses, which include but are not limited to:</p> <p>In 2023, several training sessions were held:</p> <ul style="list-style-type: none"> - New hires received training on internal audits and corporate anti-corruption measures, with 202 participants. - A course was conducted to promote compliance | |

| Assessment Item | Implementation Status (Note) | | | Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|--|--|
| | YES | NO | Summary | |
| | | | <p>with business secrets laws, also attended by 202 participants.</p> <p>- In November, a session addressed common myths about internal control and audit, with 397 participants.</p> <p>- In December, there was a training session focusing on recent instances of internal control deficiencies, with 519 participants.</p> <p>In 2023, all new hires (including those who left the company) totaling 200 individuals signed the "EVERLIGHT_Integrity, Confidentiality, and Intellectual Property Agreement". By signing this agreement, they committed to strictly adhere to the company's integrity and cleanliness-related regulations. They agreed not to seek any improper benefits from EVERLIGHT's trading partners, including clients, suppliers, or service providers. Furthermore, they pledged not to engage in activities that would induce or entice EVERLIGHT employees to violate their duties (including but not limited to company policies or regulations) for personal or others' gain. Additionally, they promised not to engage in bribery or any other form of improper exchange of benefits with EVERLIGHT employees during their employment or after leaving the company.</p> | |
| <p>3. Implementation of Complaint Procedures</p> <p>(1) Has the Company established specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p> | V | | <p>(1) The Company has established reporting channels and procedures related to the punishment of violating the ethical conducts and appealing in April 2017 and designated a spokesman and a unit to</p> | None |

| Assessment Item | Implementation Status (Note) | | | Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures |
|--|------------------------------|----|--|--|
| | YES | NO | Summary | |
| <p>(2) Has the Company established standard operating procedures for the investigation of complaints, what follow-up actions to take once an investigation is complete, and the relevant confidentiality mechanisms?</p> <p>(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</p> | | | <p>gather information regarding Everlight on the formal website of the company</p> <p>Additionally, Everlight has established a group to investigate corruption and bribe and also provided several reporting channels on the formal website of the company, such as mailed to the Audit Center (No. 6-8, Zhonghua Road, Shulin District, New Taipei City), phone (02-2685-6688 #7122), mailbox (whistleblower@everlight.com) and fair trade mailbox (legal@everlight.com), and also set up "Chairman's Mailbox" and "Employee Opinion Report Form" within the company, at any time accept reports from inside and outside of the organization either by name or anonymously.</p> <p>(2) Everlight has established a standard procedure to deal with reporting cases and mechanism of protect whistleblower. Everlight deals with those report and subsequent investigation rigorously and confidentially, which has been formulated in the "whistleblower policy".</p> <p>(3) Everlight protects whistleblower from unfair or improper treatment and prohibit any forms of revenge on the whistleblower or those who help with the investigation. The Company would protect reporters or investigators from maltreatment or any form of retaliation which clearly defined in reporting instruction. °</p> | |
| 4. Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about | √ | | The Company has disclosed information related to business culture, guideline of management, status of | None |

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

3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the Company’s website at www.everlight.com or TWSE website at mops.twse.com.tw

3.4.8 Other Important Information Regarding Corporate Governance: None.

3.4.9 Internal Control Systems
Statement of Internal Control System

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

March 13, 2024

Based on the findings of a self-assessment, Everlight Electronics Co., Ltd. (referred to as “Everlight” hereinafter) states the following with regard to its internal control system during the year 2023:

1. Everlight’s Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. The internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency, and regulatory compliance of our reporting, and compliance with applicable rulings, laws, and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Everlight takes immediate remedial actions in response to any identified deficiencies.
3. Everlight evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
4. Everlight has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Everlight believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable rulings, laws, and regulations.
6. This Statement is an integral part of Everlight’s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was approved by the Board of Directors in their meeting held on March 13, 2024, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Everlight Electronics Co., Ltd.

Chairman Yin-Fu Yeh

President Yin-Fu Yeh

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

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

3.4.11 Major Decisions of Shareholders' Meeting and Board Meetings :

3.4.11.1 2023 Shareholder' Meeting

| Date | Motion | Resolution | Execution |
|-----------|---|---|--|
| 2023/6/16 | Approved the 2022 Business Report and Financial Statements | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Approved the adoption of the proposal for distribution(Cash Dividend: NT\$ 2.5/share) of 2022 profits | All attending members unanimously agree to pass the proposal. | The Company decided to set up the ex-dividend date of cash dividend for August 8, 2023 and paid on August 31, 2023. |
| | Approved the amendment of the "Articles of Incorporation". | All attending members unanimously agree to pass the proposal. | The resolution shall be fully implemented and finished registration on 7/6/2023 and published on our web site on 8/31/2023 |

3.4.11.2 Implementation of Board Meeting Resolutions in 2023(Article 14-3 of the Securities Exchange Law)

| Term/____st/ nd/rd/th time Date | Motion | Resolution | Execution |
|--|--|---|-----------------------|
| 14-14 2023.2.1 | The board of directors on 2022/9/8 has approved an endorsement guarantee case of USD 20,000,000, proposing to provide an equivalent of USD 18,700,000 in fixed deposit certificates as collateral. | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| 14-15 2023.3.13 | 2022 financial report and business report. | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Earning distribution of 2022. | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Evaluate the independence of CPAs | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Approved the CPA due to the internal rotation of KPMG | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Approval of the Statement of Declaration on Internal Control System 2022. | All attending members unanimously agree to | Execute as resolution |

| | | | |
|---------------------|--|---|-----------------------|
| | | pass the proposal. | |
| | Revision of certain cycle operation procedures in "Internal Control System" of the Company. | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Discussion of the proposal for the improvement plan of the Kazakhstan loan case. | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Discussion of releasing the responsibility of endorsement guarantees by lending a loan. | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| 14-16 2023.5.10 | 2023 financial report of Q1 | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| 14-17 2023.8.10 | 2023 financial report of Q2 | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Evaluate the contents of service and remuneration 2023 about appointment of CPAs | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| 14-18 2023.11.8 | 2023 financial report of Q3 | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| 14-19 2023.12.21 | Approval of auditing plan for 2024 | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| 14-20 2024.1.26 | Discussion of the development of the backlighting business in China, we plan to integrate resources with major backlighting customers in China. This involves selling backlighting equipment, inventory, and customer relationships within the Everlight Group for a total of RMB 61.32 million. Additionally, we propose to increase capital in its joint venture company by RMB 61.32 million. | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| 14-21 2024.3.13 | 2023 financial report and business report. | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Earning distribution of 2023. | All attending members unanimously agree to | Execute as resolution |

| | | | |
|--|---|---|-----------------------|
| | | pass the proposal. | |
| | Discussion of cash distribution from capital Surplus. | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Evaluate the independence of CPAs | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Discussion of overdue more than 90 days account receivables required to transfer to the corporation lending | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Approval of the Statement of Declaration on Internal Control System 2022. | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Discussion of disposal of Tekcore equity | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Amendment of the Company's Approval Authority List | All attending members unanimously agree to pass the proposal. | Execute as resolution |
| | Proposal of Improvement Plan for WOFI Funding Loan | All attending members unanimously agree to pass the proposal. | Execute as resolution |

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

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

| Title | Name | Effective Date | Date Dismissal | Reasons of Resignation or Dismissal |
|------------------------|---------------|----------------|----------------|-------------------------------------|
| Internal Audit Officer | Chih-Ming Kao | 2022.7.7 | 2023.12.21 | Resignation with personal reason |

3.5 Audit Fee

| NT\$, '000 | | | | | | |
|-----------------|------------------------------|-----------------------|-----------|---------------|-------|--------|
| Accounting Firm | Name of CPA | Audit Period | Audit Fee | Non-audit Fee | Total | Remark |
| KPMG | Ou, Yao-Chun & Hsin, Yu Ting | 2023.01.01~2023.12.31 | 6,270 | 1,368 | 7,638 | Note |

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

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

3.6 Replacement of CPAs: None

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

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

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

Unit: Share

| Title | Name | 2022 | | 2023 | | 2024 | |
|--|--|----------------------------|------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|
| | | Net Change in Shareholding | Net Change in Shares Pledged | Net Change in Shareholding | Net Change in Shares Pledged | Until April 14 | |
| | | | | | | Net Change in Shareholding | Net Change in Shares Pledged |
| Chairman& President | Yin-Fu Yeh | (1,000,000) | - | 0 | - | 0 | - |
| Director | Bo-Wen Zhou | 0 | - | 0 | - | 0 | - |
| Director | Shinh Wum International Investment LTD | 1,310,000 | - | 0 | - | 0 | - |
| | representative : Ting-Wei Yeh | 0 | - | 0 | - | 0 | - |
| Director | Bang-Yan Liu | (33,000) | - | 0 | - | 0 | - |
| IndependentDirector | Johnsee Lee | 0 | - | 0 | - | 0 | - |
| IndependentDirector | Chen-En Ko | 0 | - | 0 | - | 0 | - |
| IndependentDirector | Rong-Chun Lin | 0 | - | 0 | - | 0 | - |
| IndependentDirector | Liang-Gee Chen | 0 | - | 0 | - | 0 | - |
| Sr. Director | Min-Ta Tsao | 0 | - | 0 | - | 0 | - |
| Sr. Director | Chien-Ming Ting | 0 | - | 0 | - | 0 | - |
| Sr. Director | Cheng-Hsin Chen | Not Assume Yet | - | 0 | - | 0 | - |
| Sr. Director | Yu-He Chang | Not Assume Yet | - | 10,000 | - | 0 | - |
| Sr. Director | Che-wei, Hsu | Not Assume Yet | - | (5,000) | - | 0 | - |
| Sr. Director | Yi-Chen, Chen | Not Assume Yet | - | 0 | - | 0 | - |
| Sr. Director | Ruey-Min Li | Not Assume Yet | - | Not applicable | - | 0 | - |
| Sr. Director | Cheng-En KO | Not Assume Yet | - | Not applicable | - | 0 | - |
| Sr. Director | I-Pei LI | Not Assume Yet | - | Not applicable | - | 0 | - |
| Sr. Director | Hung-Yen Su | Not Assume Yet | - | Not applicable | - | 0 | - |
| Accounting Officer Financial Officer (Deputy) Corporate governance officer | Chun-Yu Lu | 0 | - | 0 | - | 0 | - |

3.8.2 Stock Traded with Related Party: None

3.8.3 Stock Pledged with Related Party: None

3.9 Relationship among the Top Ten Shareholders

2024/4/14

| Name | Shareholding | | Spouse & Minor | | Shareholding by Nominee Arrangement | | The Relationship between Any of the Company's Top Ten Shareholders | | Remarks |
|--|--------------|-------|----------------|-------|-------------------------------------|---|---|----------------|---------|
| | Shares | % | Shares | % | Shares | % | Name | Relation | |
| Chieh-Yao Investment CO., Ltd., representative:Ting-Wei Yeh who owned 500,000 shares, 0.11% of the Company. | 20,766,548 | 4.68% | - | - | - | - | Yin-Fu Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh | Son Brother | |
| Chuan Yi Investment Co., Ltd. representative:Ting-Wei Yeh, who owned 500,000 shares, 0.11% of the Company. | 19,642,228 | 4.43% | - | - | - | - | Yin-Fu Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh | Son Brother | |
| Chang Wah Electromaterials Inc, representative: Chia-Neng Huang, personal holding: not available | 17,296,000 | 3.90% | - | - | - | - | | | |
| Yin-Fu Yeh | 14,168,553 | 3.20% | 651,333 | 0.15% | - | - | Chuan Yi Investment Co., Ltd. & Shin-Wum Investment Ltd. representative : Ting-Wei Yeh Yu Ming Investment Co., Ltd. representative: Ding-Hao Yeh | Father | |
| Bo-Wen Zhou | 9,600,000 | 2.17% | 7,300,000 | 1.65% | - | - | Hsiu-Man Chien | Spouse | |
| Hsiu-Man Chien | 7,300,000 | 1.65% | 9,600,000 | 2.17% | - | - | Bo-Wen Zhou | Spouse | |
| Shinh Wum International Investment LTD representative:Ting-Wei Yeh who owned 500,000 shares, 0.11% of the Company. | 7,095,000 | 1.60% | - | - | - | - | | | |
| Yu Ming Investment Co., Ltd. representative:Ding-Hao Yeh who owned 500,605 shares, 0.11% of the Company. | 7,003,469 | 1.58% | - | - | - | - | Yin-Fu Yeh Chuan Yi Investment Co., Ltd. & Shin-Wum Investment Ltd. representative : Ting-Wei Yeh | Son Brother | |
| Chang Hwa Bank, representative: Chung-Yuan Ling, personal holding: not available | 6,660,000 | 1.50% | - | - | - | - | - | - | |
| JP Morgan hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account | 5,781,410 | 1.30% | - | - | - | - | - | - | |

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

Dec 31, 2023 ; Unit : Share ; %

| Long-term Investment | Ownership by the Company | | Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries | | Total Ownership | |
|--|--------------------------|--------|---|--------|-----------------|--------|
| | Shares | (%) | Shares | (%) | Shares | (%) |
| Everlight (BVI) Co., Ltd. | 1,539,946 | 98.00 | 36,622 | 2.00 | 1,576,568 | 100.00 |
| Pai Yee Investment Co., Ltd. | 23,939,525 | 100.00 | — | — | 23,939,525 | 100.00 |
| Everlight Americas, Inc. | 11,375,000 | 98.91 | — | — | 11,375,000 | 98.91 |
| Evervision Electronics Co., Ltd. | 4,477,028 | 24.27 | 8,060,077 | 43.7 | 12,537,105 | 67.97 |
| Everlight Electronics (Europe) GmbH | 75,000 | 75.00 | — | — | 75,000 | 75.00 |
| Everlight Optoelectronics Korea Co., Ltd. | 37,890 | 100.00 | — | — | 37,890 | 100.00 |
| Forever Investment Co., Ltd. | 42,487,490 | 100.00 | — | — | 42,487,490 | 100.00 |
| Everlight Lighting Intelligence Technology Co., Ltd. | 20,000,000 | 100.00 | — | — | 20,000,000 | 100.00 |
| Tekcore Co. Ltd | 4,766,888 | 9.23 | 5,819,318 | 11.27 | 10,586,206 | 20.5 |
| Eleocom Inc. | — | — | 4,500,000 | 32.14 | 4,500,000 | 32.14 |
| Evlite Electronics Co., Ltd. | 7,000,000 | 100.00 | — | — | 7,000,000 | 100.00 |
| Everlight Electronics India Private Limited | 352,800 | 80.00 | 88,200 | 20.00 | 441,000 | 100.00 |
| Everlight Electronics Singapore Pte. Ltd. | 200,000 | 100.00 | — | — | 200,000 | 100.00 |
| Everlight Optoelectronics (M) SDN. BHD. | — | — | 253,649 | 100 | 253,649 | 100.00 |
| WOFI Leuchten GmbH | 5,775,000 | 100.00 | — | — | 5,775,000 | 100.00 |
| Everlight Japan Corporation | 5,000 | 100.00 | — | — | 5,000 | 100.00 |
| Everlight Intelligence Technology KZ LLP | — | — | — | 100.00 | — | 100.00 |
| LeadTech Electronics Inc. | — | — | 2,500,000 | 43.48 | 2,500,000 | 43.48 |

Note : Investments accounted for using equity method.

4. CAPITAL OVERVIEW

4.1. Capital and Shares

4.1.1 Source of Capital

May 1, 2023 Unit: share/NT\$

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

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

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

April 14, 2024 Unit: thousand shares

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

4.1.2 Status of Shareholders

April 14, 2024 Unit:share

| Type of Shareholders | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions and Natural Persons | Total |
|------------------------|---------------------|------------------------|-------------------------|--------------------------|--|-------------|
| Number of Shareholders | 2 | 20 | 275 | 46,429 | 315 | 47,041 |
| Shareholding | 100,000 | 31,817,605 | 92,731,374 | 187,671,881 | 131,072,226 | 443,393,086 |
| Percentage (%) | 0.02% | 7.18% | 20.91% | 42.33% | 29.56% | 100.00% |

Note : As of April 14, 2024, the company has no shareholders from PRC.

4.1.3 Distribution Profile of Share Ownership

4.1.3.1 Common Share

April 14, 2024 ; Unit : Share

| Shareholder Ownership | Number of Shareholders | Ownership | Ownership (%) |
|-----------------------|------------------------|-------------|---------------|
| 1 ~ 999 | 17,742 | 1,278,582 | 0.29 |
| 1,000 ~ 5,000 | 23,647 | 46,361,429 | 10.46 |
| 5,001 ~ 10,000 | 3,032 | 23,993,616 | 5.41 |
| 10,001 ~ 15,000 | 784 | 9,932,414 | 2.24 |
| 15,001 ~ 20,000 | 583 | 10,742,490 | 2.42 |
| 20,001 ~ 30,000 | 393 | 10,007,281 | 2.26 |
| 30,001 ~ 40,000 | 207 | 7,377,225 | 1.66 |
| 40,001 ~ 50,000 | 129 | 6,057,135 | 1.37 |
| 50,001 ~ 100,000 | 260 | 18,825,119 | 4.25 |
| 100,001 ~ 200,000 | 102 | 15,087,353 | 3.4 |
| 200,001 ~ 400,000 | 40 | 11,694,289 | 2.64 |
| 400,001 ~ 600,000 | 23 | 10,700,977 | 2.41 |
| 600,001 ~ 800,000 | 21 | 14,535,115 | 3.28 |
| 800,001 ~ 1,000,000 | 10 | 9,192,518 | 2.07 |
| 1,000,001 and above | 68 | 247,607,543 | 55.84 |
| Total | 47,041 | 44,393,086 | 100 |

4.1.3.2 Preferred Share: None.

4.1.4 Major Shareholders

April 14, 2024 ; Unit : Share

| Shareholders | Total Shares Owned | Ownership (%) |
|--|--------------------|---------------|
| Chieh-Yao Investment CO., Ltd., | 20,766,548 | 4.68% |
| Chuan Yi Investment Co., Ltd. | 19,642,228 | 4.43% |
| Chang Wah Electromaterials Inc. | 17,296,000 | 3.90% |
| Yin-Fu Yeh | 14,168,553 | 3.20% |
| Bo-Wen Zhou | 9,600,000 | 2.17% |
| Hsiu-Man Chien | 7,300,000 | 1.65% |
| Shinh Wum International Investment LTD | 7,095,000 | 1.60% |
| Yu Ming Investment Co., Ltd. | 7,003,469 | 1.58% |
| Chang Hwa Bank, | 6,660,000 | 1.50% |
| JP Morgan hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account | 5,781,410 | 1.30% |

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

Unit:NTD

| Item | | Year | | |
|---------------------------|--|---------|---------|------------------------|
| | | 2022 | 2023 | Until March 31,2024 |
| Market Price Per Share | Highest Market Price | 60 | 55.30 | 54.70 |
| | Lowest Market Price | 33.05 | 36.50 | 47.00 |
| | Average Market Price | 42.44 | 44.80 | 52.92 |
| Net Worth Per Share | Before Distribution | 41.40 | 41.84 | Note2 |
| | After Distribution | 41.40 | (註一) | |
| Earnings Per Share | Weighted Average Shares (thousand shares) | 443,393 | 443,393 | |
| | EPS | 2.78 | 3.32 | |
| Dividends Per Share | Cash Dividends | 2.5 | 3.2 | |
| | Stock Dividends | | - | |
| | | | - | |
| | Accumulated Undistributed Dividend | | | |
| Return on Investment | Price/Earnings Ratio (Note 1) | 15.27 | 13.49 | |
| | Price/Dividend Ratio (Note 2) | 16.98 | 14 | |
| | Cash Dividend Yield (%) | 5.89% | 7.14% | |

Note 1: The appropriation of earnings for 2023 shall be determined by the 2024 Annual General Shareholders' Meeting

Note2: As of the publication date of this annual report, we have not obtained the audited financial statement information for the first quarter of 2024

4.1.6 Dividend Policy and Implementation Status

4.1.6.1 Dividend Policy

According to our Articles of Incorporation:

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

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

4.1.6.2 Proposed Distribution of Dividend

Earnings distribution plan of the Company's in 2023 was approved by the Directors' meeting on March 13, 2024. The proposed distribution of NT\$ 2.6 per share and a total cash dividend of NT\$ 1,152,822,024, and cash payout-NT\$ 0.6 per share from capital surplus, totaled NT\$3.2 per share, are not approved yet by the shareholders' general meeting.

4.1.7 Impact to 2024 Business Performance and EPS Resulting from Stock Dividend Distribution:
Not applicable.

4.1.8 Remuneration to Directors and Profit Sharing Bonus to Employees

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

According to our Articles of Incorporation:

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

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

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

(1)Calculation method: The Company calculate the employees' compensation and directors' compensation based on our profit of current financial period multiplied by the percentage according our Article of Incorporation, we calculate our employees' compensation-NT\$ 189,637,469 and directors' compensation-NT\$ 19,771,453 respectively.

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

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

4.1.8.3 2023 Remuneration to Directors and Employees' Profit Sharing Bonus: Our employees' compensation-NT\$ 189,637,469 and directors' compensation-NT\$ 19,771,453 will be approved by our meeting of directors are the same as our annual estimation.

4.1.8.4 2022 Remuneration to Directors and Employees' Profit Sharing Bonus: Our employees' compensation-NT\$ 146,863,726 and directors' compensation-NT\$ 17,211,483 approved by our meeting of directors and shareholders' meeting for the annual earnings in 2022 are the same as the actual distribution last year.

4.1.9 Buyback of Treasury Stock: None.

4.2 Issuance of Corporate Bonds:None

4.3 Preferred Shares: None.

4.4 Issuance of Overseas Depositary Shares:None

4.5 Status of Employee Stock Option Plan:None

4.6 Status of New Restricted Employee Shares: None.

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

5. Operational Highlights

5.1 Business Activities

5.1.1 Our Operation

5.1.1.1 Our Main Business

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

5.1.1.2 Our Major Products Proportion

| Product Item | Major Application | Proportion |
|----------------|--|------------|
| LED | Electronics, electrical and engineering appliances, electronic billboards, computer mice and household appliances, mobile phones, LCD backlight units, traffic signs, photoelectric switch, position sensing, infrared receivers | 92.05% |
| Lighting | General lighting and professional lighting lamp | 4.33% |
| LCD and Others | Electronic product displays, such as sphygmomanometers, phones, computers, satellite navigation, car displays, etc. | 3.62% |

5.1.1.3 Our Products(Services)

(1) Lamp (Low power LED Lamp)

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

(2) Middle Power LED

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

(3) High Power LED

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

(4) LED backlighting

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

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

(5) Digit/Dot Matrix Display

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

(6) SMD type LED

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

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

(7) Infrared LED

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

(8) Optical Sensor

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

(9) Photo Transistor & Photo diode

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

(10) Photo Coupler

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

(11) Multi Chip Packaging

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

(12) RGB+IC Packaging

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

(13) Mini LED

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

(14) Optical Switch / Photo Interrupter

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

(15) IRM, Infrared Receiver Module

Infrared receiver modules are used for the field of various optical remote control

devices. There are a variety of frequency bands that can be used in various household appliances and consumer electronic products. At present, Everlight IRM products has both DIP type and SMD type package.

(16) Ultraviolet LED

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

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

(17) Energy-saving LED intelligent lighting system products

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

(18) LED Customized Module

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

(19) Mini-led ADB special headlight package

The products of ALFS series are produced by Everlight have reached the brightness around 450 lumens, and can be used with optics to achieve mini-led ADB applications. In high-efficiency LED direct display applications, mini-led is the best plan of striking a balance between resolution and cost. It is able to fulfill resolution and extremely high brightness for ADB applications, and also to improve the shortcomings of large capacity laser modules, and solves the power consumption problem of DMD. It is the main design of mid-to-high-end cars today.

(20) 3D Tail Light

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

(21) Curved Mini Tail Light

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

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

(22) Automotive UVC Sterilization Module

Automobile sterilization module combined with short-wave ultraviolet (UV-C) LEDs can provide the efficient virus sterilization solutions in vehicles and also surface sterilization solutions such as glove boxes. The technology proves that it can kill more than 90% of coronavirus. Also could use UVA+TiO₂ to design in car air purification.

(23) High power CSP (Chip Scale Package)

CSP is a packaging technology designed for high-power applications. It's compared with traditional packaging technology. It has higher power density and better heat dissipation performance, and is suitable for electronics that need to handle large amounts of power of devices and applications.

(24) Mini CSP

Mini CSP packaging technology provides better performance and reliability for matrix light sources and miniaturized electronic devices by minimizing package size, improving integration, optimizing layout and thermal management. It makes them in modern electronic devices application are becoming more and more widespread.

5.1.1.4 Projected Development of New Products

(1) Control module of RGB LED

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

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

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

(3) Mini / Micro LED and related applications

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

this year.

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

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

(5) Special lighting for animal husbandry and agriculture

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

(6) Optical Proximity Sensor

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

(7) Smart office lighting system

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

(8) Photo Diode

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

(9) High performance photo coupler

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

(10) Vertical Cavity Surface Emitting Laser Diode

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

(11) Optical Encoder

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

(12) Capacitive Digital Isolator

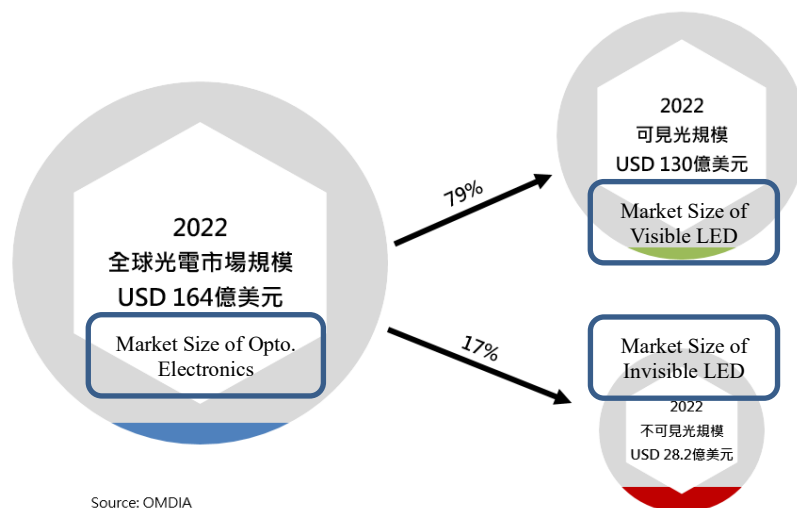
It can meet the needs of multi-channel operation and has the advantages of small size, making it easy to be applied in the field of industrial control PLC. Moreover, the capacitive digital isolator also has faster switching speed and anti-noise capability, and is suitable for wide-bandgap semiconductor applications.

5.1.2 Industry Overview

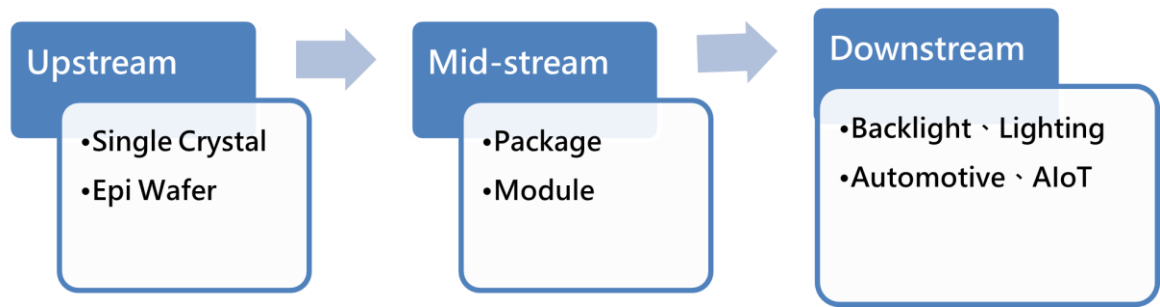
5.1.2.1 Industry Current Status and Development

LED is a semiconductor component which can convert electrical energy into light when driven by electric current, becoming the main modern light source. Compared with traditional lighting, LED lighting has the advantages of low power consumption, high luminous efficiency, unbreakable, high reliability, and long service life, and on top of that, it is mercury-free, non-toxic, compliant with the EU RoHS directive and eco-friendly. The LED industry is one of the key industries in Taiwan, as enterprises invest actively, the LED industry is booming, and production technology innovative constantly, the applications has gradually expanded, and it has been widely used. Facing with low-price from Chinese manufacturers, Taiwan firms aim at the niche market like automotive, sensors, horticultural lighting, medical, UV, semiconductor and other fields.

Overall in 2023, the consumer market affected by inflation, the global economic uncertainty remains elevated. After the inventories of mobile phones, servers, automobiles, and NB/PC were depleted, they gradually recovered in the fourth quarter. According to OMDIA's latest optoelectronic component report statistics, the global optoelectronic market will reach US\$16.4 billion in 2022, of which visible LEDs will reach US\$13 billion and invisible LEDs will reach US\$2.82 billion.



LED industry in Taiwan produce separately in a vertical supply chain. According to the process, it can be divided into Single Crystal, Epi Wafer, and Chip manufacturing at upstream, packaging and module manufacturing at mid-stream, and also the LED lighting applications for the end use such as automobiles, home appliances, industrial control, and so on.



5.1.2.2 The Relevance of the Industry Supply Chain

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

5.1.2.3 LED development trends and competition

(1) LED development trends

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

A. High Power Packaging

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

B. Mid and Low Power Lighting Component

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

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

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

(2) Product Development and Alternative Technology

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

(3) Major competitors and market share

Compared with the revenue of other competitors in Taiwan, EVERLIGHT is the largest professional LED packaging enterprise in Taiwan, especially in traditional Lamp, SMD, and other LEDs used for transmission and reception sensing. EVERLIGHT's revenue and gross profit margin are also better and more stable in LED businesses.

| Product Mix | Application | Major Competitors |
|--------------------------|--|---|
| Lamp LED | traffic signals, outdoor signages, 3C, IA | Lite-ON, Bright LED, Ledtech |
| Digital Displays LED | home appliances, industrial control | Lite-ON, Kingbright |
| SMD LED | mobile phones, NB, PC, TV, IA | Nichia, Seoul Semi, Osram, Rohm, Harvatek |
| OPTIC | DVD Player, mouse, fiber optic light | Rohm, Vishay |
| Infrared Receiver Module | IR remote controls, IrDA, mouse, IR Sensor | Lite-ON, Vishay |
| Lighting LED | T5/T8, Bulb Lamp, filament, street lamp | MLS, Samsung, Nichia, Seoul Semi |
| Mid/High Power | Par Lights, downlight, street lamp, facade lighting, wallwasher | Seoul Semi, Nichia, Stanley |
| Automotive Lighting | Automotive Exterior / Automotive Interior, Indicator LED · brake light, Ambient Light, Backlight LED | Osram, Nichia, Seoul Semi, Dominant |
| Semi-Power Device | consumer electronics, Data center, OBC, Inverter, Energy Storage System | STM, Infineon, Rohm |

Looking forward to 2024, the three major growth drivers of the market will come from vehicle electrification, AIoT and compound semiconductor, Applications include electric vehicles, charging, energy storage facilities, smart cockpits, wearable devices, smart home appliances, smart manufacturing, AI servers and so on. EVERLIGHT provides a diverse product portfolio.



5.1.3 Research and Development

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

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

| NT\$, '000 | | | |
|------------|---------|---------|----------------------|
| Year | 2022 | 2023 | 2024(As of March 31) |
| Amount | 713,168 | 786,656 | 214,306 |

5.1.3.2 Overview of Product Development and Research Achievement

The company and its subsidiaries will continue to invest in research and development activities. Expected research and development expenses in 2024 will be 4-5% of total revenue, similar to previous years.

(1) New Products Developed in 2023

- Optical Encoder (High Resolution)
- IGBT Drive (Large operating current)
- Linear Photo Coupler
- High Voltage SSR
- Isolation Amplifier
- Low Voltage ALS
- ITR Module
- 2214 small form factor LED
- Side-emitting RGB LED
- 0.5W RGB LED
- Smart IC-embedded LED with general or proprietary purpose
- ALFS 2-in-1 dual function front lighting LED
- Mini CSP RGB-0.15T thinness of 3-chip CSP element
- Ultra-thin of Direct View keyboard B1010 RGB 0.18T

- Ultra-thin of Edge View keyboard B1803 RGB 0.3T
- Application of Special consumer ultra-thin B1212 RGBW 4-chip LED
- UVC/UVA air purifier application with lighting fixture
- UVC clean huge water design and application
- Horticulture PPE4.12 high performance design
- Mini CSP0603 five-sided light-emitting series products
- Mini CSP1005 single-sided light-emitting series products
- High power CSP1414 series products
- High-brightness headlight components ALFSxE series
- High-power headlight components TOP CONTACT 2-4GT
- EL 3534 SMART LED
- Interior RGB series car lights
- RGB Ultra-slim Backlit keyboard
- Miniaturized RGB+CPU direct-lit white indicator
-

(2) New Products Project in 2024

- ALFS-Matrix headlight
- 2020 daytime running lights, turn signals, and taillight products
- PLCC 3214/6014 through-type tail light
- EL 3534 SMART LED (Open source IC)
- Ultra-slim edge-lit keyboard backlight
- High reliability RGBIC memory lighting application
- Miniaturized high-reliability RGB network application indicator light
- Miniaturized RGB+CPS white light side-emitting indicator light
- Mini CSP0203 package level white light
- Capacitive Digital Isolator
- MOSFET Driver
- UVC water purifier module
- RGBW light guide module
- 5050 street light application with high light efficiency
- 1717 AFM product series

(3) Research and development for the future

1. The purpose of developing CSP packaging products is to reduce the thermal resistance and related costs effectively of the product, and to achieve the highest cost-effective products
2. Develop extremely small pitch RGB full-color led. In order to minimize the package size by using the small size flip chip, which can break through the limitations of package size. Whether it is used in signage or TV applications, it can provide the better definition and resolution. Also can enhance the competitiveness of the company and customers' products. We will use special circuit design to enlarge the solder pad, which is more easily to manufacture and repair by customer.
3. We develop ultra-slim, miniaturized and multi-functional LED series products,

through PCB process improvement, circuit design optimization, multiple molding to change the light effect and integrated IC for modularization as the new way of development. The flip chip structure is designed for the extremely slim module and the dimmable LED products, integrated IC design, has the advantages of not only space-saving for the circuit design but also lower module cost, to meet the customer's needs of light mixing.

4. We focus on plant / agriculture and fishery lighting, using specially designed LED lamp modules and hydroponic technology to break through the environmental constraints of agriculture, and optimizing crop quality by adjusting the spectral band. This year, we have also begun extending to other applications such as animal husbandry and aquaculture. We will use our experience of plant lighting to apply to the poultry, fish and shrimp farming industry to open up new market opportunities by our LED full-spectrum wavelength adjustment technology.
5. We keep developing sensors with special light wavelengths, such as multi-band optical spectrum or ultra-long wavelength spectrum. In the proximity sensor module, we continue to develop miniaturized white-balance sensing technologies and components.
6. The Company continues to develop a variety of infrared LED / VCSEL package components that meet market needs, and extend to longer-wavelength emission spectrum. The main applications are all kinds of biometrics, ToF, LiDAR and other new applications.
7. In terms of photo coupler, Everlight will continue to develop new products for green energy industry, industrial control, BMS system, power management systems, automotive and other related market. Product lines such as low power consumption high-speed photo coupler, large supply current IGBT gate driver, high voltage SSR/MOSFET, linear isolation and amplifiers, and capacity coupler, etc.
8. Wide band-gap power devices (SiC/GaN) is an important field of compound semiconductors in the future. The scope of product development will respond to the needs of various power devices under the development of 5G technology in the future.
9. In order to e-sports, professional monitors, high-reliability automotive light source, high-end display panel, and local dimming effects, we set our development towards the three major technologies of Mini LED SMD, COB and COG, to show high-contrast effect of high-dynamic range(HDR), high-brightness and high-performance by LEDs turn on and off. In order to e-sports, professional monitors, high-reliability automotive light source, high-end display panel, and local dimming effects, we set our development towards the three major technologies of Mini LED, COB and COG, to show high-contrast effect of high-dynamic range(HDR), high-brightness and high-performance by LEDs turn on and off.
10. The demand for UV LEDs is increasing and applications, such as sterilization and purification, will gradually be replaced by UVC LEDs in the future. The UV product development will focus on water purification and ambient air purification to offer

our technology solutions to the global public health issues.

11. Everlight continues to launch more outstanding ALFS automotive headlight series products. For design of heat dissipation has made great progress in decreasing heat decay, and also to meet the needs of the niche market. In order to make the interior design of the indicator lights more flexible and diverse, a variety of color options allow our users to design the indicator lights more effectively. At the Same time, the products already passed the strict automotive reliability test, AEC-Q102.

12. Automotive components

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

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

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

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

style in appearance.

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

13. Automotive module

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

The automotive light source has gone from halogen lamps and xenon lamps to LED replacement light sources. We have completed the development of a full range of ECE standard light sources (L1, L5). All the products uses the heat dissipation mechanism platform method to design the automotive light source module, which can be used on different applications of white light, yellow light and red light sources in exterior car lights, such as fog lights, direction lights and tail lights. And, automobile sterilization module combined with short-wave ultraviolet (UV-C) LEDs can provide the efficient virus sterilization solutions in vehicles and also surface sterilization solutions such as glove boxes. The technology proves that it can kill more than 90% of coronavirus.

5.1.4 Long- and short-term business development plan

5.1.4.1 Short-term plan

(1) Application for SMD LED

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

advantage, R&D resources, and a highly flexible global service system. The Company will continue to lead the global industry to increase market share, strengthen product portfolios, and continue to create growth in revenue.

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

(2) LED display

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

(3) Professional lighting and general lighting products

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

(4) Mini LED for backlight

Based on the fact that the Company has developed a wide variety of backlight

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

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

(5) Infrared LED and sensor

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

5.1.4.2 Long-term plan

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

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

Through the cross-sector cooperation of industry, government and education, the

Company can strengthen the arrangement of the technology and the patent constructed in various ways to improve the competitiveness of products worldwide.

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

5.2 Overview of the market and production

5.2.1 Market Analysis

5.2.1.1 Major products and the region distribution

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

(1) Sales of major products

NT\$, '000

| Products | Year | 2022 | | 2023 | |
|-----------------|------|------------|--------|------------|--------|
| | | Net Sales | (%) | Net Sales | (%) |
| LED | | 17,823,241 | 89.62 | 16,426,011 | 92.05 |
| LCD | | 813,902 | 4.09 | 562,032 | 3.15 |
| Lighting Module | | 1,171,319 | 5.89 | 772,865 | 4.33 |
| Other | | 79,827 | 0.40 | 84,516 | 0.47 |
| Total | | 19,888,289 | 100.00 | 17,845,424 | 100.00 |

(2) Sales of regions

NT\$, '000

| Region | Year | 2022 | | 2023 | |
|---------|------|------------|--------|------------|--------|
| | | Net Sales | (%) | Net Sales | (%) |
| Asia | | 16,674,449 | 83.84 | 15,503,897 | 86.88 |
| Europe | | 2,191,496 | 11.02 | 1,552,657 | 8.70 |
| America | | 828,008 | 4.16 | 629,012 | 3.52 |
| Other | | 194,336 | 0.98 | 159,858 | 0.90 |
| Total | | 19,888,289 | 100.00 | 17,845,424 | 100.00 |

(3) Major competitors and market share

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

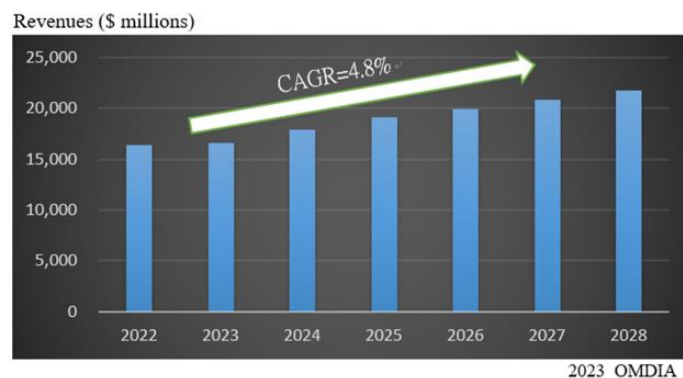
| Product Mix | Application | Major Competitors |
|--|---|---|
| Lighting components | For general lighting, both indoor and outdoor, street lighting, architectural lighting, plant and aquaculture lighting...etc. | MLS、Samsung、Hongli、Lumileds、Nichia |
| Backlighting components | For all size LCD screen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

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

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

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

The LED industry has experienced market inventory adjustments, and demand for consumer, automotive, mobile phone and other applications continues to increase. OMDIA estimates that the global LED market output value will grow from US\$16.4 billion in 2022 to US\$21.7 billion in 2028 with a 2022-2028 CAGR of 4.8%.



Among the long-term goals of net-zero carbon emissions, power conversion efficiency is the most important part. EVERLIGHT has over 40 years of R&D experience for reliable capability. EVERLIGHT adhere to the original intention of environmental protection and continue to reduce power consumption and CO2 emissions for the earth. EVERLIGHT plans to launch semi-power devices and product services that can improve power conversion efficiency, and deduce the carbon emissions generated by applications such as industry, servers, and transportation.

5.2.1.3 Competitive Opportunity

- Use the strength of Taiwanese electronics industry effectively to enter the global market.
- With strong research and development ability, our LED patents have exceeded 2,500 .
- Understand the market and grow with customers and strategic partners.

5.2.1.4 Advantages and disadvantages of development prospects and solutions

(1) Advantages

Vision of the industry

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

Industry position

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

Business overview

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

Supply chain management

- We have reached the economies of scale on purchasing.
- The suppliers are plenty and full of options.
- We control the material by vertical integration.

Research and development capability

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

(2) Disadvantages and solutions

Vision of the industry

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

Solutions:

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

Business overview

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

Solutions:

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

Research and develop capability

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

Solution:

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

5.2.2 The applications of major products and the summary of process

5.2.2.1 The applications of major products

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

5.2.2.2 The production process

Gluing Process

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

Molding Process

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

Light module Process

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

5.2.3 Supply of our key materials

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

5.2.4 Major Suppliers and Clients

5.2.4.1 Major Suppliers in the Last Two Calendar Years

NT\$, '000

| Item | 2022 | | | | 2023 | | | | 2024(As of March 31) | | | |
|------|--------------------|-----------|---------|----------------------|--------------------|-----------|---------|----------------------|----------------------|-----------|---------|----------------------|
| | Company Name | Amount | Percent | Relation with Issuer | Company Name | Amount | Percent | Relation with Issuer | Company Name | Amount | Percent | Relation with Issuer |
| | | | | | | | | | Company A | 190,035 | 10.93 | None |
| | Other | 6,857,883 | 100 | | Other | 6,195,887 | 100 | | Other | 1,548,951 | 89.07 | |
| | Net Total Supplies | 6,857,883 | 100 | | Net Total Supplies | 6,195,887 | 100 | | Net Total Supplies | 1,738,986 | 100 | |

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

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

5.2.4.2 Major Clients in the Last Two Calendar Years:NA

5.2.5 Production in the Last Two Years

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

| Major Products | Year | 2022 | | | 2023 | | |
|-----------------|------|------------|------------|------------|------------|------------|------------|
| | | Capacity | Quantity | Amount | Capacity | Quantity | Amount |
| LED | | 40,911,538 | 21,779,484 | 15,718,474 | 38,481,417 | 19,699,732 | 14,545,960 |
| LCD | | 13,886 | 13,632 | 813,902 | 8,434 | 7,626 | 562,140 |
| Lighting Module | | 8 | 15 | 61,528 | 10 | 8 | 37,564 |
| Other | | 14 | 14 | 76,046 | 15 | 13 | 77,662 |
| Total | | 40,925,446 | 21,793,145 | 16,669,950 | 38,489,876 | 19,707,379 | 15,223,326 |

5.2.6 Shipments and Sales in the Last Two Years

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

| Major Products | Year | 2022 | | | | 2023 | | | |
|-----------------|------|-----------|-----------|------------|------------|-----------|-----------|------------|------------|
| | | Local | | Export | | Local | | Export | |
| | | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| LED | | 1,525,118 | 2,022,303 | 21,971,434 | 15,800,938 | 1,456,209 | 1,853,613 | 19,709,708 | 14,572,398 |
| LCD | | 6,060 | 166,243 | 7,550 | 647,659 | 3,266 | 64,766 | 4,389 | 497,266 |
| Lighting Module | | 3,036 | 691,968 | 4,597 | 479,351 | 5,365 | 767,506 | 37 | 5,359 |
| Other | | 130,515 | 78,819 | 1 | 1,008 | 183,068 | 83,910 | 1 | 606 |
| Total | | 1,664,729 | 2,959,333 | 21,983,582 | 16,928,956 | 1,647,908 | 2,769,795 | 19,714,135 | 15,075,629 |

5.3 Human Resources

| Items | | Year | 2022 | 2023 | Data as of ending data in the current year |
|--------------------------|------------------------------|------|-------|-------|--|
| | | | | | |
| Number of Employees | Direct Employees | | 1939 | 2123 | 2268 |
| | Indirect Employees | | 2318 | 2323 | 2243 |
| | Total | | 4257 | 4446 | 4511 |
| Average Age | | | 37.4 | 33.8 | 37.3 |
| Average Years of Service | | | 7.4 | 5.3 | 7.4 |
| Education ratio | Ph.D. | | 0.2% | 0.2% | 0.2% |
| | Masters | | 4.8% | 5.4% | 5.2% |
| | Bachelor's Degree | | 48.5% | 46.6% | 42.7% |
| | Senior High School and Below | | 46.5% | 47.8% | 51.9% |
| Total | | | 100% | 100% | 100% |

5.4 Information of environment protection

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

5.4.1.1 Green design

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

global community..

5.4.1.2 Clean production and pollution prevention

(1) Air pollution control

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

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

(2) Water pollution prevention

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

Professional personnel: wastewater control personnel(Class A)

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

(3) Waste management

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

Professional personnel: waste control personnel(Class A)

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

5.4.1.3 Industrial waste reduction

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

5.4.2 The investment of pollution prevention equipment and the benefits:

2023/3/31, NTS'000

| Equipment | Set | Acquired Date | Amount | Net Value | The Use and the benefits |
|---|-----|---------------|----------|-----------|--|
| Exhaust gas process equipment and the improvement | 1 | 98.10.20 | 20,007.7 | 106.5 | Processing the exhaust gas generated in the manufacturing process to meet the emission standards of environmental protection requirements, and which can reduce the annual air pollution fee by about 500,000. |
| Exhaust gas process equipment and the improvement | 1 | 105.7.27 | 16,527 | 5,633.7 | Processing the exhaust gas generated in the manufacturing process to meet the emission standards of environmental protection requirements, and which can reduce the annual air pollution fee by about 500,000. |
| Wastewater process equipment and the improvement | 1 | 98.12.25 | 15,566.5 | 13.9 | Processing the waste water generated in the manufacturing process to meet the standards of environmental protection requirements and reach the recyclable standards. |

| | | | | | |
|--|---|-----------|----------|---------|--|
| Wastewater process equipment and the improvement | 1 | 105.12.30 | 10,978.2 | 3,687.7 | Processing the waste water generated in the manufacturing process to meet the standards of environmental protection requirements and reach the recyclable standards. |
| Polluted water process equipment and the improvement (MBR) | 1 | 97.10.30 | 5,631.5 | 0 | Processing the polluted water generated by the personnel of production activities and meet the recyclable standard. |
| Polluted water process equipment and the improvement (MBR) | 1 | 105.7.25 | 445.2 | 63.3 | Processing the polluted water generated by the personnel of production activities and meet the recyclable standard. |

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

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

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

Yuanli Plant violated Article 31, Paragraph 1, Subparagraph 2 of the Waste Disposal Act, and was fined NT\$66,000. The improvement has been completed.

Tongluo Plant violated Article 31, Paragraph 1, Subparagraph 2 of the Waste Disposal Act, and was fined NT\$66,000. The improvement has been completed.

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

5.5 Relationship between the management and the labor

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

5.5.1.1 Manager and employee compensation

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

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

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

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

5.5.1.2 Our welfare

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

- (1) Employee uniforms and shoes for the factory floor
- (2) Group comprehensive insurance and annual health checkup
- (3) Grant for employees' advanced education, Educational Assistancess for Dependent Children
- (4) birthday gift certificate
- (5) Annual and quarterly trips
- (6) Employees have statutory holiday: menstrual leave, marriage leave, bereavement leave, maternity leave, tocolysis leave, paternity leave, prenatal checkup, family care leave, etc. Above all given leave in accordance with the provisions of the Labor Standards Law. Employees can apply for relevant welfare subsidies for marriage, childbirth, and funeral.
- (7) Unpaid parental leave
- (8) Golden Week holidays are announced every year according to the company's schedule, and there are entitled to welfare subsidies.
- (9) The company provides "HRCB SERVICE HELPER" to respond to employees' questions and needs (consultation on leave, labor insurance, health insurance, pension, travel insurance, performance and other related services) immediately.

- (10) Gifts certificate for three main national holidays
- (11) Statutory annual leave
- (12) Gym facilities and sports equipment rooms (table tennis room, badminton court) provide employees with enhanced health management after get off work.
- (13) Aerobic exercise (invite an aerobic teacher to teach on-site and synchronize online so that colleagues can also participate online), health promotion can be exchanged for sports-related products.
- (14) Quarterly department dinner
- (15) Family insurance
- (16) Discount coupons for regular art and cultural activities.
- (17) Various competitions (badminton, billiards, basketball games, walking activities, health and fitness... etc.), corporate group activities (domino activity, handicrafts... etc.).
- (18) Public welfare activities, volunteer services (beach cleaning, public welfare food bank volunteer service, public welfare

Comprehensive related environmental protection, health and welfare activities, won the " Corporate Health Responsibility Platinum Award" by CommonHealth, "Badge of Accredited Health Workplace" by Health Promotion Administration, Ministry of Health and Welfare , "I Taiwan I Sports" by Sports Administration

- (19) Family Day (appreciate the movie, appreciate the baseball games, amusement park, Tourism_Factory)

In terms of health, this year, in order to enhance employees' health awareness and execution ability, in addition to organizing diversified health lectures, we also established an exclusive sports circle for Everlight, using games to make walking activities more interesting. During the activity, employees accumulated steps that could circle the earth 10.3 times we also burned 29.3 million calories, and was invited to participate in the press conference of the Ministry of Industry and Information Technology's corporate start-up walking charity platform to jointly promote employee fitness data charity. At the same time, colleagues who qualified for body sculpting were selected and encouraged to participate in the healthy body sculpting competition. The results of the competition were that 137 participating colleagues lost a total of 420 kilograms, which is equivalent to the weight of 7 adults with a weight of 60 kilograms. And the average was People can reduce their risk of heart failure by 26%. Comprehensive related environmental protection, health and welfare activities, it has been recognized by Commonhealth " Corporate Health Responsibility Platinum Award", the Health Promotion Administration " Badge of Accredited Healthy Workplace " and the Sports Administration "Sports Enterprise Certification"

| | | |
|---|---|---|
|  |  |  |
| <p>2023- iSports Enterprise Certificate-</p> | <p>2023- Corporate Health Responsibility - Platinum Award-</p> | <p>2023- Badge of Accredited Healthy Workplace-</p> |

5.5.1.3 Our continuous training

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

(1) Our education and training programs in all aspects

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

(2) Complete education and training system and courses

- Each internal auditor completed 12-hour training according to the requirement in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the audit center held 4-hour internal training each month to enhance internal audit knowledge and internal audit skills.
- Some of our internal auditors possess the following certificates:
 - ◇ Certified Internal Auditor (CIA) : 1 in audit center.
 - ◇ Certification in Control Self-Assessment (CCSA) : 1 in audit center.
 - ◇ Certified Information Systems Auditor (CISA) : 1 in audit center.

(3) Implementation status of education and training

In 2023, in addition to the scheduled annual courses, there were more than 48,485 times that employees used and logged in the e-learning platform to learn and browse the existing Everlight e-learning courses. And to ensure the correct operation methods and the consistency of inspection standards, we combine the theory and actual operation screens to make it easier for all the staff to understand and catch up the necessary skills through the education and training of each station in the product lines by continuous video teaching and pre-work training all year long.

In order to continue and enhance the competitiveness of the Company, we continue to organize various training activities every year. Every employee at Everlight takes 8

hours of credit courses every quarter. Through our multiple training and learning, the average training hours of general employees are about 46 hours, and the average training hours of management staff are about 34 hours.

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

5.5.1.4 Retirement system and implementation

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

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

5.5.1.4.1 Voluntarily Retirement:

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

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

5.5.1.4.2 Mandatory retirement:

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

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

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

5.5.1.4.3 Retirement payment standard:

- (1) The seniority before and after the application of the Labor Standards Act and the choice of continuing to apply the pension provisions of the "Labor Standards Act" or

retaining the seniority before the application of the Labor Pension Ordinance in accordance with the Labor Pension Act. The payment shall be calculated according to Articles 84-2 and 55 of the Standard Law.

- (2) For employees who have the preceding paragraph and who are forcibly retired in accordance with Article 54, Paragraph 1, Subparagraph 2, if they are performing their duties, they shall be subject to Article 55, Paragraph 1, 2, of the Labor Standards Act. Twenty percent shall be added to the provisions of the paragraph.
- (3) For employees who are subject to the pension provisions of the Labor Pension Act, the company will contribute 6% of their wages to the individual pension account of the laborer on a monthly basis.

5.5.1.4.4 Retirement payment:

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

5.5.1.5 Labor agreements and employee rights protection

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

5.5.1.6 Employee code of conduct or ethics

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

(1) Code of ethics

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

(2) Company resources

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

(3) Conclusion:

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

5.5.1.7 Working environment and employees' personal safety protection

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

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

(1) Occupational accidents prevention plan

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

(2) Implement of automatic inspection

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

(3) On-site operating environment measurement

According to the occupational accidents prevention plan, Everlight conducts working environment inspection for special operating environments, including 11 testing items, such as carbon dioxide, illuminance, noise, sulfuric acid, acetone, isopropanol,

toluene, n-hexane, and ethyl acetate, methanol, dust working environment, all the test data obtained will be used as the basis for the future improvement of the working environment.

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

5.5.1.8 Diversity in the workplace and promote gender equality policies

Our company is committed to promoting a friendly, equitable, and maternal-friendly workplace environment, following the regulations of the "Occupational Safety and Health Act," "Sexual Harassment Prevention Act," "Stalking Prevention Act," "Gender Equality in Employment Act," etc., specific measures for preventing unlawful infringements, procedures for complaints and penalties, as well as guidelines for protecting maternal health in the workplace have been established to ensure thorough prevention of sexual harassment and workplace violence.

We dedicated to promote Safe working environment for employees. Implement fairness in employment diversity, remuneration and promotion opportunities to ensure that employees do not suffer discrimination, harassment or unequal treatment based on race, gender, religious beliefs, age, political affiliation and any other status protected by applicable regulations. Employees must also not have their salary, rewards, training and promotion opportunities affected by factors such as race, religion, gender, age, belief, political affiliation, pregnancy, gender identity, etc.

1. 2023 Years Number and proportion of employee nationalities

| Gender | Nationality | Non-national | Total |
|------------|-------------|--------------|-------|
| Number | 1036 | 3410 | 4446 |
| Proportion | 23.3% | 76.4% | 100% |

2. Female Diversity Indicator

| Index | Percentage |
|--|------------|
| Female account for total employee (%) | 46.7% |
| Female account for all managers (%) | 35.1% |
| Female account for senior executive (Division above) (%) | 15.9% |

In order to implement and protect the maternal health of female workers, the workplace maternal health protection management regulations are formulated with reference to the Occupational Safety and Health Act, the Implementation Measures for the Maternal Health of Female Workers, the Labor Standards Act, the Gender Equality at Work and the Ionizing Radiation Act to protect female employees before pregnancy. ,

postpartum physical and mental health during, after, and postpartum breastfeeding.

Factory nurses engaged in labor health services collect and compile relevant health information of female colleagues who are pregnant and less than one year postpartum in the factory, and then provide health guidance and management according to risk levels, and track health examinations and work suitability assessments. Make adjustments and provide relevant assistance and other maternal health protection measures when necessary.

We attach great importance to the balance between work and family for female employees, aligning with government initiatives promoting breastfeeding and adhering to gender equality laws to facilitate equal opportunities in the workplace. We have established lactation rooms in the Shulin headquarters, Tongluo Factory, and Yuanli Factory, equipped with necessary items to support breastfeeding, enabling employees to return to work after childbirth with peace of mind. Pregnant female employees can also apply for free "pregnancy parking spaces" and "pregnancy shoe cabinets", which make it easier for employees to take the elevator up and down floors and avoid collisions with the crowds commuting to and from get off work. Parental leave without pay is provided regardless of gender, position, or work area. Both male and female employees are eligible to apply for parental leave without pay. In 2023, significant enhancements were made to the lactation room environment.

In addition to expanding existing recruitment channels, Taiwan's factories are planning student recruitment strategies to anticipate future student intake programs, ensuring a steady source of manpower.

| Category | School | Number of students | Period |
|--|---|--------------------|-------------|
| Cooperative education program students | Youth Senior High School | 75 | 2021Y-2024Y |
| Cooperative education program students | JuangJing Vocational High School | 65 | 2021Y-2024Y |
| International students | Minghsin University of Science and Technology | 93 | 2021Y-2024Y |

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

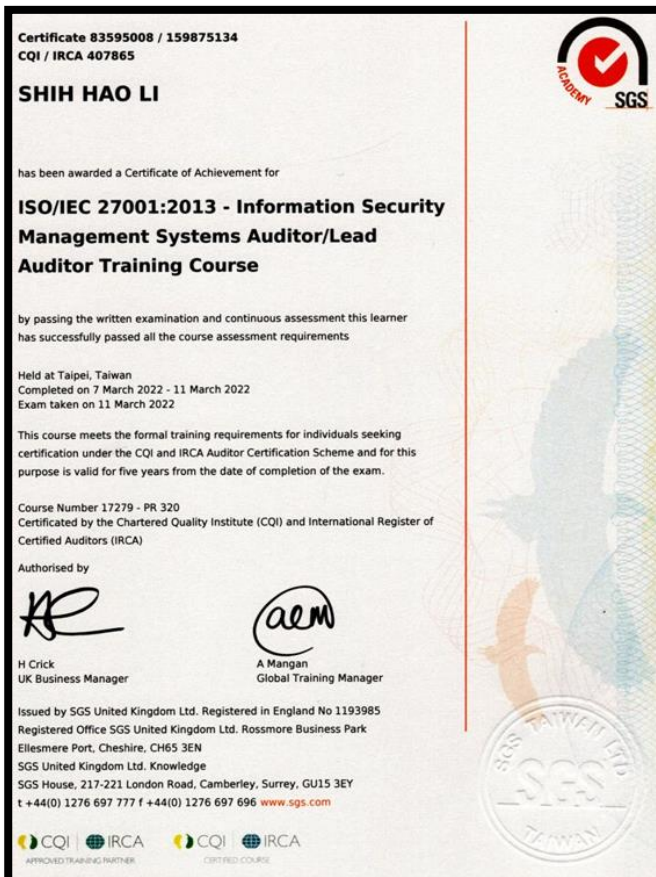
5.6 Information security management report :

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

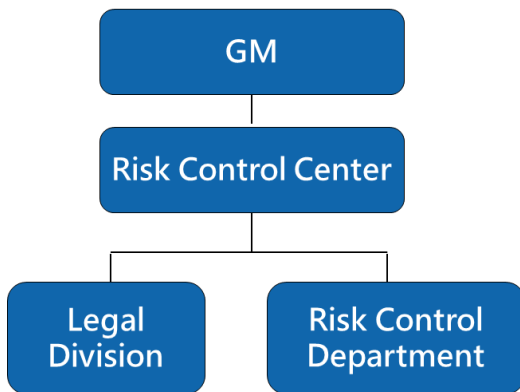
Everlight Corporate in order to demonstrate the determination to reduce the risk of cyber security and provide the sustainable quality service to customer, we have built the necessary measures include IDC and network manage, and import the ISO 27001 ISMS to control the management system to ensure the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

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

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



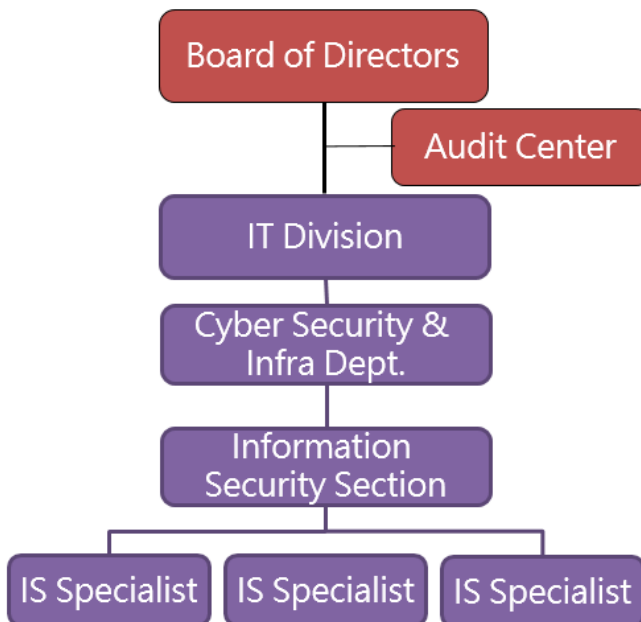
(1.1) Risk control center organization and the responsibility of information security



R&R(Information Safety)

- Legal Division :
 - ① Propose personal data protect policy
 - ② Implement personal data management
 - ③ Manage and evaluate personal data privacy
 - ④ Personal data protect education and training plan
 - ⑤ Act, manage, evaluate and monitor incidents of personal data safety
 - ⑥ Annual inventory of personal data
- Risk Control Department : .
Review risk evaluation results and precautions of IT

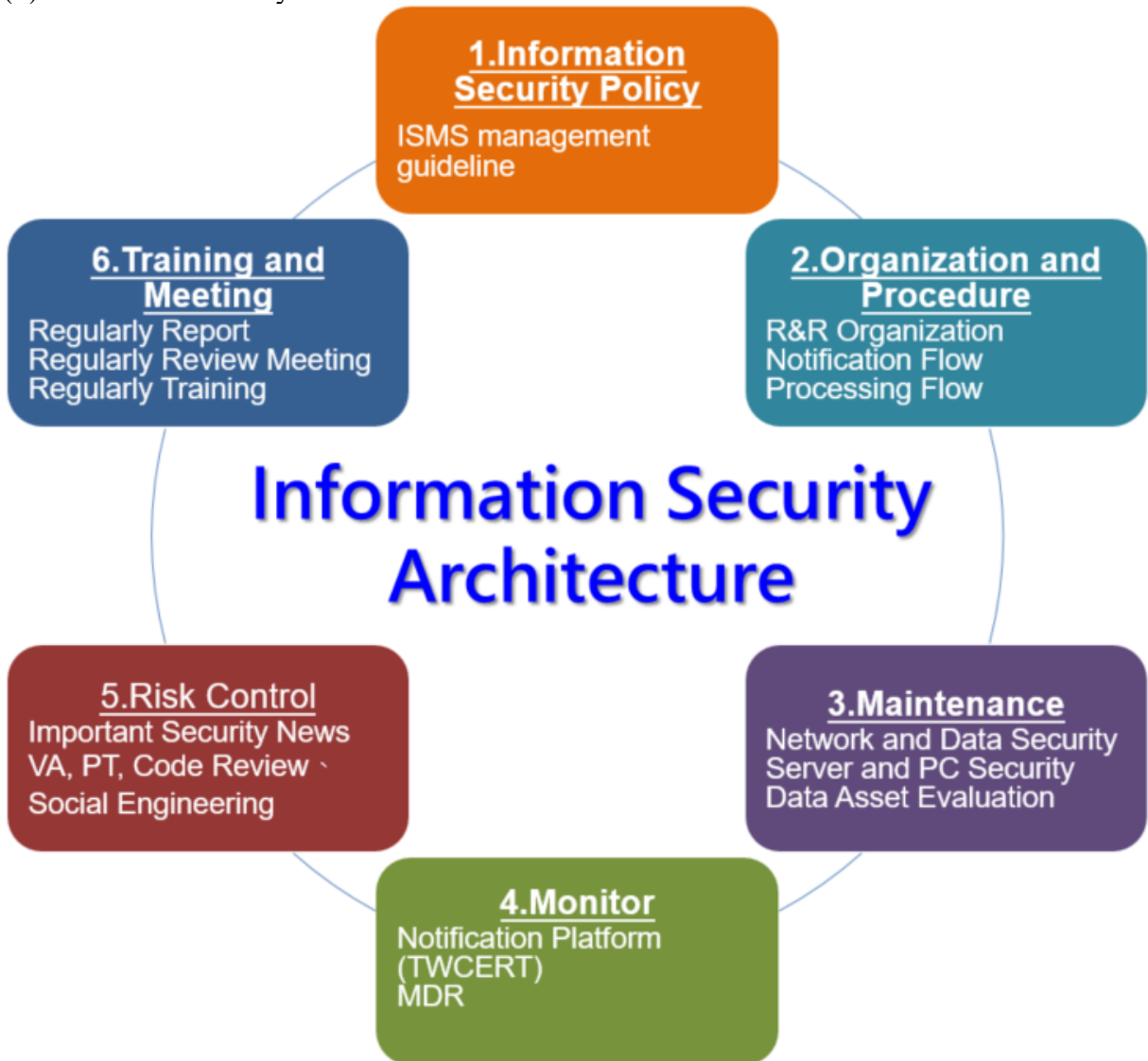
(1.2) Information Center and the R&R of security organization



R&R (Information Security)

- The Risk Management Architecture of Information Security :
- The Information Security Dedicated Unit has established in 2021 and the certificate of ISO 27001 has imported on 5 core systems in 2022.
- Responsible for security planning, risk management, compliance review and supervising the security risk.
- Regularly report to the Board of directors regarding the performance of information security organization, process and policy.

(2)Information Security Architecture



(2.1)Information Security Policy-ISMS Management Guidelines :

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

The “Electric Data Flow” and “Other Management Control System” have check include below items in 2023 year :

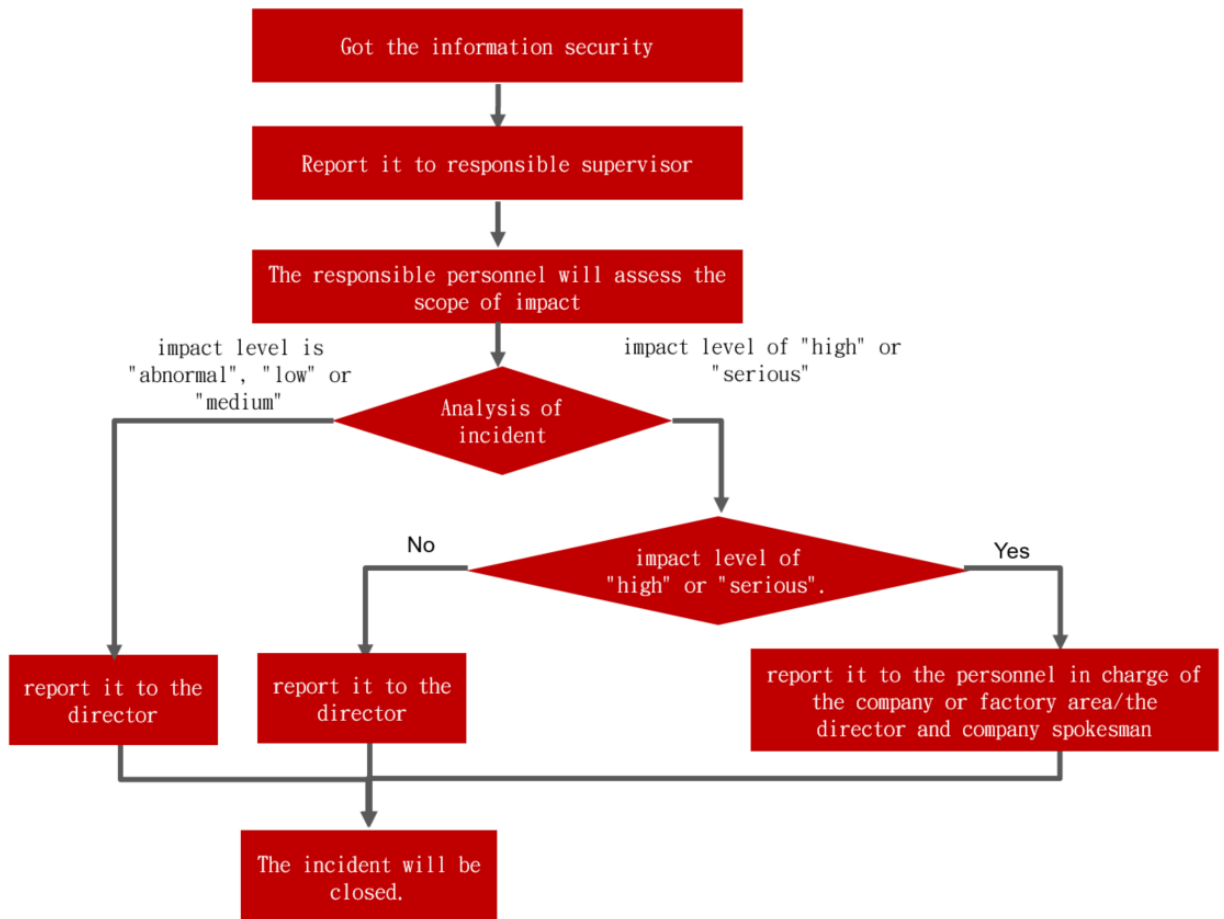
1. Check Plans and items :
 - Semi-annual Disaster recovery drill.
 - Semi-annual fire drill and maintenance in data center.
 - Daily system backup check.
2. In 2023, there weren't critical defect.

| Level 1, 2 Document | Level 3 Document | Level 4 Document |
|---|---|---|
| <u>QSD-000039 Information Security Management Manual</u> | | QSD-000039-F01_V1 List of documents |
| | | QSD-000039-F02_V1 List of external documents(Information Security) |
| <u>PRO-0000325 Information Security Organization Management Procedures</u> | | PRO-0000325-F01_V1 Communication Channels, Timing, and Targets table |
| | | PRO-0000325-F02_V1 Information Security Management Review Meeting Minutes |
| <u>PRO-000028 Control of quality record procedure</u> | | |
| <u>PRO-0000326 General Principles of Information Security Management</u> | | PRO-0000326-F01_V1 Statement of Applicability |
| <u>PRO-0000326 Information Assets and Risk Management Procedures</u> | | PRO-0000327-F01_V1 Risk Treatment Plan |
| | | PRO-0000327-F02_V1 Information Assets Inventory and Risk Assessment Form |
| | | PRO-0000327-F03_V1 Risk Assessment Report |
| <u>PRO-0000328 Information Equipment and Environmental Safety Management Procedures</u> | RPO-0000004_Data Center Management Procedure | PRO-0000004-F01_V1_IT Network/System/Device unusual Report |
| | SOP-0000464_Standard Operation of Environmental Management | PRO-0000328-F01_V1 Server Room Inspection Table |
| | SOP-0000465_Standard Operation of Entrance Restriction Management | SOP-3-006-C-F01_V2_Data Center Entrance Record |
| <u>PRO-0000329 Access Control Management Procedure</u> | | PRO-0000329-F01_V1 Clock Synchronization School Hour Records |
| | | PRO-0000329-F02_V1 Account permission control table |
| | | SOP-0000211-F02_V1 IT service request form |
| <u>PRO-0000330 Communication Security Management Procedure</u> | | SOP-0000211-F02_V1 IT service request form |
| | | PRO-0000004-F01_V1_IT Network/System/Device unusual Report |
| | SOP-0008573_Standard Operation Procedure of Firewall Operation | SOP-0000211-F02_V1 IT service request form |
| <u>PRO-0000331 Information System Acquisition, Development and Maintenance Management Procedure</u> | | SOP-0000211-F02_V1 IT service request form |
| | | SOP-0008574-F02_V1 SAP System Change Request form |
| | | PRO-0000331-F01_V1_Legal Software Installation List |
| | | SOP-0000211-F02_V1 IT service request form |
| | SOP-0008574_Standard | SOP-0008574-F01_V1 Project Document Checklist |

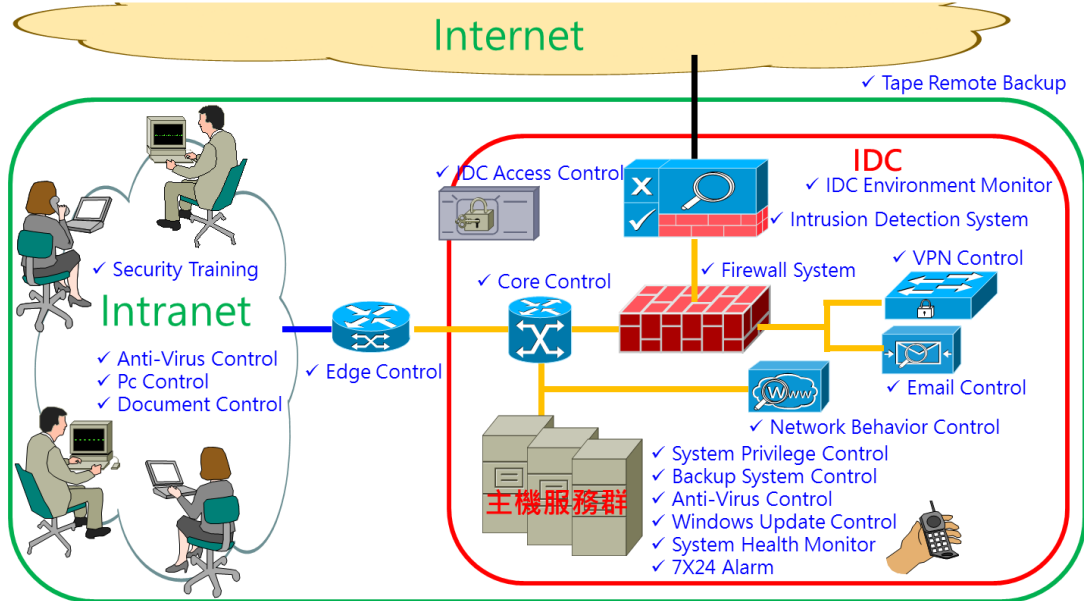
| | | |
|--|--|--|
| — | Operation of Project Development | SOP-0008574-F02_V1 SAP Transport Request Form |
| <u>PRO-0000332 Information System Outsourcing Management Procedure</u> | | Information Outsourcing Supervision |
| | | Outsourcing Maintenance Record |
| | | PRO-0000332-F01_V1 Vendor Performance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

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

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

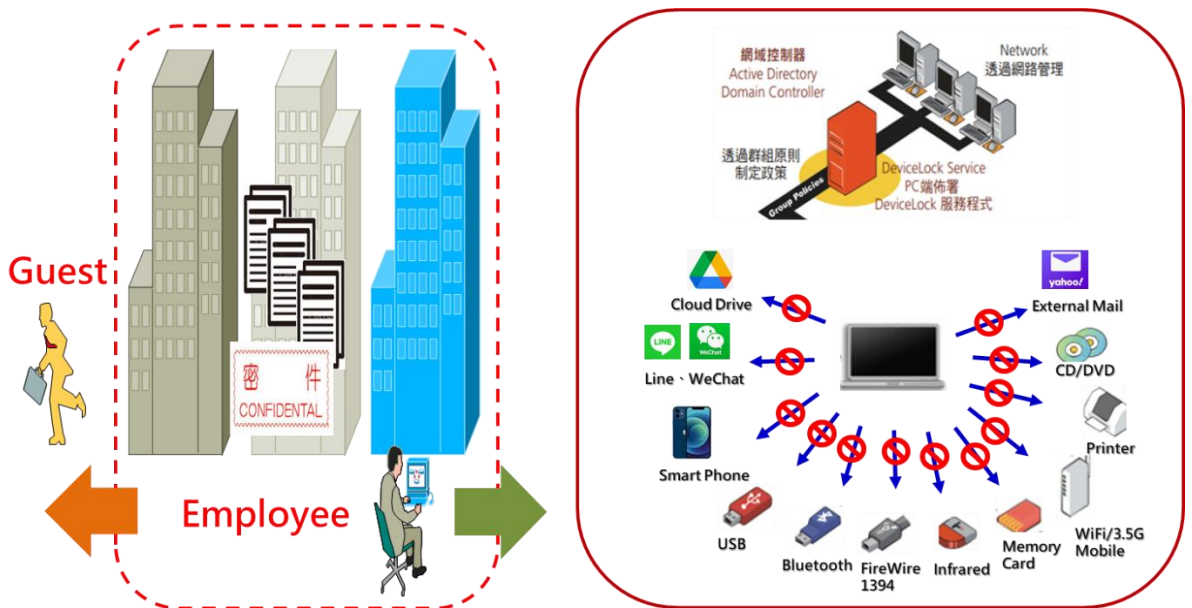


(2.3)Information Security Maintenance-Network Security

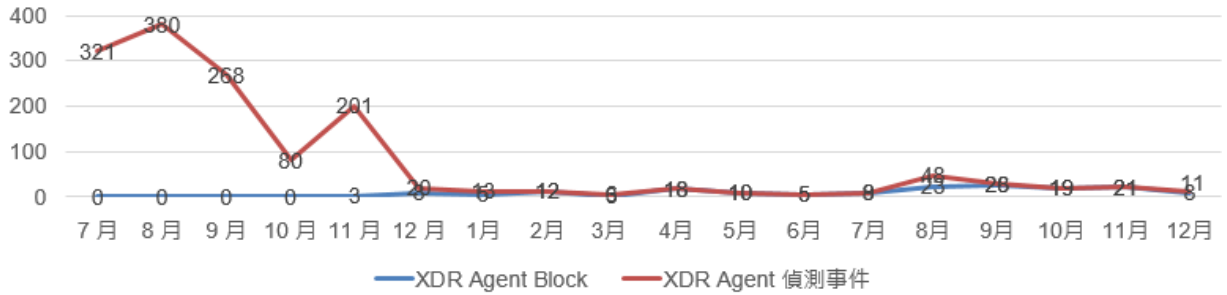


(2.3)Information Security Maintenance-Data Security

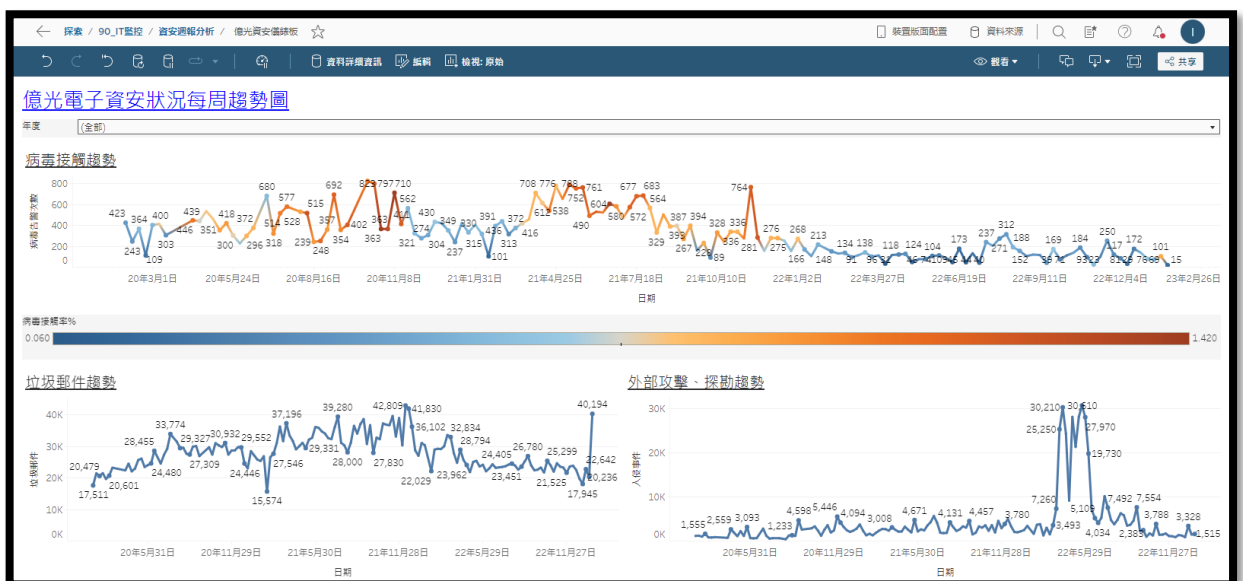
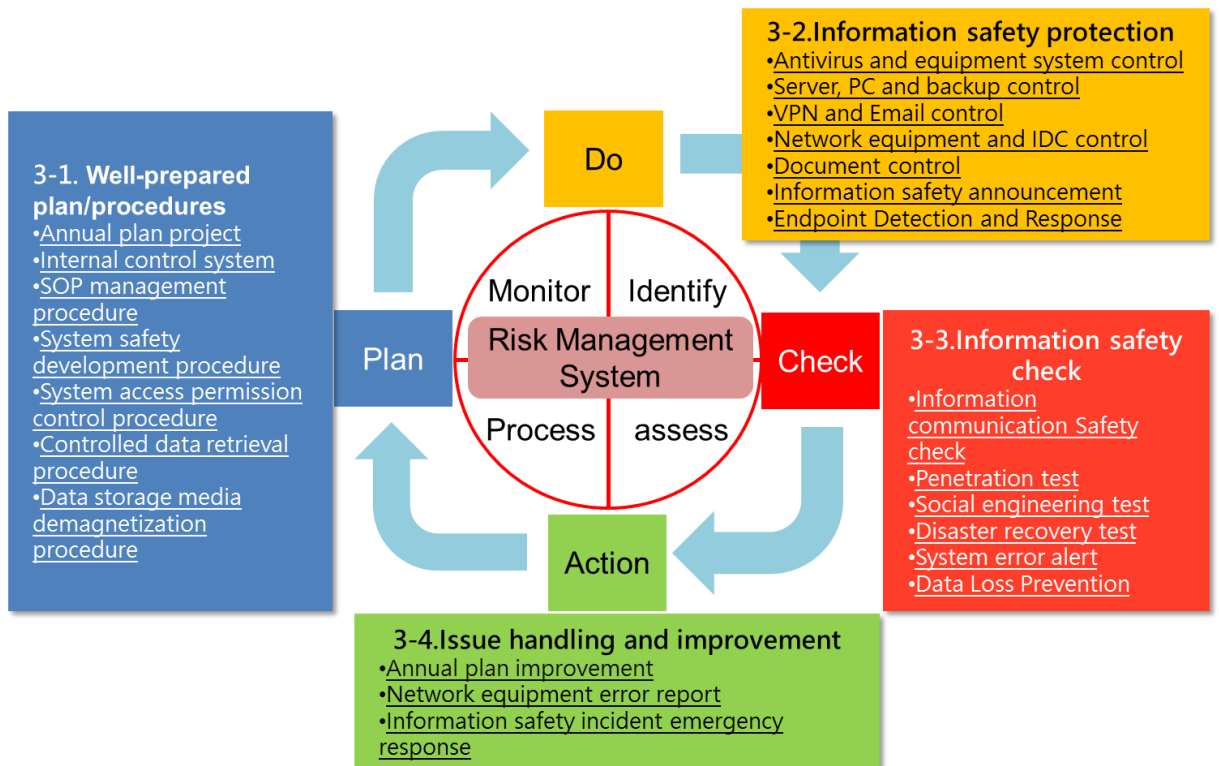
We are highly concerned about the privacy of every customer, with strict standard to protect the customer's privacy and personal data. Besides following Personal Information Protection Act, we have the "Personal data safety management instruction" and hold regular "personal information protection announcement", which record customer's related data. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privilege information, misrepresentation of material facts, or any other unfair-dealing practice. With annual check of personal data and related risk evaluation in order to acquire "Data privacy protection mark (dp.mark)". In 2023, there were no complaints related to infringement of customer privacy or loss of customer information.



(2.4) Information Security Monitor

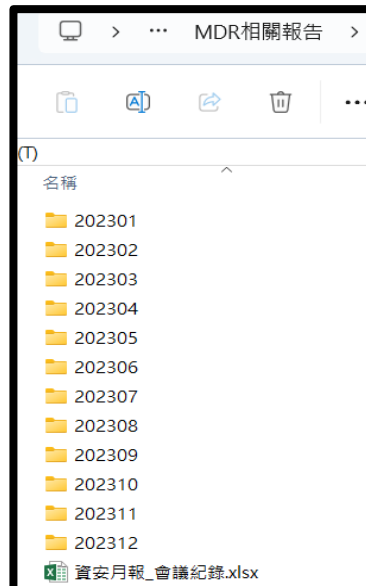
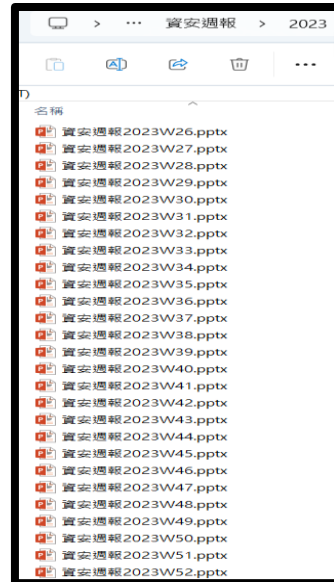


(2.5) Risk Control



(2.6) Education Training and Meeting-Regularly Security Meeting

We had built the dedicated security management unit and open the security sessions around 143 times weekly from 2021/01 till now. We also announce the security weekly report to grasp the information security situation and trends.



(2.6) Education Training and Meeting-Education Training

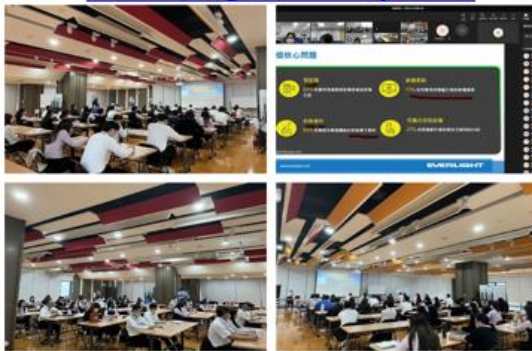
ISO27001 Introduction



ISO27001 Internal Audit



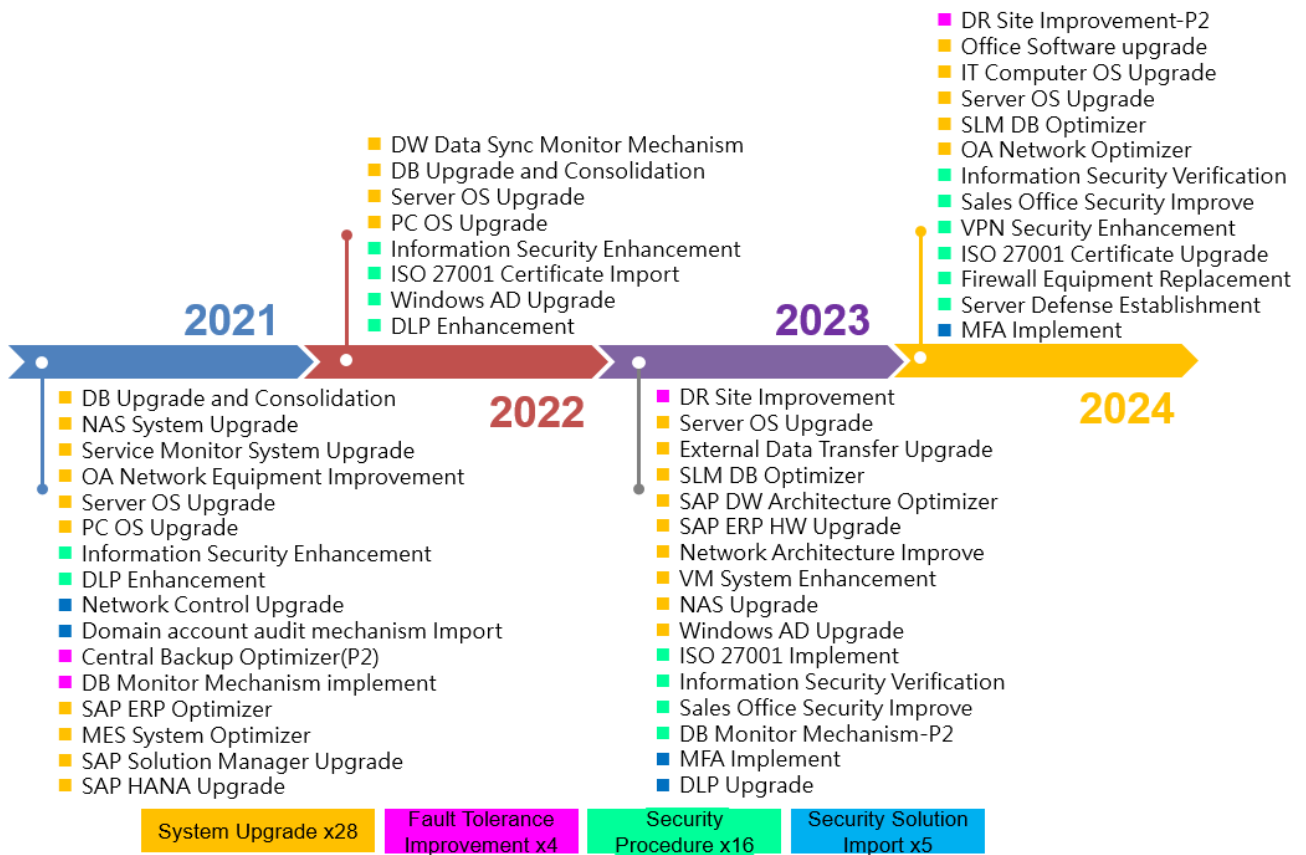
IS Management System



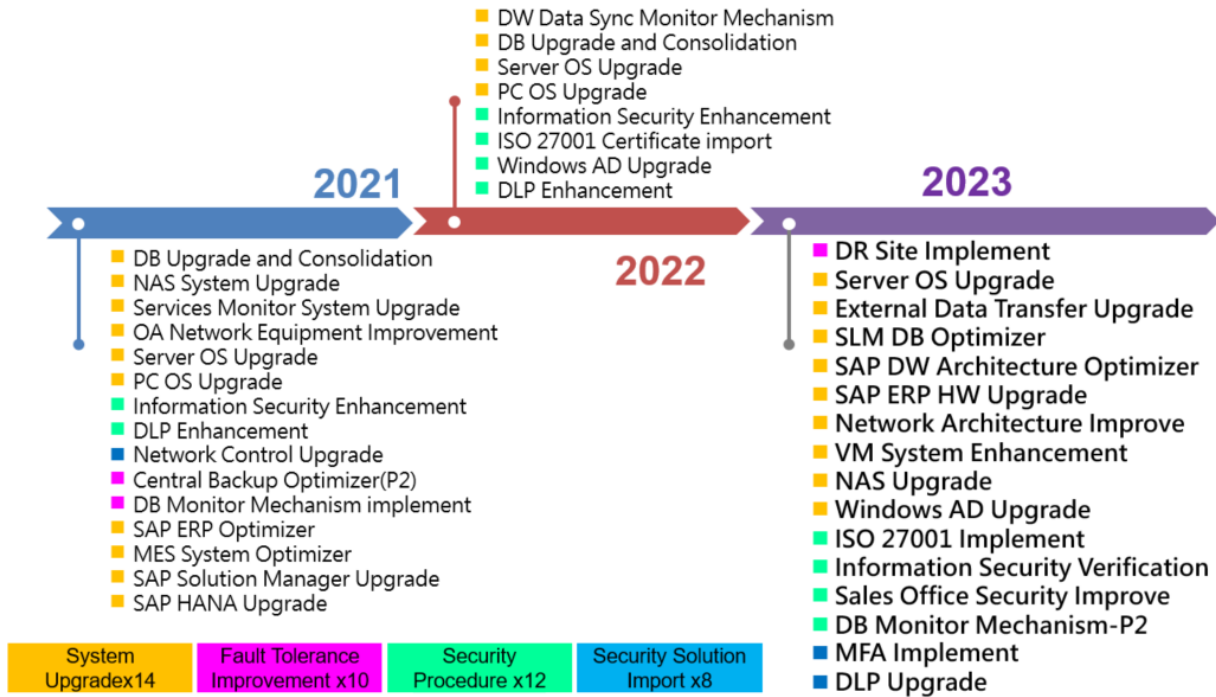
Social Engineering Education



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



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



(4) Information Security Risk Disclosure

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

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

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

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

5.7 Material Contract

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

6. Financial Information

6.1 Five-Year Financial Summary

(1) Consolidated Condensed Balance Sheet – Based on IFRS

NT\$, '000

| Item | Year | Financial Summary for The Last Five Years(Note 1) | | | | | As of the printing date 2024/3/31 of this annual report |
|--|---------------------|---|------------|------------|------------|------------|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| C u r r e n t a s s e t s | | 17,386,636 | 19,728,192 | 20,331,320 | 16,716,111 | 16,693,056 | 18,004,891 |
| Property, Plant and Equipment | | 8,909,437 | 8,109,445 | 7,631,501 | 7,073,869 | 6,104,676 | 6,004,263 |
| I n t a n g i b l e a s s e t s | | 82,650 | 83,572 | 58,654 | 36,842 | 25,232 | 38,468 |
| O t h e r a s s e t s | | 1,970,349 | 2,345,941 | 2,503,962 | 2,287,356 | 3,297,838 | 3,443,670 |
| T o t a l a s s e t s | | 28,349,072 | 30,267,150 | 30,525,437 | 26,114,178 | 26,120,802 | 27,491,292 |
| C u r r e n t l i a b i l i t i e s | Before distribution | 10,280,488 | 11,489,146 | 10,923,197 | 6,639,921 | 6,292,240 | 6,679,004 |
| | After distribution | 10,901,051 | 12,486,780 | 12,475,073 | 7,748,404 | Note 2 | Note 2 |
| N o n - c u r r e n t l i a b i l i t i e s | | 874,156 | 839,314 | 793,496 | 742,905 | 922,730 | 970,460 |
| T o t a l l i a b i l i t i e s | Before distribution | 11,154,644 | 12,328,460 | 11,716,693 | 7,382,826 | 7,214,970 | 7,649,464 |
| | After distribution | 11,775,207 | 13,326,094 | 13,268,569 | 8,491,309 | Note 2 | Note 2 |
| E q u i t y a t t r i b u t a b l e t o s h a r e h o l d e r s o f t h e p a r e n t | | 16,842,893 | 17,567,302 | 18,482,734 | 18,357,582 | 18,550,980 | 19,456,758 |
| C a p i t a l s t o c k | | 4,432,457 | 4,433,931 | 4,433,931 | 4,433,931 | 4,433,931 | 4,433,931 |
| C a p i t a l s u r p l u s | | 9,089,121 | 9,084,110 | 9,103,595 | 9,094,168 | 9,095,266 | 9,102,651 |
| R e t a i n e d e a r n i n g s | Before distribution | 4,782,354 | 4,870,312 | 5,809,040 | 5,506,842 | 5,864,626 | 6,605,731 |
| | After distribution | 4,161,791 | 3,872,678 | 4,257,164 | 4,398,359 | Note 2 | Note 2 |
| O t h e r e q u i t y i n t e r e s t | | (1,461,039) | (821,051) | (863,832) | (677,359) | (842,843) | (685,555) |
| T r e a s u r y s t o c k | | — | — | — | — | — | — |
| N o n - c o n t r o l l i n g i n t e r e s t | | 351,535 | 371,388 | 326,010 | 373,770 | 354,852 | 385,070 |
| T o t a l e q u i t y | Before distribution | 17,194,428 | 17,938,690 | 18,808,744 | 18,731,352 | 18,905,832 | 19,841,828 |
| | After distribution | 16,573,865 | 16,941,056 | 17,256,868 | 17,622,869 | Note 2 | Note 2 |

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

2 : The resolution will be finalized after the resolution of the Annual Shareholders' Meeting of 2024.

(2) Consolidated Condensed balance sheet –Based on IFRS

NT\$, '000

| Year | | Financial Summary for The Last Five Years(Note 1) | | | | |
|---|---------------------|---|------------|------------|------------|------------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Item | | | | | | |
| C u r r e n t a s s e t s | | 12,067,548 | 13,792,446 | 14,138,917 | 10,984,114 | 10,363,208 |
| Property, Plant and Equipment | | 5,480,059 | 4,857,393 | 4,369,720 | 3,933,429 | 3,716,946 |
| I n t a n g i b l e a s s e t s | | 55,727 | 64,703 | 43,587 | 25,450 | 18,431 |
| O t h e r a s s e t s | | 9,809,065 | 9,912,741 | 10,159,564 | 10,569,950 | 11,313,956 |
| T o t a l a s s e t s | | 27,412,399 | 28,627,283 | 28,711,788 | 25,512,943 | 25,412,541 |
| C u r r e n t liabilities | Before distribution | 9,693,001 | 10,178,638 | 9,204,656 | 6,068,144 | 6,224,026 |
| | After distribution | 10,313,564 | 11,176,272 | 10,756,532 | 7,176,627 | Note 2 |
| N o n - c u r r e n t l i a b i l i t i e s | | 876,505 | 881,343 | 1,024,398 | 1,087,217 | 637,535 |
| T o t a l liabilities | Before distribution | 10,569,506 | 11,059,981 | 10,229,054 | 7,155,361 | 6,861,561 |
| | After distribution | 11,190,069 | 12,057,615 | 11,780,930 | 8,263,844 | Note 2 |
| C a p i t a l s t o c k | | 4,432,457 | 4,433,931 | 4,433,931 | 4,433,931 | 4,433,931 |
| C a p i t a l s u r p l u s | | 9,089,121 | 9,084,110 | 9,103,595 | 9,094,168 | 9,095,266 |
| R e t a i n e d e a r n i n g s | Before distribution | 4,782,354 | 4,870,312 | 5,809,040 | 5,506,842 | 5,864,626 |
| | After distribution | 4,161,791 | 3,872,678 | 4,257,164 | 4,398,359 | Note 2 |
| O t h e r e q u i t y i n t e r e s t | | (1,461,039) | (821,051) | (863,832) | (677,359)) | (842,843) |
| T r e a s u r y s t o c k | | — | — | — | — | — |
| T o t a l e q u i t y | Before distribution | 16,842,893 | 17,567,302 | 18,482,734 | 18,357,582 | 18,550,980 |
| | After distribution | 16,222,330 | 16,569,668 | 16,930,858 | 17,249,099 | Note 2 |

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

2 : The resolution will be finalized after the resolution of the Annual Shareholders' Meeting of 2024.

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

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

| Item | Year | Financial Summary for The Last Five Years (Note 1) | | | | | As of the printing date 2024/3/31 of this annual report |
|---|------------|--|------------|------------|------------|-----------|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | | |
| Operating revenue | 20,966,541 | 21,637,035 | 25,022,009 | 19,888,289 | 17,845,424 | 4,905,019 | |
| Gross profit | 5,128,448 | 5,418,769 | 6,698,595 | 5,601,787 | 5,189,231 | 1,489,345 | |
| Income from operations | 835,193 | 1,353,502 | 2,415,465 | 1,470,136 | 1,793,338 | 536,894 | |
| Non-opr. income/Expense | 230,515 | 273,833 | 146,415 | 269,068 | 234,394 | 402,772 | |
| Income before tax | 1,065,708 | 1,627,335 | 2,561,880 | 1,739,204 | 2,027,732 | 939,666 | |
| Net income (Loss) | 851,329 | 1,249,680 | 1,996,011 | 1,315,739 | 1,508,696 | 761,029 | |
| Discontinued Operation | — | — | — | — | — | — | |
| Net Income incl. Discontinued Operation | 851,329 | 1,249,680 | 1,996,011 | 1,315,739 | 1,508,696 | 761,029 | |
| Other comprehensive income (income after tax) | (240,723) | 112,256 | (53,821) | 211,446 | (186,550) | 167,875 | |
| Total comprehensive income | 610,606 | 1,361,936 | 1,942,190 | 1,527,185 | 1,322,146 | 928,904 | |
| Net income attributable to shareholders of the parent | 822,244 | 1,236,141 | 1,939,688 | 1,230,836 | 1,472,137 | 741,398 | |
| Net income attributable to non-controlling interest | 29,085 | 13,539 | 56,323 | 84,903 | 36,559 | 19,631 | |
| Comprehensive income attributable to Shareholders of the parent | 593,478 | 1,342,083 | 1,893,581 | 1,436,151 | 1,300,783 | 898,686 | |
| Comprehensive income attributable to non- controlling interest | 17,128 | 19,853 | 48,609 | 91,034 | 21,363 | 30,218 | |
| Earnings per share | 1.86 | 2.79 | 4.37 | 2.78 | 3.32 | 1.67 | |

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

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

NT\$ '000, EPS is per NTS

| Item \ Year | Financial Summary for The Last Five Years (Note 1) | | | | |
|--|--|------------|------------|------------|------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenue | 17,390,373 | 18,216,403 | 20,931,499 | 16,563,635 | 14,851,829 |
| Gross profit | 3,207,589 | 3,513,980 | 4,662,165 | 4,169,075 | 3,705,842 |
| Income from operations | 757,764 | 1,097,840 | 1,986,179 | 1,651,432 | 1,425,344 |
| Non-opr. income/Expense | 182,376 | 402,613 | 305,343 | (94,359) | 342,393 |
| Income before tax | 940,140 | 1,500,453 | 2,291,522 | 1,557,073 | 1,767,737 |
| Net income (Loss) | 822,244 | 1,236,141 | 1,939,688 | 1,230,836 | 1,472,137 |
| Discontinued Operation | — | — | — | — | — |
| Net Income incl. Discontinued Operation | 822,244 | 1,236,141 | 1,939,688 | 1,230,836 | 1,472,137 |
| Other comprehensive income (income after tax) | (228,766) | 105,942 | (46,107) | 205,315 | (171,354) |
| Total comprehensive income | 593,478 | 1,342,083 | 1,893,581 | 1,436,151 | 1,300,783 |
| Earnings per share | 1.86 | 2.79 | 4.37 | 2.78 | 3.32 |

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

6.2 Auditors' Opinions from 2019 to 2023

| Year | Accounting Firm | CPA | Audit Opinion |
|------|-----------------|-----------------------------|---|
| 2019 | KPMG | Au, Yiu Kwan/ Lo, Jui Lan | Unqualified Opinion |
| 2020 | KPMG | Au, Yiu Kwan/ Lo, Jui Lan | Unqualified Opinion |
| 2021 | KPMG | Au, Yiu Kwan/ Lo, Jui Lan | Unqualified Opinion |
| 2022 | KPMG | Au, Yiu Kwan/ Lo, Jui Lan | Unqualified Opinion |
| 2023 | KPMG | Au, Yiu Kwan/ Hsin, Yu Ting | Unqualified Opinion with Emphasis of Matter |

6.2.1 Parent Financial Analysis – Based on IFRS

| Item | | Financial Analysis for the Last Five Years | | | | |
|-------------------------|---|--|-------|-------|-------|-------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure (%) | Debt Ratio | 39 | 39 | 36 | 28 | 27 |
| | Ratio of long-term capital to property, plant and equipment | 308 | 364 | 424 | 467 | 499 |
| Solvency (%) | Current ratio | 124 | 136 | 154 | 181 | 167 |
| | Quick ratio | 117 | 127 | 144 | 170 | 157 |
| | Interest earned ratio (times) | 19 | 39 | 78 | 53 | 312 |
| Operating performance | Accounts receivable turnover (times) | 2.79 | 2.93 | 3.18 | 2.86 | 3.23 |
| | Average collection period | 131 | 124 | 115 | 128 | 113 |
| | Inventory turnover (times) | 20.54 | 19.64 | 21.55 | 18.02 | 18.93 |
| | Accounts payable turnover (times) | 2.54 | 2.55 | 2.76 | 2.43 | 2.7 |
| | Average days in sales | 18 | 19 | 17 | 20 | 19 |
| | Property, plant and equipment turnover (times) | 2.99 | 3.52 | 4.54 | 3.99 | 3.88 |
| | Total assets turnover (times) | 0.62 | 0.65 | 0.73 | 0.61 | 0.58 |
| Profitability | Return on total assets (%) | 3.10 | 4.52 | 6.85 | 4.63 | 5.8 |
| | Return on stockholders' equity (%) | 5 | 7 | 11 | 7 | 8 |
| | Pre-tax income to paid-in capital (%) | 21 | 34 | 52 | 35 | 40 |
| | Profit ratio (%) | 5 | 7 | 9 | 7 | 10 |
| | Earnings per share (NT\$) | 1.86 | 2.79 | 4.37 | 2.78 | 3.32 |
| Cash flow | Cash flow ratio (%) | 22 | 12 | 32 | 48 | 30 |
| | Cash flow adequacy ratio (%) | 105 | 114 | 135 | 157 | 166 |
| | Cash reinvestment ratio (%) | 6 | 2 | 7 | 5 | 3 |
| Leverage | Operating leverage | 2.29 | 1.77 | 1.25 | 1.32 | 1.26 |
| | Financial leverage | 1.07 | 1.04 | 1.02 | 1.02 | 1.00 |

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

1. The interest coverage ratio increased compared with the previous period, mainly due to the increase in net income before income tax and interest expenses in the current period.
2. The return on assets and net profit rate increased compared with the previous period, mainly due to the increase in net profit for the current period.
3. The cash flow ratio and cash reinvestment ratio decreased compared to the previous period, primarily due to increases in accounts receivable and trade accounts (including related parties), financial assets at fair value through profit or loss, and contract assets, resulting in a reduction in net cash inflow from operating activities.

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

Note2 :

Glossary – Taiwan-IFRSs version:

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

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

4. Profitability Analysis

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

5. Cash Flow

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

6. Leverage

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

6.2.2 Consolidated Financial Analysis – Based on IFRS

| Item | | Year | Financial Analysis for the Last Five Years | | | | | As of the printing date of this annual report |
|-------------------------|---|------|--|------|-------|-------|-------|---|
| | | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Financial structure (%) | Debt Ratio | | 39 | 41 | 38 | 28 | 28 | 28 |
| | Ratio of long-term capital to property, plant and equipment | | 193 | 222 | 247 | 265 | 310 | 331 |
| Solvency (%) | Current ratio | | 169 | 172 | 186 | 252 | 265 | 270 |
| | Quick ratio | | 151 | 155 | 170 | 235 | 249 | 252 |
| | Interest earned ratio (times) | | 16 | 29 | 53 | 36 | 178 | 317 |
| Operating performance | Accounts receivable turnover (times) | | 3.23 | 3.23 | 3 | 3 | 3.31 | 3.43 |
| | Average collection period | | 113 | 113 | 107 | 121 | 110 | 106 |
| | Inventory turnover (times) | | 8.71 | 8.99 | 10.79 | 10.21 | 12.25 | 13.08 |
| | Accounts payable turnover (times) | | 3.57 | 3.46 | 3.73 | 3.42 | 3.8 | 3.79 |
| | Average days in sales | | 42 | 41 | 34 | 36 | 30 | 28 |
| | Property, plant and equipment turnover (times) | | 2.19 | 2.54 | 3.18 | 2.7 | 2.71 | 3.24 |
| | Total assets turnover (times) | | 0.74 | 0.71 | 0.82 | 0.76 | 0.68 | 0.71 |
| Profitability | Return on total assets (%) | | 3.16 | 4.42 | 6.70 | 4.79 | 5.81 | 11.39 |
| | Return on stockholders' equity (%) | | 5 | 7 | 11 | 7 | 8 | 16 |
| | Pre-tax income to paid-in capital (%) | | 24 | 37 | 58 | 39 | 46 | 85 |
| | Profit ratio (%) | | 4 | 6 | 8 | 7 | 8 | 16 |
| | Earnings per share (NT\$) | | 1.86 | 2.79 | 4.37 | 2.78 | 3.32 | 1.67 |
| Cash flow | Cash flow ratio (%) | | 40 | 16 | 38 | 65 | 47 | 1 |
| | Cash flow adequacy ratio (%) | | 114 | 126 | 140 | 172 | 187 | 166 |
| | Cash reinvestment ratio (%) | | 10 | 4 | 8 | 7 | 5 | 0 |
| Leverage | Operating leverage | | 3.35 | 2.27 | 1.60 | 1.85 | 1.58 | 1.43 |
| | Financial leverage | | 1.09 | 1.05 | 1.02 | 1.03 | 1.01 | 1.01 |

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

1. The interest coverage ratio increased compared with the previous period, mainly due to the increase in net income before income tax and interest expenses in the current period.
2. The various ratios of profitability increased compared with the previous period, mainly due to the increase in operating income and net income after tax in the current period compared with the previous period.
3. The cash flow ratio and cash reinvestment ratio decreased compared to the previous period, primarily due to increases in accounts receivable and trade accounts (including related parties), financial assets at fair value through profit or loss, and contract assets, resulting in a reduction in net cash inflow from operating activities.

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

Note2 :

Glossary – Taiwan-IFRSs version:

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Liquidity Analysis

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

3. Operating Performance Analysis

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

4. Profitability Analysis

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

5. Cash Flow

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

6. Leverage

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

6.3 Audit Committee's Report for the Most Recent Year

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

The board of directors has prepared and submitted the Company's 2023 Business Report, Financial Statements and Proposal for Earnings Distribution of the Company for the year 2023. Yiu-Kwan Au CPA and Yu Ting Hsin CPA of KPMG have also audited the financial statements and issued the auditors' report. The Business Report, Financial Statements and Proposal for Earnings Distribution of the Company for the year 2023 have been reviewed and determined to be correct and accurate by the Audit Committee members of Everlight Electronics Co., Ltd. According to article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit the report.

Hereto

2024 Annual General Shareholders' General Meeting

Chairman of the Audit Committee: Chen-en Ko

Date: March 13th, 2024



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Everlight Electronics Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2023 and 2022 (restated) and January 1, 2022 (restated), and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 (restated) and January 1, 2022 (restated), and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 6(a) of the financial statements, according to the IFRSs Q&A updated by the Financial Supervisory Commission, Securities and Futures Bureau, the repatriated offshore funds account balances amounting to \$29,172 thousands and \$624,837 thousands on December 31, 2022, and January 1, 2022, respectively, were reclassified from other current financial assets to cash and cash equivalents, and the financial statements were restated retrospectively. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

1. Inventory valuation

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



Description of key audit matters:

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

Audit procedures:

Our principal audit procedures included: assessing the allowance for inventory valuation and obsolescence losses to determine whether the policies of the Company and the accounting policies are applied accordingly, and challenging the adequacy of the Company's provisions against inventories which we corroborated on a sample basis by testing the appropriateness of ageing listing, understanding the basis for valuation of net realized value used by the management of the Company and selecting appropriate samples to verify the appropriateness of inventory valuation.

2. Accounts receivable valuation

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

Description of key audit matters:

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

Audit procedures:

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

3. Revenue recognition

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

Description of key audit matters:

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

Audit Procedures:

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2024

Notes to Readers

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

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

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

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

| | 2023 | | 2022 | |
|---|---------------------|------------|-------------------|-----------|
| | Amount | % | Amount | % |
| 4000 Operating revenue (notes 6(s) and 7) | \$ 14,851,829 | 100 | 16,563,635 | 100 |
| 5110 Cost of sales (notes 6(f), 6(o), 7, 9(c) and 12) | <u>11,145,987</u> | <u>75</u> | <u>12,394,560</u> | <u>75</u> |
| 5900 Gross profit | <u>3,705,842</u> | <u>25</u> | <u>4,169,075</u> | <u>25</u> |
| Operating expenses (notes 6(o), 7 and 12): | | | | |
| 6100 Selling expenses | 845,691 | 6 | 949,774 | 6 |
| 6200 Administrative expenses | 828,996 | 5 | 813,272 | 5 |
| 6300 Research and development expenses | 630,811 | 4 | 553,393 | 3 |
| 6450 Expected credit loss (reversal gain) (notes 6(d) and 6(e)) | <u>(25,000)</u> | <u>-</u> | <u>201,204</u> | <u>1</u> |
| | <u>2,280,498</u> | <u>15</u> | <u>2,517,643</u> | <u>15</u> |
| 6900 Net operating income | <u>1,425,344</u> | <u>10</u> | <u>1,651,432</u> | <u>10</u> |
| Non-operating income and expenses: | | | | |
| 7100 Interest income (notes 6(u) and 7) | 90,449 | - | 57,386 | - |
| 7190 Other income (note 6(m)) | 46,926 | - | 59,010 | - |
| 7210 Net gains on disposals of property, plant and equipment (note 7) | 713 | - | 4,642 | - |
| 7225 Gains on disposals of investments, net (note 6(g)) | - | - | 24,427 | - |
| 7230 Foreign exchange gains (losses), net (note 6(v)) | 115,243 | 1 | 348,429 | 2 |
| 7070 Share of (loss) profit of subsidiaries, associates and joint ventures accounted for using the equity method (note 6(g)) | 139,546 | 1 | (381,595) | (2) |
| 7235 Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net | (44,800) | - | (108,087) | - |
| 7050 Finance costs (notes 6(m) and 6(u)) | (5,684) | - | (30,133) | - |
| 7590 Other expenses and losses (note 9(c)) | <u>-</u> | <u>-</u> | <u>(68,438)</u> | <u>-</u> |
| | <u>342,393</u> | <u>2</u> | <u>(94,359)</u> | <u>-</u> |
| 7900 Profit before tax | 1,767,737 | 12 | 1,557,073 | 10 |
| 7950 Less: Income tax expenses (note 6(p)) | <u>295,600</u> | <u>2</u> | <u>326,237</u> | <u>2</u> |
| Profit | <u>1,472,137</u> | <u>10</u> | <u>1,230,836</u> | <u>8</u> |
| 8300 Other comprehensive income: | | | | |
| 8310 Items that will not be reclassified to profit or loss | | | | |
| 8311 Gains (losses) on remeasurements of defined benefit plans (note 6(o)) | (7,680) | - | 21,225 | - |
| 8330 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, items that will not be reclassified to profit or loss | (14,586) | - | (11,007) | - |
| 8349 Less: income tax related to items that will not be reclassified to profit or loss (note 6(p)) | <u>(1,536)</u> | <u>-</u> | <u>4,245</u> | <u>-</u> |
| | <u>(20,730)</u> | <u>-</u> | <u>5,973</u> | <u>-</u> |
| 8360 Items that will be reclassified to profit or loss | | | | |
| 8361 Exchange differences on translation of foreign financial statements | (17,421) | - | (29,847) | - |
| 8367 Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income | 43,772 | - | - | - |
| 8380 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, items that will be reclassified to profit or loss | (180,459) | (1) | 223,220 | 1 |
| 8399 Less: income tax related to items that will be reclassified to profit or loss (note 6(p)) | <u>(3,484)</u> | <u>-</u> | <u>(5,969)</u> | <u>-</u> |
| Items that will be reclassified to profit or loss | <u>(150,624)</u> | <u>(1)</u> | <u>199,342</u> | <u>1</u> |
| 8300 Other comprehensive income | <u>(171,354)</u> | <u>(1)</u> | <u>205,315</u> | <u>1</u> |
| Total comprehensive income | <u>\$ 1,300,783</u> | <u>9</u> | <u>1,436,151</u> | <u>9</u> |
| Earnings per share (note 6(r)) | | | | |
| 9750 Basic earnings per share | <u>\$ 3.32</u> | | <u>2.78</u> | |
| 9850 Diluted earnings per share | <u>\$ 3.29</u> | | <u>2.75</u> | |

See accompanying notes to financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| | Ordinary shares | Capital surplus | Retained earnings | | | Exchange differences on translation of foreign financial statements | Other equity interest | | Total equity |
|---|-----------------|-----------------|-------------------|-----------------|----------------------------------|---|---|-----------|--------------|
| | | | Legal reserve | Special reserve | Unappropriated retained earnings | | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total | |
| Balance at January 1, 2022 | \$ 4,433,931 | 9,103,595 | 2,742,830 | 821,051 | 2,245,159 | (863,832) | - | (863,832) | 18,482,734 |
| Appropriation and distribution of retained earnings: | | | | | | | | | |
| Legal reserve | - | - | 193,636 | - | (193,636) | - | - | - | - |
| Special reserve | - | - | - | 42,782 | (42,782) | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (1,551,876) | - | - | - | (1,551,876) |
| | - | - | 193,636 | 42,782 | (1,788,294) | - | - | - | (1,551,876) |
| Profit for the year | - | - | - | - | 1,230,836 | - | - | - | 1,230,836 |
| Other comprehensive income for the year | - | - | - | - | 18,842 | 199,342 | (12,869) | 186,473 | 205,315 |
| Total comprehensive income for the year | - | - | - | - | 1,249,678 | 199,342 | (12,869) | 186,473 | 1,436,151 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | - | (9,622) | - | - | - | - | - | - | (9,622) |
| Others | - | 195 | - | - | - | - | - | - | 195 |
| Balance at December 31, 2022 | 4,433,931 | 9,094,168 | 2,936,466 | 863,833 | 1,706,543 | (664,490) | (12,869) | (677,359) | 18,357,582 |
| Appropriation and distribution of retained earnings: | | | | | | | | | |
| Legal reserve | - | - | 124,968 | - | (124,968) | - | - | - | - |
| Special reserve | - | - | - | (186,474) | 186,474 | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (1,108,483) | - | - | - | (1,108,483) |
| | - | - | 124,968 | (186,474) | (1,046,977) | - | - | - | (1,108,483) |
| Profit for the year | - | - | - | - | 1,472,137 | - | - | - | 1,472,137 |
| Other comprehensive income for the year | - | - | - | - | (5,870) | (194,396) | 28,912 | (165,484) | (171,354) |
| Total comprehensive income for the year | - | - | - | - | 1,466,267 | (194,396) | 28,912 | (165,484) | 1,300,783 |
| Changes in equity of associates and joint ventures accounted for using equity method | - | (3,949) | - | - | - | - | - | - | (3,949) |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | - | 4,844 | - | - | - | - | - | - | 4,844 |
| Others | - | 203 | - | - | - | - | - | - | 203 |
| Balance at December 31, 2023 | \$ 4,433,931 | 9,095,266 | 3,061,434 | 677,359 | 2,125,833 | (858,886) | 16,043 | (842,843) | 18,550,980 |

See accompanying notes to financial statements.

EVERLIGHT ELECTRONICS CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| | 2023 | 2022 (Restated) |
|--|---------------------|--------------------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 1,767,737 | 1,557,073 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation and amortization expense | 446,218 | 634,445 |
| Expected credit loss (reversal gain) | (25,000) | 201,204 |
| Net gain on financial assets or liabilities at fair value through profit or loss | (3,972) | (17,625) |
| Interest expense | 5,684 | 30,133 |
| Interest income | (90,449) | (57,386) |
| Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using the equity method | (139,546) | 381,595 |
| Net gain on disposal of property, plant and equipment | (713) | (4,642) |
| Gain on disposal of investments | - | (24,427) |
| Unrealized foreign exchange loss on long-term borrowings | - | 3,666 |
| Others | 7,095 | (803) |
| Total adjustments to reconcile profit (loss) | <u>199,317</u> | <u>1,146,160</u> |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in financial assets at fair value through profit or loss, mandatorily measured at fair value | (25,693) | 280,712 |
| Increase in contract assets | (81,825) | (17,482) |
| Decrease in notes and accounts receivable (including related parties) | 188,916 | 1,937,561 |
| Decrease in inventories | 31,118 | 147,815 |
| Decrease in other current assets | 5,384 | 130,958 |
| Increase (decrease) in contract liabilities | 36,447 | (47,518) |
| Increase (decrease) in notes and accounts payable (including related parties) | 88,615 | (1,869,635) |
| Decrease in provisions | (10,702) | (29,222) |
| Increase (decrease) in other current liabilities | 23,798 | (117,954) |
| Increase (decrease) in net defined benefit liabilities | 2,457 | (19,952) |
| Total changes in operating assets and liabilities | <u>258,515</u> | <u>395,283</u> |
| Cash inflow generated from operations | 2,225,569 | 3,098,516 |
| Interest received | 78,321 | 53,322 |
| Interest paid | (5,366) | (34,298) |
| Income taxes paid | (439,138) | (230,735) |
| Net cash flows from operating activities | <u>1,859,386</u> | <u>2,886,805</u> |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (781,679) | - |
| Acquisition of investments accounted for using the equity method | - | (489,717) |
| Acquisition of property, plant and equipment | (236,779) | (484,068) |
| Proceeds from disposal of property, plant and equipment | 12,398 | 127,640 |
| Decrease in refundable deposits | 8,709 | 8,740 |
| Decrease (increase) in other receivables due from related parties | (280,100) | 457,059 |
| Acquisition of intangible assets | (35,842) | (37,392) |
| Decrease (increase) in other financial assets | 157,697 | (399,678) |
| Decrease in restricted deposits | 30,567 | 6,303 |
| Dividends received | 112,359 | 125,923 |
| Net cash flows used in investing activities | <u>(1,012,670)</u> | <u>(685,190)</u> |
| Cash flows from (used in) financing activities: | | |
| Increase (decrease) in short-term borrowings | 250,000 | (1,079,910) |
| Repayments of long-term borrowings | - | (97,117) |
| (Decrease) increase in guarantee deposits received | (19,061) | 46,734 |
| (Decrease) increase in other payables due to related parties | (26,929) | 1,277 |
| Payment of lease liabilities | (7,887) | (8,937) |
| Cash dividends paid | (1,108,483) | (1,551,876) |
| Other financing activities | 203 | 195 |
| Net cash flows used in financing activities | <u>(912,157)</u> | <u>(2,689,634)</u> |
| Net increase in cash and cash equivalents | (65,441) | (488,019) |
| Cash and cash equivalents at beginning of year | <u>1,896,412</u> | <u>2,384,431</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,830,971</u> | <u>1,896,412</u> |

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

Notes to the Financial Statements

December 31, 2023 and 2022

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

(1) Company history

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

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issuance by the board of directors on March 13, 2024.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

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

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

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

- (ii) Functional and presentation currency

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

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

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

- (e) Cash and cash equivalents

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

- (f) Financial instruments

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

- (i) Financial assets

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

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

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

3) Fair value through profit or loss (FVTPL)

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

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

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

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

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

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

5) Impairment of financial assets

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

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

6) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

2) Equity instrument

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

3) Compound financial instrument

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

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

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

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

(g) Inventories

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

(h) Investment in associates

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

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

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

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

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

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(i) Investments in subsidiaries

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

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

(j) Joint arrangements

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

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

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

(k) Investment property

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

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

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

Land is not depreciated.

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

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(m) Lease

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

(i) As a lessee

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

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

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

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

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(ii) As a lessor

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

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

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

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

(n) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent Expenditure

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(iii) Amortization

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

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

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

(o) Impairment – non-financial assets

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

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

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

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

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

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

(p) Provisions

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on the historical warranty data and the weighting of all possible outcomes against their associated probabilities.

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

(q) Revenue from contracts with customers

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

(i) Sale of goods—electronic components

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

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

(ii) Construction contracts

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

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

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

(iii) Financing components

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

(iii) Short-term employee benefits

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

(s) Share-based payment

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

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

(t) Income taxes

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

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

The surtax on unappropriated earnings of the Company will be recognized as current tax expense in the following year after the resolution of appropriate retained earnings is approved in the shareholders' meeting.

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

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

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

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

(u) Business combination

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

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

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

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

(v) Earnings per share

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

(w) Operating segments

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

(a) Valuation of inventories

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

(b) The loss allowance of account receivable

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 (Restated) |
|---|------------------------------|---|
| Cash, checking accounts and demand deposits | \$ 905,463 | 863,471 |
| Time deposits | <u>925,508</u> | <u>1,032,941</u> |
| | <u>\$ 1,830,971</u> | <u>1,896,412</u> |

- (i) Time deposits with maturities within three months or less from the acquisition date that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Therefore, time deposits are classified as cash and cash equivalents. Time deposits with maturities over three months from the acquisition date are recorded as other current financial assets amounting to \$3,452,711 and \$3,624,306 as of December 31, 2023 and 2022, respectively.

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Notes to the Financial Statements

- (ii) According to the IFRSs Q&A updated by the Financial Supervisory Commission, Securities and Futures Bureau on January 5, 2024, the repatriated offshore funds account balances amounted to \$29,172 and \$624,837 on December 31, 2022, and January 1, 2022, respectively, which were reclassified from other current financial assets to cash and cash equivalents. Moreover, the “increase in restricted assets” and the “decrease in other financial assets” under investing activities in 2022 were reduced by \$56,641 and \$652,306, respectively.
- (iii) Please refer to note 6(v) for the fair value sensitivity analysis of the financial assets and liabilities of the Company.
- (b) Financial assets and liabilities at fair value through profit or loss

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| Mandatorily measured at fair value through profit or loss: | | |
| Derivative instruments not used for hedging | \$ 25,354 | 28,557 |
| Listed convertible bonds | 21,200 | 30,790 |
| Beneficiary certificate-Funds | 125,307 | 82,900 |
| Stocks listed on domestic markets | 52,441 | 58,019 |
| | \$ 224,302 | 200,266 |
| | December 31, 2023 | December 31, 2022 |
| Current financial liabilities held-for-trading (recorded as other current liabilities): | | |
| Derivative instruments not used for hedging | \$ 2,583 | 8,212 |

- (i) Listed convertible bonds are hybrid instruments. Even though it is required to record the host contract and embedded derivative separately, they are recognized as financial assets designated as at fair value through profit or loss because those investments cannot be reliably measured at fair value as of the acquisition date.
- (ii) The Company acquired \$297,455 of Ginko International Co., Ltd. shares in active markets in 2021 and sold them at a fair value of \$309,868 upon disposal in May 2022, resulting in an accumulated realized gain on financial assets at fair value through profit or loss of \$12,413.
- (iii) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net income pre-tax for 2023 and 2022 will be \$8,887 and \$7,046, respectively. These analyses are performed on the same basis for both years and assume that all other variables remain the same.
- (iv) The Company uses derivative financial instruments to hedge certain foreign exchange and interest risk the Company is exposed to, arising from its operating and financing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial assets and liabilities:

(Continued)

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

1) Forward exchange contracts

| December 31, 2023 | | | | |
|-------------------------------|------------------------|-----------------------|-----------------|-----------------------|
| | Contract amount | (in thousands) | Currency | Maturity date |
| Financial assets: | | | | |
| Forward exchange sold | USD | 22,000 | USD to TWD | 2024.01.04~2024.03.07 |
| Forward exchange sold | USD | 10,000 | USD to RMB | 2024.01.18~2024.03.12 |
| Forward exchange sold | EUR | 250 | EUR to USD | 2024.03.19 |
| Financial liabilities: | | | | |
| Forward exchange sold | USD | 2,000 | USD to TWD | 2024.02.20~2024.03.07 |
| Forward exchange sold | EUR | 4,000 | EUR to USD | 2024.01.04~2024.03.14 |
| December 31, 2022 | | | | |
| | Contract amount | (in thousands) | Currency | Maturity date |
| Financial assets: | | | | |
| Forward exchange sold | USD | 30,000 | USD to TWD | 2023.01.10~2023.05.09 |
| Forward exchange sold | USD | 12,000 | USD to RMB | 2023.01.10~2023.03.14 |
| Forward exchange sold | EUR | 500 | EUR to USD | 2023.04.11~2023.04.20 |
| Financial liabilities: | | | | |
| Forward exchange sold | USD | 18,000 | USD to TWD | 2023.03.16~2023.04.25 |
| Forward exchange sold | USD | 1,000 | USD to RMB | 2023.02.14 |
| Forward exchange sold | EUR | 5,000 | EUR to USD | 2023.01.10~2023.04.18 |

(v) As of December 31, 2023 and 2022, the Company provides financial assets as collateral for short selling. Please refer to note (8).

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

| | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Debt investments at fair value through other comprehensive income: | | |
| Domestic and foreign corporate bonds | \$ 816,749 | - |

(i) Debt investments measured at fair value through other comprehensive income

The Company has assessed that the securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets; therefore, they have been classified as financial assets at fair value through other comprehensive income.

(Continued)

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(ii) For credit risk (including the impairment of debt instrument investments) and market risk, please refer to note 6(v).

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

| | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Notes receivable from operating activities | \$ 529 | 536 |
| Accounts receivable-measured as amortized cost | 4,686,005 | 4,926,750 |
| | 4,686,534 | 4,927,286 |
| Less: allowance for uncollectible accounts | (244,690) | (305,845) |
| | \$ 4,441,844 | 4,621,441 |
| Notes and accounts receivable, net | \$ 3,333,999 | 3,347,546 |
| Accounts receivable due from related parties, net | 675,292 | 811,906 |
| Long-term receivables (recorded as other non-current financial assets) | 432,553 | 461,989 |
| | \$ 4,441,844 | 4,621,441 |

(i) Impairment loss on notes and accounts receivables

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

The loss allowance provisions were determined as follows:

| | December 31, 2023 | | |
|----------------------------------|--|-------------------------------------|----------------|
| Gross carrying amount | Weighted- average loss rate | Loss allowance provision | |
| Not overdue | \$ 4,444,995 | 0.15% | 6,877 |
| Overdue 0-90 days | 855 | 15.09% | 129 |
| Overdue 91-180 days | 4,267 | 85.64% | 3,654 |
| Overdue 181-270 days | 9,971 | 76.73% | 7,650 |
| Overdue 271-365 days | 6,055 | 98.92% | 5,989 |
| Overdue over one year | 220,391 | 100% | 220,391 |
| | \$ 4,686,534 | | 244,690 |

(Continued)

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Notes to the Financial Statements

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

(ii) The movements in the allowance for impairment loss with respect to notes and accounts receivable in 2023 and 2022 were as follow:

| | 2023 | 2022 |
|--|-------------------|----------------|
| Balance on January 1 | \$ 305,845 | 101,293 |
| Impairment loss recognized (reversal gain) | (25,000) | 205,033 |
| Amounts written off | (36,155) | (481) |
| Balance on December 31 | \$ 244,690 | 305,845 |

(iii) As of December 31, 2023 and 2022, the Company did not provide any notes and accounts receivable as collateral for its loans.

(e) Other receivables

| | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Other receivables due from related parties | \$ 93,615 | 340,480 |
| Other receivables (recorded as other current financial assets) | 46,129 | 20,103 |
| | \$ 139,744 | 360,583 |

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

| | December 31, 2023 | |
|-----------------------|---|--|
| | Lifetime ECL- not credit- impaired | Lifetime ECL- credit-impaired |
| Not overdue | \$ 139,744 | - |
| Overdue | - | - |
| Gross carrying amount | 139,744 | - |
| Impairment losses | - | - |
| Carrying amount | \$ 139,744 | - |

(Continued)

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Notes to the Financial Statements

| | December 31, 2022 | |
|-----------------------|---|--|
| | Lifetime ECL- not credit- impaired | Lifetime ECL- credit-impaired |
| Not overdue | \$ 360,583 | 64,535 |
| Overdue | - | - |
| Gross carrying amount | 360,583 | 64,535 |
| Impairment losses | - | (64,535) |
| Carrying amount | \$ 360,583 | - |

The movements in the allowance for impairment loss with respect to other receivables in 2023 and 2022 were as follow:

| | 2023 | 2022 |
|---|-------------|---------------|
| Balance on January 1 | \$ 64,535 | 35,762 |
| Recognition of (reversal gain) impairment loss on other receivables | - | (3,829) |
| Amount written off | (64,535) | - |
| Write-off provisions | - | 32,602 |
| Balance on December 31 | \$ - | 64,535 |

As of December 31, 2023 and 2022, the Company did not provide any other receivables as collateral for its loans.

(f) Inventories

| | December 31, 2023 | December 31, 2022 |
|------------------|------------------------------|------------------------------|
| Raw materials | \$ 107,741 | 82,903 |
| Work in progress | 113,292 | 94,709 |
| Finished goods | 347,434 | 421,973 |
| | \$ 568,467 | 599,585 |

In 2023 and 2022, inventory cost recognized as cost of goods sold and expenses (excluding construction cost) recognized as cost of sales amounted to \$11,036,318 and \$12,101,493, respectively.

The write-down of the inventories to net realizable value amounted to \$32,193, which were recorded as cost of sales for 2022. The Company reversed its allowance for inventory valuation and obsolescence loss amounting to \$53,955 in 2023 and recorded them as a reduction of cost of sales, because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

As of December 31, 2023 and 2022, the Company did not provide any inventories as collateral for its loans.

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Notes to the Financial Statements

(g) Investments accounted for using equity method

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

| | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Subsidiaries | \$ 8,655,980 | 8,299,324 |
| Associates | 58,023 | 56,417 |
| | 8,714,003 | 8,355,741 |
| Recorded as other non-current liabilities, others: | | |
| Credit balance of investments in equity method | 115,010 | 541,167 |
| Total | \$ 8,829,013 | 8,896,908 |

(i) A summary of the Company's financial information for the share of profit of subsidiaries and associates for the years ended December 31, 2023 and 2022 were as follow:

| | December 31, 2023 | December 31, 2022 |
|--------------|------------------------------|------------------------------|
| Subsidiaries | \$ 137,915 | (379,346) |
| Associates | 1,631 | (2,249) |
| | \$ 139,546 | (381,595) |

(ii) Subsidiaries

- 1) Please refer to the consolidated financial statements for the year ended December 31, 2023.
- 2) The Company had invested its subsidiary, WOFI Leuchten GmbH, with cash injection of \$489,717 and \$368,794 in 2022 and 2020, respectively. The investment was recorded as investments accounted for using equity method, and the registration procedures of the cash injection had not been completed as of December 31, 2023.
- 3) On December 31, 2023 and 2022, the Company's long-term investment in WOFI Leuchten GmbH (WOFI), a subsidiary, generated a credit balance of \$573,934 and \$541,167, respectively. Since there was accounts receivable for WOFI on the Company's account, the credit balance of \$526,965 was recorded as a decrease in other receivables due from related parties. Please refer to note 7 for details. The remaining balance of \$46,969 and credit balance of \$541,167 on December 31, 2022, were recognized as other non-current liabilities, other (the credit balance of long-term investment).

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

- 4) On December 31, 2023, the Company's long-term investment in Everlight Americas, Inc. (ELA), a subsidiary, generated a credit balance of long-term investments amounting to \$83,722. Since there was accounts receivable for ELA on the Company's account, the credit balance of \$15,681 was recorded as a decrease in accounts receivable from related parties. Please refer to note 7 for details. The remaining balance of \$68,041 was recognized as other non-current liabilities, other (the credit balance of long-term investment).
- 5) Everlight Lighting Management Consulting (Shanghai) Co., Ltd, a subsidiary of the Company, had completed its liquidation process in June 2022, resulting in the Company to recognize a disposal gain of \$24,427, recorded as gains on disposals of investments.

(iii) Associates

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

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| The carrying amount of individually insignificant associates equity | \$ <u>58,023</u> | <u>56,417</u> |
| | 2023 | 2022 |
| Attributable to the Company: | | |
| Profit (loss) from continuing operations | \$ 1,631 | (2,249) |
| Other comprehensive income | <u>(25)</u> | <u>387</u> |
| | \$ <u>1,606</u> | <u>(1,862)</u> |

- 2) On December 31, 2023 and 2022, the Company's percentage of ownership in Tekcore are both 9.23%. Since the Company is still able to exercise significant influence over Tekcore's operations and financial policies, the long-term investment in Tekcore was accounted for using the equity method.

- (iv) For the years ended December 31, 2023 and 2022, the Company received cash dividend of \$112,359 and \$125,923, respectively.

(v) Pledges

As of December 31, 2023 and 2022, the Company did not provide any investment accounted for using the equity method as collaterals for its loans.

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(h) Joint operation

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

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

Disputes over the aforementioned joint operation projects had occurred. Please refer to note 9(c) for details. As of December 31, 2023 and 2022, the Company accumulatively recognized losses of \$317,471. In addition, the Company's subsidiary, Everlight Intelligence Technology Co., Ltd., recognized an allowance of \$50,347, for expected uncollectible receivables from joint operation project in 2022, and recorded its share of profits and losses of subsidiaries, affiliates and joint ventures recognized under the equity method.

(i) Property, plant and equipment

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

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Machinery and equipment</u> | <u>Modeling equipment</u> | <u>Office and other equipment</u> | <u>Constructions in progress and testing equipment</u> | <u>Total</u> |
|------------------------------|-------------------|-----------------------------------|--------------------------------|---------------------------|-----------------------------------|--|-------------------|
| Cost or deemed cost: | | | | | | | |
| Balance on January 1, 2023 | \$ 599,610 | 4,785,460 | 6,181,868 | 1,084,822 | 537,121 | 23,588 | 13,212,469 |
| Add: additions | - | 3,652 | 70,576 | 62,723 | 21,342 | 34,700 | 192,993 |
| Add: reclassification | - | - | 34,384 | 273 | - | (38,651) | (3,994) |
| Less: sales | - | - | (12,949) | (11,814) | - | - | (24,763) |
| Less: retirement | - | (10,614) | (51,943) | (16,791) | (11,238) | - | (90,586) |
| Balance on December 31, 2023 | <u>\$ 599,610</u> | <u>4,778,498</u> | <u>6,221,936</u> | <u>1,119,213</u> | <u>547,225</u> | <u>19,637</u> | <u>13,286,119</u> |
| Balance on January 1, 2022 | \$ 599,610 | 4,778,226 | 6,202,762 | 1,071,841 | 518,932 | 40,226 | 13,211,597 |
| Add: additions | - | 7,810 | 98,002 | 85,230 | 25,555 | 39,213 | 255,810 |
| Add: reclassification | - | 404 | 32,627 | 105 | 600 | (42,648) | (8,912) |
| Less: sales | - | - | (149,479) | (52,053) | - | (13,203) | (214,735) |
| Less: retirement | - | (980) | (2,044) | (20,301) | (7,966) | - | (31,291) |
| Balance on December 31, 2022 | <u>\$ 599,610</u> | <u>4,785,460</u> | <u>6,181,868</u> | <u>1,084,822</u> | <u>537,121</u> | <u>23,588</u> | <u>13,212,469</u> |

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EVERLIGHT ELECTRONICS CO., LTD.
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| | <u>Land</u> | <u>Buildings and construction</u> | <u>Machinery and equipment</u> | <u>Modeling equipment</u> | <u>Office and other equipment</u> | <u>Constructions in progress and testing equipment</u> | <u>Total</u> |
|---|-------------------|---|--|-------------------------------|---|--|------------------|
| Depreciation and impairments loss: | | | | | | | |
| Balance on January 1, 2023 | \$ - | 2,063,583 | 5,804,024 | 917,332 | 494,101 | - | 9,279,040 |
| Add: depreciation for the year | - | 121,797 | 178,265 | 74,143 | 19,592 | - | 393,797 |
| Less: sales | - | - | (10,840) | (3,533) | - | - | (14,373) |
| Less: retirement | - | (9,382) | (51,889) | (16,783) | (11,237) | - | (89,291) |
| Balance on December 31, 2023 | <u>\$ -</u> | <u>2,175,998</u> | <u>5,919,560</u> | <u>971,159</u> | <u>502,456</u> | <u>-</u> | <u>9,569,173</u> |
| Balance on January 1, 2022 | \$ - | 1,892,672 | 5,588,939 | 885,036 | 475,230 | - | 8,841,877 |
| Add: depreciation for the year | - | 171,612 | 289,698 | 80,110 | 26,807 | - | 568,227 |
| Less: sales | - | - | (72,574) | (27,518) | - | - | (100,092) |
| Less: retirement | - | (701) | (2,039) | (20,296) | (7,936) | - | (30,972) |
| Balance on December 31, 2022 | <u>\$ -</u> | <u>2,063,583</u> | <u>5,804,024</u> | <u>917,332</u> | <u>494,101</u> | <u>-</u> | <u>9,279,040</u> |
| Carrying amounts: | | | | | | | |
| Balance on December 31, 2023 | <u>\$ 599,610</u> | <u>2,602,500</u> | <u>302,376</u> | <u>148,054</u> | <u>44,769</u> | <u>19,637</u> | <u>3,716,946</u> |
| Balance on January 1, 2022 | <u>\$ 599,610</u> | <u>2,885,554</u> | <u>613,823</u> | <u>186,805</u> | <u>43,702</u> | <u>40,226</u> | <u>4,369,720</u> |
| Balance on December 31, 2022 | <u>\$ 599,610</u> | <u>2,721,877</u> | <u>377,844</u> | <u>167,490</u> | <u>43,020</u> | <u>23,588</u> | <u>3,933,429</u> |

- (i) There was no indication that the property and equipment may be impaired in 2022 and 2021.
- (ii) As of December 31, 2023 and 2022, the aforesaid property, plant and equipment were not pledged as collateral.

(j) Right-of-use assets

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

| | <u>Land</u> | <u>Vehicles equipment</u> | <u>Office and other equipment</u> | <u>Total</u> |
|------------------------------|-------------------|-------------------------------|---|----------------|
| Cost: | | | | |
| Balance on January 1, 2023 | \$ 269,658 | 8,128 | 449 | 278,235 |
| Acquisitions | - | - | 597 | 597 |
| Disposal and cancellation | (5,896) | (2,208) | - | (8,104) |
| Balance on December 31, 2023 | <u>\$ 263,762</u> | <u>5,920</u> | <u>1,046</u> | <u>270,728</u> |
| Balance on January 1, 2022 | \$ 250,112 | 5,384 | 449 | 255,945 |
| Acquisitions | 19,546 | 5,919 | - | 25,465 |
| Disposal and cancellation | - | (3,175) | - | (3,175) |
| Balance on December 31, 2022 | <u>\$ 269,658</u> | <u>8,128</u> | <u>449</u> | <u>278,235</u> |

(Continued)

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| | <u>Land</u> | <u>Vehicles equipment</u> | <u>Office and other equipment</u> | <u>Total</u> |
|---|-------------------|-------------------------------|---|----------------|
| Accumulated depreciation and impairment losses: | | | | |
| Balance on January 1, 2023 | \$ 28,183 | 3,435 | 300 | 31,918 |
| Depreciation for the year | 6,986 | 2,226 | 348 | 9,560 |
| Disposal and cancellation | <u>(5,794)</u> | <u>(2,208)</u> | <u>-</u> | <u>(8,002)</u> |
| Balance on December 31, 2023 | <u>\$ 29,375</u> | <u>3,453</u> | <u>648</u> | <u>33,476</u> |
| Balance on January 1, 2022 | \$ 20,651 | 3,603 | 150 | 24,404 |
| Depreciation for the year | 7,532 | 3,007 | 150 | 10,689 |
| Disposal and cancellation | <u>-</u> | <u>(3,175)</u> | <u>-</u> | <u>(3,175)</u> |
| Balance on December 31, 2022 | <u>\$ 28,183</u> | <u>3,435</u> | <u>300</u> | <u>31,918</u> |
| Carrying amount: | | | | |
| Balance on December 31, 2023 | <u>\$ 234,387</u> | <u>2,467</u> | <u>398</u> | <u>237,252</u> |
| Balance on January 1, 2022 | <u>\$ 229,461</u> | <u>1,781</u> | <u>299</u> | <u>231,541</u> |
| Balance on December 31, 2022 | <u>\$ 241,475</u> | <u>4,693</u> | <u>149</u> | <u>246,317</u> |

(k) Other current financial assets

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|------------------------------|------------------------------|
| Time deposits with maturities over three months | \$ 3,452,711 | 3,624,306 |
| Other receivables | <u>46,129</u> | <u>20,103</u> |
| | <u>\$ 3,498,840</u> | <u>3,644,409</u> |

(l) Short-term borrowings

The Company's short-term borrowings are summarized as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------|------------------------------|------------------------------|
| Unsecured bank loans | <u>\$ 250,000</u> | <u>-</u> |
| Unused short-term credit lines | <u>\$ 11,235,815</u> | <u>12,230,140</u> |
| Annual interest rates | <u>1.67%~1.78%</u> | <u>0.6%~2.96%</u> |

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

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

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

(m) Lease liabilities

The carrying amount of lease liabilities were as follows:

| | <u>December 31,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> |
|-------------|------------------------------------|------------------------------------|
| Current | \$ <u>6,864</u> | <u>7,793</u> |
| Non-current | \$ <u>239,025</u> | <u>245,488</u> |

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

The amounts recognized in profit or loss were as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-----------------|--------------|
| Interest on lease liabilities | \$ <u>4,262</u> | <u>4,346</u> |
| Variable lease payments not included in the measurement of lease liabilities | \$ <u>-</u> | <u>-</u> |
| Expenses relating to short-term leases | \$ <u>3,265</u> | <u>2,779</u> |
| Covid-19-related rent concessions (recognized in other income) | \$ <u>-</u> | <u>1,740</u> |

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

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|------------------|---------------|
| Total cash outflow for leases | \$ <u>15,414</u> | <u>14,322</u> |

(i) Real estate leases

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

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

(ii) Other leases

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

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

(Continued)

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

(n) Provisions

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

| | December 31, 2023 | December 31, 2022 |
|----------------------|------------------------------|------------------------------|
| Provisions - current | \$ 105,311 | 109,932 |

(ii) The movements in the provisions of the Company in 2023 and 2022 were as follows:

| | Provisions for onerous contract |
|---|--|
| Balance on January 1, 2023 | \$ 109,932 |
| Provisions reversed during the year | (4,621) |
| Balance on December 31, 2023 | \$ 105,311 |
| Balance on January 1, 2022 | \$ 129,829 |
| Provisions made during the year | 66,723 |
| Provisions reversed during the year | (2,404) |
| Offsetting allowance for other receivables | (32,602) |
| Provisions paid during the year | (53,912) |
| Effect of changes in foreign exchange rates | 2,298 |
| Balance on December 31, 2022 | \$ 109,932 |

(iii) The provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The mentioned above provisions for the onerous contract, including the amount of provisions estimated by Kazakh Joint Operation Project, as of December 31, 2023 and 2022, were both \$89,777.

(o) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value of the plan assets of the Company were as follows:

| | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ (136,879) | (123,419) |
| Fair value of plan assets | 78,169 | 74,846 |
| Net defined benefit obligations liabilities | \$ (58,710) | (48,573) |

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

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

1) Composition of plan assets

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

The labor pension reserve account balance of the Company with Bank of Taiwan amounted to \$80,668 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|------------------|
| Defined benefit obligation at January 1 | \$ (123,419) | (148,007) |
| Benefits paid by the plan | 8,405 | 10,301 |
| Current service costs and interest | (3,554) | (2,408) |
| Plan amendment in net defined benefit liabilities | (10,295) | - |
| Remeasurement in net defined benefit assets (liability) | <u>(8,016)</u> | <u>16,695</u> |
| Defined benefit obligation at December 31 | <u>\$ (136,879)</u> | <u>(123,419)</u> |

3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company were as follows:

| | <u>2023</u> | <u>2022</u> |
|--|------------------|---------------|
| Fair value of plan assets at January 1 | \$ 74,846 | 58,257 |
| Contributions made | 10,084 | 21,917 |
| Benefits paid from the plan assets | (8,405) | (10,301) |
| Expected return on plan assets | 1,308 | 443 |
| Remeasurement in net defined benefit liability | <u>336</u> | <u>4,530</u> |
| Fair value of plan assets at December 31 | <u>\$ 78,169</u> | <u>74,846</u> |
| Actual return on plan assets | <u>\$ 1,644</u> | <u>4,973</u> |

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company in 2023 and 2022 were as follows:

| | 2023 | 2022 |
|---|------------------|--------------|
| Service cost | \$ 1,415 | 1,301 |
| Plan amendment in net defined benefit liabilities | 10,295 | - |
| Interest cost | 2,139 | 1,107 |
| Expected return on plan assets | (1,308) | (443) |
| | \$ 12,541 | 1,965 |

5) Actuarial assumptions

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

| | December 31, 2023 | December 31, 2022 |
|-------------------------------|------------------------------|------------------------------|
| Discount rate | 1.625 % | 1.750 % |
| Future salary increasing rate | 3.500 % | 3.500 % |

The expected allocation payment made by the Company to the defined benefit plans for the one-year period after the reporting date was \$10,168.

The weighted-average duration of the defined benefit obligation of the Company is 14.69 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

| | Influences of defined benefit liabilities | |
|-------------------------------|--|------------------------|
| | Increased 0.25% | Decreased 0.25% |
| December 31, 2023 | | |
| Discount rate | \$ (4,371) | 4,555 |
| Future salary increasing rate | 4,393 | (4,238) |
| December 31, 2022 | | |
| Discount rate | (3,951) | 4,129 |
| Future salary increasing rate | 3,986 | (3,837) |

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for both periods.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. They also make payments for life insurance based on the Company policy. Under this defined contribution plan, the Company allocates a fixed rate of salaries to the Bureau of the Labor Insurance and insurance company without additional legal or constructive obligations.

The pension costs under the defined contribution method of the Company for the years ended December 31, 2023 and 2022 amounted to \$41,640 and \$40,617, respectively. The pension costs have been allocated to the Bureau of the Labor Insurance and provision of life insurance account.

(p) Income taxes

(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2023 and 2022 was as follows:

| | 2023 | 2022 |
|---|-------------------|------------------|
| Current tax expense | | |
| Recognized during the period | \$ 294,529 | 436,518 |
| Adjustment for prior periods | (19,013) | (9,370) |
| Surtax on unappropriated earnings | 4,932 | 1,546 |
| | 280,448 | 428,694 |
| Deferred tax expense (income) | | |
| Recognition and reversal of temporary differences | 15,152 | (102,457) |
| | 15,152 | (102,457) |
| Income tax expense | \$ 295,600 | 326,237 |

(Continued)

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

- 2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2023 and 2022 was as follows:

| | 2023 | 2022 |
|--|-------------------|----------------|
| Items that may not be reclassified subsequently to profit or loss: | | |
| Remeasurements from defined benefit plans | \$ <u>(1,536)</u> | <u>4,245</u> |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translating foreign operations | \$ <u>(3,484)</u> | <u>(5,969)</u> |

- 3) Reconciliation of income tax and profit before tax for the years ended December 31, 2023 and 2022 was as follows:

| | 2023 | 2022 |
|---|---------------------|------------------|
| Profit before income tax | \$ <u>1,767,737</u> | <u>1,557,073</u> |
| Income tax using the Company's domestic tax rate | \$ 353,547 | 311,414 |
| Non-deductible expenses | - | 9,303 |
| Tax exemption of investment disposal income | (805) | (2,721) |
| Investment tax credits | (26,258) | (19,195) |
| Surtax on unappropriated earnings | 4,932 | 1,546 |
| Realized investment loss | - | (23,192) |
| Net gains or losses on domestic investments | (21,965) | (23,426) |
| Changes in unrecognized deferred tax assets and liabilities | 4,219 | 63,755 |
| Adjustment for prior periods and others | <u>(18,070)</u> | <u>8,753</u> |
| | <u>\$ 295,600</u> | <u>326,237</u> |

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets and liabilities

The Company is able to control the timing of the reversal of the part of temporary differences associated with investments in subsidiaries as of December 31, 2023 and 2022. Also, the management of the Company considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Furthermore, deferred tax assets are not recognized when the Company has considered that the future taxable profit will not be available against which the unused tax credits and deductible temporary differences can be utilized.

(Continued)

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

Details of unrecognized deferred tax assets were as follow:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------|------------------------------|------------------------------|
| Deductible temporary differences | \$ <u>97,778</u> | <u>70,155</u> |

Details of unrecognized deferred tax liabilities were as follow:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|------------------------------|------------------------------|
| Temporary differences related to investments in subsidiaries | \$ <u>602,355</u> | <u>578,951</u> |

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

| | <u>Defined benefit Plans</u> | <u>Investment loss accounted for using equity method</u> | <u>Loss for market price decline and obsolete inventories</u> | <u>Others</u> | <u>Total</u> |
|--|--------------------------------------|--|---|----------------|----------------|
| Deferred tax assets: | | | | | |
| Balance on January 1, 2023 | \$ 9,777 | 413,880 | 39,212 | 130,117 | 592,986 |
| Recognized in profit or loss | 491 | 241 | (10,791) | (3,857) | (13,916) |
| Recognized in other comprehensive income | 1,536 | - | - | 3,484 | 5,020 |
| Balance on December 31, 2023 | \$ <u>11,804</u> | <u>414,121</u> | <u>28,421</u> | <u>129,744</u> | <u>584,090</u> |
| Balance on January 1, 2022 | \$ 21,222 | 305,551 | 45,216 | 117,888 | 489,877 |
| Recognized in profit or loss | (7,200) | 108,329 | (6,004) | 6,260 | 101,385 |
| Recognized in other comprehensive income | (4,245) | - | - | 5,969 | 1,724 |
| Balance on December 31, 2022 | \$ <u>9,777</u> | <u>413,880</u> | <u>39,212</u> | <u>130,117</u> | <u>592,986</u> |
| | | | <u>Difference between book and tax depreciation</u> | <u>Others</u> | <u>Total</u> |
| Deferred tax liabilities: | | | | | |
| Balance on January 1, 2023 | | \$ - | | 67,299 | 67,299 |
| Recognized in profit or loss | | - | | 1,236 | 1,236 |
| Balance on December 31, 2023 | | \$ <u>-</u> | | <u>68,535</u> | <u>68,535</u> |
| Balance on January 1, 2022 | | \$ (1,871) | | 70,242 | 68,371 |
| Recognized in profit or loss | | 1,871 | | (2,943) | (1,072) |
| Balance on December 31, 2022 | | \$ <u>-</u> | | <u>67,299</u> | <u>67,299</u> |

(Continued)

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

3) Uncertain tax treatment

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

4) Assessment of tax

The tax authorities have examined the Company's income tax returns through 2021.

(q) Capital and other equities

As of December 31, 2023 and 2022, the authorized common stocks amounted to \$10,000,000 (of which \$400,000 were reserved for the exercising of employee share options); face value of each share is \$10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,393 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Capital surplus

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

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| Additional paid-in capital | \$ 7,817,145 | 7,817,145 |
| Difference between consideration and carrying amount of subsidiaries disposed | 74,117 | 69,273 |
| Changes in equity of associates accounted for using equity method | 10,935 | 14,884 |
| Treasury stock resulting from the redemption of convertible bonds | 1,071,632 | 1,071,632 |
| Share-based payment – employee stock options | 119,974 | 119,974 |
| Others | <u>1,463</u> | <u>1,260</u> |
| | <u>\$ 9,095,266</u> | <u>9,094,168</u> |

In accordance with the ROC Company Act, realized capital reserves can only be capitalized and distributed as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

The Company's Board of Directors resolved to distribute cash of \$266,036 (respectively 0.6 New Taiwan dollars per share), by using capital surplus on March 13, 2024. The related information can be accessed through the Market Observation Post System Website.

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(ii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), the unrealized land revaluation increment and foreign currency translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. According to the regulations, the retained earnings increased by \$283,890 on the adoption date. In accordance with the requirements issued by the FSC, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as special reserve, and when the relevant assets were used, disposed of, or reclassified, this special reserve shall be reserved as distributable earnings proportionately. As of December 31, 2023 and 2022, the carrying amount of special reserve amounted to \$283,890 in both years.

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

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

3) Earnings distribution

Based on a resolution of the annual shareholder's meeting held on June 16, 2023 and June 17, 2022, the appropriations of dividends from the earnings distribution for 2022 and 2021 were as follows:

| | 2022 | | 2021 | |
|---|----------------------------------|------------------|----------------------------------|------------------|
| | Amount per share (dollars) | Total amount | Amount per share (dollars) | Total amount |
| Dividends distributed to common shareholders: | | | | |
| Cash | \$ <u>2.50</u> | <u>1,108,483</u> | <u>3.50</u> | <u>1,551,876</u> |

On March 13, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings. These earnings were appropriated as follows:

| | 2023 | |
|---|----------------------------------|------------------|
| | Amount per share (dollars) | Total amount |
| Dividends distributed to ordinary shareholders: | | |
| Cash | \$ <u>2.60</u> | <u>1,152,822</u> |

(iii) 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, 2023 | \$ (664,490) | (12,869) | (677,359) |
| Foreign exchange differences (net of taxes): | | | |
| The Company | (13,937) | - | (13,937) |
| Subsidiaries | (180,459) | - | (180,459) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | | | |
| The Company | - | 43,772 | 43,772 |
| Subsidiaries | - | (14,860) | (14,860) |
| Balance on December 31, 2023 | <u>\$ (858,886)</u> | <u>16,043</u> | <u>(842,843)</u> |

(Continued)

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

| | 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, 2022 | \$ (863,832) | - | (863,832) |
| Foreign exchange differences: | | | |
| The Company | 3,016 | - | 3,016 |
| Subsidiaries | 223,220 | - | 223,220 |
| Disposal of other equity in foreign operations reclassified to profit or loss | (26,894) | - | (26,894) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income: | | | |
| The Company | - | - | - |
| Subsidiaries | - | (12,869) | (12,869) |
| Balance on December 31, 2022 | \$ (664,490) | (12,869) | (677,359) |

(r) Earnings per share

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

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|------------------|
| Basic earnings per share: | | |
| Profit attributable to ordinary shareholders of the Company | <u>\$ 1,472,137</u> | <u>1,230,836</u> |
| Weighted-average number of outstanding ordinary shares (thousands) | <u>443,393</u> | <u>443,393</u> |
| Diluted earnings per share: | | |
| Profit attributable to ordinary shareholders of the Company (basic) (equal to profit attributable to ordinary shareholders of the Company (diluted)) | <u>\$ 1,472,137</u> | <u>1,230,836</u> |
| Weighted-average number of outstanding ordinary shares (thousands) (basic) | 443,393 | 443,393 |
| Dilutive effect of potential ordinary shares: | | |
| Employee stock bonus | <u>4,005</u> | <u>4,317</u> |
| Weighted-average number of outstanding ordinary shares (thousands) (diluted) | <u>447,398</u> | <u>447,710</u> |

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

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

| | | 2023 | | | |
|-------------------------------|-----------|-------------------|---------------------|---------------|-------------------|
| | | LED | Illumination | Others | Total |
| Primary geographical markets: | | | | | |
| Asia | \$ | 12,945,973 | 255,640 | 6,746 | 13,208,359 |
| Europe | | 1,165,829 | 41,762 | - | 1,207,591 |
| Others | | 435,879 | - | - | 435,879 |
| | \$ | 14,547,681 | 297,402 | 6,746 | 14,851,829 |
| Major products | | | | | |
| Construction revenue | \$ | - | 200,483 | - | 200,483 |
| Sales revenue | | 14,547,681 | 96,919 | 6,746 | 14,651,346 |
| | \$ | 14,547,681 | 297,402 | 6,746 | 14,851,829 |
| | | 2022 | | | |
| | | LED | Illumination | Others | Total |
| Primary geographical markets: | | | | | |
| Asia | \$ | 14,260,767 | 305,435 | 3,781 | 14,569,983 |
| Europe | | 1,353,452 | 64,731 | - | 1,418,183 |
| Others | | 575,469 | - | - | 575,469 |
| | \$ | 16,189,688 | 370,166 | 3,781 | 16,563,635 |
| Major products | | | | | |
| Construction revenue | \$ | - | 306,928 | - | 306,928 |
| Sales revenue | | 16,189,688 | 63,238 | 3,781 | 16,256,707 |
| | \$ | 16,189,688 | 370,166 | 3,781 | 16,563,635 |

(ii) Contract balance

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|--------------------------------------|------------------------------|------------------------------|----------------------------|
| Notes receivable | \$ 529 | 536 | 1,534 |
| Accounts receivables | 4,686,005 | 4,926,750 | 6,863,794 |
| Less: allowance for impairment | (244,690) | (305,845) | (101,293) |
| | \$ 4,441,844 | 4,621,441 | 6,764,035 |
| Contract assets-illumination | \$ 145,408 | 63,583 | 39,191 |
| Less: allowance for impairment | (6,910) | (6,910) | - |
| | \$ 138,498 | 56,673 | 39,191 |
| Contract liabilities-illumination | \$ 48 | 1,733 | - |
| Contract liabilities-advance receipt | 40,820 | 2,688 | 51,939 |
| | \$ 40,868 | 4,421 | 51,939 |

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the periods were \$3,035 and \$47,518, 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.

(t) Remuneration of employees and directors

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

The remuneration to employees amounted to \$189,637 and \$146,864, and the remuneration to directors amounted to \$19,771 and \$17,211, in 2023 and 2022, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees and directors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These remunerations are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting. The amounts, as stated in the financial statements are identical to those of the actual distributions for 2023 and 2022.

(u) Non-operating income and expenses

The interest income and finance costs in 2023 and 2022 were as follows:

(i) Interest income

| | 2023 | 2022 |
|-----------------------|------------------|---------------|
| Cash in banks | \$ 85,749 | 56,261 |
| Loans and receivables | - | 861 |
| Others | 4,700 | 264 |
| | \$ 90,449 | 57,386 |

(ii) Finance costs – interest expenses

| | 2023 | 2022 |
|-------------------|-----------------|---------------|
| Loans | \$ 1,401 | 25,787 |
| Lease liabilities | 4,262 | 4,346 |
| Other | 21 | - |
| | \$ 5,684 | 30,133 |

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

(v) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Credit risk of receivables

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

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

(ii) Liquidity Risk

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

| | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|---|----------------------------|-----------------------------------|--------------------------|--------------------|-------------------------|
| December 31, 2023 | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Short-term borrowings | \$ 250,000 | (250,360) | (250,360) | - | - |
| Notes and accounts payable (including related parties) | 4,144,311 | (4,144,311) | (4,144,311) | - | - |
| Payable on construction and equipment | 77,038 | (77,038) | (77,038) | - | - |
| Lease liabilities (including current and non-current) | 245,889 | (333,525) | (11,010) | (9,315) | (313,200) |
| Other payables to related parties | 152,737 | (152,737) | (152,737) | - | - |
| Other payables (recorded as other current liabilities) | 911,343 | (911,343) | (911,343) | - | - |
| Guaranteed deposits received | 145,560 | (145,560) | - | - | (145,560) |
| Derivative financial liabilities: | | | | | |
| Forward exchange contracts not used for hedging: | 2,583 | | | | |
| Outflow | - | (197,208) | (197,208) | - | - |
| Inflow | - | 194,813 | 194,813 | - | - |
| | <u>\$ 5,929,461</u> | <u>(6,017,269)</u> | <u>(5,549,194)</u> | <u>(9,315)</u> | <u>(458,760)</u> |

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

| | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|---|----------------------------|-----------------------------------|--------------------------|--------------------|-------------------------|
| December 31, 2022 | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Notes and accounts payable (including related parties) | \$ 4,055,696 | (4,055,696) | (4,055,696) | - | - |
| Payable on construction and equipment | 124,818 | (124,818) | (124,818) | - | - |
| Lease liabilities (including current and non-current) | 253,281 | (345,164) | (12,047) | (10,806) | (322,311) |
| Other payables to related parties | 179,666 | (179,666) | (179,666) | - | - |
| Other payables (recorded as other current liabilities) | 897,682 | (897,682) | (897,682) | - | - |
| Guaranteed deposits received | 164,621 | (164,621) | - | - | (164,621) |
| Derivative financial liabilities: | | | | | |
| Forward exchange contracts not used for hedging: | 8,212 | | | | |
| Outflow | - | (747,111) | (747,111) | - | - |
| Inflow | - | 734,447 | 734,447 | - | - |
| | <u>\$ 5,683,976</u> | <u>(5,780,311)</u> | <u>(5,282,573)</u> | <u>(10,806)</u> | <u>(486,932)</u> |

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant financial assets and liabilities exposure to foreign currency risk was as follow:

| | <u>December 31, 2023</u> | | | <u>December 31, 2022</u> | | |
|-----------------------|--|--------------------------|------------|--|--------------------------|------------|
| | <u>Foreign currency (in thousands)</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency (in thousands)</u> | <u>Exchange rate</u> | <u>TWD</u> |
| | Financial assets | | | | | |
| Monetary items | | | | | | |
| USD | \$ 113,151 | USD/TWD =30.735 | 3,477,696 | 116,556 | USD/TWD =30.7080 | 3,579,202 |
| RMB | 371,588 | RMB/TWD =4.3305 | 1,609,162 | 344,909 | RMB/TWD =4.4526 | 1,535,742 |
| HKD | 301,590 | HKD/TWD =3.9356 | 1,186,938 | 328,585 | HKD/TWD =3.9351 | 1,293,015 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 14,815 | USD/TWD =30.735 | 455,339 | 14,999 | USD/TWD =30.7080 | 460,589 |
| RMB | 753,554 | RMB/TWD =4.3305 | 3,263,266 | 749,268 | RMB/TWD =4.4526 | 3,336,191 |

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk of monetary items arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of each major foreign currency against the Company's functional currency as of December 31, 2023 and 2022 would have increased (decreased) the profit before tax by \$170,058 and \$147,754 for the years ended December 31, 2023 and 2022, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2023 and 2022, the foreign exchange gains or losses, including both realized and unrealized, amounted to gains of \$115,243 and gains of \$348,429, respectively.

(iv) Interest rate analysis

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

| | Carrying amount | |
|----------------------------|------------------------------|------------------------------|
| | December 31, 2023 | December 31, 2022 |
| Variable rate instruments: | | |
| Financial assets | \$ 909,665 | 867,471 |

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

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax for the years ended December 31, 2023 and 2022, were as following, which would be mainly resulted from cash in banks with variable interest rates.

| | 2023 | 2022 |
|-------------------|-------------|-------------|
| Increase by 0.25% | \$ 2,274 | 2,169 |
| Decrease by 0.25% | (2,274) | (2,169) |

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(v) Fair value

1) Procedure of valuation

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

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

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

2) The kinds of financial instruments and fair value

The fair value of the Company's financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and financial assets at fair value through other comprehensive income are measured on a recurring basis. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value, and lease liabilities, disclosure of fair value information is not required.

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

| | December 31, 2023 | | | | |
|---|-----------------------------|------------|---------|---------|---------|
| | Book value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss: | | | | | |
| Derivative financial assets | \$ 25,354 | - | 25,354 | - | 25,354 |
| Non derivative financial assets mandatorily measured at fair value through profit or loss | <u>198,948</u> | 198,948 | - | - | 198,948 |
| | <u>224,302</u> | | | | |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Foreign and domestic corporate bonds | <u>816,749</u> | 816,749 | - | - | 816,749 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 1,830,971 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 4,009,291 | - | - | - | - |
| Other receivables due from related parties | 93,615 | - | - | - | - |
| Other current financial assets | 3,498,840 | - | - | - | - |
| Other non-current financial assets | 625,160 | - | - | - | - |
| Refundable deposits (recorded as other non-current assets) | <u>56,931</u> | - | - | - | - |
| | <u>10,114,808</u> | - | - | - | - |
| | <u>\$ 11,155,859</u> | | | | |
| Financial liabilities at fair value through profit or loss: | | | | | |
| Derivative financial liabilities (recorded as other current liabilities) | <u>\$ 2,583</u> | - | 2,583 | - | 2,583 |
| Financial liabilities measured at amortized cost: | | | | | |
| Short-term borrowings | 250,000 | - | - | - | - |
| Notes and accounts payable (including related parties) | 4,144,311 | - | - | - | - |
| Payable on construction and equipment | 77,038 | - | - | - | - |
| Lease liabilities | 245,889 | - | - | - | - |
| Other payables to related parties | 152,737 | - | - | - | - |
| Other payables (recorded as other current liabilities) | 911,343 | - | - | - | - |
| Guaranteed deposits received (recorded as other non-current liabilities, others) | <u>145,560</u> | - | - | - | - |
| | <u>5,926,878</u> | - | - | - | - |
| | <u>\$ 5,929,461</u> | | | | |

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

| | December 31, 2022 | | | | |
|---|-----------------------------|------------|---------|---------|---------|
| | Book value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss: | | | | | |
| Derivative financial assets | \$ 28,557 | - | 28,557 | - | 28,557 |
| Non derivative financial assets mandatorily measured at fair value through profit or loss | <u>171,709</u> | 171,709 | - | - | 171,709 |
| | <u>200,266</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 1,896,412 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 4,159,452 | - | - | - | - |
| Other receivables due from related parties | 340,480 | - | - | - | - |
| Other current financial assets | 3,644,409 | - | - | - | - |
| Other non-current financial assets | 685,163 | - | - | - | - |
| Refundable deposits (recorded as other non-current assets) | <u>65,640</u> | - | - | - | - |
| | <u>10,791,556</u> | - | - | - | - |
| | <u>\$ 10,991,822</u> | | | | |
| Financial liabilities at fair value through profit or loss: | | | | | |
| Derivative financial liabilities (recorded as other current liabilities) | <u>\$ 8,212</u> | - | 8,212 | - | 8,212 |
| Financial liabilities measured at amortized cost: | | | | | |
| Notes and accounts payable (including related parties) | 4,055,696 | - | - | - | - |
| Payable on construction and equipment | 124,818 | - | - | - | - |
| Lease liabilities | 253,281 | - | - | - | - |
| Other payables to related parties | 179,666 | - | - | - | - |
| Other payables (recorded as other current liabilities) | 897,682 | - | - | - | - |
| Guaranteed deposits received (recorded as other non-current liabilities, others) | <u>164,621</u> | - | - | - | - |
| | <u>5,675,764</u> | - | - | - | - |
| | <u>\$ 5,683,976</u> | | | | |

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

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

- 4) Fair value valuation technique of financial instruments measured at fair value

- a) The fair value of financial assets and liabilities traded in active markets, including listed stocks, fund beneficiary certificates, emerging stocks and listed convertible bonds, etc., is based on quoted market prices.

- b) The fair value of unlisted shares without an active market is assessed by using the net asset value per share approach, P/E ratio approach, and P/B ratio approach.

- c) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated by adapting a valuation technique using the estimates and hypothesis referred from those used by financial instruments, or the binomial options pricing model which is generally accepted by the market participants.

- d) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

- 5) There was no transfers from one level to another of the Company in 2023 and 2022.

(w) Financial risk management

(i) Briefings

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

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

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

(ii) Structure of risk management

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

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and bank references in some cases. Credit limits that are established for each customer are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Company's customers are from many different industries. The Company does not concentrate on a specific customer, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. In order to mitigate account receivable credit risk, the Company constantly assesses the financial status of the customers.

The Company set the allowance for bad debt account to reflect the estimated losses for accounts receivables, other receivables, and investments. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is recognized based on historical collection records of similar financial assets.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and contractually obligated counterparties are banks, investment grade above financial institutions, and corporate organizations with good credit standing, there are no compliance issues, and therefore, there is no significant credit risk.

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

3) Guarantees

The Company's policy to provide financial guarantees is only permissible to subsidiaries. Please refer to note 13(a) for information of guarantees and endorsements to subsidiaries as of December 31, 2023 and 2022.

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note 6(l) for the unused credit lines of short-term and long-term loans as of December 31, 2023 and 2022.

(v) Market risk

Market risk is the risk that will affect the Company's income or the value of its financial instruments arising from the changes in market prices, such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies. The currencies used in these transactions are denominated in TWD, HKD, EUR, USD, and RMB.

The Company hedges accounts receivable denominated in a foreign currency. The Company uses forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date.

2) Interest rate risk

The Company borrows funds on fixed and floating interest rate; and the Company bears the cash flow risks related to floating rate loans.

3) Other market value risk

The Company is exposed to equity price risk arising from listed stock investments. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments. The material investments of investment portfolio are managed individually and their purchase decision must be approved by the finance department.

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

(x) Capital management

The Company maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there are financial resources and operating plans to support working capital, capital expenditures, research and development expenses, debt redemptions and dividend payments, and so on. The management decides the optimized capital by using appropriate debt-to-equity ratio, interest-bearing liabilities-to-equity ratio or other financial ratios. To maintain a strong capital base, the Company enhances the return on equity by optimizing debt-to-equity ratio. The Company's debt-to-equity ratio at the end of the reporting date was as follows:

| | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Total liabilities | \$ 6,861,561 | 7,155,361 |
| Total equity | 18,550,980 | 18,357,582 |
| Interest-bearing liabilities | 250,000 | - |
| Debt-to-equity ratio | 37 % | 39 % |
| Interest-bearing liabilities to equity ratio | 1 % | - |

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

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2023 and 2022, were acquisition of right-of-use assets by lease; please refer to note 6(j).

Reconciliations of liabilities arising from financing activities were as follows:

| | January 1, 2023 | Cash flows | Non-cash changes | | December 31, 2023 |
|---|----------------------------|-----------------------|-------------------------|---------------------|------------------------------|
| | | | Acquisition | Other | |
| Short-term borrowings | \$ - | 250,000 | - | - | 250,000 |
| Other payables to related parties | 179,666 | (26,929) | - | - | 152,737 |
| Lease liabilities | 253,281 | (7,887) | 597 | (102) | 245,889 |
| Guaranteed deposits received | 164,621 | (19,061) | - | - | 145,560 |
| Total liabilities from financing activities | <u>\$ 597,568</u> | <u>196,123</u> | <u>597</u> | <u>(102)</u> | <u>794,186</u> |

| | January 1, 2022 | Cash flows | Non-cash changes | | December 31, 2022 |
|---|----------------------------|---------------------------|-------------------------|--|------------------------------|
| | | | Acquisition | Foreign exchange movement | |
| Short-term borrowings | \$ 1,079,910 | (1,079,910) | - | - | - |
| Long-term borrowings | 93,451 | (97,117) | - | 3,666 | - |
| Other payables to related parties | 178,389 | 1,277 | - | - | 179,666 |
| Lease liabilities | 236,753 | (8,937) | 25,465 | - | 253,281 |
| Guaranteed deposits received | 117,887 | 46,734 | - | - | 164,621 |
| Total liabilities from financing activities | <u>\$ 1,706,390</u> | <u>(1,137,953)</u> | <u>25,465</u> | <u>3,666</u> | <u>597,568</u> |

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

(7) Related-party transactions

(a) Names and relationship with related parties

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

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|---|--------------------------------------|
| Pai-ye Investment Co., Ltd. (Pai-ye) | The Company's subsidiary |
| Everlight(BVI) Co., Ltd. (Everlight BVI) | The Company's subsidiary |
| Everlight Electronics (Europe) GmbH (Everlight Europe) | The Company's subsidiary |
| Everlight Americas, Inc. (ELA) | The Company's subsidiary |
| Everlight Optoelectronics Korea Co., Ltd. (ELK) | The Company's subsidiary |
| Forever Investment Co., Ltd. (Forever) | The Company's subsidiary |
| Everlight Intelligence Technology Co., Ltd. (ELIT) | The Company's subsidiary |
| Wofi Leuchten GmbH (WOFI Holding) | The Company's subsidiary |
| Everlight Electronic India Private Limited (ELI) | The Company's subsidiary |
| Evlite Electronics Co., Ltd. (Evlite) | The Company's subsidiary |
| Everlight Electronics Singapore Pte. Ltd. (ELS) | The Company's subsidiary |
| Everlight Japan Corporation (ELJ) | The Company's subsidiary |
| Evervision Electronics Co., Ltd. (Evervision TW) | The Company's subsidiary |
| Everlight Optoelectronics (M) SDN.BHD. (Everlight Malaysia) | The Company's subsidiary |
| Everlight Electronics (China) Co., Ltd. (Everlight China) | The Company's subsidiary |
| Everlight Lighting (China) Co., Ltd. (Everlight Lighting China) | The Company's subsidiary |
| Everlight Electronics (Guangzhou) Co., Ltd. (Everlight Electronics (Guangzhou)) | The Company's subsidiary |
| Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan) | The Company's subsidiary |
| Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian) | The Company's subsidiary (Note 1) |
| Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting) | The Company's subsidiary |
| Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS) | The Company's subsidiary (Note 2) |
| Everlight Intelligence Technology KZ LLP (ELIT KZ) | The Company's subsidiary |
| WOFI Leuchten Wortmann & Filz GmbH (WOFI W&F GmbH) | The Company's subsidiary (Note 3) |
| Euro Technics Trade GmbH (ETT) | The Company's subsidiary (Note 4) |
| WOFI Technics Trade Limited (WTT) | The Company's subsidiary |

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

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|--|--------------------------------------|
| Action GmbH (Action) | The Company's subsidiary (Note 4) |
| WOFI Verkaufsgesellschaft mbH (WOFI VG) | The Company's subsidiary (Note 4) |
| Lamp For Less GmbH (LFL) | The Company's subsidiary (Note 4) |
| Evervision Electronics (B.V.I.) Limited (Evervision BVI) | The Company's subsidiary |
| VBest GmbH (VBest) | The Company's subsidiary |
| VBest Electronics (Kunshan) Ltd. (VBest Kunshan) | The Company's subsidiary |
| Evervision Electronics (H.K.) Limited (Evervision HK) | The Company's subsidiary |
| Tekcore Co. Ltd (Tekcore) | The Company's associate |
| Anhui Hongming Technology Co., Ltd. (Anhui Hongming) | Everlight China's associate |
| LeadTech Electronics Inc. (LeadTech) | Evervision TW's associate |

Note 1: The liquidation procedure of Everlight Fujian was completed in May 2022.

Note 2: The liquidation procedure of ELMS was completed in June 2022.

Note 3: WOFI W&F GmbH was declared bankruptcy by German district court in April 2023.

Note 4: ELT, Action, WOFI VG and LFL were declared bankruptcy by German district court in May 2023.

(b) Significant related party transactions

(i) Sales

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

| | <u>2023</u> | <u>2022</u> |
|--------------|---------------------|------------------|
| Subsidiaries | \$ 2,444,896 | 3,143,945 |
| Associates | <u>221,026</u> | <u>84,995</u> |
| | <u>\$ 2,665,922</u> | <u>3,228,940</u> |

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

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

(ii) Purchase

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

| | <u>2023</u> | <u>2022</u> |
|-----------------|---------------------|------------------|
| Subsidiaries: | | |
| Everlight China | \$ 7,025,954 | 7,905,712 |
| Others | <u>639,510</u> | <u>536,411</u> |
| | <u>7,665,464</u> | <u>8,442,123</u> |
| Associates | <u>212,584</u> | <u>168,977</u> |
| | <u>\$ 7,878,048</u> | <u>8,611,100</u> |

The Company purchases finished products and semi-finished products directly from Everlight China and Everlight Zhongshan. The amounts of purchase from triangular trade included the amounts of the Company's sales of raw materials and semi-finished products, which amounting to \$246,848 and \$388,799 in 2023 and 2022, respectively. The aforementioned amounts had been eliminated in the financial statements, and were not regarded as sales and purchase transactions. Purchase prices from Everlight China, Everlight Zhongshan and Tekcore are not comparable to other general trading price. There are no significant differences in purchase prices between other related parties and third-party suppliers. The payment terms for Everlight China and Everlight Zhongshan were both OA 120 days. The payment terms for other related parties and third-party suppliers were OA 90 to 150 days.

(iii) Accounts receivable from related parties

The accounts receivable due from related parties were as follows:

| <u>Related party categories</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|------------------------------|------------------------------|
| Subsidiaries | | |
| Everlight Lighting China | \$ 108,064 | 98,790 |
| Evlite | 252,172 | 304,513 |
| Everlight Europe | 211,431 | 193,433 |
| ELA | 15,681 | 135,770 |
| Others | 25,348 | 36,074 |
| Less: Credit balance of investments in equity method | <u>(15,681)</u> | <u>-</u> |
| | 597,015 | 768,580 |
| Associates | <u>78,277</u> | <u>43,326</u> |
| | <u>\$ 675,292</u> | <u>811,906</u> |

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

(iv) Accounts payables to related parties

The accounts payable to related parties were as follows:

| <u>Related party categories</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------|------------------------------|------------------------------|
| Subsidiaries | | |
| Everlight China | \$ 2,764,583 | 2,800,065 |
| Everlight Zhongshan | 172,502 | 120,841 |
| Others | <u>100,211</u> | <u>100,196</u> |
| | <u>3,037,296</u> | <u>3,081,102</u> |
| Associates | <u>105,397</u> | <u>80,384</u> |
| | <u>\$ 3,142,693</u> | <u>3,161,486</u> |

(v) Property transaction

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

| <u>Related parties Categories</u> | <u>2023</u> | | <u>2022</u> | |
|-----------------------------------|-------------------------|------------------------------------|-----------------------|------------------------------------|
| | <u>Sale price</u> | <u>Net gain (loss) on sale</u> | <u>Sale price</u> | <u>Net gain (loss) on sale</u> |
| Subsidiaries: | | | | |
| Everlight China | \$ 8,685 | 448 | 224,618 | 11,967 |
| Everlight Zhongshan | 1,865 | 15 | 984 | 64 |
| Evervision Taiwan | <u>1,670</u> | <u>1,427</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 12,220</u> | <u>1,890</u> | <u>225,602</u> | <u>12,031</u> |

The aforementioned sale price included the amounts that the Company purchasing fixed assets on behalf of related parties, which amounted to \$161 and \$111,298 in 2023 and 2022, respectively.

(vi) Commissions expenses

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

| <u>Related parties Categories</u> | <u>2023</u> | <u>2022</u> |
|-----------------------------------|--------------------------|-----------------------|
| Subsidiaries: | | |
| Everlight Lighting China | \$ 107,887 | 73,397 |
| Evlite | 41,832 | 50,311 |
| ELK | 68,263 | 80,452 |
| ELA | 57,317 | 93,333 |
| ELJ | 35,822 | 40,876 |
| Others | <u>69,086</u> | <u>95,093</u> |
| | <u>\$ 380,207</u> | <u>433,462</u> |

(Continued)

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

(vii) Services expenses

ELIT were commissioned to manage projects and to implement warranty services by the Company. The services expenses due to these services amounted to \$16,916 and \$9,852 in 2023 and 2022, respectively.

(viii) Loans to other parties

In order to support the operational funding demands of subsidiaries, the Company signed financing contracts with subsidiaries. Loans to other parties were recorded as other receivables—related parties. The amounts of loans to other parties were \$526,965 and \$0 as of December 31, 2023 and 2022, respectively. The actual usage amounts were as follows:

| | Highest balance of financing to other parties | | Interest income | |
|--------------------------|--|-------------|------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Subsidiaries: | | | | |
| Everlight Lighting China | \$ - | 707,617 | - | 861 |
| WOFI | \$ 536,165 | - | - | - |

(ix) Guarantees and endorsements for other parties

| | December 31, 2023 | December 31, 2022 |
|-----------------|------------------------------|------------------------------|
| Subsidiary-WOFI | \$ - | 505,705 |

(x) Others

1) As of December 31, 2023 and 2022, the amounts which were not remitted to the Company by the related parties due to collecting accounts receivable in China region on behalf of the Company, interest receivables, purchasing fixed assets from the Company, loans to other parties were recorded as other receivables—related parties. The details were as follows:

| Related party categories | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| Subsidiaries: | | |
| Everlight China | \$ 13,812 | 249,408 |
| Evlite | 79,225 | 90,056 |
| Everlight Zhongshan | - | 1,016 |
| WOFI | 526,965 | - |
| Others | 578 | - |
| Less: credit balances of investments in equity method | (526,965) | - |
| | \$ 93,615 | 340,480 |

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

- 2) As of December 31, 2023 and 2022, the unpaid amounts to related parties due to related parties paying freight on behalf of the Company, the Company collecting receivables on behalf of related parties, commissions payables and services payables, were recorded as other payables—related parties. The details were as follows:

| <u>Related party categories</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------|------------------------------|------------------------------|
| Subsidiaries: | | |
| Everlight China | \$ 84,901 | 90,777 |
| ELIT | 9,016 | 36,975 |
| Everlight Lighting China | 36,636 | 14,188 |
| Others | <u>22,184</u> | <u>37,726</u> |
| | <u>\$ 152,737</u> | <u>179,666</u> |

- (c) Key management personnel compensation

Key management personnel compensation comprised:

| | <u>2023</u> | <u>2022</u> |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 37,357 | 34,364 |
| Others | <u>135</u> | <u>247</u> |
| | <u>\$ 37,492</u> | <u>34,611</u> |

There are no termination benefits and other long-term benefits.

(8) Pledged assets

The carrying amounts of the pledged assets are as follows:

| <u>Assets</u> | <u>Objectives</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|---|------------------------------|------------------------------|
| Time deposits (recorded as other non-current financial assets) | Guarantee for contract grant and guarantee for construction contracts | \$ 192,607 | 223,174 |
| Listed stocks (recorded as financial assets measured at fair value through profit or loss) | Short selling | <u>12,326</u> | <u>-</u> |
| | | <u>\$ 204,933</u> | <u>223,174</u> |

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

(9) Commitments and contingencies

(a) Litigation with Nichia Corporation (Nichia)

On July 15, 2021, Nichia filed an action for damages against the Company's subsidiary, WOFI W&F GmbH, for infringement of the patent EP0936682 (DE69702929) with the District Court of Dusseldorf, Germany, demanding for compensation of EUR 4,500 thousand. On October 31, 2022, the District Court of Dusseldorf, Germany ruled in the first instance that WOFI W&F GmbH should pay the damages of EUR 3,225 thousand to Nichia. However, on November 31, 2022, WOFI W&F GmbH filed an appeal with the High Court of Justice in Dusseldorf, Germany. The case is currently still in progress. As of the financial reporting date, WOFI W&F GmbH has assessed the final judgment of the above case and the amount of possible claims, and estimated a provision for liabilities of EUR 4,500 thousand (approximately \$141,316).

In September 2015, Nichia filed a lawsuit against the Company's sub-sub-subsidiary, WOFI W&F GmbH, for infringement of patent EP2276080 with the District Court of Dusseldorf, Germany. On December 15, 2016, the District Court of Dusseldorf, Germany, ruled against WOFI W&F GmbH in the first instance. On January 12, 2017, WOFI W&F GmbH filed an appeal with the High Court of Justice in Dusseldorf, Germany. In October 2017, a ruling notice had been received from the European Patent Office, which found that the original scope of patent EP2276080 was invalid and that the revised scope of the patent was valid. However, in April 2022, patent EP2276080 was judged valid by the European Patent Office and the infringement lawsuit was reopened. On December 16, 2022, the High Court of Justice in Dusseldorf, Germany ruled against WOFI W&F GmbH in the second trial. Thereafter, the case proceeded to the execution of the litigation order. Based on the ruling, the Company assessed that the compensation amount of approximately EUR 65 thousand do not have any material effects on the operations.

(b) Lawsuit with Bench Walk Lighting LLC (BWL)

In January 2020, Bench Walk Lighting LLC (BWL) filed a lawsuit against the Company in the United States District Court for the District of Delaware for infringement of BWL's U.S. patents US6806658, US7115428, US7145182, US7239080, US7470936, US7488990, US7519287, US7847300, US9887338 and US9209373, concerning holders, substrates, and packaging designs for the Company's LED products. The case is still in court proceedings, and the Company believes that the LED products are not infringing on patents mentioned above. Hence, the Company assessed that the final ruling of this case will not have any material effects on the operations.

(c) In 2017, the Company, together with A3 Commerce LLP and Altocom Asia LLP (hereinafter referred to as "Alliance A"), was jointly contracted for a smart street light installation and maintenance project for the Pavlodar State Government in Pavlodar of the Republic of Kazakhstan for a period of six years, with a total contract cost of approximately USD 8,967 thousand. The installation of the light fixtures was completed and accepted by the Pavlodar State Government on January 4, 2019. However, the Pavlodar State Government later found that some equipment for the smart control systems that should have been installed by A3 Commerce LLP, a member of Alliance A, was shortage, thus suspended the payment for the second quarter of 2020 as well as the subsequent project payment. On October 26, 2020, the Pavlodar State Government requested in writing to Alliance A to complete the installation of the shortage smart control systems as soon as possible and in accordance with the contract.

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

The Company believed that A3 Commerce LLP failed to fulfill its obligation to install the smart control systems and that Altocom Asia LLP failed to fulfill its maintenance management responsibilities. These two companies were deemed to be incompetent. In order to protect the Company's interests, the Company sent a letter to the Pavlodar State Government in December 2020, demanding the removal of A3 Commerce LLP and Altocom Asia LLP from Alliance A. In January 2021, the Pavlodar State Government sent a further request in writing that the Company should correct the equipment shortage issue as described above. On February 9, 2021, the Pavlodar State Government filed a lawsuit in the Kazakhstan Court, demanding the termination of the contract with Alliance A with compensation of KZT 268,883 thousand (approximately \$18,203). The Company has appointed Baker McKenzie, an international business law firm and its local member firm in Kazakhstan, in the hope of negotiating a contract revision with the Pavlodar State Government to allow the Company to finish the uncompleted project independently. The local Court dismissed the lawsuit and appeal on the grounds of procedural irregularities on March 10 and April 22, 2021, as the State Government failed to follow the terms of the contract regarding negotiation but instead went straight to litigation. After the dismissal of its lawsuit, the Pavlodar State Government immediately started negotiations with Alliance A.

According to the opinion report issued by the appointed attorney on March 22, 2021, as both parties were still in the process of understanding each other's requests and the attribution of responsibilities, a solution should be negotiated to resolve the dispute. However, it was difficult to predict the outcome, and the maximum exposure for termination of the contract was approximately \$141,599. As of December 31, 2020, based on a reasonably conceivable judgment, the Company estimated a loss of \$58,754 and reserved the right to legal recourse against the alliance members, A3 Commerce LLP and Altocom Asia LLP, for their incomplete work that damaged the rights and interests of the Company.

In addition, on June 21, 2021, the Ministry of Energy of the Pavlodar State Government filed a lawsuit against the Transportation Department of Pavlodar, all members of Alliance A, and all contractors, requesting confirmation that the project acceptance that took place in January 2019 was invalid. The Company's appointed attorney argued with the Court that the subject matter of the lawsuit is the same as the previous lawsuit filed by the Pavlodar State Government in December 2020. The lawsuit was dismissed by the Court due to having no legal basis. On the grounds of non bis in idem, the failure of the Ministry of Energy of the Pavlodar State Government to fulfill its pre-litigation negotiation obligations, and the lack of legal right of the Pavlodar State Government to petition for the invalidation of the acceptance of the project, the Company's appointed attorney believes that the lawsuit should be dismissed in accordance with the law, and requested the Court to grant a transfer to a Court of competent jurisdiction. On July 21, 2021, the Court of First Instance granted the transfer of jurisdiction. The Ministry of Energy of the Pavlodar State Government filed a protest. On August 5, 2021, the Court of Second Instance revoked the decision of transfer of jurisdiction and remanded the case to the First Instance. On September 13, 2021, the Court of First Instance ruled against the Company on the grounds of non bis in idem, the failure of the Ministry of Energy of the State Government of Pavlodar to fulfill its pre-litigation negotiation obligations, and that the Pavlodar State Government had no legal right to apply for confirmation of the invalidation of the acceptance and ruled that the acceptance of the project in January 2019 was invalid. As the Company found that the decision in this case was clearly unlawful, the Company filed a protest against the decision of dismissal on October 1, 2021. The Company then filed an appeal against the decision of invalidation of the acceptance of the project as described above on October 19, 2021. On

(Continued)

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

December 28, 2021, the judge of the second trial dismissed the Company's protest and appeal and the ruling was finalized. The Company filed an appeal for the third trial against the ruling and judgment of the second trial, and this appeal was dismissed on April 4, 2022. The lawsuit only pleaded to confirm the invalidation of the acceptance of the project in January 2019, and the Pavlodar State Government did not file a claim for compensation.

As no satisfactory outcome was achieved by either party, on February 10, 2022, the Pavlodar Statement Government filed another lawsuit against Alliance A, demanding to terminate the contract with Alliance A and compensation of KZT 1,345,882 thousand (approximately \$85,733). The Company has appointed an attorney to defend the best legal interests of the Company. Pursuing ongoing negotiations with the Pavlodar State Government to find a mutually beneficial solution should suffice considering termination of the contract would be in the best interests of neither party. On April 27, 2022, the Court of First Instance granted the entire request of the State Government of Pavlodar. The Company filed an appeal against the ruling as it was considered unlawful on June 2, 2022. On July 19, 2022, the Second Trial Court denied the Company's appeal, with a final judgment entered.

In 2019, the Company, together with Altocom Asia LLP (hereinafter referred to as "Alliance B"), was jointly contracted for a smart street light installation and maintenance project for the Taraz State Government, for a period of six years, with a total contract cost of approximately USD 14,196 thousand. Alliance B carried out light fixture installation according to the contract. On March 18, 2021, the Taraz State Government filed a lawsuit to terminate the contract claiming that Alliance B carried out the project without fully preparing the relevant design documents and did not complete the contracted work by December 30, 2020. However, the Company believed that Alliance B completed the project without any delay or deficiency. According to the opinion issued by the appointed attorney on March 22, 2021, as both parties were still in the process of understanding each other's requests and the attribution of responsibilities, it was difficult to predict the outcome. However, the Taraz State Government failed to follow the terms of contract to first negotiate with Alliance B, instead filing a lawsuit for the termination of the contract. The appointed attorney argued that the relevant procedures were unlawful to defend against the Taraz State Government's claim and requested the Court to grant a transfer to a Court of competent jurisdiction in order to negotiate with the State Government to resolve the dispute. On April 22, 2021, the local court granted the transfer of jurisdiction to the Commercial Court for trial. On July 21, 2021, the Commercial Court of Taraz ruled against the Company. On August 19, 2021, the Company filed an appeal, which was dismissed by the Court of Second Instance on September 23, 2021, and the ruling was finalized. As the Company believed that Alliance B had no deficiencies, the Company filed an appeal for the third trial against the ruling and judgment of the second trial. The third appeal was dismissed by the Court of Third Instance on April 18, 2022. The case was only to decide on the termination of the contract, and the Taraz State Government did not request compensation. As a result, the Company will continue to assess whether to request the return of the equipment or the associated cost from the Taraz State Government.

According to the opinion issued by the appointed attorney on March 17, 2022, the Company assessed the final judgment of the above two cases and the amount of possible claims. An additional provision for estimated liabilities of \$55,981 for 2021 was made, recorded under other losses; an allowance for losses of \$35,762, was provided for expected uncollectible accounts receivable and the share of loans advanced to other parties of the Alliance, recorded under expected credit impairment losses.

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EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

As of the financial reporting date, with the assistance of the attorney, the Company believed that its litigation in Kazakhstan has exhausted the judicial procedures and reached the Supreme Court of Kazakhstan. Although there are special relief procedures similar to retrials in Taiwan, the Company is of the opinion that its special relief procedures will not achieve a favorable outcome for the Company, considering the local political environment and judicial peculiarities.

Based on the above assessments, the Company made an additional allowance for the loss of \$37,554 for expected uncollectible accounts receivable for the above two cases in 2022, which was recorded under expected credit impairment losses, and recognized an inventory impairment loss of \$62,214, which was recorded under cost of goods sold, as well as other reasonably determinable obligations and compensatory losses of \$67,206, which was recorded under other losses. The Company reserves the right to legal recourse against alliance members, A3 Commerce LLP and Altocom Asia LLP, for their incomplete work that damaged the rights and interests of the Company.

As of December 31, 2023 and 2022, the accumulated loss from the aforementioned two cases has been recognized in the amount of \$317,471. In addition, the Company's subsidiary Everlight Intelligence Technology Co., Ltd. has recognized accumulated losses from the above two cases amounting to \$98,728 as of December 31, 2023 and 2022, which is recorded as the share of profit or loss of subsidiaries, affiliates, and joint ventures accounted for using the equity method.

In order to advance the implementation of the aforementioned two cases, the Company, together with alliance members Altocom Asia LLP and A3 Commerce LLP, signed a loan agreement with the European Bank for Reconstruction and Development (hereinafter referred to as EBRD) on June 5, 2018. Subsequently, a supplemental agreement was signed on June 26, 2020. The loan was utilized for the installation and maintenance projects of intelligent streetlights for the Pavlodar State Government and Taraz State Government. The Company independently satisfied the debt between 2022 and 2023. Therefore, we are entitled to claim repayment of the loan from Altocom Asia LLP and A3 Commerce LLP, the other two alliance members, within the scope of their respective responsibility proportions. In July 2023, the Company filed a lawsuit against Altocom Asia LLP in the Court of Kazakhstan and obtained a favorable judgment, which was finalized on December 1, 2023. As for A3 Commerce LLP, it was declared bankrupt. The Company duly filed for claims and obtained a claim certificate from the bankruptcy trustee in September 2023.

(d) Significant commitments unrecognized:

As of December 31, 2023 and 2022, the Company's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$130,373 and \$91,434, respectively.

(10) Losses Due to Major Disasters: none

(11) Subsequent Events: none

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

(12) Other

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

| By function By item | 2023 | | | 2022 | | |
|----------------------------|---------------|--------------------|-----------|---------------|--------------------|-----------|
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 427,466 | 833,646 | 1,261,112 | 381,656 | 755,038 | 1,136,694 |
| Labor and health insurance | 35,539 | 65,468 | 101,007 | 36,992 | 60,319 | 97,311 |
| Pension | 12,107 | 42,074 | 54,181 | 11,795 | 30,787 | 42,582 |
| Remuneration of directors | - | 23,404 | 23,404 | - | 20,871 | 20,871 |
| Others | 39,448 | 41,739 | 81,187 | 39,900 | 40,261 | 80,161 |
| Depreciation | 161,259 | 242,098 | 403,357 | 278,971 | 299,945 | 578,916 |
| Amortization | 23,968 | 18,893 | 42,861 | 33,158 | 22,371 | 55,529 |

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

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|-----------------|--------------|
| Employees | <u>1,434</u> | <u>1,504</u> |
| Non-employees of directors | <u>6</u> | <u>7</u> |
| Average employee benefit expenses | <u>\$ 1,049</u> | <u>906</u> |
| Average salary expense | <u>\$ 883</u> | <u>759</u> |
| Average salary expense adjustment | <u>16.34 %</u> | |
| Supervisor's remuneration | <u>\$ -</u> | <u>-</u> |

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

- (b) The Company's remuneration to directors:

The Board of Directors is authorized to determine the remuneration to each director, which should not exceed the maximum salary level according to the Company's Articles of the managerial salary standards, by the individual's degree of participation in operation and individual's contribution to the Company.

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

- (c) The Company's salary and remuneration to managers and employees:

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

(Continued)

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (ii) The salary package of the Company includes monthly salary, various bonuses, and employee compensation from the annual profit.
- (iii) Various bonuses and employee monthly bonuses and employee compensation are rewarding their contributions, and inspiring all employees to continue their efforts, so that the interests of employees and shareholders can be aligned to a win-win situation for the Company, shareholders and employees.

(13) Other disclosures

- (a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2023:

- (i) Loans to other parties: Please refer to table 1.
 - (ii) Guarantees and endorsements for other parties: Please refer to table 2.
 - (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 3.
 - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to table 4.
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to table 5.
 - (ix) Information derivative financial instruments transaction: Please refer to table 6.
- (b) Information on investees: Please refer to table 7.
 - (c) Information on investment in Mainland China: Please refer to table 8.
 - (d) Major shareholders: There is no shareholders holding more than 5% shares.

(14) Segment information:

Please refer to consolidated financial statements for the year ended December 31, 2023.

Everlight Electronics Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Description</u> | <u>Amount</u> |
|---------------------------|--|---------------------|
| Checking accounts | | \$ 2,053 |
| Demand deposits | | 265,225 |
| Foreign currency deposits | Including USD8,562 thousand @30.7350, JPY 161,975 thousand @0.2183, HKD 8,157 thousand @3.9356, EUR 1,593 thousand @33.9345, CNY 58,463 thousand @4.3305 | 638,185 |
| Time deposits | CNY 99,400 thousand(Maturity date : 2024.01.05~2024.02.05) TWD 200,000 thousand(Maturity date : 2024.01.09~2024.01.17) USD 9,600 thousand(Maturity date : 2024.01.02~2024.01.18) | 925,508 |
| | | <u>\$ 1,830,971</u> |

Statement of Notes and Accounts Receivables from Third Parties

| <u>Client Name</u> | <u>Description</u> | <u>Amount</u> |
|-------------------------|--------------------|---------------------|
| Notes Receivable (Note) | Third party sales | \$ 529 |
| Accounts Receivable: | | |
| Client B014 | Third party sales | 203,384 |
| Client B009 | " | 181,702 |
| Others (Note) | " | <u>3,193,074</u> |
| | | 3,578,160 |
| Less: Loss allowance | | <u>(244,690)</u> |
| | | <u>3,333,470</u> |
| Total | | <u>\$ 3,333,999</u> |

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

Everlight Electronics Co., Ltd.

Statement of Accounts Receivables from Related Parties

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

| <u>Client Name</u> | <u>Description</u> | <u>Amount</u> |
|--------------------------|---------------------|--------------------------|
| Accounts receivable: | | |
| Everlight Lighting China | Related-party sales | \$ 108,064 |
| Evlite | " | 252,172 |
| Everlight Europe | " | 211,431 |
| Anhui Hongming | " | 78,277 |
| Others (Note) | " | <u>25,348</u> |
| Total | | <u><u>\$ 675,292</u></u> |

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

Statement of Inventories

| <u>Item</u> | <u>Amount</u> | |
|---|--------------------------|-----------------------------|
| | <u>Cost</u> | <u>Net Realizable Value</u> |
| Finished goods | \$ 494,275 | |
| Less: Allowance for inventory market decline and obsolescence | <u>(146,841)</u> | |
| | 347,434 | 425,818 |
| Work in Process | 113,292 | |
| Less: Allowance for inventory market decline and obsolescence | <u>-</u> | |
| | <u>113,292</u> | 113,292 |
| Raw Materials | 165,219 | |
| Less: Allowance for inventory market decline and obsolescence | <u>(57,478)</u> | |
| | <u>107,741</u> | 107,741 |
| Total | <u><u>\$ 568,467</u></u> | <u><u>646,851</u></u> |

Everlight Electronics Co., Ltd.
Statement of Other Current Assets
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|--|-------------------|
| Payment in advance | Prepaid of construction payments | \$ 17,043 |
| Prepaid expenses | Prepaid certification expenses and insurance expenses | <u>7,169</u> |
| | | <u>24,212</u> |
| Other current assets: | | |
| VAT Refund | Value-added tax refund | 18,669 |
| Inventory – fixed assets | Purchasing fixed assets on behalf of related parties | 34,511 |
| Income tax refund receivable | Withholding tax of overseas dividends received and tax refund receivable | 40,463 |
| Others (Note) | Excess business tax paid, fund of cooperation project and temporary payments of employee’s bonuses | <u>19,867</u> |
| Total | | <u>113,510</u> |
| | | <u>\$ 137,722</u> |

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

Statement of Other Current Financial Assets

| <u>Item</u> | <u>Description</u> | <u>Amount</u> |
|---------------|---|---------------------|
| Time deposits | Time deposits with maturities over three months from the acquisition date | \$ 3,452,711 |
| Others (Note) | Estimated interest receivable, etc. | <u>46,129</u> |
| | | <u>\$ 3,498,840</u> |

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

Everlight Electronics Co., Ltd.

Statement of Changes in Investments Accounted for Using Equity Method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

| Investees Company | Balance, January 1, 2023 | | Increase | | Decrease (Note 1) | | Reclassification | | Share of profit (loss) Recognized | Amounts for Exchanges Differences on Translation Foreign Operations | Unrealized Gains (losses) on Financial Assets | Other Adjustment Amount (Note 2) | Balance, December 31, 2023 | | | 2023.12.31 Market price or Net Value | Collaterals or pledged assets |
|---|--------------------------|---------------------|-----------------------|----------|-----------------------|------------------|-----------------------|----------|-----------------------------------|---|---|----------------------------------|----------------------------|-------------------------|------------------|--------------------------------------|-------------------------------|
| | Shares (In Thousands) | Amounts | Shares (In Thousands) | Amounts | Shares (In Thousands) | Amounts | Shares (In Thousands) | Amounts | | | | | Shares (In Thousands) | Percentage of ownership | Amounts | | |
| Investments Accounted For Using Equity Method : | | | | | | | | | | | | | | | | | |
| Everlight BVI | 1,540 | \$ 6,935,128 | - | - | - | - | - | - | 117,019 | (171,452) | - | - | 1,540 | 98.00 | 6,880,695 | 6,880,695 | None |
| Pai-yee | 23,940 | 485,172 | - | - | - | (11,970) | - | - | 19,049 | (5,012) | - | 942 | 23,940 | 100.00 | 488,181 | 501,060 | None |
| Forever | 42,488 | 457,069 | - | - | - | (32,078) | - | - | 12,439 | (2,149) | (14,860) | 134 | 42,488 | 100.00 | 420,555 | 420,555 | None |
| Everlight Europe | 75 | 131,532 | - | - | - | (49,358) | - | - | 52,023 | 3,605 | - | - | 75 | 75.00 | 137,802 | 137,802 | None |
| Evervision TW | 4,477 | 258,127 | - | - | - | (8,953) | - | - | 11,139 | (1,879) | - | 118 | 4,477 | 24.27 | 258,552 | 226,564 | None |
| ELA | 11,375 | 53,811 | - | - | - | - | - | - | (139,460) | 1,927 | - | - | 11,375 | 98.91 | (83,722) | (83,722) | None |
| ELK | 38 | 93,573 | - | - | - | - | - | - | 6,162 | (1,572) | - | - | 38 | 100.00 | 98,163 | 98,163 | None |
| Evlite | 7,000 | 153,438 | - | - | - | - | - | - | 5,094 | (37) | - | - | 7,000 | 100.00 | 158,495 | 158,495 | None |
| Tekcore | 4,767 | 56,417 | - | - | - | - | - | - | 1,631 | - | - | (25) | 4,767 | 9.23 | 58,023 | 88,188 | None |
| ELIT | 20,000 | 222,621 | - | - | - | (10,000) | - | - | 65,566 | 33 | - | - | 20,000 | 100.00 | 278,220 | 278,220 | None |
| ELI | 353 | 15,745 | - | - | - | - | - | - | 3,048 | (147) | - | - | 353 | 80.00 | 18,646 | 18,646 | None |
| ELS | 200 | 12,769 | - | - | - | - | - | - | (881) | 228 | - | - | 200 | 100.00 | 12,116 | 12,116 | None |
| ELJ | 5 | 21,506 | - | - | - | - | - | - | (480) | (1,461) | - | - | 5 | 100.00 | 19,565 | 19,565 | None |
| WOFI | 5,775 | (541,167) | - | - | - | - | - | - | (12,803) | (19,964) | - | - | 5,775 | 100.00 | (573,934) | (573,934) | None |
| | | 8,355,741 | | - | | (112,359) | | - | 139,546 | (197,880) | (14,860) | 1,169 | | | 8,171,357 | | |
| Recorded as deduction of assets : | | | | | | | | | | | | | | | | | |
| Accounts receivable-related parties | | - | | - | | - | | - | - | - | - | 15,681 | | | 15,681 | | |
| Other receivables -related parties | | - | | - | | - | | - | - | - | - | 526,965 | | | 526,965 | | |
| Credit balance of investments in equity method | | 541,167 | | - | | - | | - | - | - | - | (426,157) | | | 115,010 | | |
| Total | | <u>\$ 8,896,908</u> | | <u>-</u> | | <u>(112,359)</u> | | <u>-</u> | <u>139,546</u> | <u>(197,880)</u> | <u>(14,860)</u> | <u>117,658</u> | | | <u>8,829,013</u> | | |

Note 1: Decrease in current period includes cash dividend of \$112,359..

Note 2: Other adjustment amounts included a increase in equity of investee companies of \$895, an increase in actuarial gains of \$274, decrease in accounts receivable from related parties \$15,681, decrease in other receivables due from related parties \$526,965, and a decrease in credit balance of investments in equity method of \$426,157.

Everlight Electronics Co., Ltd.
Statement of Changes in Property, Plant and Equipment
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(i).

Statement of Right-of-use Assets

Please refer to note 6(j).

Statement of Intangible Assets
December 31, 2023

| Item | Description | Amount |
|-------------------|---------------------|------------------|
| Intangible Assets | Patent right | \$ 3,465 |
| | ERP software system | 14,966 |
| Total | | \$ 18,431 |

Everlight Electronics Co., Ltd.
Statement of Other Non-current Assets
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Description</u> | <u>Amount</u> |
|---------------------|---|-------------------------|
| Refundable deposits | Guarantees for tariffs, Illuminating warranty, etc. | \$ 56,931 |
| Others | Investment property | <u>26,263</u> |
| | | <u>\$ 83,194</u> |

Statement of short-term borrowings

| <u>Bank</u> | <u>Description</u> | <u>Contract Period</u> | <u>Range of Interest Rates (%)</u> | <u>Credit lines (Credit lines)</u> | <u>Amount</u> | <u>Collaterals or pledged assets</u> |
|----------------|--------------------|------------------------|------------------------------------|------------------------------------|--------------------------|--------------------------------------|
| TSIB | Credit Loans | 2023.12~2024.01 | 1.73% | NTD100,000 thousand | \$ 100,000 | None |
| Bank of Taiwan | " | 2023.12~2024.01 | 1.675% | TWD100,000 thousand | 100,000 | None |
| First Bank | " | 2023.12~2024.01 | 1.78% | NTD50,000 thousand | <u>50,000</u> | None |
| | | | | | <u>\$ 250,000</u> | |

Everlight Electronics Co., Ltd.

Statement of Notes and Accounts Payables to Third Parties

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

| Item | Description | Amount |
|--------------|----------------------------|---------------------|
| Vendor Q | Third party operating cost | \$ 107,308 |
| Vendor C | " | 84,244 |
| Others(Note) | " | 810,066 |
| Total | | \$ 1,001,618 |

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

Statement of Accounts Payables to Related Parties

| Item | Description | Amount |
|---------------------|------------------------------|---------------------|
| Everlight China | Related party operating cost | \$ 2,764,583 |
| Everlight Zhongshan | " | 172,502 |
| Others(Note) | " | 205,608 |
| Total | | \$ 3,142,693 |

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

Everlight Electronics Co., Ltd.

Statement of Lease Liabilities

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Lease-term</u> | <u>Discount rate</u> | <u>Amount</u> |
|----------------------------|-------------------|----------------------|--------------------------|
| Land | 3~20 years | 0.7415%~1.71% | \$ 242,994 |
| Vehicles | 2~3 years | 0.7999%~1.699% | 2,494 |
| Office and other equipment | 3 years | 0.658%~1.565% | <u>401</u> |
| | | | \$ <u>245,889</u> |
| Current | | | \$ 6,864 |
| Non-current | | | <u>239,025</u> |
| | | | \$ <u>245,889</u> |

Statement of Other Current Liabilities

| <u>Item</u> | <u>Description</u> | <u>Amount</u> |
|-----------------------------|---|--------------------------|
| Accrued payroll and bonuses | December 2023 wages and salaries expense, estimated year-end bonuses of 2023, and remuneration of employees and directors. | \$ 618,526 |
| Others (Note) | Payables for professional service, patents, commissions, receipts under custody and payment on behalf of others, labor and health insurances, utilities expenses, etc.. | <u>346,218</u> |
| | | \$ <u>964,744</u> |

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

Everlight Electronics Co., Ltd.
Statement of Other Non-current Liabilities
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Description</u> | <u>Amount</u> |
|--|--------------------|-------------------|
| Guarantee deposits received | | \$ 145,560 |
| Credit balance of investments in equity method | | 115,010 |
| Others (Note) | Warranty provision | <u>10,647</u> |
| Total | | <u>\$ 271,217</u> |

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

Statement of Sales Revenue
For the year ended December 31, 2023

| <u>Item</u> | <u>Quantity (in thousands)</u> | <u>Net Sales</u> |
|----------------------|--------------------------------|----------------------|
| Sales Revenue: | | |
| Luminous element | 14,602,920 | \$ 7,954,535 |
| Sensing element | 6,557,288 | 6,593,146 |
| Illumination | 680 | 96,919 |
| Others | 183,056 | <u>6,746</u> |
| | | 14,651,346 |
| Construction revenue | - | <u>200,483</u> |
| Net sales revenue | | <u>\$ 14,851,829</u> |

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

Everlight Electronics Co., Ltd.
Statement of Operating Costs
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

| Item | Amount |
|---|-----------------------------|
| Raw materials, beginning of the year | \$ 161,144 |
| Add: Purchases of raw materials | 2,435,530 |
| Gains on physical counts of raw materials | 4,228 |
| Less: Raw materials, end of the year | (165,219) |
| Cost of sales on raw materials(including that for processing) | (235,853) |
| Transferred to expenses for requisition by indirect and research departments | <u>(43,591)</u> |
| Raw materials used for current period | 2,156,239 |
| Direct labor | 246,666 |
| Manufacturing expenses | <u>688,919</u> |
| Manufacturing cost for the current period | 3,091,824 |
| Add: Work in process, beginning of the year | 94,709 |
| Purchases | 1,286 |
| Less: Work in process, end of the year | (113,292) |
| Cost of goods manufactured | 3,074,527 |
| Add: Finished goods, beginning of the year | 602,006 |
| Purchases (including costs of raw materials and semi-finished products which from processing) | 8,004,616 |
| Less: Finished goods, end of year | (494,275) |
| Transferred to expenses for requisition by indirect and research department | (11,860) |
| Transferred to construction costs | <u>(92,369)</u> |
| Cost of selling finished goods | 11,082,645 |
| Add: Costs of selling tools | 5,267 |
| Costs of selling raw materials and semi-finished products | 7,131 |
| Reversal gain on allowance for inventory valuation and obsolescence loss | (53,955) |
| Construction costs | 163,624 |
| Variances and others | (41,619) |
| Less: Income from sales of scraps | <u>(17,106)</u> |
| Total | <u><u>\$ 11,145,987</u></u> |

Everlight Electronics Co., Ltd.
Statement of Operating Expenses
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Selling expense</u> | <u>Administrative expenses</u> | <u>Research and development expenses</u> |
|---------------------------|------------------------|--------------------------------|--|
| Wages and salaries | \$ 205,112 | 402,543 | 291,469 |
| Advertisements | 35,369 | 1,189 | - |
| Professional service fees | 24,101 | 80,324 | 9,658 |
| Depreciation | 2,079 | 160,254 | 79,765 |
| Commission expenses | 391,774 | - | - |
| Export charges | 94,948 | 856 | - |
| Research expenses | - | - | 109,599 |
| Utility expense | 2,867 | 20,301 | 34,627 |
| Others (Note) | 89,441 | 160,597 | 105,693 |
| Total | <u>\$ 845,691</u> | <u>826,064</u> | <u>630,811</u> |

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

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

Table 1 Loans to other parties
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| No | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period (Note 6) | Ending balance (Note 6) | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short term financing | Allowance for bad debt | Collateral | | Individual funding loan limits | Maximum limit of fund financing | Note |
|----|-----------------|--------------------------|-------------------|---------------|--|-------------------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Company | WOFI Leuchten GmbH | Other receivables | Yes | \$ 536,165 | \$ 536,165 | 526,965 | 1.0% | Short term financing | - | Financing Services | - | | - | 1,855,098 | 7,420,392 | |
| 0 | The Company | Altocom Asia LLP | Other receivables | No | 62,502 | - | - | 1.0% | Short term financing | - | Financing Services | - | | - | 1,855,098 | 7,420,392 | - |
| 0 | The Company | A3 Commerce LLP | Other receivables | No | 24,474 | - | - | 1.0% | Short term financing | - | Financing Services | - | | - | 1,855,098 | 7,420,392 | - |
| | | | | | | \$ 536,165 | 526,965 | | | | | | | | | | |
| 1 | Everlight BVI | Everlight China | Other receivables | Yes | 307,350 | - | - | -% | Short term financing | - | Financing Services | - | | - | 2,808,446 | 2,808,446 | - |
| 1 | Everlight BVI | WOFI Leuchten GmbH | Other receivables | Yes | 271,476 | - | - | -% | Short term financing | - | Financing Services | - | | - | 2,808,446 | 2,808,446 | - |
| 1 | Everlight BVI | WOFI Leuchten GmbH | Other receivables | Yes | 203,607 | - | - | 1.0% | Short term financing | - | Financing Services | - | | - | 2,808,446 | 2,808,446 | - |
| 2 | Everlight China | Everlight Lighting China | Other receivables | Yes | 866,100 | 433,050 | 433,050 | 2.0% | Short term financing | - | Financing Services | - | | - | 2,185,632 | 2,185,632 | - |
| 3 | Forever | WOFI Leuchten GmbH | Other receivables | Yes | 186,640 | - | - | 1.0% | Short term financing | - | Financing Services | - | | - | 168,222 | 168,222 | - |
| | | | | | | \$ 433,050 | 433,050 | | | | | | | | | | |

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

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

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

Note 4: According to Forever's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of loans to others cannot exceed 40% of the net worth of Forever; and to borrowers having business relationship with Forever, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short term financing needs, the amount of each fund financing cannot exceed 40% of Forever's net worth.

Note5: The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

Table 2 Guarantees and endorsements for other parties
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| No. | Name of guarantor | Counter party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements / guarantees to third parties on behalf of subsidiary (note 3) | Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note 3) | Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 3) |
|-----|-------------------|--|-------------------------------|---|---|---|---------------------------------------|---|---|--|--|---|---|
| | | Name | Relationship with the Company | | | | | | | | | | |
| 0 | The Company | WOFI Leuchten GmbH | 100% owned subsidiary | \$ 3,710,196 | \$ 614,700 | - | - | - | 0.00% | \$ 9,275,490 | Y | - | - |

Note 1 : The company is coded as "0", and subsidiaries are sorted in a numerical order starting from "1".

Note 2 : The limitation on amount of the guarantees and endorsements: According to the Company's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of the guarantee provided by the Company and its subsidiary shall not exceed 50% of the Company's net worth; for those subsidiaries wherein the Company holds at least 50% of their voting shares, the guarantee shall not exceed 20% of the Company's net worth; and for those subsidiaries wherein the Company holds less than 50% of their voting shares, the guarantee shall not exceed 10% of the Company's net worth.

Note 3 : For the Company as the guarantor to its subsidiary, or the subsidiary as the guarantor to the Company, or wherein the guarantor is located in China, please fill in Y.

Note 4 : The names of guarantors mentioned above are the main principal for the preparation of the consolidated financial report.

Note 5 : The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

Table 3 Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2023

Unit: In Thousands of New Taiwan Dollar, thousand shares

| Name of holder | Category and name of security | Relationship with security issuer | Account name | Ending balance | | | | Highest balance during the year | | Note |
|---------------------|--|---|---|--------------------------|-------------------------|-----------------------------|------------|---------------------------------|-----------------------------|------|
| | | | | Shares/Units (thousands) | Carrying value (Note 1) | Percentage of ownership (%) | Fair value | Shares/Units (thousands) | Percentage of ownership (%) | |
| The Company | SinoPac TWD Money Market Fund | None | Current financial assets at fair value through profit or loss | 5,869 | \$ 83,935 | -% | \$ 83,935 | 5,869 | -% | |
| The Company | Yuanta US+ Year AAA-A Corporate Bond ETF | None | Current financial assets at fair value through profit or loss | 580 | 20,492 | -% | 20,492 | 580 | -% | |
| The Company | Yuanta US+ Year BBB Corporate Bond ETF | None | Current financial assets at fair value through profit or loss | 580 | 20,880 | -% | 20,880 | 580 | -% | |
| The Company | Cathay Financial Holding Co., Ltd. Preferred Stock B | None | Current financial assets at fair value through profit or loss | 100 | 5,970 | -% | 5,970 | 100 | -% | |
| The Company | Shin Kong Financial Holding Co., Ltd. Preferred Stock B | None | Current financial assets at fair value through profit or loss | 666 | 19,081 | -% | 19,081 | 666 | -% | |
| The Company | WT Microelectronics Co., Ltd. Preferred Stock A | None | Current financial assets at fair value through profit or loss | 600 | 27,390 | -% | 27,390 | 600 | -% | |
| The Company | the seventh domestic unsecured convertible bonds of Sercomm Corporation | None | Current financial assets at fair value through profit or loss | 100 | 11,030 | -% | 11,030 | 100 | -% | |
| The Company | the second domestic unsecured convertible bonds of Yulon Finance Corporation | None | Current financial assets at fair value through profit or loss | 100 | 10,170 | -% | 10,170 | 600 | -% | |
| The Company | the third domestic unsecured convertible bonds of International CSRC Investment Holdings Co. | None | Current financial assets at fair value through profit or loss | - | - | - | - | 50 | -% | |
| The Company | Bank of America Corp. Bond | None | Non-current financial assets at fair value through other comprehensive income | 20 | 61,416 | -% | 61,416 | 20 | -% | |
| The Company | Citigroup Inc. Bond | None | Non-current financial assets at fair value through other comprehensive income | 10 | 29,508 | -% | 29,508 | 10 | -% | |
| The Company | Standard Chartered PLC Bond | None | Non-current financial assets at fair value through other comprehensive income | 19 | 59,510 | -% | 59,510 | 19 | -% | |
| The Company | Sumitomo Mitsui Financial Group Inc. Bond | None | Non-current financial assets at fair value through other comprehensive income | 20 | 61,968 | -% | 61,968 | 20 | -% | |
| The Company | MUFG-Mitsubishi UFJ Financial Group Inc. Bond | None | Non-current financial assets at fair value through other comprehensive income | 20 | 61,227 | -% | 61,227 | 20 | -% | |
| The Company | Cathay Insurance 2023 first unsecured accumulated secondary ordinary corporate bond | None | Non-current financial assets at fair value through other comprehensive income | 2,500 | 252,479 | -% | 252,479 | 2,500 | -% | |
| The Company | Fubon Life Insurance 2023 first unsecured accumulated secondary ordinary corporate bond | None | Non-current financial assets at fair value through other comprehensive income | 2,500 | 290,641 | -% | 290,641 | 2,500 | -% | |
| | | | | | \$ 1,015,697 | | | | | |
| Forever | Yuanta U.S. Treasury 20+ Year Bond ETF | None | Current financial assets at fair value through profit or loss | 930 | 28,691 | -% | 28,691 | 930 | -% | |
| Forever | CTBC USD Corporate 10+ Year High Grade Capped Bond | None | Current financial assets at fair value through profit or loss | 840 | 30,500 | -% | 30,500 | 840 | -% | |
| Forever | Cathay U.S. Treasury 20+ YR ETF | None | Current financial assets at fair value through profit or loss | 880 | 27,993 | -% | 27,993 | 880 | -% | |
| Forever | CTBC U.S. Treasury 20+ YR ETF | None | Current financial assets at fair value through profit or loss | 306 | 9,529 | -% | 9,529 | 306 | -% | |
| Forever | Taiwan Cement Corp., Ltd. Preferred Stock B | None | Current financial assets at fair value through profit or loss | 610 | 29,463 | -% | 29,463 | 610 | -% | |
| Forever | Cathay Financial Holdings., Ltd. Preferred Stock B | None | Current financial assets at fair value through profit or loss | 149 | 8,880 | -% | 8,880 | 149 | -% | |
| Forever | ANJET Corporation Series B Preferred Shares | None | Non-current financial assets at fair value through other comprehensive income | 200 | 3,503 | -% | 3,503 | 200 | -% | |
| | | | | | \$ 138,559 | | | | | |
| 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 | \$ 37,115 | -% | 37,115 | 3,000 | -% | |
| Everlight Zhongshan | Structured deposits | None | Current financial assets at fair value through profit or loss | - | \$ 43,502 | -% | 43,502 | - | -% | |
| Everlight China | Structured deposits | None | Current financial assets at fair value through profit or loss | - | \$ 435,951 | -% | 435,951 | - | -% | |

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

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

Table 4 Related party transactions for purchases and sales with amounts exceeding the lower of NTS100 million or 20% of the capital stock
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| Name of Company | Name of Counter party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/ Account (Payable) or Receivable | | Note |
|--------------------------|--------------------------|---|---------------------|-----------------|--------------------------------------|--|---|---|--|---|--------|
| | | | Purchase/ (Sale) | Amount (Note 1) | Percentage of total purchases /sales | Payment Terms | Unit Price | Payment Terms | Ending Balance (Note 3) | Percentage of total notes/accounts receivable (payable) | |
| The Company | Evlite | 100% owned subsidiary | (Sales) | \$ (831,088) | (7%) | OA 120 | No significant difference to the general customers | General export receivables in 30~120 days | Accounts Receivable 252,172 | 6% | Note 2 |
| The Company | Everlight Europe | 75% owned subsidiary | (Sales) | (916,476) | (8%) | OA 120 | No significant difference to the general customers | General export receivables in 30~120 days | Accounts Receivable 211,431 | 5% | Note 2 |
| The Company | Everlight Lighting China | 100% owned sub-subsiary | (Sales) | (429,546) | (4%) | Depending on the credit conditions of the ultimate customers | No significant difference to the general customers | General export receivables in 30~120 days | Accounts Receivable 108,064 | 3% | Note 2 |
| The Company | ELA | 99% owned subsidiary | (Sales) | (248,204) | (2%) | OA 140 | No significant difference to the general customers | General export receivables in 30~120 days | Accounts Receivable 15,681 | - % | Note 2 |
| The Company | Anhui Hongming | Equity accounted investee by the Everlight China | (Sales) | (221,026) | (2%) | OA 120 | No significant difference to the general customers | General export receivables in 30~120 days | Accounts Receivable 78,277 | 2% | |
| The Company | Everlight China | 100% owned sub-subsiary | Purchases | 7,025,954 | 75% | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (2,764,583) | (67%) | Note 2 |
| The Company | Everlight Zhongshan | 100% owned sub-subsiary | Purchases | 433,747 | 5% | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (172,502) | (4%) | Note 2 |
| The Company | Everlight Lighting China | 100% owned sub-subsiary | Purchases | 164,008 | 2% | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (57,332) | (1%) | Note 2 |
| The Company | Tekcore | Equity accounted invested by the Company | Purchases | 212,584 | (2%) | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90 days | Accounts Payable (105,397) | (3%) | - |
| Everlight Zhongshan | The Company | Ultimate holding company | (Sales) | (462,850) | (100%) | OA 120 | Terms not comparable to other general trading price | General export receivables in 90~120 days | Accounts Receivable 172,502 | 100% | Note 2 |
| Everlight China | The Company | Ultimate holding company | (Sales) | (7,244,050) | (99%) | OA 120 | Terms not comparable to other general trading price | General export receivables in 90~120 days | Accounts Receivable 2,764,583 | 99% | Note 2 |
| Everlight China | Tekcore | Equity accounted investee by the Company | Purchases | 178,494 | 4% | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90 days | Accounts Payable (41,920) | (3%) | - |
| Everlight Lighting China | The Company | Ultimate holding company | Purchases | 432,149 | 29% | Depending on the credit conditions of the ultimate customers | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (108,064) | (17%) | Note 2 |
| Everlight Lighting China | The Company | Ultimate holding company | (Sales) | (164,136) | (7%) | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Receivable 57,332 | 14% | Note 2 |
| ELA | The Company | Parent company | Purchases | 263,712 | 100% | OA 140 | No significant difference to the general customers | General purchase payments in 30~120 days | Accounts Payable (34,280) | (100%) | Note 2 |
| Everlight Europe | The Company | Parent company | Purchases | 931,170 | 100% | OA 120 | No significant difference to the general customers | General purchase payments in 30~120 days | Accounts Payable (210,504) | (99%) | Note 2 |
| Evlite | The Company | Parent company | Purchases | 836,840 | 100% | OA 120 | No significant difference to the general customers | General purchase payments in 90~120 days | Accounts Payable (252,156) | (100%) | Note 2 |
| Evervision TW | VBEST GmbH | 75% owned subsidiary by Evervision TW | (Sales) | (192,590) | (31%) | OA 90 | No significant difference to the general customers | General export receivables in 90~120 days | Accounts Receivable 19,556 | 16% | Note 2 |
| Evervision TW | Vbest Kunshan | 100% Equity accounted sub-subsiary by Evervision TW | Purchases | 344,463 | 63% | OA 150 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (110,711) | (71%) | Note 2 |
| VBEST GmbH | Evervision TW | 75% owned subsidiary by Evervision TW | Purchases | 207,338 | 100% | OA 90 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (23,133) | (100%) | Note 2 |
| Vbest Kunshan | Evervision TW | 100% Equity accounted sub-subsiary by Evervision TW | (Sales) | (345,190) | (98%) | OA 150 | Terms not comparable to other general trading price | General export receivables in 90~120 days | Accounts Receivable 110,711 | 97% | Note 2 |

Note 1: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2023.

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

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

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

Table 5 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| Name of company | Counterparty | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period (Note 1) | Allowance for bad debts |
|---------------------|--------------------------|---|---------------------|---------------|---------|--------------|--|-------------------------|
| | | | | | Amount | Action taken | | |
| The Company | Evlite | 100% owned subsidiary | \$ 252,172 | 2.99 | - | | \$ 92,790 | - |
| The Company | Everlight Europe | 75% owned subsidiary | 211,431 | 4.53 | - | | 139,579 | - |
| The Company | WOFI Leuchten GmbH | 100% owned subsidiary | 526,965 (Note 3) | - | - | | - | - |
| The Company | Everlight Lighting China | 100% owned sub-sub-subsidiary | 108,064 | 4.15 | - | | 69,615 | - |
| Everlight China | Everlight Lighting China | Same parent company | 433,050 (Note 3) | - | - | | 433,050 | - |
| Everlight China | The Company | Ultimate holding company | 2,764,583 | 2.60 | - | | 1,753,475 | - |
| Everlight Zhongshan | The Company | Ultimate holding company | 172,502 | 3.16 | - | | 111,629 | - |
| Vbest Kunshan | Evervision TW | 100% Equity accounted sub-subsidiary by Evervision TW | 110,711 | 2.44 | - | | 54,676 | - |

Note 1: Information as of March 8, 2023.

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

Note 3: Lending funds (including interest).

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

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

Table 6 Information derivative financial instruments transaction
December 31, 2023

Unit: In Thousands of New Taiwan Dollar ∙ Foreign currency

| Name of holder | Financial instrument | Notional Amount | Transaction date | Maturity date | Rate | Fair Value | Credit risk |
|-----------------------|---|------------------------|-------------------------|-----------------------|--------------------------|-------------------|--------------------|
| The Company | Pre-sale forward exchange contract | USD 10,000 | 2023.11.10-2023.12.19 | 2024.01.18-2024.03.12 | USD/RMB 7.1058-7.2673 | \$ 3,125 | 3,125 |
| The Company | Pre-sale forward exchange contract | USD 24,000 | 2023.10.17-2023.12.29 | 2024.01.04-2024.03.07 | USD/NTD 30.48-32.37 | 22,088 | 22,088 |
| The Company | Pre-sale forward exchange contract | EUR 4,250 | 2023.11.02-2023.12.28 | 2024.01.04-2024.03.19 | EUR/USD 1.063-1.1142 | (2,442) | (2,442) |
| Everlight China | Other derivative financial instrument contracts | RMB 100,000 | 2023.09.22-2023.10.20 | 2024.03.22-2024.04.22 | 2.89%-2.92% | 2,901 | - |
| Everlight Zhongshan | Other derivative financial instrument contracts | RMB 10,000 | 2023.10.26 | 2024.01.26 | 2.48% | 197 | - |

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

Table 7 Information on investees
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| Investor company | Investee company | Location | Main businesses and products | Original investment amount | | Ending balance | | | Net income (Losses) of the Investee (Note 4) | Share of profits/losses of investee | Note |
|------------------|------------------------------------|--------------------------------------|--|----------------------------|-------------------|-----------------------|-------------------------|----------------|--|-------------------------------------|-----------------------|
| | | | | December 31, 2023 | December 31, 2022 | Shares (In thousands) | Percentage of ownership | Carrying value | | | |
| The Company | Everlight BVI | Registered in British Virgin Islands | Investment | \$ 4,762,934 | \$ 4,762,934 | 1,540 | 98% | \$ 6,880,695 | 119,407 | 117,019 | Subsidiaries |
| The Company | Pai yee | New Taipei City | Investment | 580,253 | 580,253 | 23,940 | 100% | 488,181 | 19,049 | 19,049 | Subsidiaries |
| The Company | ELA and its subsidiaries | Registered in the USA | Sale of LEDs | 373,396 | 373,396 | 11,375 | 98.91% | (83,722) | (140,997) | (139,460) | Subsidiaries |
| The Company | Evervision TW and its subsidiaries | New Taipei City | Manufacture and sales of LCDs and LED processing | 35,455 | 35,455 | 4,477 | 24.27% | 258,552 | 45,895 | 11,139 | Subsidiaries |
| The Company | Everlight Europe | Registered in Germany | Sale of LEDs | 2,203 | 2,203 | 75 | 75% | 137,802 | 69,364 | 52,023 | Subsidiaries |
| The Company | ELK | Korea | Sale of LEDs | 6,485 | 6,485 | 38 | 100% | 98,163 | 6,162 | 6,162 | Subsidiaries |
| The Company | Forever | New Taipei City | Investment | 400,000 | 400,000 | 42,488 | 100% | 420,555 | 12,439 | 12,439 | Subsidiaries |
| The Company | ELIT | New Taipei City | Sale of LED lighting products | 500,000 | 500,000 | 20,000 | 100% | 278,220 | 65,679 | 65,566 | Subsidiaries |
| The Company | Tekcore | Nantou County | Manufacture and sale of EPI wafers and chips of LED | 489,580 | 489,580 | 4,767 | 9.23% | 58,023 | 17,667 | 1,631 | (Note 1) |
| The Company | Evlite | Kwun Tong, Kowloon, Hong Kong | Sale of LEDs | 71,324 | 71,324 | 7,000 | 100% | 158,495 | 5,094 | 5,094 | Subsidiaries |
| The Company | ELI | Registered in India | Sale of LEDs | 1,984 | 1,984 | 353 | 80% | 18,646 | 3,810 | 3,048 | Subsidiaries |
| The Company | ELS | Singapore | Sale of LEDs | 5,989 | 5,989 | 200 | 100% | 12,116 | (881) | (881) | Subsidiaries |
| The Company | WOFI Holding and its subsidiaries | Germany | Sale of lighting products, pendants and accessories | 1,333,883 | 1,333,883 | 5,775 | 100% | (573,934) | (12,803) | (12,803) | Subsidiaries (Note 3) |
| The Company | ELJ | Japan | Sale of LEDs | 14,911 | 14,911 | 5 | 100% | 19,565 | (480) | (480) | Subsidiaries |
| Pai yee | Everlight BVI | Registered in British Virgin Islands | Investment | 120,740 | 120,740 | 37 | 2% | 140,422 | 119,407 | 2,388 | Subsidiaries |
| Pai yee | Evervision TW and its subsidiaries | New Taipei City | Manufacture and sales of LCDs and LED processing | 61,121 | 54,401 | 2,940 | 15.94% | 148,802 | 45,895 | 6,838 | Subsidiaries |
| Pai yee | Tekcore | Nantou County | Manufacture and sale of EPI wafers and chips of LED | 67,861 | 28,833 | 5,819 | 11.27% | 70,847 | 17,667 | 2,425 | (Note 2) |
| Pai yee | Everlight Malaysia | Registered in Malaysia | Business development and customer services | 2,240 | 2,240 | 254 | 100% | 2,203 | (423) | (423) | Sub-sub-sidiaries |
| Pai yee | ELI | India | Sale of LEDs | 493 | 493 | 88 | 20% | 4,659 | 3,810 | 762 | Subsidiaries |
| ELIT | ELIT KZ | Kazakhstan | Sale of LED lighting products | 73 | 73 | - | 100% | 2,454 | (237) | (237) | Sub-sub-sidiaries |
| Forever | Evervision TW and its subsidiaries | New Taipei City | Manufacture and sales of LCDs and LED processing | 30,978 | 30,978 | 5,120 | 27.76% | 227,155 | 45,895 | 12,740 | Subsidiaries |
| Forever | EleOcom Inc. | New Taipei City | Manufacture and sales of electronic components and communication equipment | 45,000 | 45,000 | 4,500 | 32.14% | - | - | - | - |
| Evervision TW | LeadTech | Hsinchu County | Wafer testing service | 30,000 | 30,000 | 2,500 | 43.48% | 28,264 | (3,662) | (2,510) | - |

Note 1: The market value is \$88,188.

Note 2: The market value is \$107,652.

Note 3: The Company invested in WOFI through a cash injection of EUR 11,000 thousand and EUR 16,000 thousand in July 2020 and August 2022, respectively, wherein the registration procedures have yet to be completed.

Note 4: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2023.

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

Table 8 Information on investment in Mainland China
December 31, 2023

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

Unit: In Thousands of New Taiwan Dollar · Foreign currency

| Name of investee | Main businesses and products | Total amount of paid in capital (Note 6) | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of the investee | Percentage of ownership owned directly or indirectly by the company | Investment Income (losses) (Note 4) | Carrying amount as of December 31, 2022 (Note 6) | Accumulated remittance of earnings as of December 31, 2022 |
|--|--|--|----------------------|---|------------------|--------|---|-------------------------------------|---|-------------------------------------|--|--|
| | | | | | Outflow | Inflow | | | | | | |
| <u>The Company and Pai yee:</u> Everlight China | Manufacture of LEDs | 3,770,464 (US\$113,500 · RMB65,129) (Note 7) | (Note 1) | 3,391,915 (US\$110,360) | - | - | 3,391,915 (US\$110,360) | 104,233 | 100% | 104,233 | 5,464,080 | (Note 8) |
| Everlight Lighting China | Sale of LEDs | 307,350 (US\$10,000) (Note 11) | (Note 1) | 159,822 (US\$5,200) | - | - | 159,822 (US\$5,200) | 25,701 | 100% | 25,701 (Note 12) | 342,122 (Note 12) | - |
| Everlight Electronic Guangzhou | Business development and customer services | 198,807 (US\$128 · RMB45,000) (Note 19) | (Note 1) | 3,934 (US\$128) | - | - | 3,934 (US\$128) | 839 | 100% | 839 (Note 20) | (1,730) (Note 20) | - |
| Everlight Zhongshan | Manufacture of LED related components | 922,050 (US\$30,000) | (Note 1) | 922,050 (US\$30,000) | - | - | 922,050 (US\$30,000) | (5,096) | 100% | (5,096) | 885,763 | - |
| <u>Evervision TW:</u> VBest Kunshan | Post assemble STN display and assemble module | 553,230 (US\$18,000) | (Note 2) | 553,230 (US\$18,000) | - | - | 553,230 (US\$18,000) | 20,438 | 67.97% | 13,891 | 493,392 | - |
| <u>Everlight Lighting China:</u> Zhongshan Everlight Lighting | Research and sale of LED lighting products | 142,907 (RMB33,000) | (Note 3) | - | - | - | - | (4,990) | 100% | (4,990) | 616 | - |
| <u>Everlight China</u> Anhui Hongming | Research and Manufacture of Mini LED lighting products | 433,050 (RMB100,000) | (Note 3) | - | - | - | - | 38,499 | 20% | 7,700 | 87,625 | - |

EVERLIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

Table 8 Information on investment in Mainland China
December 31, 2023

(ii) Limitation on investment in Mainland China:

Unit: In Thousands of New Taiwan Dollar ∙ Foreign currency

| Company Name | Accumulated Investment in Mainland China as of December 31, 2023 (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) | 5,449,339 (USD169,003 thousand ∙ RMB58,892 thousand) (Notes 9 ∙ 10 ∙ 13 ∙ 16 ∙ 17 ∙ 18 and 22) | 5,580,235 (USD170,898 thousand ∙ RMB75,669 thousand) | 11,130,588 |
| ELIT | 143,855 (USD2,723 thousand ∙ RMB13,893 thousand) (Notes 9 and 18) | 143,855 (USD2,723 thousand ∙ RMB13,893 thousand) | 166,800 |
| Evervision TW | 649,615 (Notes 15 and 21) (USD21,136 thousand) | 649,615 (USD21,136 thousand) | 560,107 (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 Lighting, which recognized their gains and losses on investment in accordance with the investees' self-reported financial statements, the gains and losses on investment of the remaining companies were recognized according to the investees' financial statements audited by the certified public accountants of Taiwan parent company and other accountants, wherein the amounts were translated into New Taiwan Dollars at the yearly average exchange rate in 2023.

Note 5 : Including the investment amount of USD 3,790 thousand approved by Pai yee.

Note 6 : The amounts were translated into New Taiwan dollars at the exchange rates at the end of the reporting period.

Note 7 : The difference from the Company's outflow of investment was due to the retained earnings transferred to the capital of Everlight China amounting to USD 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.

Note 8 : Including the remittance amounting to USD 10,140 thousand from Guangzhou Everlight to Everlight BVI to be invested in Everlight China by Everlight BVI in 2007.

Note 9 : The liquidation of Yi Yao was completed in January 2020; the aforesaid investment amounting to USD 48 thousand and RMB 6,462 thousand was included in the Company's accumulated outflow of investment from Taiwan and amounting to USD 723 thousand was included in the ELIT's accumulated outflow of investment from Taiwan.

Note 10 : The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to USD 3,750 thousand was included in the Company's accumulated outflow of investment from Taiwan.

Note 11 : The difference from the Company's outflow of investment was due to the amount of USD 4,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.

Note 12 : Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.

Note 13 : Shanghai Yaming Lighting Co., Ltd. (Yaming) had been in the process of liquidation in 2023, the aforesaid investment amounting to USD 1,464 thousand was included in the Company's accumulated outflow of investment from Taiwan.

Note 14 : After the investment of Evervision TW in Mainland China, its net equity decreased due to its capital reduction in 2012. Therefore, the amount in the approval letter from the Investment Commission of Ministry of Economic Affairs is higher than required for the limitation on investment in accordance with the legal authorities.

Note 15 : Including the investment amount of the factory in Mainland China written off in 2012 amounting to USD 2,750 thousand.

Note 16 : Including the investments amounting to USD 216 thousand in Inferpoint Touch Solutions (Shenzhen) Limited and Inferpoint Systems (Shenzhen) Limited through Inferpoint Systems Limited, an investee at cost, in Mainland China. The Company sold its equities in December 2013, but had not applied to eliminate the investment amounting to USD 9,475 thousand.

Note 17 : Everlight Yi Guang Technology (Shanghai) Ltd. had completed its liquidation in April 2014. The aforesaid investment amount included the accumulated outward remittance from the Company for investment amounting to USD 293 thousand.

Note 18 : The liquidation of ELMS was completed in June 2022; and the above investment amount includes ELIT's accumulated investment amount of USD 2,000 thousand and RMB 13,893 thousand remitted from Taiwan and Everlight's accumulated investment amount of USD 1,294 thousand and RMB 15,562 thousand remitted from Taiwan.

Note 19 : The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in Everlight Electronic (Guangzhou) from Everlight China's owned fund.

Note 20 : Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Electronic (Guangzhou) by Everlight China.

Note 21 : The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to USD 386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.

Note 22 : The liquidation of Everlight Electronics (Fujian) Co.,Ltd. was completed in May 2022; and the above investment amount includes the Company's accumulated investment amount of USD 16,250 thousand and RMB 36,868 thousand remitted from Taiwan..

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Company and the investee companies in Mainland China for the year ended December 31,2023.

6.4 Latest Audited Annual Financial Report

Representation Letter

The entities that are required to be included in the combined financial statements of Everlight Electronics Co., Ltd. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Everlight Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Everlight Electronics Co., Ltd.
Chairman: Robert Yeh
Date: March 13, 2024.



安侯建業聯合會計師事務所
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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Everlight Electronics Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022 (restated) and January 1, 2022(restated) and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022(restated) and January 1, 2022(restated), and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 6(a) of the consolidated financial statements, according to the IFRSs Q&A updated by the Financial Supervisory Commission, Securities and Futures Bureau, the repatriated offshore funds deposit account balances amounting to \$29,172 thousands and \$624,837 thousands on December 31, 2022 and January 1, 2022, respectively, were reclassified from other current financial assets to cash and cash equivalents, and the financial statements were restated retrospectively. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

1. Inventory valuation

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

Description of key audit matters:

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

Audit procedures:

Our principal audit procedures included: assessing the allowance for inventory valuation and obsolescence losses to determine whether the policies of the Group and the accounting policies are applied accordingly, and challenging the adequacy of the Group's provisions against inventories which we corroborated on a sample basis by testing the appropriateness of ageing listing, understanding the basis for valuation of net realized value used by the management of the Group and selecting appropriate samples to verify the appropriateness of inventory valuation.

2. Accounts receivable valuation

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

Description of key audit matters:

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

Audit procedures:

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

3. Revenue recognition

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

Description of key audit matters:

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



Audit Procedures:

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

Other Matter

Everlight Electronics Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued unmodified opinion with emphasis of matter paragraph and an unmodified opinion, respectively.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2024

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| Assets | December 31, 2023 | | December 31, 2022 (Restated) | | January 1, 2022 (Restated) | | Liabilities and Equity | December 31, 2023 | | December 31, 2022 (Restated) | | January 1, 2022 (Restated) | |
|--|----------------------|------------|---------------------------------|------------|-------------------------------|------------|--|----------------------|------------|---------------------------------|------------|-------------------------------|------------|
| | Amount | % | Amount | % | Amount | % | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | Current liabilities: | | | | | | |
| 1100 Cash and cash equivalents (note 6(a)) | \$ 4,929,740 | 19 | 4,920,338 | 19 | 5,138,988 | 17 | 2100 Short-term borrowings (note 6(n)) | \$ 250,000 | 1 | 537,705 | 2 | 2,489,960 | 8 |
| 1110 Current financial assets at fair value through profit or loss (notes 6(b) and 8) | 838,811 | 3 | 783,323 | 3 | 1,206,849 | 4 | 2130 Current contract liabilities (note 6(w)) | 54,638 | - | 16,974 | - | 68,297 | - |
| 1140 Current contract assets (note 6(w)) | - | - | - | - | 2,317 | - | 2170 Notes and accounts payable | 3,268,311 | 13 | 3,020,048 | 12 | 4,806,232 | 16 |
| 1170 Notes and accounts receivable, net (note 6(d)) | 4,771,498 | 19 | 4,711,866 | 18 | 6,998,255 | 23 | 2180 Accounts payable to related parties (note 7) | 147,317 | 1 | 180,362 | 1 | 284,448 | 1 |
| 1180 Accounts receivable due from related parties, net (notes 6(d) and 7) | 86,865 | - | 56,922 | - | 36,502 | - | 2213 Payables on machinery and equipment | 178,490 | 1 | 279,080 | 1 | 631,866 | 2 |
| 1310 Inventories (note 6(f)) | 963,584 | 4 | 1,088,402 | 4 | 1,686,565 | 6 | 2230 Current tax liabilities | 623,492 | 2 | 682,777 | 3 | 527,638 | 2 |
| 1470 Other current assets | 333,351 | 1 | 277,319 | 1 | 549,175 | 2 | 2250 Current provisions (note 6(o)) | 105,311 | - | 257,225 | 1 | 77,934 | - |
| 1476 Other current financial assets (notes 6(a), 6(e), 6(m) and 7) | 4,769,207 | 18 | 4,877,941 | 19 | 4,712,669 | 15 | 2280 Current lease liabilities (note 6(r)) | 37,338 | - | 36,399 | - | 42,140 | - |
| | <u>16,693,056</u> | <u>64</u> | <u>16,716,111</u> | <u>64</u> | <u>20,331,320</u> | <u>67</u> | 2300 Other current liabilities (notes 6(b) and 6(p)) | 1,625,992 | 6 | 1,629,351 | 6 | 1,961,179 | 7 |
| | | | | | | | 2322 Long-term borrowings, current portion (note 6(q)) | 1,351 | - | - | - | 33,503 | - |
| Non-current assets: | | | | | | | | <u>6,292,240</u> | <u>24</u> | <u>6,639,921</u> | <u>26</u> | <u>10,923,197</u> | <u>36</u> |
| 1510 Non-current financial assets at fair value through profit or loss (note 6(b)) | 37,115 | - | 29,198 | - | 42,071 | - | Non-Current liabilities: | | | | | | |
| 1517 Non-current financial assets at fair value through other comprehensive income (note 6(c)) | 820,252 | 3 | 18,363 | - | - | - | 2527 Non-current contract liabilities (note 6(w)) | 48 | - | 1,733 | - | - | - |
| 1550 Investments accounted for using the equity method, net (note 6(g)) | 244,759 | 1 | 202,872 | 1 | 92,754 | - | 2540 Long-term borrowings (note 6(q)) | 7,277 | - | 9,372 | - | 69,572 | - |
| 1560 Non-current contract assets (note (w)) | 138,498 | 1 | 56,673 | - | 36,874 | - | 2550 Non-current provisions (note 6(o)) | 138,112 | 1 | - | - | 51,895 | - |
| 1600 Property, plant and equipment (note 6(k)) | 6,104,676 | 23 | 7,073,869 | 27 | 7,631,501 | 25 | 2570 Deferred tax liabilities (note 6(t)) | 107,460 | - | 90,842 | - | 78,218 | - |
| 1755 Right-of-use assets (note 6(l)) | 395,007 | 2 | 424,905 | 2 | 399,679 | 1 | 2580 Non-current lease liabilities (note 6(r)) | 287,352 | 1 | 310,159 | 1 | 274,444 | 1 |
| 1780 Intangible assets (note 6(t)) | 25,232 | - | 36,842 | - | 58,654 | - | 2640 Non-current provisions for employee benefit (note 6(s)) | 58,710 | - | 48,573 | - | 89,750 | - |
| 1840 Deferred tax assets | 631,196 | 3 | 639,043 | 2 | 532,179 | 2 | 2600 Other non-current liabilities | 323,771 | 1 | 282,226 | 1 | 229,617 | 1 |
| 1900 Other non-current assets | 122,575 | - | 149,184 | 1 | 207,416 | 1 | | <u>922,730</u> | <u>3</u> | <u>742,905</u> | <u>2</u> | <u>793,496</u> | <u>2</u> |
| 1980 Non-current other financial assets (notes 6(a), 6(d) and 8) | 908,436 | 3 | 767,118 | 3 | 1,192,989 | 4 | Total liabilities | <u>7,214,970</u> | <u>27</u> | <u>7,382,826</u> | <u>28</u> | <u>11,716,693</u> | <u>38</u> |
| | <u>9,427,746</u> | <u>36</u> | <u>9,398,067</u> | <u>36</u> | <u>10,194,117</u> | <u>33</u> | Equity: | | | | | | |
| | | | | | | | Equity attributable to owners of parent (note 6(u)): | | | | | | |
| | | | | | | | 3110 Ordinary shares | 4,433,931 | 17 | 4,433,931 | 17 | 4,433,931 | 15 |
| | | | | | | | 3200 Capital surplus (note 6(g)) | 9,095,266 | 35 | 9,094,168 | 35 | 9,103,595 | 30 |
| | | | | | | | Retained earnings: | | | | | | |
| | | | | | | | 3310 Legal reserve | 3,061,434 | 12 | 2,936,466 | 11 | 2,742,830 | 9 |
| | | | | | | | 3320 Special reserve | 677,359 | 3 | 863,833 | 3 | 821,051 | 3 |
| | | | | | | | 3350 Unappropriated retained earnings | 2,125,833 | 8 | 1,706,543 | 7 | 2,245,159 | 7 |
| | | | | | | | | <u>5,864,626</u> | <u>23</u> | <u>5,506,842</u> | <u>21</u> | <u>5,809,040</u> | <u>19</u> |
| | | | | | | | 3400 Other equity interests | (842,843) | (3) | (677,359) | (3) | (863,832) | (3) |
| | | | | | | | | <u>18,550,980</u> | <u>72</u> | <u>18,357,582</u> | <u>70</u> | <u>18,482,734</u> | <u>61</u> |
| | | | | | | | 3610 Non-controlling interests | 354,852 | 1 | 373,770 | 2 | 326,010 | 1 |
| | | | | | | | Total equity | <u>18,905,832</u> | <u>73</u> | <u>18,731,352</u> | <u>72</u> | <u>18,808,744</u> | <u>62</u> |
| Total assets | <u>\$ 26,120,802</u> | <u>100</u> | <u>26,114,178</u> | <u>100</u> | <u>30,525,437</u> | <u>100</u> | Total liabilities and equity | <u>\$ 26,120,802</u> | <u>100</u> | <u>26,114,178</u> | <u>100</u> | <u>30,525,437</u> | <u>100</u> |

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

| | 2023 | | 2022 | |
|---|---------------------|------------|---------------------|-----------|
| | Amount | % | Amount | % |
| 4000 Operating revenue (notes 6(w) and 7) | \$ 17,845,424 | 100 | 19,888,289 | 100 |
| 5110 Cost of sales (notes 6(f), 6(s), 7 and 12) | <u>12,656,193</u> | <u>71</u> | <u>14,286,502</u> | <u>72</u> |
| 5900 Gross profit | <u>5,189,231</u> | <u>29</u> | <u>5,601,787</u> | <u>28</u> |
| Operating expenses (notes 6(s), 7 and 12): | | | | |
| 6100 Selling expenses | 970,061 | 5 | 1,341,000 | 7 |
| 6200 Administrative expenses | 1,667,888 | 9 | 1,809,657 | 9 |
| 6300 Research and development expenses | 786,656 | 5 | 713,168 | 4 |
| 6450 Expected credit loss (reversal gain) (notes 6(d) and 6(e)) | <u>(28,712)</u> | <u>-</u> | <u>267,826</u> | <u>1</u> |
| | <u>3,395,893</u> | <u>19</u> | <u>4,131,651</u> | <u>21</u> |
| 6900 Net operating income | <u>1,793,338</u> | <u>10</u> | <u>1,470,136</u> | <u>7</u> |
| Non-operating income and expenses: | | | | |
| 7100 Interest income (note 6(y)) | 183,889 | 1 | 108,879 | - |
| 7190 Other income (note 6(r)) | 126,257 | 1 | 247,508 | 1 |
| 7210 Net gain (losses) on disposals of property, plant and equipment (note 7) | 41,819 | - | (10,566) | - |
| 7225 Gain(losses) on disposals of investments, net (notes 6(i) and (j)) | 1,741 | - | (16,861) | - |
| 7235 Losses on financial assets (liabilities) at fair value through profit or loss, net | (26,234) | - | (99,105) | - |
| 7050 Finance costs (notes 6(r) and 6(y)) | (11,432) | - | (49,370) | - |
| 7590 Other expenses and losses | (166,299) | (1) | (264,752) | (1) |
| 7630 Foreign exchange gains, net (note 6(z)) | 77,809 | - | 362,850 | 2 |
| 7670 Impairment loss (note 6(k)) | (2,403) | - | - | - |
| 7770 Share of profit (loss) of associates and joint ventures accounted for using the equity method (note 6(g)) | <u>9,247</u> | <u>-</u> | <u>(9,515)</u> | <u>-</u> |
| | <u>234,394</u> | <u>1</u> | <u>269,068</u> | <u>2</u> |
| 7900 Profit before tax | 2,027,732 | 11 | 1,739,204 | 9 |
| 7950 Less: Income tax expenses (note 6(t)) | <u>519,036</u> | <u>3</u> | <u>423,465</u> | <u>2</u> |
| Profit | <u>1,508,696</u> | <u>8</u> | <u>1,315,739</u> | <u>7</u> |
| 8300 Other comprehensive income: | | | | |
| 8310 Items that will not be reclassified to profit or loss | | | | |
| 8311 Gains (losses) on remeasurements of defined benefit plans | (7,073) | - | 23,557 | - |
| 8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (14,860) | - | (12,869) | - |
| 8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | (56) | - | 616 | - |
| 8349 Less: income tax related to items that will not be reclassified to profit or loss (note 6(t)) | <u>(1,414)</u> | <u>-</u> | <u>4,712</u> | <u>-</u> |
| | <u>(20,575)</u> | <u>-</u> | <u>6,592</u> | <u>-</u> |
| 8360 Items that will be reclassified to profit or loss | | | | |
| 8361 Exchange differences on translation of foreign financial statements | (212,804) | (1) | 202,803 | 1 |
| 8367 Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (note 6(z)) | 43,772 | - | - | - |
| 8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | (2,383) | - | (1,283) | - |
| 8399 Less: income tax related to items that will be reclassified to profit or loss (note 6(t)) | <u>(5,440)</u> | <u>-</u> | <u>(3,334)</u> | <u>-</u> |
| | <u>(165,975)</u> | <u>(1)</u> | <u>204,854</u> | <u>1</u> |
| 8300 Other comprehensive income | <u>(186,550)</u> | <u>(1)</u> | <u>211,446</u> | <u>1</u> |
| Total comprehensive income | <u>\$ 1,322,146</u> | <u>7</u> | <u>\$ 1,527,185</u> | <u>8</u> |
| Profit, attributable to: | | | | |
| 8610 Owners of parent | \$ 1,472,137 | 8 | 1,230,836 | 7 |
| 8620 Non-controlling interests | <u>36,559</u> | <u>-</u> | <u>84,903</u> | <u>-</u> |
| | <u>\$ 1,508,696</u> | <u>8</u> | <u>\$ 1,315,739</u> | <u>7</u> |
| Total comprehensive income attributable to: | | | | |
| 8710 Owners of parent | \$ 1,300,783 | 7 | 1,436,151 | 8 |
| 8720 Non-controlling interests | <u>21,363</u> | <u>-</u> | <u>91,034</u> | <u>-</u> |
| | <u>\$ 1,322,146</u> | <u>7</u> | <u>\$ 1,527,185</u> | <u>8</u> |
| Earnings per share (note 6(v)) | | | | |
| 9750 Basic earnings per share | <u>\$ 3.32</u> | | <u>2.78</u> | |
| 9850 Diluted earnings per share | <u>\$ 3.29</u> | | <u>2.75</u> | |

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | Other equity interest | | Total equity attributable to owners of parent | Non-controlling interests | Total equity | |
|---|---|------------------|-------------------|-----------------|----------------------------------|---|---|---|---------------------------|----------------|-------------------|
| | Ordinary shares | Capital surplus | Retained earnings | | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | | | | |
| | | | Legal reserve | Special reserve | | | | | | | Total |
| Balance at January 1, 2022 | \$ 4,433,931 | 9,103,595 | 2,742,830 | 821,051 | 2,245,159 | (863,832) | - | (863,832) | 18,482,734 | 326,010 | 18,808,744 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve | - | - | 193,636 | - | (193,636) | - | - | - | - | - | - |
| Special reserve | - | - | - | 42,782 | (42,782) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (1,551,876) | - | - | - | (1,551,876) | - | (1,551,876) |
| | - | - | 193,636 | 42,782 | (1,788,294) | - | - | - | (1,551,876) | - | (1,551,876) |
| Profit for the period | - | - | - | - | 1,230,836 | - | - | - | 1,230,836 | 84,903 | 1,315,739 |
| Other comprehensive income for the period | - | - | - | - | 18,842 | 199,342 | (12,869) | 186,473 | 205,315 | 6,131 | 211,446 |
| Total comprehensive income for the period | - | - | - | - | 1,249,678 | 199,342 | (12,869) | 186,473 | 1,436,151 | 91,034 | 1,527,185 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | - | (9,622) | - | - | - | - | - | - | (9,622) | - | (9,622) |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | (43,274) | (43,274) |
| Others | - | 195 | - | - | - | - | - | - | 195 | - | 195 |
| Balance at December 31, 2022 | 4,433,931 | 9,094,168 | 2,936,466 | 863,833 | 1,706,543 | (664,490) | (12,869) | (677,359) | 18,357,582 | 373,770 | 18,731,352 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve | - | - | 124,968 | - | (124,968) | - | - | - | - | - | - |
| Special reserve | - | - | - | (186,474) | 186,474 | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (1,108,483) | - | - | - | (1,108,483) | - | (1,108,483) |
| | - | - | 124,968 | (186,474) | (1,046,977) | - | - | - | (1,108,483) | - | (1,108,483) |
| Profit for the period | - | - | - | - | 1,472,137 | - | - | - | 1,472,137 | 36,559 | 1,508,696 |
| Other comprehensive income for the period | - | - | - | - | (5,870) | (194,396) | 28,912 | (165,484) | (171,354) | (15,196) | (186,550) |
| Total comprehensive income for the period | - | - | - | - | 1,466,267 | (194,396) | 28,912 | (165,484) | 1,300,783 | 21,363 | 1,322,146 |
| Changes in equity of associates and joint ventures accounted for using the equity method | - | (3,949) | - | - | - | - | - | - | (3,949) | - | (3,949) |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | - | 4,844 | - | - | - | - | - | - | 4,844 | - | 4,844 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | (40,281) | (40,281) |
| Others | - | 203 | - | - | - | - | - | - | 203 | - | 203 |
| Balance at December 31, 2023 | \$ 4,433,931 | 9,095,266 | 3,061,434 | 677,359 | 2,125,833 | (858,886) | 16,043 | (842,843) | 18,550,980 | 354,852 | 18,905,832 |

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

| | 2023 | 2022 (Restated) |
|--|--------------|--------------------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 2,027,732 | 1,739,204 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation and amortization expense | 1,130,007 | 1,450,186 |
| Expected credit loss (reversal gain) | (28,712) | 267,826 |
| Net gain on financial assets or liabilities at fair value through loss | (10,415) | (15,281) |
| Interest expense | 11,432 | 49,370 |
| Interest income | (183,889) | (108,879) |
| Share of (profit) loss of associates and joint ventures accounted for using the equity method | (9,247) | 9,515 |
| Net loss (gain) on disposal of property, plant and equipment | (41,819) | 10,566 |
| Loss (gain) on disposal of investments | (1,741) | 16,861 |
| Impairment loss of assets | 2,403 | - |
| Others | 4,359 | 49 |
| Total adjustments to reconcile profit (loss) | 872,378 | 1,680,213 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in financial assets at fair value through profit or loss, mandatorily measured at fair value | (58,619) | 459,810 |
| Increase in contract assets | (81,825) | (17,482) |
| (Increase) decrease in notes and accounts receivable (including related parties) | (16,223) | 2,090,345 |
| Decrease in inventories | 124,818 | 598,163 |
| (Increase) decrease in other current assets | (91) | 284,282 |
| Increase (decrease) in notes and accounts payable (including related parties) | 224,649 | (1,890,270) |
| Increase in provisions | 127,409 | 105,968 |
| Increase (decrease) in other current liabilities | 58,614 | (335,548) |
| Increase (decrease) in net defined benefit liabilities | 2,457 | (19,952) |
| Increase (decrease) in current contract liabilities | 35,979 | (49,590) |
| Others | 8,074 | (7,493) |
| Total changes in operating assets and liabilities | 425,242 | 1,218,233 |
| Cash inflow generated from operations | 3,325,352 | 4,637,650 |
| Interest received | 183,993 | 107,924 |
| Interest paid | (11,483) | (53,780) |
| Income taxes paid | (540,155) | (376,370) |
| Net cash flows from operating activities | 2,957,707 | 4,315,424 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (781,679) | (31,232) |
| Acquisition of investments accounted for using the equity method | (39,028) | (120,300) |
| Proceeds from disposal of investments accounted for using the equity method | 4,723 | - |
| Net cash flow from acquisition of subsidiaries | (6,720) | - |
| Proceeds from disposal of subsidiaries | (596) | - |
| Acquisition of property, plant and equipment | (439,721) | (1,218,987) |
| Proceeds from disposal of property, plant and equipment | 30,262 | 170,194 |
| Decrease in refundable deposits | 13,934 | 25,120 |
| Acquisition of intangible assets | (40,526) | (40,728) |
| (Increase) decrease in other financial assets | (107,895) | 161,599 |
| Decrease in restricted deposits | 30,567 | 7,753 |
| Others | 7,762 | 44,576 |
| Net cash flows used in investing activities | (1,328,917) | (1,002,005) |
| Cash flows from (used in) financing activities: | | |
| Decrease in short-term borrowings | (287,705) | (1,952,255) |
| Repayments of long-term borrowings | (104) | (96,237) |
| (Decrease) increase in guarantee deposits received | (4,381) | 65,777 |
| Payment of lease liabilities | (44,361) | (47,798) |
| Cash dividends paid | (1,108,483) | (1,551,876) |
| Change in non-controlling interests | (28,717) | (43,274) |
| Other financing activities | 203 | 195 |
| Net cash flows used in financing activities | (1,473,548) | (3,625,468) |
| Effect of exchange rate changes on cash and cash equivalents | (145,840) | 93,399 |
| Net (decrease) increase in cash and cash equivalents | 9,402 | (218,650) |
| Cash and cash equivalents at beginning of period | 4,920,338 | 5,138,988 |
| Cash and cash equivalents at end of period | \$ 4,929,740 | 4,920,338 |

See accompanying notes to consolidated financial statements.

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

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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

(1) Company history

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2024.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

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

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(Continued)

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

Intra-group balances and transactions, and any unrealized income and expenses arising from Intra-group transactions are eliminated in preparing the consolidated financial statements. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries in the consolidated financial statements

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

| Investor | Name of subsidiary | Nature of business | Percentage of ownership | | Description |
|------------------------|---|---|-------------------------|-------------------|-------------|
| | | | December 31, 2023 | December 31, 2022 | |
| The Company | Pai-ye Investment Co., Ltd. (Pai-ye) | Investment | 100 % | 100 % | |
| The Company and Pai-ye | Everlight (BVI) Co., Ltd. (Everlight BVI) | Investment | 100 % | 100 % | |
| The Company | Everlight Electronics (Europe) GmbH (Everlight Europe) | Sale of LEDs | 75 % | 75 % | |
| The Company | Everlight Americas, Inc. (ELA) | Sale of LEDs | 99 % | 99 % | |
| The Company | Everlight Optoelectronics Korea Co., Ltd. (ELK) | Sale of LEDs | 100 % | 100 % | |
| The Company | Forever Investment Co., Ltd. (Forever) | Investment | 100 % | 100 % | |
| The Company | Everlight Intelligence Technology Co., Ltd. (ELIT) | Sale of LED lighting products | 100 % | 100 % | |
| The Company | WOFI Leuchten GmbH (WOFI Holding) | Sale of lighting products, pendants and accessories | 100 % | 100 % | Note 2 |
| The Company and Pai-ye | Everlight Electronic India Private Limited (ELI) | Sale of LEDs | 100 % | 100 % | |
| The Company | Evlite Electronics Co., Ltd. (Evlite) | Sale of LEDs | 100 % | 100 % | |
| The Company | Everlight Electronics Singapore Pte. Ltd. (ELS) | Sale of LEDs | 100 % | 100 % | |

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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| Investor | Name of subsidiary | Nature of business | Percentage of ownership | | Description |
|-----------------------------------|---|---|--------------------------------|--------------------------|--------------------|
| | | | December 31, 2023 | December 31, 2022 | |
| The Company | Everlight Japan Corporation (ELJ) | Sale of LEDs | 100 % | 100 % | |
| The Company、Pai-ye and Forever | Evervision Electronics Co., Ltd. (Evervision TW) | Manufacture and sales of liquid crystal displays and LED processing | 67.97 % | 66.75 % | |
| Pai-ye | Everlight Optoelectronics (M) SDN. BHD. (Everlight Malaysia) | Business development and customer services | 100 % | 100 % | |
| ELIT | Everlight Intelligence Technology KZ LLP (ELIT KZ) | Sale of LED lighting products | 100 % | 100 % | |
| Everlight BVI | Everlight Electronics (China) Co., Ltd. (Everlight China) | Manufacture of LEDs | 100 % | 100 % | |
| Everlight BVI and Everlight China | Everlight Lighting (China) Co., Ltd. (Everlight Lighting China) | Sale of LEDs | 100 % | 100 % | |
| Everlight BVI and Everlight China | Everlight Electronic (Guangzhou) Co., Ltd. (Everlight Electronic (Guangzhou)) | Business development and customer services | 100 % | 100 % | |
| Everlight BVI | Everlight Electronics (Zhongshan) Co., Ltd. (Everlight Zhongshan) | Manufacture of LED-related components | 100 % | 100 % | |
| Everlight Lighting China | Zhongshan Everlight Lighting Co., Ltd. (Zhongshan Everlight Lighting) | Research and sale of LED lighting products | 100 % | 100 % | |
| WOFI Holding | WOFI Leuchten Wortmann & Filz GmbH (WOFI W&F GmbH) | Sale of lighting products, pendants and accessories | - % | 100 % | Note 1 |
| WOFI Holding | Euro Technics Trade GmbH (ETT) | Sale of lighting products, pendants and accessories | - % | 100 % | Note 3 |
| WOFI Holding | WOFI Technics Trade Limited (WTT) | Sale of lighting products, pendants and accessories | 100 % | 100 % | Note 2 |
| WOFI Holding | Action GmbH (Action) | Sale of lighting products, pendants and accessories | - % | 100 % | Note 3 |
| WOFI Holding | WOFI Verkaufsgesellschaft mbH (WOFI VG) | Sale of lighting products, pendants and accessories | - % | 100 % | Note 3 |
| WOFI Holding | Lamp For Less GmbH (LFL) | Sale of lighting products, pendants and accessories | - % | 100 % | Note 3 |
| Evervision TW | Evervision Electronics (B.V.I.) Limited (Evervision BVI) | Investment | 100 % | 100 % | |
| Evervision TW | VBest GmbH (VBest) | Sale of LCDs | 75 % | 75 % | |
| Evervision BVI | VBest Electronics (Kunshan) Ltd. (VBest Kunshan) | Manufacture of LCDs | 100 % | 100 % | |
| Evervision BVI | Evervision Electronics (H.K.) Limited (Evervision HK) | Sale of LCDs | 100 % | 100 % | |

Note 1: The proceeding of that company's bankruptcy that was formally adjudged by the court in Germany in April 2023 was still in progress, the Group lost control of that company accordingly.

Note 2: That company resolved to liquidate in August 2022.

Note 3: The proceeding of that company's bankruptcy that was formally adjudged by the court in Germany in May 2023 was still in progress, the Group lost control of that company accordingly.

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

(d) Foreign currencies

(i) Foreign currency transaction

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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3) Fair value through profit or loss (FVTPL)

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

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

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

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

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

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

5) Impairment of financial assets

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

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- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

6) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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3) Compound financial instrument

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

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

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

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(iii) Derivative financial instruments and hedge accounting

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

(h) Inventories

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

(i) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases.

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

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

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

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(j) Joint arrangements

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

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group accounts for the assets, liabilities, revenues and expense in relation to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses. When assessing whether a joint arrangement is a joint operation or a joint venture, the Group considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

(k) Investment property

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

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(ii) Reclassification to investment property

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

(iii) Subsequent expenditure

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

(iv) Depreciation

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

Land is not depreciated.

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

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

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

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

(m) Leases

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

(i) As a lessee

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) As a lessor

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

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

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

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

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

(n) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent Expenditure

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

(iii) Amortization

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

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

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

(o) Impairment of non financial assets

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

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

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

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

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

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

(p) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on the historical warranty data and the weighting of all possible outcomes against their associated probabilities.

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

(q) Revenue from contracts with customers

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

(i) Sale of goods—electronic components

The Group manufactures and sells of LEDs, LCDs and pendants. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer

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

has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

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

(ii) Construction contracts

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

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

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

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

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

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

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

(iv) Contract costs

1) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- c) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(r) Government grants and government assistance

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

(s) Employee benefits

(i) Defined contribution plans

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

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

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

(t) Share-based payment

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

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

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

(u) **Income taxes**

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

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

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

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

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

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

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

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

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

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

The surtax on unappropriated earnings of the Company and the consolidated subsidiaries in the ROC will be recognized as current tax expense in the following year after the resolution of appropriate retained earnings is approved in the shareholders' meeting.

(v) Earnings per share

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

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

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

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

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period is as follows:

(a) Valuation of inventories

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

(b) The loss allowance of trade receivables

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| Cash, checking accounts, and demand deposits | \$ 2,906,446 | 2,620,334 |
| Time deposits | 2,023,294 | 2,100,004 |
| Bills and bonds purchased under resale agreements | - | 200,000 |
| | \$ 4,929,740 | 4,920,338 |

(i) The time deposits with maturities within three months or less from the acquisition date that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Therefore, the time deposits are classified as cash and cash equivalents. The time deposits with maturities over three months from the acquisition date are recorded as other current financial assets amounting to \$4,687,192 and \$4,818,868 as of December 31, 2023 and 2022, respectively. The non-current portion of the time deposits with maturities over three months from the acquisition date as recorded as other non-current financial assets amounting to \$216,525 and \$0 as of December 31, 2023 and 2022, respectively.

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(ii) According to the IFRSs Q&A updated by the Financial Supervisory Commission, Securities and Futures Bureau on January 5, 2024, the repatriated offshore funds account balances amounted to \$29,172 and \$624,837 on December 31, 2022, and January 1, 2022, respectively, which were reclassified from other current financial assets to cash and cash equivalents. Moreover, the “increase in restricted assets” and the “decrease in other financial assets” under investing activities in 2022 were reduced by \$56,641 and \$652,306, respectively.

(iii) Please refer to note 6(z) 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

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| Mandatorily measured at fair value through profit or loss: | | |
| Derivative instruments not used for hedging | \$ 25,354 | 28,557 |
| Listed convertible bonds | 21,200 | 30,790 |
| Structured deposits and financial products | 479,453 | 581,035 |
| Beneficiary certificate-funds | 222,020 | 84,922 |
| Stocks listed on domestic markets | 90,784 | 58,019 |
| Unlisted stocks | 37,115 | 29,198 |
| | \$ 875,926 | 812,521 |
| Current | \$ 838,811 | 783,323 |
| Non-current | 37,115 | 29,198 |
| | \$ 875,926 | 812,521 |
| | December 31, 2023 | December 31, 2022 |
| Current financial liabilities held-for-trading (recorded as other current liabilities): | | |
| Derivative instruments not used for hedging | \$ 2,583 | 8,212 |

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

(ii) Capital guarantee financial products (Structured deposits) held by the Group, which were recognized as financial assets mandatorily measured at fair value through profit or loss, because the interest was not based on the time value on principal amount outstanding.

(iii) The Group had sold its shares of Ginko International Co., Ltd. at a fair value of \$609,965 in active market in May 2022. The accumulated realized gain on financial assets at fair value through profit or loss was \$24,814.

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

1) Forward exchange contracts

| December 31, 2023 | | | | |
|-------------------------------|---|--------|-----------------|-----------------------|
| | Contract amount (in thousands) | | Currency | Maturity date |
| Financial assets: | | | | |
| Forward exchange sold | USD | 22,000 | USD to TWD | 2024.01.04-2024.03.07 |
| Forward exchange sold | USD | 10,000 | USD to RMB | 2024.01.18-2024.03.12 |
| Forward exchange sold | EUR | 250 | EUR to USD | 2024.03.19 |
| Financial liabilities: | | | | |
| Forward exchange sold | USD | 2,000 | USD to TWD | 2024.02.20-2024.03.07 |
| Forward exchange sold | EUR | 4,000 | EUR to USD | 2024.01.04-2024.03.14 |
| December 31, 2022 | | | | |
| | Contract amount (in thousands) | | Currency | Maturity date |
| Financial assets: | | | | |
| Forward exchange sold | USD | 30,000 | USD to TWD | 2023.01.10~2023.05.09 |
| Forward exchange sold | USD | 12,000 | USD to RMB | 2023.01.10~2023.03.14 |
| Forward exchange sold | EUR | 500 | EUR to USD | 2023.04.11~2023.04.20 |
| Financial liabilities: | | | | |
| Forward exchange sold | USD | 18,000 | USD to TWD | 2023.03.16~2023.04.25 |
| Forward exchange sold | USD | 1,000 | USD to RMB | 2023.02.14 |
| Forward exchange sold | EUR | 5,000 | EUR to USD | 2023.01.10~2023.04.18 |

2) Other derivative financial instrument contracts

| December 31, 2023 | | | | |
|--------------------------|---|--|-------------|------------------------|
| | Contract amount (in thousands) | | Rate | Maturity period |
| Financial assets: | | | | |
| RMB | 110,000 | | 2.48%~2.92% | 2024.01.26-2024.04.22 |
| December 31, 2022 | | | | |
| | Contract amount (in thousands) | | Rate | Maturity period |
| Financial assets: | | | | |
| RMB | 130,000 | | 2.90%~3.64% | 2023.02.02~2023.05.22 |

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(v) As of December 31, 2023, the Group provides financial assets as collateral for short selling. Please refer to note(8). As of December 31, 2022, the Group did not provide any aforementioned financial assets as collateral for its loans.

(c) Financial assets at fair value through other comprehensive income

| | December 31, 2023 | December 31, 2022 |
|--|---------------------------------|------------------------------|
| Debt investments at fair value through other comprehensive income: | | |
| Domestic and foreign corporate bonds | \$ <u>816,749</u> | <u>-</u> |
| Subtotal | <u>816,749</u> | <u>-</u> |
| Equity investments at fair value through other comprehensive income: | | |
| Stock unlisted in foreign markets | <u>3,503</u> | <u>18,363</u> |
| Subtotal | <u>3,503</u> | <u>18,363</u> |
| Total | \$ <u><u>820,252</u></u> | <u><u>18,363</u></u> |

(i) Debt investments measured at fair value through other comprehensive income

The Group has assessed that the securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets; therefore, they have been classified as financial assets at fair value through other comprehensive income.

(ii) 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 are held by the Group for long-term strategic investments and are not held for trading purposes.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 31, 2023 and 2022.

For credit risk (including the impairment of debt instrument investments) and market risk, please refer to note 6(z).

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

| | December 31, 2023 | December 31, 2022 |
|--|-----------------------------------|--------------------------------|
| Notes receivable from operating activities | \$ 4,201 | 2,460 |
| Accounts receivable-measured as amortized cost | <u>5,650,851</u> | <u>5,753,810</u> |
| | 5,655,052 | 5,756,270 |
| Less: Allowance for uncollectible accounts | <u>(297,385)</u> | <u>(443,538)</u> |
| | \$ <u><u>5,357,667</u></u> | <u><u>5,312,732</u></u> |

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|------------------------------|------------------------------|
| Notes and accounts receivable, net | \$ 4,771,498 | 4,711,866 |
| Accounts receivable due from related parties, net | 86,865 | 56,922 |
| Long-term receivables (recorded as other non-current financial assets) | <u>499,304</u> | <u>543,944</u> |
| | <u>\$ 5,357,667</u> | <u>5,312,732</u> |

(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 expected credit loss for notes and accounts receivable in Taiwan region was determined as follows:

| | <u>December 31, 2023</u> | | |
|-----------------------|----------------------------------|--|-----------------------|
| | <u>Gross carrying amount</u> | <u>Weighted- average loss rate</u> | <u>Loss allowance</u> |
| Not overdue | \$ 4,232,860 | 0.188% | 7,955 |
| Overdue 0-90 days | 3,349 | 16.094% | 539 |
| Overdue 91-180 days | 5,792 | 88.916% | 5,150 |
| Overdue 181-270 days | 11,915 | 80.529% | 9,595 |
| Overdue 271-365 days | 6,866 | 99.053% | 6,800 |
| Overdue over one year | <u>265,835</u> | 100% | <u>265,835</u> |
| | <u>\$ 4,526,617</u> | | <u>295,874</u> |
| | <u>December 31, 2022</u> | | |
| | <u>Gross carrying amount</u> | <u>Weighted- average loss rate</u> | <u>Loss allowance</u> |
| Not overdue | \$ 4,264,127 | 0.976% | 41,605 |
| Overdue 0-90 days | 34,819 | 40.317% | 14,038 |
| Overdue 91-180 days | 32,662 | 69.570% | 22,723 |
| Overdue 181-270 days | 4,270 | 99.344% | 4,242 |
| Overdue 271-365 days | 44,859 | 100% | 44,859 |
| Overdue over one year | <u>231,334</u> | 100% | <u>231,334</u> |
| | <u>\$ 4,612,071</u> | | <u>358,801</u> |

(Continued)

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

The expected credit loss for notes and accounts receivable in non-Taiwan region was determined as follows:

| December 31, 2023 | | | |
|--------------------------|------------------------------|-----------------------------------|-----------------------|
| Credit rating | Gross carrying amount | Weighted-average loss rate | Loss allowance |
| Rating A | \$ 1,127,874 | 0.134% | 1,508 |
| Rating B | <u>561</u> | 0.535% | <u>3</u> |
| | <u>\$ 1,128,435</u> | | <u>1,511</u> |
| | Gross carrying amount | | |
| Not overdue | \$ 1,090,130 | | |
| Overdue 0-90 days | 26,977 | | |
| Overdue 91-180 days | 10,612 | | |
| Overdue 181-270 days | 155 | | |
| Overdue 271-365 days | <u>561</u> | | |
| | <u>\$ 1,128,435</u> | | |
| December 31, 2022 | | | |
| Credit rating | Gross carrying amount | Weighted-average loss rate | Loss allowance |
| Rating A | \$ 1,061,824 | 0.319% | 3,391 |
| Rating B | <u>82,375</u> | 98.751% | <u>81,346</u> |
| | <u>\$ 1,144,199</u> | | <u>84,737</u> |
| | Gross carrying amount | | |
| Not overdue | \$ 1,020,258 | | |
| Overdue 0-90 days | 39,582 | | |
| Overdue 91-180 days | 1,837 | | |
| Overdue 181-270 days | 147 | | |
| Overdue 271-365 days | 1,030 | | |
| Overdue over one year | <u>81,345</u> | | |
| | <u>\$ 1,144,199</u> | | |

(Continued)

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

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

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|-------------------|----------------|
| Balance on January 1 | \$ 443,538 | 173,403 |
| Impairment loss (reversed) recognized | (28,712) | 271,655 |
| Amounts written off | (119,978) | (4,922) |
| Effects of foreign exchange | <u>2,537</u> | <u>3,402</u> |
| Balance on December 31 | <u>\$ 297,385</u> | <u>443,538</u> |

- (iii) As of December 31, 2023 and 2022, the Group did not provide any notes and accounts receivable as collateral for its loans.

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------|------------------------------|------------------------------|
| Other accounts receivable | \$ 82,015 | 123,608 |
| Less: Loss allowance | <u>-</u> | <u>(64,535)</u> |
| | <u>\$ 82,015</u> | <u>59,073</u> |

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

| | <u>December 31, 2023</u> | |
|-----------------------|---|--|
| | <u>Lifetime ECL- not credit- impaired</u> | <u>Lifetime ECL- credit-impaired</u> |
| Not overdue | \$ 82,015 | - |
| Overdue | <u>-</u> | <u>-</u> |
| Gross carrying amount | 82,015 | - |
| Impairment losses | <u>-</u> | <u>-</u> |
| Carrying amount | <u>\$ 82,015</u> | <u>-</u> |
| | <u>December 31, 2022</u> | |
| | <u>Lifetime ECL- not credit- impaired</u> | <u>Lifetime ECL- credit-impaired</u> |
| Not overdue | \$ 59,073 | 64,535 |
| Overdue | <u>-</u> | <u>-</u> |
| Gross carrying amount | 59,073 | 64,535 |
| Impairment losses | <u>-</u> | <u>(64,535)</u> |
| Carrying amount | <u>\$ 59,073</u> | <u>-</u> |

(Continued)

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

The movements in the allowance for impairment loss with respect to other receivable were as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|---------------|
| Balance of January 1 | \$ 64,535 | 35,762 |
| Recognition of (reversal gains) impairment loss on other receivables | - | (3,829) |
| Amounts written off | (64,535) | - |
| Write-off provisions | <u>-</u> | <u>32,602</u> |
| Balance of December 31 | <u>\$ -</u> | <u>64,535</u> |

As of December 31, 2023 and 2022, the Group did not provide any other receivables as collateral for its loans.

(f) Inventories

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------|------------------------------|------------------------------|
| Raw materials | \$ 197,361 | 195,136 |
| Work in progress | 276,067 | 291,651 |
| Finished goods | <u>490,156</u> | <u>601,615</u> |
| | <u>\$ 963,584</u> | <u>1,088,402</u> |

In 2023 and 2022, inventory cost (excluding construction cost) recognized as cost of sales amounted to \$12,546,455 and \$13,954,522, respectively.

The write-down of the inventories to net realizable value amounted to \$23,078 which were recorded as cost of sales for the 2022. The Group reversed its allowance for inventory valuation and obsolescence loss amounting to \$56,377 in 2023 and recorded them as a reduction of cost of sales, because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

As of December 31, 2023 and 2022, the Group did not provide any inventories as collateral for its loans.

(g) Investments accounted for using the equity method

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------|------------------------------|------------------------------|
| Associates | <u>\$ 244,759</u> | <u>202,872</u> |

(Continued)

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

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

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| The carrying amount of equity of the associates | <u>\$ 244,759</u> | <u>202,872</u> |
| | <u>2023</u> | <u>2022</u> |
| Attributable to the Group: | | |
| Profit (loss) from continuing operations | 9,247 | (9,515) |
| Other comprehensive income | <u>(2,439)</u> | <u>(667)</u> |
| | <u>6,808</u> | <u>(10,182)</u> |

- (iii) In January 2023, the Group had acquired 5.81% ownership of Tekcore Co., Ltd., at the amount of \$39,028 by cash, from third parties, wherein the difference between the acquisition price and the net identifiable assets increases the capital surplus by \$3,949, resulting in the Group's percentage of ownership in Tekcore to increase from 14.69% to 20.5%, with its long-term investment therein being accounted for using the equity method. Though the Group is the single largest shareholder of the associate, the remaining shares are not concentrated within specific shareholders based on the comprehensive assessment; thus, the Group cannot obtain more than half of the total number of director seats, as well as the voting rights during the shareholders' meeting, resulting in the Group to lose absolute control and leading ability of the associates's relevant activities and variable return; hence, failure to have control over it.
- (iv) The Group had acquired 20% ownership of Anhui Hongming Technology Co., Ltd. (Anhui Hongming) through participation in cash injection with \$90,300 in January 2022. Therefore, the Group is able to exercise significant influence over Anhui Hongming's operations and financial policies, thus, the long-term investment in Anhui Hongming was accounted for using the equity method.
- (v) The Group had acquired 43.48% ownership of LeadTech Electronics Inc. (LeadTech) through participation in cash injection with \$30,000 in September 2022. Therefore, the Group is able to exercise significant influence over LeadTech, resulting in its long-term investment in LeadTech to be accounted for using the equity method. Though the Group is the single largest shareholder of the associate, the remaining shares are not concentrated within specific shareholders based on the comprehensive assessment, and the Group cannot obtain more than half of the total number of director seats, as well as the the voting rights during the shareholders' meeting. It is determined that the Group does not have absolute control and leading ability of the associate's relevant activities and variable return.
- (vi) The Group had obtained \$4,723 due to the liquidation of Shanghai Yaming Lighting Co., Ltd. (Yaming) in November 2023 and recognized as gain on disposal of investment amounting to \$1,741.

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

(vii) Pledges

As of December 31, 2023 and 2022, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

(h) Joint operation

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

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

Disputes over the aforementioned joint operation projects had occurred, please refer to note 9(c) for details. As of December 31, 2023 and 2022, the Group accumulatively recognized losses of \$416,199.

(i) Changes in a parent's ownership interest in a subsidiary

The Group had acquired shares of Evervision from a third party with the cash considerations of \$6,720, and its percentage of ownership increased from 66.75% to 67.97% in November 2023.

The effects of the changes in shareholdings were as follows:

| | For the year ended December 31, 2023 |
|---|---|
| Carrying amount of non-controlling interest on acquisition | \$ 11,564 |
| Consideration paid to non-controlling interests | <u>(6,720)</u> |
| Capital surplus-differences between consideration and carrying amounts of subsidiaries acquired or disposed | <u><u>\$ 4,844</u></u> |

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

(j) Loss control of subsidiaries

- (i) Everlight Electronics (Fujian) Co., Ltd. (Everlight Fujian) completed its liquidation process in May 2022, with a liquidating dividend of \$691,325 and a reversal of capital surplus of \$9,622 based on the change in shareholding. Everlight Fujian was no longer included in the consolidated financial statements from the date of liquidation completion.

The Group derecognized the assets, liabilities and the related equity components of Everlight Fujian and recognized a loss on disposal of \$43,751, which was recorded as net gains (losses) on disposal of investment.

The carrying amounts of assets and liabilities of Everlight Fujian on the date of liquidation completion were as follows:

| | | |
|-------------------------------|----|-----------------|
| Other current assets | \$ | 707,464 |
| Other current liabilities | | 1,821 |
| Carrying amount of net assets | \$ | 705,643 |
| Other equity | \$ | (39,055) |

- (ii) Everlight Lighting Management Consulting (Shanghai) Co., Ltd. (ELMS) completed its liquidation process in June 2022. ELMS was no longer included in the consolidated financial statements from the date of liquidation completion.

The Group derecognized the assets, liabilities and the related equity components of ELMS and recognized a gain on disposal of \$26,890, which was recorded as net gains (losses) on disposal of investment.

The carrying amounts of assets and liabilities of ELMS on the date of liquidation completion were as follows:

| | | |
|-------------------------------|----|---------------|
| Other current assets | \$ | 4 |
| Other current liabilities | | - |
| Carrying amount of net assets | \$ | 4 |
| Other equity | \$ | 26,894 |

- (iii) WOFI W&F GmbH, ETT, Action, WOFI VG and LFL were declared bankruptcy by the court in April and May 2023, respectively. Currently, they are managed by bankruptcy administrator to proceed the related procedures subsequently. The Group lost controls for all of them; therefore, they are no longer included in the consolidated financial statements.

The Group derecognized the assets, liabilities and the related equity components of the aforementioned subsidiaries less estimated liquidation cost, and recognized a gain on disposal of \$0.

(Continued)

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

The carrying amounts of assets and liabilities of subsidiaries on the date of liquidation completion were as follows:

| | |
|---|---------------------------|
| Cash and cash equivalents | \$ 596 |
| Property, Plant and Equipment | 153,411 |
| Right-of-use assets | 7,686 |
| Other current assets | 6,481 |
| Other non-current assets | 4,453 |
| Notes and accounts payable | (9,431) |
| Refund liability | (30,096) |
| Provision | (147,293) |
| Lease liability | (7,984) |
| Other current liability | (26,197) |
| Effect of movement in exchange rates | <u>(1,474)</u> |
| Previous book value of subsidiaries' net assets | <u><u>\$ (49,848)</u></u> |

(k) Property, plant and equipment

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

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Machinery and equipment</u> | <u>Modeling equipment</u> | <u>Office and other equipment</u> | <u>Constructio ns in progress and testing equip</u> | <u>Total</u> |
|--|--------------------------|---|--|-------------------------------|---|---|--------------------------|
| Cost or deemed cost: | | | | | | | |
| Balance on January 1, 2023 | \$ 641,948 | 8,501,035 | 13,661,560 | 1,805,042 | 1,278,763 | 108,966 | 25,997,314 |
| Add: additions | - | 53,660 | 110,609 | 99,608 | 33,452 | 41,802 | 339,131 |
| Add: reclassification | - | 45,075 | 56,808 | 5,044 | (49) | (114,346) | (7,468) |
| Less: sales | - | (70) | (173,673) | (15,003) | (1,087) | - | (189,833) |
| Less: retirement | - | (10,660) | (83,837) | (21,009) | (22,352) | - | (137,858) |
| Less: loss of control and transfer out | (42,338) | (391,685) | (25,923) | - | - | - | (459,946) |
| Effect of movements in exchange rate | <u>-</u> | <u>(83,697)</u> | <u>(178,890)</u> | <u>(20,056)</u> | <u>(17,627)</u> | <u>(1,232)</u> | <u>(301,502)</u> |
| Balance on December 31, 2023 | <u><u>\$ 599,610</u></u> | <u><u>8,113,658</u></u> | <u><u>13,366,654</u></u> | <u><u>1,853,626</u></u> | <u><u>1,271,100</u></u> | <u><u>35,190</u></u> | <u><u>25,239,838</u></u> |
| Balance on January 1, 2022 | \$ 640,380 | 8,378,707 | 13,286,681 | 1,794,979 | 1,217,586 | 73,065 | 25,391,398 |
| Add: additions | - | 36,509 | 520,078 | 129,182 | 69,492 | 110,940 | 866,201 |
| Add: reclassification | - | 2,279 | 74,726 | 218 | 2,615 | (81,493) | (1,655) |
| Less: sales | - | - | (301,213) | (113,517) | (6,445) | - | (421,175) |
| Less: retirement | - | (980) | (68,526) | (30,961) | (23,575) | - | (124,042) |
| Effect of movements in exchange rate | <u>1,568</u> | <u>84,520</u> | <u>149,814</u> | <u>25,141</u> | <u>19,090</u> | <u>6,454</u> | <u>286,587</u> |
| Balance on December 31, 2022 | <u><u>\$ 641,948</u></u> | <u><u>8,501,035</u></u> | <u><u>13,661,560</u></u> | <u><u>1,805,042</u></u> | <u><u>1,278,763</u></u> | <u><u>108,966</u></u> | <u><u>25,997,314</u></u> |

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

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Machinery and equipment</u> | <u>Modeling equipment</u> | <u>Office and other equipment</u> | <u>Constructio ns in progress and testing equip</u> | <u>Total</u> |
|---|-------------------|-----------------------------------|--------------------------------|---------------------------|-----------------------------------|---|-------------------|
| Depreciation and impairments loss: | | | | | | | |
| Balance on January 1, 2023 | \$ - | 4,867,887 | 11,732,725 | 1,438,066 | 884,767 | - | 18,923,445 |
| Add: depreciation for the year | - | 235,428 | 599,562 | 137,691 | 58,998 | - | 1,031,679 |
| Add: impairment loss | - | - | 2,403 | - | - | - | 2,403 |
| Less: sales | - | (70) | (145,152) | (5,296) | (979) | - | (151,497) |
| Less: retirement | - | (9,424) | (83,118) | (20,899) | (21,843) | - | (135,284) |
| Less: loss of control and transfer out | - | (282,025) | (24,510) | - | - | - | (306,535) |
| Effect of movements in exchange rate | - | (62,334) | (142,851) | (14,986) | (8,878) | - | (229,049) |
| Balance on December 31, 2023 | <u>\$ -</u> | <u>4,749,462</u> | <u>11,939,059</u> | <u>1,534,576</u> | <u>912,065</u> | <u>-</u> | <u>19,135,162</u> |
| Balance on January 1, 2022 | \$ - | 4,506,190 | 11,037,423 | 1,380,797 | 835,487 | - | 17,759,897 |
| Add: depreciation for the year | - | 302,067 | 809,861 | 154,393 | 66,551 | - | 1,332,872 |
| Less: sales | - | - | (184,641) | (78,323) | (5,008) | - | (267,972) |
| Less: retirement | - | (701) | (42,299) | (30,608) | (22,877) | - | (96,485) |
| Effect of movements in exchange rate | - | 60,331 | 112,381 | 11,807 | 10,614 | - | 195,133 |
| Balance on December 31, 2022 | <u>\$ -</u> | <u>4,867,887</u> | <u>11,732,725</u> | <u>1,438,066</u> | <u>884,767</u> | <u>-</u> | <u>18,923,445</u> |
| Carrying amounts: | | | | | | | |
| Balance on December 31, 2023 | <u>\$ 599,610</u> | <u>3,364,196</u> | <u>1,427,595</u> | <u>319,050</u> | <u>359,035</u> | <u>35,190</u> | <u>6,104,676</u> |
| Balance on January 1, 2022 | <u>\$ 640,380</u> | <u>3,872,517</u> | <u>2,249,258</u> | <u>414,182</u> | <u>382,099</u> | <u>73,065</u> | <u>7,631,501</u> |
| Balance on December 31, 2022 | <u>\$ 641,948</u> | <u>3,633,148</u> | <u>1,928,835</u> | <u>366,976</u> | <u>393,996</u> | <u>108,966</u> | <u>7,073,869</u> |

(i) Due to change of operation plan in 2023, the Group has cut off partial production line and performed impairment test. The Group therefore recognized impairment loss of \$2,403. There was no any indication that the property and equipment may be impaired in 2022.

(ii) As of December 31, 2023 and 2022, 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:

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Office and other equipment</u> | <u>Total</u> |
|---|-------------------|-----------------------------------|-----------------------------------|----------------|
| Cost: | | | | |
| Balance on January 1, 2023 | \$ 375,920 | 114,613 | 44,916 | 535,449 |
| Additions | - | 27,524 | 4,539 | 32,063 |
| Loss of control and transfer out | - | - | (11,868) | (11,868) |
| Disposal and cancellation | (5,896) | (29,210) | (8,774) | (43,880) |
| Effect of changes in foreign exchange rates | (2,621) | 464 | 20 | (2,137) |
| Balance on December 31, 2023 | <u>\$ 367,403</u> | <u>113,391</u> | <u>28,833</u> | <u>509,627</u> |

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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| | <u>Land</u> | <u>Buildings and construction</u> | <u>Office and other equipment</u> | <u>Total</u> |
|---|-------------------|---|---|----------------|
| Balance on January 1, 2022 | \$ 354,116 | 83,585 | 45,044 | 482,745 |
| Additions | 19,546 | 36,765 | 20,009 | 76,320 |
| Disposal and cancellation | - | (11,203) | (21,464) | (32,667) |
| Effect of changes in foreign exchange rates | 2,258 | 5,466 | 1,327 | 9,051 |
| Balance on December 31, 2022 | <u>\$ 375,920</u> | <u>114,613</u> | <u>44,916</u> | <u>535,449</u> |
| Accumulated depreciation and impairment losses: | | | | |
| Balance on January 1, 2023 | \$ 44,131 | 51,004 | 15,409 | 110,544 |
| Depreciation for the year | 10,907 | 28,856 | 10,684 | 50,447 |
| Loss of control and transfer out | - | - | (4,182) | (4,182) |
| Disposal and cancellation | (5,795) | (27,659) | (8,773) | (42,227) |
| Effect of changes in foreign exchange rates | (356) | 405 | (11) | 38 |
| Balance on December 31, 2023 | <u>\$ 48,887</u> | <u>52,606</u> | <u>13,127</u> | <u>114,620</u> |
| Balance on January 1, 2022 | \$ 32,448 | 30,599 | 20,019 | 83,066 |
| Depreciation for the year | 11,470 | 29,240 | 13,841 | 54,551 |
| Disposal and cancellation | - | (11,203) | (18,825) | (30,028) |
| Effect of changes in foreign exchange rates | 213 | 2,368 | 374 | 2,955 |
| Balance on December 31, 2022 | <u>\$ 44,131</u> | <u>51,004</u> | <u>15,409</u> | <u>110,544</u> |
| Carrying amount: | | | | |
| Balance on December 31, 2023 | <u>\$ 318,516</u> | <u>60,785</u> | <u>15,706</u> | <u>395,007</u> |
| Balance on January 1, 2022 | <u>\$ 321,668</u> | <u>52,986</u> | <u>25,025</u> | <u>399,679</u> |
| Balance on December 31, 2022 | <u>\$ 331,789</u> | <u>63,609</u> | <u>29,507</u> | <u>424,905</u> |

(m) Other current financial assets

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|------------------------------|------------------------------|
| Time deposits with maturities over three months | \$ 4,687,192 | 4,818,868 |
| Other receivables | 82,015 | 59,073 |
| | <u>\$ 4,769,207</u> | <u>4,877,941</u> |

(n) Short-term borrowings

The short-term borrowings are summarized as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------|------------------------------|------------------------------|
| Unsecured bank loans | \$ 250,000 | 537,705 |
| Unused short-term credit lines | <u>\$ 14,046,883</u> | <u>19,488,379</u> |
| Annual interest rates | <u>1.68%~1.78%</u> | <u>0.60%~2.96%</u> |

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

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

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

(o) Provisions

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

| | December 31, 2023 | December 31, 2022 |
|-------------------------|------------------------------|------------------------------|
| Provision - current | \$ 105,311 | 257,225 |
| Provision - non-current | 138,112 | - |
| | <u>\$ 243,423</u> | <u>257,225</u> |

(ii) The movements in provisions of the Group for the years ended December 31, 2023 and 2022 were as follows:

| | Onerous Contracts Provision | Others | Total |
|---|--|----------------|----------------|
| Balance on January 1, 2023 | \$ 109,932 | 147,293 | 257,225 |
| Provision made during the year | - | 138,112 | 138,112 |
| Loss of control and transfer out | - | (147,293) | (147,293) |
| Provision reversed during the year | (4,621) | - | (4,621) |
| Balance on December 31, 2023 | <u>\$ 105,311</u> | <u>138,112</u> | <u>243,423</u> |
| Balance on January 1, 2022 | \$ 129,829 | - | 129,829 |
| Provision made during the year | 66,723 | 141,316 | 208,039 |
| Provision reversed during the year | (2,404) | - | (2,404) |
| Provision paid during the year | (53,912) | - | (53,912) |
| Offsetting allowance for other receivables | (32,602) | - | (32,602) |
| Effect of changes in foreign exchange rates | 2,298 | 5,977 | 8,275 |
| Balance on December 31, 2022 | <u>\$ 109,932</u> | <u>147,293</u> | <u>257,225</u> |

(iii) The provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The mentioned above provisions for the onerous contract, including the amount of provisions estimated by Kazakhstan Joint Operation Project, as of December 31, 2023 and 2022, both were \$89,777.

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

(p) Other current liabilities

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| Refund liabilities – current | \$ 1,775 | 51,316 |
| Derivative instruments not used for hedging | 2,583 | 8,212 |
| Wages and salaries payable | 187,972 | 157,775 |
| Other payables | 815,077 | 704,469 |
| Payable to remuneration of employee and directors | 444,833 | 519,656 |
| Others | 173,752 | 187,923 |
| | \$ 1,625,992 | 1,629,351 |

Refund liabilities mainly represent amounts expected to be paid to customers due to volume discounts under the sales contracts.

(q) Long-term borrowings

The details were as follows:

| December 31, 2023 | | | | |
|----------------------------------|-----------------|-------------|--------------------------|-----------------|
| | Currency | Rate | Maturity year | Amount |
| Unsecured bank loans | JPY | 0.00%~0.90% | 2030.10 | 8,628 |
| Less: current portion | | | | (1,351) |
| Total | | | | \$ 7,277 |
| Unsecured long-term credit lines | | | | \$ - |
| December 31, 2022 | | | | |
| | Currency | Rate | Maturity year | Amount |
| Unsecured bank loans | JPY | 0.00%~0.90% | 2030.10 | 9,372 |
| Less: current portion | | | | - |
| Total | | | | \$ 9,372 |
| Unsecured long-term credit lines | | | | \$ - |

(Continued)

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

- (i) As mentioned in Note 6(h), the Group cooperated with other companies joint operations of the government' s streetlighting project in the Republic of Kazakhstan. According to the Consortium contracts, the Group borrowed long-term loans on behalf of the Consortium to meet the capital needs of the joint operation. The loan would be repaid by the cash in-flow generated from the joint operations. Other members of the Consortium are the joint guarantors of the long-term loans. The Group recognized its direct share (53.6%) to the joint operation' s long-term loans in accordance with contracts. However, if the cash in-flow generated from the joint operation projects was not sufficient to repay all of the aforementioned long-term loans, the Group shall undertake the settlement obligation on the portion of other Consortium members (46.4%) in an amount of \$80,897. Due to the financial difficulties, other Consortium members failed to perform the obligations in accordance with the Consortium contract. Based on conservatism, the Group recognized a full provision of \$80,897 on the portion of other Consortium members long-term borrowings. Please refer to Note 9 (c) for details.
- (ii) For information on the Group's interest risk and liquidity risk, please refer to Note 6(z) for details.
- (iii) The Group did not provide any assets as collateral for its loans as of December 31, 2023 and 2022.
- (iv) Considering the financial cost and risk, the Group repaid in advance its long-term bank loans of joint operation projects in the Republic of Kazakhstan amounting to \$75,649 in August 2022.
- (r) Lease liabilities

The carrying amounts of lease liabilities were as follows:

| | December 31, 2023 | December 31, 2022 |
|-------------|------------------------------|------------------------------|
| Current | \$ 37,338 | 36,399 |
| Non-current | \$ 287,352 | 310,159 |

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

The amounts recognized in profit or loss were as follows:

| | 2023 | 2022 |
|--|------------------|---------------|
| Interest on lease liabilities | \$ 7,473 | 6,369 |
| Variable lease payments not included in the measurement of lease liabilities | \$ 6,096 | 6,355 |
| Expenses relating to short-term leases | \$ 17,360 | 37,176 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | \$ 668 | 614 |
| Covid-19-related rent concessions (recognized in other income) | \$ - | 1,740 |

(Continued)

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

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

| | | |
|-------------------------------|------------------|---------------|
| | 2023 | 2022 |
| Total cash outflow for leases | \$ 75,958 | 96,572 |

(i) Real estate leases

For the years ended December 31, 2023 and 2022, the Group leases land and buildings for its office space and factory. The leases of land typically run for a period for 3 years to 50 years, of office space for 1 to 5 years, and of factory for 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(ii) Other leases

The Group leases vehicles and other equipment, with lease terms of 2 to 10 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group also leases office, vehicles, and IT equipment with contract terms of 1 to 5 years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(s) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value of the plan assets of the Company and Evervision TW were as follows:

| | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ (143,086) | (132,156) |
| Fair value of plan assets | 97,518 | 95,903 |
| Net defined benefit obligations assets (liabilities) | \$ (45,568) | (36,253) |
| Defined benefit assets (recorded as other current asset) | \$ 13,142 | 12,320 |
| Defined benefit liabilities | (58,710) | (48,573) |
| | \$ (45,568) | (36,253) |

(Continued)

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

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

(ii) Composition of plan assets

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

The labor pension reserve account balance of the Company and Evervision TW with Bank of Taiwan amounted to \$100,017 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(iii) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company and Evervision TW were as follows:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|------------------|
| Defined benefit obligation at January 1 | \$ (132,156) | (157,613) |
| Benefits paid by the plan | 10,554 | 10,429 |
| Current service costs and interest | (3,706) | (2,468) |
| Plan amendment in net defined benefit liabilities | (10,295) | - |
| Remeasurement in net defined benefit assets (liability) | (7,483) | 17,496 |
| Defined benefit obligation at December 31 | <u>\$ (143,086)</u> | <u>(132,156)</u> |

(iv) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company and Evervision TW were as follows:

| | <u>2023</u> | <u>2022</u> |
|---|------------------|---------------|
| Fair value of plan assets at January 1 | \$ 95,903 | 77,789 |
| Contributions made | 10,084 | 21,917 |
| Benefits paid from the plan assets | (10,554) | (10,429) |
| Expected return on plan assets | 1,675 | 565 |
| Remeasurement in net defined benefit assets (liability) | 410 | 6,061 |
| Fair value of plan assets at December 31 | <u>\$ 97,518</u> | <u>95,903</u> |
| Actual return on plan assets | <u>\$ 2,085</u> | <u>6,626</u> |

(Continued)

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

(v) Expenses recognized in profit or loss

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

| | <u>2023</u> | <u>2022</u> |
|---|-------------------------|---------------------|
| Service cost | \$ 1,415 | 1,301 |
| Plan amendment in net defined benefit liabilities | 10,295 | - |
| Interest cost | 2,291 | 1,167 |
| Expected return on plan assets | <u>(1,675)</u> | <u>(565)</u> |
| | <u><u>\$ 12,326</u></u> | <u><u>1,903</u></u> |

(vi) Actuarial assumptions

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------|------------------------------|------------------------------|
| Discount rate | 1.625% | 1.750% |
| Future salary increasing rate | 1.000%~3.500% | 1.000%~3.500% |

The expected allocation payment made by the Company and Evervision TW to the defined benefit plans for the one year period after the reporting date was \$10,168 and \$9,332, respectively.

The weighted-average duration of the defined benefit obligation of the Company and Evervision TW are 14.69 years and 14.61 years, respectively.

(vii) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation on December 31, 2023 and 2022, shall be as follows:

| | <u>Influences of defined benefit liabilities</u> | |
|-------------------------------|--|------------------------|
| | <u>Increased 0.25%</u> | <u>Decreased 0.25%</u> |
| The Company | | |
| December 31, 2023 | | |
| Discount rate | \$ (4,371) | 4,555 |
| Future salary increasing rate | 4,393 | (4,238) |
| December 31, 2022 | | |
| Discount rate | (3,951) | 4,129 |
| Future salary increasing rate | 3,986 | (3,837) |

(Continued)

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

| | Influences of defined benefit assets | |
|------------------------------------|---|------------------------|
| | Increased 0.25% | Decreased 0.25% |
| Evervision TW December 31, 2023 | | |
| Discount rate | \$ (174) | 180 |
| Future salary increasing rate | 178 | (173) |
| December 31, 2022 | | |
| Discount rate | (233) | 241 |
| Future salary increasing rate | 238 | (231) |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for both periods.

(viii) Defined contribution plans

The Company and the Group entities in the ROC allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. They also make payments for life insurance based on the Company policy. Under this defined contribution plan, the Company and the Group entities in the ROC allocate a fixed rate of salaries to the Bureau of the Labor Insurance and insurance company without additional legal or constructive obligations.

The pension costs under the defined contribution method of the Company and the consolidated subsidiaries in the ROC for 2023 and 2022 have been allocated to the Bureau of the Labor Insurance and provision of life insurance account. The subsidiaries other than the aforementioned entities recognized their pension expense, endowment insurance expense and social security expense. The total pension expenses recognized under the defined contribution plans for the years ended December 31, 2023 and 2022 were \$132,830 and \$150,731, respectively.

(t) Income taxes

(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2023 and 2022 was as follows:

| | 2023 | 2022 |
|-----------------------------------|----------------|----------------|
| Current tax expense | | |
| Recognized during the period | \$ 504,508 | 551,710 |
| Adjustment for prior periods | (25,586) | (35,886) |
| Surtax on unappropriated earnings | 8,795 | 3,259 |
| | <u>487,717</u> | <u>519,083</u> |

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | 2023 | 2022 |
|---|---------------------|------------------|
| Deferred tax expense (income) | | |
| Recognition and reversal of temporary differences | 31,319 | (95,618) |
| | 31,319 | (95,618) |
| Income tax expense | \$ 519,036 | 423,465 |
| 2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2023 and 2022 was as follows: | | |
| | 2023 | 2022 |
| Exchange differences on translating foreign operations | \$ (5,440) | (3,334) |
| Actuarial gains (losses) on defined benefit plans | (1,414) | 4,712 |
| | \$ (6,854) | 1,378 |
| 3) Reconciliation of income tax and profit before tax for 2023 and 2022 was as follows: | | |
| | 2023 | 2022 |
| Profit before income tax | \$ 2,027,732 | 1,739,204 |
| Income tax using the Company's domestic tax rate | \$ 405,546 | 347,841 |
| Effect of tax rates in foreign jurisdiction | 54,557 | 90,419 |
| Non-deductible expenses | 29,143 | 9,304 |
| Tax exemption of investment disposal income | (1,096) | (5,222) |
| Investment tax credits | (42,420) | (19,195) |
| Realized investment loss | - | (23,192) |
| Net gains or losses on domestic investments | (26,365) | (34,262) |
| Changes in unrecognized deferred tax assets and liabilities | 21,263 | 67,422 |
| Changes in unrecognized deferred tax assets arising from tax loss | (3,319) | (30,316) |
| Surplus on unappropriated earnings | 8,795 | 3,259 |
| Adjustment for prior periods and others | 72,932 | 17,407 |
| | \$ 519,036 | 423,465 |

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

Details of unrecognized deferred tax assets were as follow:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------|------------------------------|------------------------------|
| Deductible temporary differences | \$ 130,783 | 129,097 |
| Tax losses | <u>105,629</u> | <u>112,827</u> |
| | <u><u>\$ 236,412</u></u> | <u><u>241,924</u></u> |

Details of unrecognized deferred tax liabilities were as follow:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|------------------------------|------------------------------|
| Temporary differences related to investments in subsidiaries | <u>\$ 592,539</u> | <u>590,311</u> |

The Group is able to control the timing of the reversal of the part of temporary differences associated with investments in subsidiaries as at December 31, 2023 and 2022. Also, the management of the Group considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities.

Deferred tax assets are not recognized when the Group has considered that the future taxable profit will not be available against which the unused tax credits and deductible temporary differences can be utilized. Furthermore, each Group entity is subject to its income tax act, and these income tax acts allow net losses, as assessed by their tax authorities, to offset taxable income for local tax reporting purposes. The above deferred tax assets were not recognized because it is not probable that the Group will have any sufficient taxable profit in the future periods to benefit from the reduction in tax payments.

As of December 31, 2023, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets, and their expiry years thereof were as follows:

| | <u>Year of occurrence</u> | <u>Deductible amount</u> | <u>Tax credit amount</u> | <u>Expiry year</u> |
|-----------------------------------|-------------------------------|------------------------------|------------------------------|--------------------|
| Subsidiaries in the ROC | 2013~2023 | \$ 17,407 | 3,060 | 2023~2033 |
| Subsidiaries in the PRC | 2017~2023 | 74,687 | 17,989 | 2023~2027 |
| Subsidiaries in the United States | 2008~2017 | 96,354 | 32,760 | 2028~2037 |
| Subsidiaries in the United States | 2018~2023 | 152,414 | <u>51,820</u> | None |
| | | | <u><u>\$ 105,629</u></u> | |

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

| | <u>Defined benefit Plans</u> | <u>Investment loss accounted for using equity method</u> | <u>Loss for market price decline and obsolete inventories</u> | <u>Others</u> | <u>Total</u> |
|--|------------------------------|--|---|----------------|----------------|
| Deferred tax assets: | | | | | |
| Balance on January 1, 2023 | \$ 9,777 | 413,880 | 40,449 | 174,937 | 639,043 |
| Recognized in profit or loss | 491 | 241 | (11,503) | (2,124) | (12,895) |
| Recognized in other comprehensive income | <u>1,536</u> | <u>-</u> | <u>-</u> | <u>3,512</u> | <u>5,048</u> |
| Balance on December 31, 2023 | <u>\$ 11,804</u> | <u>414,121</u> | <u>28,946</u> | <u>176,325</u> | <u>631,196</u> |
| Balance on January 1, 2022 | \$ 21,222 | 305,551 | 46,076 | 159,330 | 532,179 |
| Recognized in profit or loss | (7,200) | 108,329 | (5,627) | 9,692 | 105,194 |
| Recognized in other comprehensive income | <u>(4,245)</u> | <u>-</u> | <u>-</u> | <u>5,915</u> | <u>1,670</u> |
| Balance on December 31, 2022 | <u>\$ 9,777</u> | <u>413,880</u> | <u>40,449</u> | <u>174,937</u> | <u>639,043</u> |
| Deferred tax liabilities: | | | | | |
| | <u>Defined benefit Plans</u> | <u>Difference between book and tax depreciation</u> | <u>Others</u> | <u>Total</u> | |
| Balance on January 1, 2023 | \$ 2,416 | - | 88,426 | 90,842 | |
| Recognized in profit or loss | 43 | - | 18,381 | 18,424 | |
| Recognized in other comprehensive income | <u>122</u> | <u>-</u> | <u>(1,928)</u> | <u>(1,806)</u> | |
| Balance on December 31, 2023 | <u>\$ 2,581</u> | <u>-</u> | <u>104,879</u> | <u>107,460</u> | |
| Balance on January 1, 2022 | 1,937 | (1,871) | 78,152 | 78,218 | |
| Recognized in profit or loss | 12 | 1,871 | 7,693 | 9,576 | |
| Recognized in other comprehensive income | <u>467</u> | <u>-</u> | <u>2,581</u> | <u>3,048</u> | |
| Balance on December 31, 2022 | <u>\$ 2,416</u> | <u>-</u> | <u>88,426</u> | <u>90,842</u> | |

3) Uncertain tax treatment

The Group had assessed the uncertain treatment of the declared income tax returns yet not examined by the tax authorities base on relevant factors, including interpretative letters issued by the tax authority and the historical tax assessment experience. The accrual amount of deferred tax liabilities was considered sufficient as the result.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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- 4) The tax authorities have examined the Company's income tax returns through 2021.

The income tax returns of the Group and other consolidated entities in the ROC have been examined by the tax authorities through 2021.

- (u) Capital and other equities

As of December 31, 2023 and 2022, 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 NTD \$10, which means there were 1,000,000 thousand ordinary shares, in total of which 443,393 thousand shares were issued. All issued shares were paid up upon issuance.

- (i) Capital surplus

The balances of capital surplus of the Company were as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|------------------------------|------------------------------|
| Additional paid-in capital | \$ 7,817,145 | 7,817,145 |
| Difference between consideration and carrying amount of subsidiaries disposed | 74,117 | 69,273 |
| Changes in equity of associates accounted for using the equity method | 10,935 | 14,884 |
| Treasury stock resulting from the redemption of convertible bonds | 1,071,632 | 1,071,632 |
| Share-based payment – employee stock options | 119,974 | 119,974 |
| Others | <u>1,463</u> | <u>1,260</u> |
| | <u>\$ 9,095,266</u> | <u>9,094,168</u> |

In accordance with the ROC Company Act, realized capital reserves can only be capitalized and distributed as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

The Company's Board of Directors resolved to distribute cash of \$266,036 (respectively 0.6 New Taiwan dollars per share), by using capital surplus on March 13, 2024. The related information can be accessed through the Market Observation Post System Website.

- (ii) Retained earnings

In accordance with the Company's articles, net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes, of the remaining balance, 10% is to be appropriated as legal reserve, and the Company should appropriate the same amount as special reserve from retained earnings in accordance with legal authorities and legislations. The remainder, accumulated with the unappropriated earnings of prior years, is distributed as additional dividends to shareholders, which cannot be lower than 50% of the total accumulated unappropriated earnings. The distribution rate is based on the proposal of the Company's board of directors and should be approved in the shareholders' meeting.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Cash dividends cannot be lower than 10% of the total cash and stock dividends. However, stock dividends instead of cash dividends are declared if the cash dividends per share are less than NT\$0.2 (dollars).

1) Legal reserve

If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), the unrealized land revaluation increment and foreign currency translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. According to the regulations, the retained earnings increased by \$283,890 on the adoption date. In accordance with the requirements issued by the FSC, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special reserve, and when the relevant assets were used, disposed of, or reclassified, this special reserve shall be reserved as distributable earnings proportionately. As of December 31, 2023 and 2022, the carrying amount of special reserve amounted to \$283,890 in both years.

In accordance with the ruling issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of the carrying amount of other shareholders' equity and the special earnings reserve. The amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. A portion of the undistributed prior-period earnings shall be reclassified as special reserve (which does not qualify for earnings distribution) to account for the cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Based on a resolution of the annual shareholder's meeting held on June 16, 2023 and June 17, 2022, the appropriations of dividends from the earnings distribution for 2022 and 2021 were as follows:

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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| | 2022 | | 2021 | |
|--|----------------------------------|------------------|----------------------------------|------------------|
| | Amount per share (dollars) | Total amount | Amount per share (dollars) | Total amount |
| Dividends distributed to common shareholders: | | | | |
| Cash | \$ <u>2.50</u> | <u>1,108,483</u> | <u>3.50</u> | <u>1,551,876</u> |

The related information of the abovementioned earnings distribution can be accessed from the Market Observation Post System website.

On March 13, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings. These earnings were appropriated as follows:

| | 2023 | |
|--|----------------------------------|------------------|
| | Amount per share (dollars) | Total amount |
| Dividends distributed to commons shareholders: | | |
| Cash | \$ <u>2.60</u> | <u>1,152,822</u> |

(iii) 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, 2023 | \$ (664,490) | (12,869) | (677,359) |
| Foreign exchange differences: | | | |
| The Group | (197,378) | - | (197,378) |
| Disposal of other equity in foreign operations reclassified to profit or loss | 2,982 | - | 2,982 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income: | | | |
| The Group | - | 28,912 | 28,912 |
| Balance on December 31, 2023 | <u>\$ (858,886)</u> | <u>16,043</u> | <u>(842,843)</u> |
| Balance of January 1, 2022 | \$ (863,832) | - | (863,832) |
| Foreign exchange differences: | | | |
| The Group | 187,181 | - | 187,181 |
| Disposal of other equity in foreign operations reclassified to profit or loss | 12,161 | - | 12,161 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income: | | | |
| The Group | - | (12,869) | (12,869) |
| Balance on December 31, 2022 | <u>\$ (664,490)</u> | <u>(12,869)</u> | <u>(677,359)</u> |

(Continued)

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Earnings per share

For the years ended December 31, 2023 and 2022, the Group's basic and diluted earnings per share were calculated as follows:

| | 2023 | 2022 |
|--|----------------------------|-------------------------|
| Basic earnings per share: | | |
| Profit attributable to ordinary shareholders of the Company | \$ <u>1,472,137</u> | <u>1,230,836</u> |
| Weighted-average number of outstanding ordinary shares (thousands) | <u>443,393</u> | <u>443,393</u> |
| Diluted earnings per share: | | |
| Profit attributable to ordinary shareholders of the Company (basic) (equal to profit attributable to ordinary shareholders of the Company (diluted)) | \$ <u>1,472,137</u> | <u>1,230,836</u> |
| Weighted-average number of outstanding ordinary shares (thousands) (basic) | 443,393 | 443,393 |
| Dilutive effect of potential ordinary shares: | | |
| Employee stock bonus | <u>4,005</u> | <u>4,317</u> |
| Weighted-average number of outstanding ordinary shares (thousands) (diluted) | <u>447,398</u> | <u>447,710</u> |

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

| | 2023 | | | | |
|-------------------------------|-----------------------------|-----------------------|-------------------------|----------------------|--------------------------|
| | LED | LCD | Illumination | Others | Total |
| Primary geographical markets: | | | | | |
| Asia | \$ 14,520,792 | 123,378 | 772,865 | 84,516 | 15,501,551 |
| Europe | 1,288,315 | 266,688 | - | - | 1,555,003 |
| Others | <u>616,904</u> | <u>171,966</u> | <u>-</u> | <u>-</u> | <u>788,870</u> |
| | <u>\$ 16,426,011</u> | <u>562,032</u> | <u>772,865</u> | <u>84,516</u> | <u>17,845,424</u> |
| Major products | | | | | |
| Construction revenue | \$ - | - | 202,051 | - | 202,051 |
| Sales revenue | <u>16,426,011</u> | <u>562,032</u> | <u>570,814</u> | <u>84,516</u> | <u>17,643,373</u> |
| | <u>\$ 16,426,011</u> | <u>562,032</u> | <u>772,865</u> | <u>84,516</u> | <u>17,845,424</u> |
| | | | | | |
| | 2022 | | | | |
| | LED | LCD | Illumination | Others | Total |
| Primary geographical markets: | | | | | |
| Asia | \$ 15,569,119 | 272,666 | 752,837 | 79,827 | 16,674,449 |
| Europe | 1,549,141 | 244,764 | 397,591 | - | 2,191,496 |
| Others | <u>704,981</u> | <u>296,472</u> | <u>20,891</u> | <u>-</u> | <u>1,022,344</u> |
| | <u>\$ 17,823,241</u> | <u>813,902</u> | <u>1,171,319</u> | <u>79,827</u> | <u>19,888,289</u> |
| Major products | | | | | |
| Construction revenue | \$ - | - | 369,924 | - | 369,924 |
| Sales revenue | <u>17,823,241</u> | <u>813,902</u> | <u>801,395</u> | <u>79,827</u> | <u>19,518,365</u> |
| | <u>\$ 17,823,241</u> | <u>813,902</u> | <u>1,171,319</u> | <u>79,827</u> | <u>19,888,289</u> |

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balance

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|--------------------------------------|------------------------------|------------------------------|----------------------------|
| Notes receivable | \$ 4,201 | 2,460 | 7,780 |
| Accounts receivables | 5,650,851 | 5,753,810 | 7,836,526 |
| Less: allowance for impairment | <u>(297,385)</u> | <u>(443,538)</u> | <u>(173,403)</u> |
| | <u>\$ 5,357,667</u> | <u>5,312,732</u> | <u>7,670,903</u> |
| Contract assets-illumination | \$ 145,408 | 63,583 | 39,191 |
| Less: allowance for impairment | <u>(6,910)</u> | <u>(6,910)</u> | <u>-</u> |
| | <u>\$ 138,498</u> | <u>56,673</u> | <u>39,191</u> |
| Contract liabilities-illumination | <u>\$ 48</u> | <u>1,733</u> | <u>-</u> |
| Contract liabilities-Advance receipt | <u>\$ 54,638</u> | <u>16,974</u> | <u>68,297</u> |

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were \$14,029 and \$59,157, 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.

(x) Remuneration of employees and directors

In accordance with the articles of the Company, if there is annual net income, the Company should appropriate 6%~12% as remuneration to employees and remuneration to directors not exceeding 1%. However, if the Company has accumulated deficits, the after-tax earnings shall first be offset against any deficit. The employees include those in the subsidiaries who meet specific conditions, which were formulated by the Board of directors.

The remuneration to employees amounted to \$189,637 and \$146,864, and the remuneration to directors amounted to \$19,771 and \$17,211, in 2023 and 2022, respectively. These amounts are calculated using the Company's profit before tax without the remuneration to employees and directors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These remunerations are expensed under operating expenses for the period. The related information can be accessed from the Market Observation Post System website. If the board of directors decides to pay the employees compensation in stock, the basis for calculating the number of shares will be the closing price one day before the shareholders' meeting. The amounts, as stated in the consolidated financial statements are identical to those of the actual distributions for 2023 and 2022.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(y) Non-operating income and expenses

The interest income and finance costs in 2023 and 2022 were as follows:

(i) Interest income

| | 2023 | 2022 |
|---------------|-------------------|----------------|
| Cash in banks | \$ 176,087 | 107,435 |
| Other | 7,802 | 1,444 |
| | \$ 183,889 | 108,879 |

(ii) Finance costs – interest expenses

| | 2023 | 2022 |
|-------------------|------------------|---------------|
| Loans | \$ 3,938 | 43,001 |
| Lease liabilities | 7,473 | 6,369 |
| Other | 21 | - |
| | \$ 11,432 | 49,370 |

(z) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Credit risk of receivables and debt securities

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).

Investment in debt instruments measured at fair value through other comprehensive income are listed debt securities.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12-month expected credit losses. Allowance for uncollectible accounts for the year ended December 31, 2023 are \$0.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

| | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|---|----------------------------|-----------------------------------|--------------------------|--------------------|-------------------------|
| December 31, 2023 | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Short-term borrowings | \$ 250,000 | (250,360) | (250,360) | - | - |
| Notes and accounts payable (including related parties) | 3,415,628 | (3,415,628) | (3,415,628) | - | - |
| Payables on construction and equipment | 178,490 | (178,490) | (178,490) | - | - |
| Other payables (recorded as other current liabilities) | 1,597,065 | (1,597,065) | (1,597,065) | - | - |
| Lease liabilities (including current and non-current) | 324,690 | (415,930) | (43,590) | (39,068) | (333,272) |
| Long-term borrowings (including current portion) | 8,628 | (8,893) | (1,427) | (1,307) | (6,159) |
| Guarantee deposits received | 252,031 | (252,031) | - | - | (252,031) |
| Derivative financial liabilities: | | | | | |
| Forward exchange contracts not used for hedging: | 2,583 | | | | |
| Outflow | - | (197,208) | (197,208) | - | - |
| Inflow | - | 194,813 | 194,813 | - | - |
| | <u>\$ 6,029,115</u> | <u>(6,120,792)</u> | <u>(5,488,955)</u> | <u>(40,375)</u> | <u>(591,462)</u> |
| December 31, 2022 | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Short-term borrowings | \$ 537,705 | (540,888) | (540,888) | - | - |
| Notes and accounts payable (including related parties) | 3,200,410 | (3,200,410) | (3,200,410) | - | - |
| Payables on construction and equipment | 279,080 | (279,080) | (279,080) | - | - |
| Other payables (recorded as other current liabilities) | 1,546,559 | (1,546,559) | (1,546,559) | - | - |
| Lease liabilities (including current and non-current) | 346,558 | (443,403) | (42,680) | (35,042) | (365,681) |
| Long-term borrowings (including current portion) | 9,372 | (9,671) | (237) | (1,415) | (8,019) |
| Guarantee deposits received | 256,412 | (256,412) | - | - | (256,412) |
| Derivative financial liabilities: | | | | | |
| Forward exchange contracts not used for hedging: | 8,212 | | | | |
| Outflow | - | (747,111) | (747,111) | - | - |
| Inflow | - | 734,447 | 734,447 | - | - |
| | <u>\$ 6,184,308</u> | <u>(6,289,087)</u> | <u>(5,622,518)</u> | <u>(36,457)</u> | <u>(630,112)</u> |

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant financial assets and liabilities exposure to foreign currency risk was as follows:

| | December 31, 2023 | | | December 31, 2022 | | |
|-----------------------|---------------------------------------|---------------------|-----------|---------------------------------------|---------------------|-----------|
| | Foreign currency (in thousands) | Exchange rate | TWD | Foreign currency (in thousands) | Exchange rate | TWD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | \$ 130,198 | USD/TWD =30.7350 | 4,001,636 | 146,554 | USD/TWD =30.7080 | 4,500,380 |
| RMB | 459,939 | RMB/TWD =4.3305 | 1,991,766 | 436,729 | RMB/TWD =4.4526 | 1,944,580 |
| HKD | 302,089 | HKD/TWD =3.9356 | 1,188,901 | 329,017 | HKD/TWD =3.9351 | 1,294,715 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 6,996 | USD/TWD =30.7350 | 215,022 | 22,665 | USD/TWD =30.7080 | 695,966 |
| USD | 11,905 | USD/RMB =7.0973 | 365,900 | 17,801 | USD/RMB =6.8967 | 546,633 |
| RMB | 747,466 | RMB/TWD =4.3305 | 3,236,902 | 749,268 | RMB/TWD =4.4526 | 3,336,191 |

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, financial assets at fair value through profit or loss, notes and accounts payables and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of each major foreign currency against the Group's functional currency as of December 31, 2023 and 2022 would have increased (decreased) the profit before tax by \$212,975 for the year ended December 31, 2023, and increased (decreased) the profit before tax by \$176,048 for the year ended December 31, 2022. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2023 and 2022, the net foreign exchange gains, including both realized and unrealized, amounted to \$77,809 and \$362,850, respectively.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

| | Carrying amount | |
|----------------------------|------------------------------|------------------------------|
| | December 31, 2023 | December 31, 2022 |
| Variable rate instruments: | | |
| Financial assets | \$ 3,501,379 | 3,405,339 |
| Financial liabilities | - | (505,705) |
| | \$ 3,501,379 | 2,899,634 |

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the effects of the net profit before tax for the years ended December 31, 2023 and 2022, were as follows, which would have mainly resulted from bank borrowings and cash in banks with variable interest rates.

| | 2023 | 2022 |
|-------------------|-------------|-------------|
| Increase by 0.25% | \$ 8,753 | 7,249 |
| Decrease by 0.25% | (8,753) | (7,249) |

(v) Fair value

1) Procedure of valuation

The Group's accounting policies and disclosure include the fair value method on financial assets and financial liabilities. The Group's management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

The Group uses observable market data to evaluate its assets and liabilities when it is possible. The different inputs of levels of fair value hierarchy in determining the fair value are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

2) The kinds of financial instruments and fair value

The fair value of the Group's financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income are measured on a recurring basis. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value, and lease liabilities, disclosure of fair value information is not required.

| | December 31, 2023 | | | | |
|---|----------------------|------------|---------|---------|---------|
| | Book value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss: | | | | | |
| Derivative financial assets | \$ 25,354 | - | 25,354 | - | 25,354 |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | <u>850,572</u> | 334,004 | 516,568 | - | 850,572 |
| | <u>875,926</u> | | | | |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Foreign unlisted stocks | 3,503 | - | - | 3,503 | 3,503 |
| Foreign and domestic corporate bonds | <u>816,749</u> | 816,749 | - | - | 816,749 |
| | <u>820,252</u> | | | | |
| Financial assets measured at amortized cost: | | | | | |
| Cash and cash equivalents | 4,929,740 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 4,858,363 | - | - | - | - |
| Other current financial assets | 4,769,207 | - | - | - | - |
| Refundable deposits (recorded as other non-current assets) | 80,569 | - | - | - | - |
| Other non-current financial assets | <u>908,436</u> | - | - | - | - |
| | <u>15,546,315</u> | | | | |
| | <u>\$ 17,242,493</u> | | | | |

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2022 | | | | |
|--|---------------------|------------|---------|---------|-------|
| | Book value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial liabilities at fair value through profit or loss: | | | | | |
| Derivative financial liabilities (recorded as other current liabilities) | \$ 8,212 | - | 8,212 | - | 8,212 |
| Financial liabilities measured at amortized cost: | | | | | |
| Short-term borrowings | 537,705 | - | - | - | - |
| Notes and accounts payable (including related parties) | 3,200,410 | - | - | - | - |
| Payable on construction and equipment | 279,080 | - | - | - | - |
| Lease liabilities | 346,558 | - | - | - | - |
| Other current payables (recorded as other current liabilities) | 1,546,559 | - | - | - | - |
| Long-term borrowings (including current portion) | 9,372 | - | - | - | - |
| Guarantee deposits received (recorded as other non-current liabilities) | 256,412 | - | - | - | - |
| | <u>6,176,096</u> | | | | |
| | <u>\$ 6,184,308</u> | | | | |

3) Fair value valuation technique of financial instruments not measured at fair value

The Group estimates instruments that are not measured at fair value, by method and presumption as follows:

- a) The book value of financial assets and liabilities at amortized cost are similar to their fair value.

4) Fair value valuation technique of financial instruments measured at fair value

- a) The fair value of financial assets and liabilities traded in active markets, including listed stocks, fund beneficiary certificates, emerging stocks and listed convertible bonds, etc., is based on quoted market prices.
- b) The fair value of unlisted shares without an active market is assessed by using the net asset value per share approach, P/E ratio approach, and P/B ratio approach.
- c) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated by adapting a valuation technique using the estimates and hypothesis referred from those used by financial instruments, or the binomial options pricing model which is generally accepted by the market participants.
- d) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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- 5) There were no transfers from one level to another of the Group for the years ended December 31, 2023 and 2022.
- 6) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Group for the years ended December 31, 2023 and 2022:

| | Financial assets at fair value through other comprehensive income – unquoted equity instruments | |
|--|--|-----------------|
| Balance on January 1, 2023 (as balance on December 31, 2022) | \$ | 18,363 |
| Total gains and losses recognized: | | |
| In other comprehensive income | | (14,860) |
| Balance on December 31, 2023 | \$ | 3,503 |
| Balance on January 1, 2022 (as balance on December 31, 2021) | \$ | - |
| Repurchased | | 31,232 |
| Total gains and losses recognized: | | |
| In other comprehensive income | | (12,869) |
| Balance on December 31, 2022 | \$ | 18,363 |
| | | 2023 |
| | | 2022 |
| Total gains and losses recognized: | | |
| In other comprehensive income (recorded as unrealized gains (losses) from financial assets at fair value through other comprehensive income) | \$ | (14,860) |
| | | (12,869) |

- 7) The quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use level 3 inputs to measure the fair values include current financial assets at fair value through other comprehensive income— equity securities and derivative financial instrument.

Most of fair value measurements of the Group which are categorized as equity investment instruments into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity instruments without quoted prices are independent of each other.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The quantitative information about significant unobservable inputs was as follows:

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationships between significant unobservable inputs and fair value</u> |
|---|---|--|--|
| Financial assets at fair value through other comprehensive income - equity investments without an active market | Guideline Public Company method - Price-Book Method | Price-to-Book ratio (P/B Ratio) (3.81 and 4.94 on December 31, 2023 and 2022, respectively) Lack of marketability discount rate (20% on December 31, 2023 and 2022) | The higher the P/B ratio, the higher the fair value. The higher the lack of marketability discount, the lower the fair value. |

- 8) Fair value measurements in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impacts on profit or loss or other comprehensive income or loss were as follows:

| | <u>Input</u> | <u>Variation</u> | <u>Impacts of fair value changes on other comprehensive income</u> | |
|---|--------------------------------|------------------|--|-------------------------------|
| | | | <u>Advantageous change</u> | <u>Disadvantageous change</u> |
| December 31, 2023 | | | | |
| Financial assets at fair value through other comprehensive income | P/B ratio | 5% | \$ <u>337</u> | <u>(29)</u> |
| Financial assets at fair value through other comprehensive income | Lack of marketability discount | 5% | \$ <u>200</u> | <u>108</u> |
| December 31, 2022 | | | | |
| Financial assets at fair value through other comprehensive income | P/B ratio | 5% | \$ <u>725</u> | <u>(1,093)</u> |
| Financial assets at fair value through other comprehensive income | Lack of marketability discount | 5% | \$ <u>43</u> | <u>(411)</u> |

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The table above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(aa) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative and non-derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continually review the amount of the risk exposure and the compliance with the Group's policies. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounting receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and bank references in some cases. Credit limits that are established for each customer are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

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The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's customers are from many different industries. The Group does not concentrate on a specific customer, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. In order to mitigate account receivable credit risk, the Group constantly assesses the financial status of the customers.

The Group set the allowance for bad debt account to reflect the estimated losses for accounts receivables, other receivables, and investments. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is recognized based on historical collection records of similar financial assets.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and contractually obligated counterparties are banks, investment grade above financial institutions, and corporate organizations with good credit standing, there are no compliance issues, and therefore, there is no significant credit risk.

3) Guarantees

The Group's policy to provide financial guarantees is only permissible to subsidiaries. Please refer to note 13(a) for information of guarantees and endorsements to subsidiaries as of December 31, 2023 and 2022.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities to ensure they are in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to notes 6(n) and 6(q) for the unused credit lines of short-term and long-term loans as of December 31, 2023 and 2022.

(v) Market risk

Market risk is the risk that will affect the Group's income or the value of its financial instruments arising from the changes in market prices, such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

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1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily TWD, EUR, USD, HKD, and RMB, etc. The currencies used in these transactions are denominated in TWD, HKD, EUR, USD, and RMB.

The Group hedges accounts receivable denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date.

2) Interest rate risk

The Group borrows funds on fixed and floating interest rate; and the Group bears the cash flow risks related to floating rate loans.

3) Other market value risk

The Group is exposed to equity price risk arising from listed stock investments. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments. The material investments of investment portfolio are managed individually and their purchase decision must be approved by the finance department.

(ab) Capital management

The Group maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there are financial resources and operating plans to support working capital, capital expenditures, research and development expenses, debt redemptions and dividend payments, and so on. The management decides the optimized capital by using appropriate debt-to-equity ratio, interest-bearing liabilities-to-equity ratio or other financial ratios. To maintain a strong capital base, the Group enhances the return on equity by optimizing debt-to-equity ratio. The Group's debt-to-equity ratio at the end of the reporting date was as follows:

| | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Total liabilities | \$ 7,214,970 | 7,382,826 |
| Total equity | 18,905,832 | 18,731,352 |
| Interest-bearing liabilities | 258,628 | 547,077 |
| Debt-to-equity ratio | 38 % | 39 % |
| Interest-bearing liabilities to equity ratio | 1 % | 3 % |

(ac) Investing and financial activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2023 and 2022, were acquisition of right-of-use assets by lease; please refer to note 6(1). Reconciliations of liabilities arising from financing activities were as follows:

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>January 1, 2023</u> | <u>Cash flows</u> | <u>Non-cash changes</u> | | <u>December 31, 2023</u> |
|---|----------------------------|-------------------|-------------------------|--|------------------------------|
| | | | <u>Increase</u> | <u>Foreign exchange movement</u> | |
| Short-term borrowings | \$ 537,705 | (287,705) | - | - | 250,000 |
| Long-term borrowings | 9,372 | (104) | - | (640) | 8,628 |
| Lease liabilities | 346,558 | (44,361) | 22,426 | 67 | 324,690 |
| Guarantee deposits received | <u>256,412</u> | <u>(4,381)</u> | <u>-</u> | <u>-</u> | <u>252,031</u> |
| Total liabilities from financing activities | <u>\$ 1,150,047</u> | <u>(336,551)</u> | <u>22,426</u> | <u>(573)</u> | <u>835,349</u> |

| | <u>January 1, 2022</u> | <u>Cash flow</u> | <u>Non-cash changes</u> | | <u>December 31, 2022</u> |
|---|----------------------------|--------------------|-------------------------|--|------------------------------|
| | | | <u>Increase</u> | <u>Foreign exchange movement</u> | |
| Short-term borrowings | \$ 2,489,960 | (1,952,255) | - | - | 537,705 |
| Long-term borrowings | 103,075 | (96,237) | - | 2,534 | 9,372 |
| Lease liabilities | 316,584 | (47,798) | 73,630 | 4,142 | 346,558 |
| Guarantee deposits received | <u>190,635</u> | <u>65,777</u> | <u>-</u> | <u>-</u> | <u>256,412</u> |
| Total liabilities from financing activities | <u>\$ 3,100,254</u> | <u>(2,030,513)</u> | <u>73,630</u> | <u>6,676</u> | <u>1,150,047</u> |

(7) Related-party transactions

(a) Names and relationship with related parties

The following are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|---|------------------------------------|
| Tekcore Co., Ltd. (Tekcore) | The Group's associate |
| Anhui Hongming Technology Co., Ltd. (Anhui Hongming) | The Group's associate |
| LeadTech Electronics Inc. (LeadTech) | The Group's associate |

(b) Significant related party transactions

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

| | | |
|------------|-------------------|----------------|
| Associates | <u>2023</u> | <u>2022</u> |
| | <u>\$ 240,401</u> | <u>120,678</u> |

There were no significant differences in the collection periods and sales prices between the related parties and other customers, and the payment term was 60 to 165 days. There were no significant differences in the payment term between the related parties and other customers.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Purchase

The amounts of significant purchases by the Group from related parties were as follows:

| | 2023 | 2022 |
|------------|-------------------|----------------|
| Associates | \$ 391,078 | 516,102 |

The payment term was 90 to 150 days for other related parties and third-party suppliers.

(iii) Accounts receivable due from related parties

The accounts receivable due from related parties were as follows:

| | | December 31, 2023 | December 31, 2022 |
|---------------------|------------|------------------------------|------------------------------|
| Accounts receivable | Associates | \$ 86,865 | 56,922 |
| Other receivable | Associates | 16,581 | - |
| | | \$ 103,446 | 56,922 |

(iv) Property transactions

1) Purchase of property, plant and equipment

The Group sold equipment to other related party - Tekcore Co., Ltd. (Tekcore) with sales price \$15,070(without tax) and gain on sale \$10,726. As of December 31, 2023, the amount of outstanding receivable is \$15,824.

(v) Accounts payable to related parties

The accounts payable to related parties were as follows:

| | December 31, 2023 | December 31, 2022 |
|------------|------------------------------|------------------------------|
| Associates | \$ 147,317 | 180,362 |

(c) Key management personnel compensation

Key management personnel compensation comprised:

| | 2023 | 2022 |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 37,357 | 34,364 |
| Others | 135 | 247 |
| | \$ 37,492 | 34,611 |

There are no termination benefits and other long-term benefits.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(8) Pledged assets

The carrying amounts of the pledged assets were as follows:

| <u>Assets</u> | <u>Objectives</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|---|------------------------------|------------------------------|
| Listed stocks (recorded as financial assets at fair value through profit or loss) | Short selling | \$ 12,326 | - |
| Time deposits (recorded as other non-current financial assets) | Guarantee for contract grant and guarantee for construction contracts | <u>192,607</u> | <u>223,174</u> |
| | | <u>\$ 204,933</u> | <u>223,174</u> |

(9) Commitments and contingencies

(a) Litigation with Nichia Corporation (Nichia)

On July 15, 2021, Nichia filed an action for damages against the Group's subsidiary, WOFI W&F GmbH, for infringement of the patent EP0936682 (DE69702929) with the District Court of Dusseldorf, Germany, demanding for compensation of EUR 4,500 thousand. On October 31, 2022, the District Court of Dusseldorf, Germany ruled in the first instance that WOFI W&F GmbH should pay the damages of EUR 3,225 thousand to Nichia. However, on November 31, 2022, WOFI W&F GmbH filed an appeal with the High Court of Justice in Dusseldorf, Germany. The case is currently still in progress. As of the financial reporting date, WOFI W&F GmbH has assessed the final judgment of the above case and the amount of possible claims, and estimated a provision for liabilities of EUR 4,500 thousand (approximately \$141,316).

In September 2015, Nichia filed a lawsuit against the Group's sub-sub-subsidiary, WOFI W&F GmbH, for infringement of patent EP2276080 with the District Court of Dusseldorf, Germany. On December 15, 2016, the District Court of Dusseldorf, Germany, ruled against WOFI W&F GmbH in the first instance. On January 12, 2017, WOFI W&F GmbH filed an appeal with the High Court of Justice in Dusseldorf, Germany. In October 2017, a ruling notice had been received from the European Patent Office, which found that the original scope of patent EP2276080 was invalid and that the revised scope of the patent was valid. However, in April 2022, patent EP2276080 was judged valid by the European Patent Office and the infringement lawsuit was reopened. On December 16, 2022, the High Court of Justice in Dusseldorf, Germany ruled against WOFI W&F GmbH in the second trial. Thereafter, the case proceeded to the execution of the litigation order. Based on the ruling, the Group assessed that the compensation amount of approximately EUR 65 thousand do not have any material effects on the operations.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(b) Lawsuit with Bench Walk Lighting LLC (BWL)

In January 2020, Bench Walk Lighting LLC (BWL) filed a lawsuit against the Group in the United States District Court for the District of Delaware for infringement of BWL's U.S. patents US6806658, US7115428, US7145182, US7239080, US7470936, US7488990, US7519287, US7847300, US9887338 and US9209373, concerning holders, substrates, and packaging designs for the Group's LED products. The case is still in court proceedings, and the Group believes that the LED products are not infringing on patents mentioned above. Hence, the Group assessed that the final ruling of this case will not have any material effects on the operations.

(c) In 2017, the Group, together with A3 Commerce LLP and Altocom Asia LLP (hereinafter referred to as "Alliance A"), was jointly contracted for a smart street light installation and maintenance project for the Pavlodar State Government in Pavlodar of the Republic of Kazakhstan for a period of six years, with a total contract cost of approximately USD 8,967 thousand. The installation of the light fixtures was completed and accepted by the Pavlodar State Government on January 4, 2019. However, the Pavlodar State Government later found that some equipment for the smart control systems that should have been installed by A3 Commerce LLP, a member of Alliance A, was shortage, thus suspended the payment for the second quarter of 2020 as well as the subsequent project payment. On October 26, 2020, the Pavlodar State Government requested in writing to Alliance A to complete the installation of the shortage smart control systems as soon as possible and in accordance with the contract.

The Group believed that A3 Commerce LLP failed to fulfill its obligation to install the smart control systems and that Altocom Asia LLP failed to fulfill its maintenance management responsibilities. These two companies were deemed to be incompetent. In order to protect the Group's interests, the Group sent a letter to the Pavlodar State Government in December 2020, demanding the removal of A3 Commerce LLP and Altocom Asia LLP from Alliance A. In January 2021, the Pavlodar State Government sent a further request in writing that the Group should correct the equipment shortage issue as described above. On February 9, 2021, the Pavlodar State Government filed a lawsuit in the Kazakhstan Court, demanding the termination of the contract with Alliance A with compensation of KZT 268,883 thousand (approximately \$18,203). The Group has appointed Baker McKenzie, an international business law firm and its local member firm in Kazakhstan, in the hope of negotiating a contract revision with the Pavlodar State Government to allow the Group to finish the uncompleted project independently. The local Court dismissed the lawsuit and appeal on the grounds of procedural irregularities on March 10 and April 22, 2021, as the State Government failed to follow the terms of the contract regarding negotiation but instead went straight to litigation. After the dismissal of its lawsuit, the Pavlodar State Government immediately started negotiations with Alliance A.

According to the opinion report issued by the appointed attorney on March 22, 2021, as both parties were still in the process of understanding each other's requests and the attribution of responsibilities, a solution should be negotiated to resolve the dispute. However, it was difficult to predict the outcome, and the maximum exposure for termination of the contract was approximately \$141,599. As of December 31, 2020, based on a reasonably conceivable judgment, the Group estimated a loss of \$58,754 and reserved the right to legal recourse against the alliance members, A3 Commerce LLP and Altocom Asia LLP, for their incomplete work that damaged the rights and interests of the Group.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In addition, on June 21, 2021, the Ministry of Energy of the Pavlodar State Government filed a lawsuit against the Transportation Department of Pavlodar, all members of Alliance A, and all contractors, requesting confirmation that the project acceptance that took place in January 2019 was invalid. The Group's appointed attorney argued with the Court that the subject matter of the lawsuit is the same as the previous lawsuit filed by the Pavlodar State Government in December 2020. The lawsuit was dismissed by the Court due to having no legal basis. On the grounds of non bis in idem, the failure of the Ministry of Energy of the Pavlodar State Government to fulfill its pre-litigation negotiation obligations, and the lack of legal right of the Pavlodar State Government to petition for the invalidation of the acceptance of the project, the Group's appointed attorney believes that the lawsuit should be dismissed in accordance with the law, and requested the Court to grant a transfer to a Court of competent jurisdiction. On July 21, 2021, the Court of First Instance granted the transfer of jurisdiction. The Ministry of Energy of the Pavlodar State Government filed a protest. On August 5, 2021, the Court of Second Instance revoked the decision of transfer of jurisdiction and remanded the case to the First Instance. On September 13, 2021, the Court of First Instance ruled against the Group on the grounds of non bis in idem, the failure of the Ministry of Energy of the State Government of Pavlodar to fulfill its pre-litigation negotiation obligations, and that the Pavlodar State Government had no legal right to apply for confirmation of the invalidation of the acceptance and ruled that the acceptance of the project in January 2019 was invalid. As the Group found that the decision in this case was clearly unlawful, the Group filed a protest against the decision of dismissal on October 1, 2021. The Group then filed an appeal against the decision of invalidation of the acceptance of the project as described above on October 19, 2021. On December 28, 2021, the judge of the second trial dismissed the Group's protest and appeal and the ruling was finalized. The Group filed an appeal for the third trial against the ruling and judgment of the second trial, and this appeal was dismissed on April 4, 2022. The lawsuit only pleaded to confirm the invalidation of the acceptance of the project in January 2019, and the Pavlodar State Government did not file a claim for compensation.

As no satisfactory outcome was achieved by either party, on February 10, 2022, the Pavlodar Statement Government filed another lawsuit against Alliance A, demanding to terminate the contract with Alliance A and compensation of KZT 1,345,882 thousand (approximately \$85,733). The Group has appointed an attorney to defend the best legal interests of the Group. Pursuing ongoing negotiations with the Pavlodar State Government to find a mutually beneficial solution should suffice considering termination of the contract would be in the best interests of neither party. On April 27, 2022, the Court of First Instance granted the entire request of the State Government of Pavlodar. The Group filed an appeal against the ruling as it was considered unlawful on June 2, 2022. On July 19, 2022, the Second Trial Court denied the Group's appeal, with a final judgment entered.

In 2019, the Group, together with Altocom Asia LLP (hereinafter referred to as "Alliance B"), was jointly contracted for a smart street light installation and maintenance project for the Taraz State Government, for a period of six years, with a total contract cost of approximately USD 14,196 thousand. Alliance B carried out light fixture installation according to the contract. On March 18, 2021, the Taraz State Government filed a lawsuit to terminate the contract claiming that Alliance B carried out the project without fully preparing the relevant design documents and did not complete the contracted work by December 30, 2020. However, the Group believed that Alliance B completed the project without any delay or deficiency. According to the opinion issued by the appointed attorney on March 22, 2021, as both parties were still in the process of understanding each other's requests and the attribution of responsibilities, it was difficult to predict the outcome. However, the Taraz State Government failed to follow the terms of contract to first negotiate with Alliance B,

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

instead filing a lawsuit for the termination of the contract. The appointed attorney argued that the relevant procedures were unlawful to defend against the Taraz State Government's claim and requested the Court to grant a transfer to a Court of competent jurisdiction in order to negotiate with the State Government to resolve the dispute. On April 22, 2021, the local court granted the transfer of jurisdiction to the Commercial Court for trial. On July 21, 2021, the Commercial Court of Taraz ruled against the Group. On August 19, 2021, the Group filed an appeal, which was dismissed by the Court of Second Instance on September 23, 2021, and the ruling was finalized. As the Group believed that Alliance B had no deficiencies, the Group filed an appeal for the third trial against the ruling and judgment of the second trial. The third appeal was dismissed by the Court of Third Instance on April 18, 2022. The case was only to decide on the termination of the contract, and the Taraz State Government did not request compensation. As a result, the Group will continue to assess whether to request the return of the equipment or the associated cost from the Taraz State Government.

According to the opinion issued by the appointed attorney on March 17, 2022, the Group assessed the final judgment of the above two cases and the amount of possible claims. An additional provision for estimated liabilities of \$55,981 for 2021 was made, recorded under other losses; an allowance for losses of \$84,143 was provided for expected uncollectible accounts receivable and the share of loans advanced to other parties of the Alliance, recorded under expected credit impairment losses. As of December 31, 2021, the accumulated losses from the above two cases totaled \$198,878, including an allowance for expected credit losses of \$84,143, other losses of \$622, and a provision for liabilities of \$114,113.

As of the financial reporting date, with the assistance of the attorney, the Group believed that its litigation in Kazakhstan has exhausted the judicial procedures and reached the Supreme Court of Kazakhstan. Although there are special relief procedures similar to retrials in Taiwan, the Group is of the opinion that its special relief procedures will not achieve a favorable outcome for the Group, considering the local political environment and judicial peculiarities.

Based on the above assessments, the Group made an additional estimated allowance for the loss of \$37,554 for expected uncollectible accounts receivable for the above two cases, which was recorded under expected credit impairment losses, and recognized an inventory impairment loss of \$62,214, which was recorded under cost of goods sold, as well as other reasonably determinable obligations and compensatory losses of \$117,553, which was recorded under other losses. The Group reserves the right to legal recourse against alliance members, A3 Commerce LLP and Altocom Asia LLP, for their defective works that jeopardized the Group's interests. As of December 31, 2022, the accumulated loss from the aforementioned two cases amounted to \$416,199.

In order to advance the implementation of the aforementioned two cases, the Group, together with alliance members Altocom Asia LLP and A3 Commerce LLP, signed a loan agreement with the European Bank for Reconstruction and Development (hereinafter referred to as EBRD) on June 5, 2018. Subsequently, a supplemental agreement was signed on June 26, 2020. The loan was utilized for the installation and maintenance projects of intelligent streetlights for the Pavlodar State Government and Taraz State Government. The Group independently satisfied the debt between 2022 and 2023. Therefore, the Group was entitled to claim repayment of the loan from Altocom Asia LLP and A3 Commerce LLP, the other two alliance members, within the scope of their respective responsibility proportions. In July 2023, the Group filed a lawsuit against Altocom Asia LLP in the Court of Kazakhstan and obtained a favorable judgment, which was finalized on December 1, 2023. As for A3 Commerce LLP, it was declared bankrupt. The Group duly filed for claims and obtained a claim certificate from the bankruptcy trustee in September 2023.

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Significant commitments unrecognized:

- (i) As of December 31, 2023 and 2022, the Group's signed significant commitments to purchase machinery, equipment and commitments for construction contracts not yet due amounted to \$149,904 and \$192,406, respectively.
- (ii) As of December 31, 2023 and 2022, the unused balance of the Group's outstanding standby letters of credit amounted to \$0 and \$2,577, 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 item | 2023 | | | 2022 | | |
|----------------------------|---------------|--------------------|-----------|---------------|--------------------|-----------|
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 1,281,645 | 1,475,810 | 2,757,455 | 1,257,600 | 1,643,558 | 2,901,158 |
| Labor and health insurance | 73,148 | 108,938 | 182,086 | 84,403 | 136,612 | 221,015 |
| Pension | 77,003 | 68,153 | 145,156 | 97,067 | 55,567 | 152,634 |
| Others | 101,841 | 77,723 | 179,564 | 109,017 | 75,654 | 184,671 |
| Depreciation | 659,388 | 422,738 | 1,082,126 | 883,084 | 504,339 | 1,387,423 |
| Amortization | 27,070 | 20,811 | 47,881 | 36,433 | 26,330 | 62,763 |

(b) The Group operated a retail channel for lighting products in Germany to expand its overseas lighting market. However, due to factors such as global recession and market competition, the Group's subsidiary, WOFI W&F GmbH, had been experiencing losses for consecutive years leading to insolvency. Thus, it decided to liquidate and dispose the assets actively and negotiate with creditors for debt repayment. On August 25, 2022, the Company's board of directors resolved to dissolve and liquidate WOFI Leuchten GmbH and its subsidiaries. In accordance with the aforementioned decision, the Group filed for liquidation and dissolution of WOFI W&F GmbH on August 29, 2022. Thereafter, the Group designated November 30, 2022 as the final operational day for WOFI W&F GmbH after prudent evaluation. The Group had been negotiating with the employee union of WOFI W&F GmbH since August 2022. On September 21, 2022, both parties reached a layoff agreement. Thereafter, WOFI W&F GmbH issued a notice regarding the termination, dissolution and placements of its employees, in which the related severance pay were recognized as management expenses in 2022 and had been fully paid. As of December 31, 2023 and 2022, the Group did not have any significant obligations for the salary or severance pay arising from the aforementioned situation regarding layoff. In January 2023, the Group assessed that WOFI W&F GmbH's property was still insufficient to repay the remaining debt balance, resulting in a bankruptcy application filed by the liquidator on January 20, 2023, in accordance with the German local laws. The proceedings of the bankruptcy of WOFI W&F GmbH on April 1, 2023, as well as ETT, Action, WOFI VG and LFL on May 1, 2023, that were formally adjudged by the German court, Amtsgericht Arnsherg, were

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

still in progress as of the reporting date. The Group had already recognized the accumulated losses of WOFI W&F GmbH; therefore, the above matter did not have a significant impact on the Group's finance and business.

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2023:

- (i) Loans to other parties: Please refer to table 1.
 - (ii) Guarantees and endorsements for other parties: Please refer to table 2.
 - (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 3.
 - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to table 4.
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to table 5.
 - (ix) Information derivative financial instruments transaction: Please refer to note 6(b).
 - (x) Business relationships and significant intercompany transactions: Please refer to table 6.
- (b) Information on investees: Please refer to table 7.
- (c) Information on investment in Mainland China: Please refer to table 8.
- (d) Major shareholders: There is no shareholders holding more than 5% shares.

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(14) Segment information:

(a) General Information

The segmentation of the Group is based on different products and services. The Group's reportable segments are the LED segment, LCD segment and illumination segment. The LED segment engages in the manufacture and sale of LEDs. The LCD segment engages in the manufacture and sale of LCDs and LCD modules. The illumination segment engages in the manufacture and sale of lighting products.

Other operating segments mainly engage in the sale of raw materials for electronic products, masks, and electrophoretic displays. The above operating segments did not meet the quantitative thresholds for the years ended December 31, 2023 and 2022.

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.

| | 2023 | | | | | |
|----------------------------------|------------------------|------------------------|---------------------------------|---------------|---|---------------------|
| | LED segment | LCD segment | Illumination segment | Others | Adjustments & eliminations | Total |
| Revenues | | | | | | |
| Revenues from external customers | \$16,426,011 | 562,032 | 772,865 | 84,516 | - | 17,845,424 |
| Intersegment revenues | - | - | - | - | - | - |
| Total revenues | <u>\$16,426,011</u> | <u>562,032</u> | <u>772,865</u> | <u>84,516</u> | <u>-</u> | <u>17,845,424</u> |
| Reportable segment profit (loss) | <u>\$ 1,766,692</u> | <u>82,027</u> | <u>(77,054)</u> | <u>21,673</u> | <u>-</u> | <u>1,793,338</u> |
| Reportable segment assets | | | | | | <u>\$26,120,802</u> |
| | | | | | | |
| | 2022 | | | | | |
| | LED segment | LCD segment | Illumination segment | Others | Adjustments & eliminations | Total |
| Revenues | | | | | | |
| Revenues from external customers | \$17,823,241 | 813,902 | 1,171,319 | 79,827 | - | 19,888,289 |
| Intersegment revenues | - | - | - | - | - | - |
| Total revenues | <u>\$17,823,241</u> | <u>813,902</u> | <u>1,171,319</u> | <u>79,827</u> | <u>-</u> | <u>19,888,289</u> |
| Reportable segment profit (loss) | <u>\$ 2,236,239</u> | <u>140,059</u> | <u>(923,485)</u> | <u>17,323</u> | <u>-</u> | <u>1,470,136</u> |
| Reportable segment assets | | | | | | <u>\$26,114,178</u> |

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EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Geographic Information

The following was the Group's geographical information. Revenues were attributed to countries on the basis of the customers' location. Non-current assets were attributed to countries on the basis of the assets' location.

(i) Revenues from external customers:

| <u>Geographical information</u> | <u>2023</u> | <u>2022</u> |
|---------------------------------|----------------------|-------------------|
| Asia | \$ 15,503,897 | 16,674,449 |
| Europe | 1,552,657 | 2,191,496 |
| America | 629,012 | 828,008 |
| Others | <u>159,858</u> | <u>194,336</u> |
| Total | <u>\$ 17,845,424</u> | <u>19,888,289</u> |

(ii) Non-current assets:

| <u>Geographical information</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------|------------------------------|------------------------------|
| Asia | \$ 7,615,541 | 8,245,744 |
| Europe | 24,466 | 198,706 |
| Others | <u>41,275</u> | <u>51,821</u> |
| Total | <u>\$ 7,681,282</u> | <u>8,496,271</u> |

Non-current assets include property, plant and equipment, right-of-use, investment property, intangible assets, and other assets, excluding financial instruments, deferred tax assets, and post-employment benefit assets.

(d) Information about major customers

There were no individual customers whose purchases were over 10% of consolidated net sales in 2023 and 2022.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 1 Loans to other parties
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| No | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period (Note 6) | Ending balance (Note 6) | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short term financing | Allowance for bad debt | Collateral | | Individual funding loan limits | Maximum limit of fund financing | Note |
|----|-----------------|--------------------------|-------------------|---------------|--|-------------------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|-------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Company | WOFI Leuchten GmbH | Other receivables | Yes | \$ 536,165 | \$ 536,165 | 526,965 | 1.0% | Short term financing | - | Financing Services | - | | - | 1,855,098 | 7,420,392 | Note6 |
| 0 | The Company | Altocom Asia LLP | Other receivables | No | 62,502 | - | - | 1.0% | Short term financing | - | Financing Services | - | | - | 1,855,098 | 7,420,392 | - |
| 0 | The Company | A3 Commerce LLP | Other receivables | No | 24,474 | - | - | 1.0% | Short term financing | - | Financing Services | - | | - | 1,855,098 | 7,420,392 | - |
| | | | | | | \$ 536,165 | 526,965 | | | | | | | | | | |
| 1 | Everlight BVI | Everlight China | Other receivables | Yes | 307,350 | - | - | -% | Short term financing | - | Financing Services | - | | - | 2,808,446 | 2,808,446 | Note6 |
| 1 | Everlight BVI | WOFI Leuchten GmbH | Other receivables | Yes | 271,476 | - | - | -% | Short term financing | - | Financing Services | - | | - | 2,808,446 | 2,808,446 | Note6 |
| 1 | Everlight BVI | WOFI Leuchten GmbH | Other receivables | Yes | 203,607 | - | - | 1.0% | Short term financing | - | Financing Services | - | | - | 2,808,446 | 2,808,446 | Note6 |
| 2 | Everlight China | Everlight Lighting China | Other receivables | Yes | 866,100 | 433,050 | 433,050 | 2.0% | Short term financing | - | Financing Services | - | | - | 2,185,632 | 2,185,632 | Note6 |
| 3 | Forever | WOFI Leuchten GmbH | Other receivables | Yes | 186,640 | - | - | 1.0% | Short term financing | - | Financing Services | - | | - | 168,222 | 168,222 | Note6 |
| | | | | | | \$ 433,050 | 433,050 | | | | | | | | | | |

Note 1: According to the Company's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of loans to others cannot exceed 40% of the net worth of the Company; and to borrowers having business relationship with the Company, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short term financing needs, the amount of each fund financing cannot exceed 10% of the Company's net worth.

Note 2: According to Everlight BVI's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of loans to others cannot exceed 40% of the net worth of Everlight BVI; and to borrowers having business relationship with Everlight BVI, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short term financing needs, the amount of each fund financing cannot exceed 40% of Everlight BVI's net worth.

Note 3: According to Everlight China's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of loans to others cannot exceed 40% of the net worth of Everlight China; and to borrowers having business relationship with Everlight China, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short term financing needs, the amount of each fund financing cannot exceed 40% of Everlight China's net worth.

Note 4: According to Forever's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of loans to others cannot exceed 40% of the net worth of Forever; and to borrowers having business relationship with Forever, the total amount for lending the borrower cannot exceed the transaction amount of business dealings between the two parties in the last fiscal year. For those companies with short term financing needs, the amount of each fund financing cannot exceed 40% of Forever's net worth.

Note5: The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.

Note6: The aforementioned transactions had been eliminated in the consolidated financial statements.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 2 Guarantees and endorsements for other parties
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| No. | Name of guarantor | Counter party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements / guarantees to third parties on behalf of subsidiary (note 4) | Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note 4) | Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 4) |
|-----|-------------------|--|-------------------------------|---|---|---|---------------------------------------|---|---|--|--|---|---|
| | | Name | Relationship with the Company | | | | | | | | | | |
| 0 | The Company | WOFI Leuchten GmbH | 100% owned subsidiary | \$ 3,710,196 | \$ 614,700 | \$ - | \$ - | - | 0.00% | \$ 9,275,490 | Y | - | - |

Note 1 : The company is coded as "0", and subsidiaries are sorted in a numerical order starting from "1".

Note 2 : The limitation on amount of the guarantees and endorsements: According to the Company's "Procedures for Lending Funds to Other Parties and Guarantees and Endorsements", the total amount of the guarantee provided by the Company and its subsidiary shall not exceed 50% of the Company's net worth; for those subsidiaries wherein the Company holds at least 50% of their voting shares, the guarantee shall not exceed 20% of the Company's net worth; and for those subsidiaries wherein the Company holds less than 50% of their voting shares, the guarantee shall not exceed 10% of the Company's net worth.

Note 3 : For the Company as the guarantor to its subsidiary, or the subsidiary as the guarantor to the Company, or wherein the guarantor is located in China, please fill in Y.

Note 4 : The names of guarantors mentioned above are the main principal for the preparation of the consolidated financial report.

Note 5 : The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 3 Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2023

Unit: In Thousands of New Taiwan Dollar, thousand shares

| Name of holder | Category and name of security | Relationship with security issuer | Account name | Ending balance | | | | Highest balance during the year | | Note |
|---------------------|--|---|---|--------------------------|-------------------------|-----------------------------|------------|---------------------------------|-----------------------------|------|
| | | | | Shares/Units (thousands) | Carrying value (Note 1) | Percentage of ownership (%) | Fair value | Shares/Units (thousands) | Percentage of ownership (%) | |
| The Company | SinoPac TWD Money Market Fund | None | Current financial assets at fair value through profit or loss | 5,869 | \$ 83,935 | -% | \$ 83,935 | 5,869 | -% | |
| The Company | Yuanta US+ Year AAA-A Corporate Bond ETF | None | Current financial assets at fair value through profit or loss | 580 | 20,492 | -% | 20,492 | 580 | -% | |
| The Company | Yuanta US+ Year BBB Corporate Bond ETF | None | Current financial assets at fair value through profit or loss | 580 | 20,880 | -% | 20,880 | 580 | -% | |
| The Company | Cathay Financial Holding Co., Ltd. Preferred Stock B | None | Current financial assets at fair value through profit or loss | 100 | 5,970 | -% | 5,970 | 100 | -% | |
| The Company | Shin Kong Financial Holding Co., Ltd. Preferred Stock B | None | Current financial assets at fair value through profit or loss | 666 | 19,081 | -% | 19,081 | 666 | -% | |
| The Company | WT Microelectronics Co., Ltd. Preferred Stock A | None | Current financial assets at fair value through profit or loss | 600 | 27,390 | -% | 27,390 | 600 | -% | |
| The Company | the seventh domestic unsecured convertible bonds of Sercomm Corporation | None | Current financial assets at fair value through profit or loss | 100 | 11,030 | -% | 11,030 | 100 | -% | |
| The Company | the second domestic unsecured convertible bonds of Yulon Finance Corporation | None | Current financial assets at fair value through profit or loss | 100 | 10,170 | -% | 10,170 | 600 | -% | |
| The Company | the third domestic unsecured convertible bonds of International CSRC Investment Holdings Co. | None | Current financial assets at fair value through profit or loss | - | - | - | - | 50 | -% | |
| The Company | Bank of America Corp. Bond | None | Non-current financial assets at fair value through other comprehensive income | 20 | 61,416 | -% | 61,416 | 20 | -% | |
| The Company | Citigroup Inc. Bond | None | Non-current financial assets at fair value through other comprehensive income | 10 | 29,508 | -% | 29,508 | 10 | -% | |
| The Company | Standard Chartered PLC Bond | None | Non-current financial assets at fair value through other comprehensive income | 19 | 59,510 | -% | 59,510 | 19 | -% | |
| The Company | Sumitomo Mitsui Financial Group Inc. Bond | None | Non-current financial assets at fair value through other comprehensive income | 20 | 61,968 | -% | 61,968 | 20 | -% | |
| The Company | MUFG-Mitsubishi UFJ Financial Group Inc. Bond | None | Non-current financial assets at fair value through other comprehensive income | 20 | 61,227 | -% | 61,227 | 20 | -% | |
| The Company | Cathay Insurance 2023 first unsecured accumulated secondary ordinary corporate bond | None | Non-current financial assets at fair value through other comprehensive income | 2,500 | 252,479 | -% | 252,479 | 2,500 | -% | |
| The Company | Fubon Life Insurance 2023 first unsecured accumulated secondary ordinary corporate bond | None | Non-current financial assets at fair value through other comprehensive income | 2,500 | 290,641 | -% | 290,641 | 2,500 | -% | |
| | | | | | \$ 1,015,697 | | | | | |
| Forever | Yuanta U.S. Treasury 20+ Year Bond ETF | None | Current financial assets at fair value through profit or loss | 930 | 28,691 | -% | 28,691 | 930 | -% | |
| Forever | CTBC USD Corporate 10+ Year High Grade Capped Bond ETF | None | Current financial assets at fair value through profit or loss | 840 | 30,500 | -% | 30,500 | 840 | -% | |
| Forever | Cathay U.S. Treasury 20+ YR ETF | None | Current financial assets at fair value through profit or loss | 880 | 27,993 | -% | 27,993 | 880 | -% | |
| Forever | CTBC U.S. Treasury 20+ YR ETF | None | Current financial assets at fair value through profit or loss | 306 | 9,529 | -% | 9,529 | 306 | -% | |
| Forever | Taiwan Cement Corp., Ltd. Preferred Stock B | None | Current financial assets at fair value through profit or loss | 610 | 29,463 | -% | 29,463 | 610 | -% | |
| Forever | Cathay Financial Holdings., Ltd. Preferred Stock B | None | Current financial assets at fair value through profit or loss | 149 | 8,880 | -% | 8,880 | 149 | -% | |
| Forever | ANJET Corporation Series B Preferred Shares | None | Non-current financial assets at fair value through other comprehensive income | 200 | 3,503 | -% | 3,503 | 200 | -% | |
| | | | | | \$ 138,559 | | | | | |
| 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 | \$ 37,115 | -% | 37,115 | 3,000 | -% | |
| Everlight Zhongshan | Structured deposits | None | Current financial assets at fair value through profit or loss | - | \$ 43,502 | -% | 43,502 | - | -% | |
| Everlight China | Structured deposits | None | Current financial assets at fair value through profit or loss | - | \$ 435,951 | -% | 435,951 | - | -% | |

Note 1: The amounts were translated into New Taiwan dollars at the exchange rates at the ending date of the reporting period.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 4 Related party transactions for purchases and sales with amounts exceeding the lower of NTS100 million or 20% of the capital stock
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| Name of Company | Name of Counter party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/ Account (Payable) or Receivable | | Note |
|--------------------------|--------------------------|---|---------------------|-----------------|--------------------------------------|--|---|---|--|---|--------|
| | | | Purchase/ (Sale) | Amount (Note 1) | Percentage of total purchases /sales | Payment Terms | Unit Price | Payment Terms | Ending Balance (Note 3) | Percentage of total notes/accounts receivable (payable) | |
| The Company | Evlite | 100% owned subsidiary | (Sales) | \$ (831,088) | (7%) | OA 120 | No significant difference to the general customers | General export receivables in 30~120 days | Accounts Receivable 252,172 | 6% | Note 2 |
| The Company | Everlight Europe | 75% owned subsidiary | (Sales) | (916,476) | (8%) | OA 120 | No significant difference to the general customers | General export receivables in 30~120 days | Accounts Receivable 211,431 | 5% | Note 2 |
| The Company | Everlight Lighting China | 100% owned sub-subsiary | (Sales) | (429,546) | (4%) | Depending on the credit conditions of the ultimate customers | No significant difference to the general customers | General export receivables in 30~120 days | Accounts Receivable 108,064 | 3% | Note 2 |
| The Company | ELA | 99% owned subsidiary | (Sales) | (248,204) | (2%) | OA 140 | No significant difference to the general customers | General export receivables in 30~120 days | Accounts Receivable 15,681 | - % | Note 2 |
| The Company | Anhui Hongming | Equity accounted investee by the Everlight China | (Sales) | (221,026) | (2%) | OA 120 | No significant difference to the general customers | General export receivables in 30~120 days | Accounts Receivable 78,277 | 2% | |
| The Company | Everlight China | 100% owned sub-subsiary | Purchases | 7,025,954 | 75% | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (2,764,583) | (67%) | Note 2 |
| The Company | Everlight Zhongshan | 100% owned sub-subsiary | Purchases | 433,747 | 5% | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (172,502) | (4%) | Note 2 |
| The Company | Everlight Lighting China | 100% owned sub-subsiary | Purchases | 164,008 | 2% | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (57,332) | (1%) | Note 2 |
| The Company | Tekcore | Equity accounted invested by the Company | Purchases | 212,584 | (2%) | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90 days | Accounts Payable (105,397) | (3%) | - |
| Everlight Zhongshan | The Company | Ultimate holding company | (Sales) | (462,850) | (100%) | OA 120 | Terms not comparable to other general trading price | General export receivables in 90~120 days | Accounts Receivable 172,502 | 100% | Note 2 |
| Everlight China | The Company | Ultimate holding company | (Sales) | (7,244,050) | (99%) | OA 120 | Terms not comparable to other general trading price | General export receivables in 90~120 days | Accounts Receivable 2,764,583 | 99% | Note 2 |
| Everlight China | Tekcore | Equity accounted investee by the Company | Purchases | 178,494 | 4% | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90 days | Accounts Payable (41,920) | (3%) | - |
| Everlight Lighting China | The Company | Ultimate holding company | Purchases | 432,149 | 29% | Depending on the credit conditions of the ultimate customers | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (108,064) | (17%) | Note 2 |
| Everlight Lighting China | The Company | Ultimate holding company | (Sales) | (164,136) | (7%) | OA 120 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Receivable 57,332 | 14% | Note 2 |
| ELA | The Company | Parent company | Purchases | 263,712 | 100% | OA 140 | No significant difference to the general customers | General purchase payments in 30~120 days | Accounts Payable (34,280) | (100%) | Note 2 |
| Everlight Europe | The Company | Parent company | Purchases | 931,170 | 100% | OA 120 | No significant difference to the general customers | General purchase payments in 30~120 days | Accounts Payable (210,504) | (99%) | Note 2 |
| Evlite | The Company | Parent company | Purchases | 836,840 | 100% | OA 120 | No significant difference to the general customers | General purchase payments in 90~120 days | Accounts Payable (252,156) | (100%) | Note 2 |
| Evervision TW | VBEST GmbH | 75% owned subsidiary by Evervision TW | (Sales) | (192,590) | (31%) | OA 90 | No significant difference to the general customers | General export receivables in 90~120 days | Accounts Receivable 19,556 | 16% | Note 2 |
| Evervision TW | Vbest Kunshan | 100% Equity accounted sub-subsiary by Evervision TW | Purchases | 344,463 | 63% | OA 150 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (110,711) | (71%) | Note 2 |
| VBEST GmbH | Evervision TW | 75% owned subsidiary by Evervision TW | Purchases | 207,338 | 100% | OA 90 | Terms not comparable to other general trading price | General purchase payments in 90~120 days | Accounts Payable (23,133) | (100%) | Note 2 |
| Vbest Kunshan | Evervision TW | 100% Equity accounted sub-subsiary by Evervision TW | (Sales) | (345,190) | (98%) | OA 150 | Terms not comparable to other general trading price | General export receivables in 90~120 days | Accounts Receivable 110,711 | 97% | Note 2 |

Note 1: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2023.

Note 2: The transaction amounts of the subsidiaries are inconsistent with the Company since the financial statements of the subsidiaries did not consider the adjustments made by the Company for processing trade and in transit inventory. Furthermore, all transactions between companies mentioned in note 2 had been eliminated in the consolidated financial statements.

Note 3: The accounts were translated into New Taiwan dollars at the exchange rate at the ended date of the reporting period.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 5 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| Name of company | Counterparty | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period (Note 1) | Allowance for bad debts |
|---------------------|--------------------------|---|---------------------|---------------|---------|--------------|--|-------------------------|
| | | | | | Amount | Action taken | | |
| The Company | Evlite | 100% owned subsidiary | \$ 252,172 | 2.99 | - | | \$ 92,790 | - |
| The Company | Everlight Europe | 75% owned subsidiary | 211,431 | 4.53 | - | | 139,579 | - |
| The Company | WOFI Leuchten GmbH | 100% owned subsidiary | 526,965 (Note 3) | - | - | | - | - |
| The Company | Everlight Lighting China | 100% owned sub-sub-sidiary | 108,064 | 4.15 | - | | 69,615 | - |
| Everlight China | Everlight Lighting China | Same parent company | 433,050 (Note 3) | - | - | | 433,050 | - |
| Everlight China | The Company | Ultimate holding company | 2,764,583 | 2.60 | - | | 1,753,475 | - |
| Everlight Zhongshan | The Company | Ultimate holding company | 172,502 | 3.16 | - | | 111,629 | - |
| Vbest Kunshan | Evervision TW | 100% Equity accounted sub-subsidiary by Evervision TW | 110,711 | 2.44 | - | | 54,676 | - |

Note 1: Information as of March 8, 2023.

Note 2: The amounts were translated into New Taiwan dollars at the exchange rates at the reporting date.

Note 3: Lending funds (including interest).

Note 4: The aforementioned transactions had been eliminated in the consolidated financial statements.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 6 Business relationships and significant intercompany transactions
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| No. (Note 1) | Name of company | Counter-party | Relationship (Note 2) | Intercompany transactions | | | Percentage of consolidated net revenue or total assets |
|-----------------|--------------------------|--------------------------|--------------------------|--|------------|---|---|
| | | | | Financial statements accounts | Amount | Terms | |
| 0 | The Company | Everlight Europe | 1 | Sales revenue | \$ 916,476 | There is no significant difference on the price offered to general customers; and the credit period is OA 120 days. | 5% |
| | | | 1 | Accounts receivable | 211,431 | | 1% |
| 0 | The Company | Evlite | 1 | Sales revenue | 831,088 | There is no significant difference on the price offered to general customers; and the credit period is OA 120 days. | 5% |
| | | | 1 | Accounts receivable | 252,172 | | 1% |
| 0 | The Company | Everlight Lighting China | 1 | Sales revenue | 429,546 | There is no significant difference on the price offered to general customers; and the receivables depend on the terms of the ultimate customer. | 2% |
| | | | 1 | Accounts receivable | 108,064 | | 0% |
| 0 | The Company | ELA | 1 | Sales revenue | 248,024 | There is no significant difference on the price offered to general customers; and the credit period is OA 140 days. | 1% |
| | | | 1 | Accounts receivable | 15,681 | | 0% |
| 0 | The Company | WOFI Leuchten GmbH | 1 | Other receivable due from related parties (Note 3) | 526,965 | Rate 1% | 2% |
| 1 | Everlight China | The Company | 2 | Sales revenue | 7,244,050 | There is no general price for comparison; and the credit period is OA 120 days. | 41% |
| | | | 2 | Accounts receivable | 2,764,583 | | 11% |
| 1 | Everlight China | Everlight Lighting China | 3 | Other receivable due from related parties (Note 3) | 433,050 | Rate 2% | 2% |
| 2 | Everlight Lighting China | The Company | 2 | Sales revenue | 164,136 | There is no general price for comparison; and the credit period is OA 120 days. | 1% |
| | | | 2 | Accounts receivable | 57,332 | | 0% |
| 3 | Everlight Zhongshan | The Company | 2 | Sales revenue | 462,850 | There is no general price for comparison; and the credit period is OA 120 days. | 3% |
| | | | 2 | Accounts receivable | 172,502 | | 1% |
| 4 | Evervision TW | VBEST GmbH | 3 | Sales revenue | 192,590 | There is no general price for comparison; and the credit period is OA 90 days. | 1% |
| | | | 3 | Accounts receivable | 19,556 | | 0% |
| 5 | Vbest Kunshan | Evervision TW | 3 | Sales revenue | 345,190 | There is no general price for comparison; and the credit period is OA 150 days. | 2% |
| | | | 3 | Accounts receivable | 110,711 | | 0% |

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: Lending funds (including interest).

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 7 Information on investees
December 31, 2023

Unit: In Thousands of New Taiwan Dollar

| Investor company | Investee company | Location | Main businesses and products | Original investment amount | | Ending balance | | | The highest holdings in the period | | Net income (Losses) of the Investee (Note 4) | Share of profits/losses of investee | Note |
|------------------|------------------------------------|--------------------------------------|--|----------------------------|-------------------|-----------------------|-------------------------|----------------|------------------------------------|------------|--|-------------------------------------|-----------------------------|
| | | | | December 31, 2023 | December 31, 2022 | Shares (In thousands) | Percentage of ownership | Carrying value | Shares (In thousands) | Percentage | | | |
| The Company | Everlight BVI | Registered in British Virgin Islands | Investment | \$ 4,762,934 | \$ 4,762,934 | 1,540 | 98% | \$ 6,880,695 | 1,540 | 98% | 119,407 | 117,019 | Subsidiaries (Note5) |
| The Company | Pai yee | New Taipei City | Investment | 580,253 | 580,253 | 23,940 | 100% | 488,181 | 23,940 | 100% | 19,049 | 19,049 | Subsidiaries (Note5) |
| The Company | ELA and its subsidiaries | Registered in the USA | Sale of LEDs | 373,396 | 373,396 | 11,375 | 98.91% | (83,722) | 11,375 | 98.91% | (140,997) | (139,460) | Subsidiaries (Note5) |
| 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% | 226,564 | 4,477 | 24.27% | 45,895 | 11,139 | Subsidiaries (Note5) |
| The Company | Everlight Europe | Registered in Germany | Sale of LEDs | 2,203 | 2,203 | 75 | 75% | 137,802 | 75 | 75% | 69,364 | 52,023 | Subsidiaries (Note5) |
| The Company | ELK | Korea | Sale of LEDs | 6,485 | 6,485 | 38 | 100% | 98,163 | 38 | 100% | 6,162 | 6,162 | Subsidiaries (Note5) |
| The Company | Forever | New Taipei City | Investment | 400,000 | 400,000 | 42,488 | 100% | 420,555 | 42,488 | 100% | 12,439 | 12,439 | Subsidiaries (Note5) |
| The Company | ELIT | New Taipei City | Sale of LED lighting products | 500,000 | 500,000 | 20,000 | 100% | 278,220 | 20,000 | 100% | 65,679 | 65,566 | Subsidiaries (Note5) |
| The Company | Tekcore | Nantou County | Manufacture and sale of EPI wafers and chips of LED | 489,580 | 489,580 | 4,767 | 9.23% | 58,023 | 4,767 | 9.23% | 17,667 | 1,631 | (Note 1) |
| The Company | Evlite | Kwun Tong, Kowloon, Hong Kong | Sale of LEDs | 71,324 | 71,324 | 7,000 | 100% | 158,495 | 7,000 | 100% | 5,094 | 5,094 | Subsidiaries (Note5) |
| The Company | ELI | Registered in India | Sale of LEDs | 1,984 | 1,984 | 353 | 80% | 18,646 | 353 | 80% | 3,810 | 3,048 | Subsidiaries (Note5) |
| The Company | ELS | Singapore | Sale of LEDs | 5,989 | 5,989 | 200 | 100% | 12,116 | 200 | 100% | (881) | (881) | Subsidiaries (Note5) |
| The Company | WOFI Holding and its subsidiaries | Germany | Sale of lighting products, pendants and accessories | 1,333,883 | 1,333,883 | 5,775 | 100% | (573,934) | 5,775 | 100% | (12,803) | (12,803) | Subsidiaries (Note 3 and 5) |
| The Company | ELJ | Japan | Sale of LEDs | 14,911 | 14,911 | 5 | 100% | 19,565 | 5 | 100% | (480) | (480) | Subsidiaries (Note5) |
| Pai yee | Everlight BVI | Registered in British Virgin Islands | Investment | 120,740 | 120,740 | 37 | 2% | 140,422 | 37 | 2% | 119,407 | 2,388 | Subsidiaries (Note5) |
| Pai yee | Evervision TW and its subsidiaries | New Taipei City | Manufacture and sales of LCDs and LED processing | 61,121 | 54,401 | 2,940 | 15.94% | 148,802 | 2,716 | 15.94% | 45,895 | 6,838 | Subsidiaries (Note5) |
| Pai yee | Tekcore | Nantou County | Manufacture and sale of EPI wafers and chips of LED | 67,861 | 28,833 | 5,819 | 11.27% | 70,847 | 2,819 | 11.27% | 17,667 | 2,425 | (Note 2) |
| Pai yee | Everlight Malaysia | Registered in Malaysia | Business development and customer services | 2,240 | 2,240 | 254 | 100% | 2,203 | 254 | 100% | (423) | (423) | Sub-subsidiaries (Note5) |
| Pai yee | ELI | India | Sale of LEDs | 493 | 493 | 88 | 20% | 4,659 | 88 | 20% | 3,810 | 762 | Subsidiaries (Note5) |
| ELIT | ELIT KZ | Kazakhstan | Sale of LED lighting products | 73 | 73 | - | 100% | 2,454 | - | 100% | (237) | (237) | Sub-subsidiaries (Note5) |
| 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% | 227,155 | 5,120 | 27.76% | 45,895 | 12,740 | Subsidiaries (Note5) |
| Forever | EleOcom Inc. | New Taipei City | Manufacture and sales of electronic components and communication equipment | 45,000 | 45,000 | 4,500 | 32.14% | - | 4,500 | 32.14% | - | - | - |
| Evervision TW | LeadTech | Hsinchu County | Wafer testing service | 30,000 | 30,000 | 2,500 | 43.48% | 28,264 | 2,500 | 43.48% | (3,662) | (2,510) | - |

Note 1: The market value is \$88,188.

Note 2: The market value is \$107,652.

Note 3: The Company invested in WOFI through a cash injection of EUR 11,000 thousand and EUR 16,000 thousand in July 2020 and August 2022, respectively, wherein the registration procedures have yet to be completed.

Note 4: The amounts were translated into New Taiwan dollars at the yearly average exchange rates in 2023.

Note 5: The aforementioned transactions had been eliminated in the consolidated financial statements.

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 8 Information on investment in Mainland China
December 31, 2023

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Unit: In Thousands of New Taiwan Dollar • Foreign currency

| Name of investee | Main businesses and products | Total amount of paid in capital (Note 6) | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Highest balance during the year | | Net income (losses) of the investee | Percentage of ownership owned directly or indirectly by the company | Investment Income (losses) (Note 4) | Carrying amount as of December 31, 2022 (Note 6) | Accumulated remittance of earnings as of December 31, 2022 |
|--|--|--|----------------------|---|------------------|--------|---|---------------------------------|-------------------------|-------------------------------------|---|-------------------------------------|--|--|
| | | | | | Outflow | Inflow | | Shares/ Units (thousands) | Percentage of ownership | | | | | |
| <u>The Company and Pai yee:</u> Everlight China | Manufacture of LEDs | 3,770,464 (US\$113,500 • RMB65,129) (Note 7) | (Note 1) | 3,391,915 (US\$110,360) | - | - | 3,391,915 (US\$110,360) | - | 100% | 104,233 | 100% | 104,233 | 5,464,080 | (Note 8) |
| Everlight Lighting China | Sale of LEDs | 307,350 (US\$10,000) (Note 11) | (Note 1) | 159,822 (US\$5,200) | - | - | 159,822 (US\$5,200) | - | 100% | 25,701 | 100% | 25,701 (Note 12) | 342,122 (Note 12) | - |
| Everlight Electronic Guangzhou | Business development and customer services | 198,807 (US\$128 • RMB45,000) (Note 19) | (Note 1) | 3,934 (US\$128) | - | - | 3,934 (US\$128) | - | 100% | 839 | 100% | 839 (Note 20) | (1,730) (Note 20) | - |
| Everlight Zhongshan | Manufacture of LED related components | 922,050 (US\$30,000) | (Note 1) | 922,050 (US\$30,000) | - | - | 922,050 (US\$30,000) | - | 100% | (5,096) | 100% | (5,096) | 885,763 | - |
| <u>Evervision TW:</u> VBest Kunshan | Post assemble STN display and assemble module | 553,230 (US\$18,000) | (Note 2) | 553,230 (US\$18,000) | - | - | 553,230 (US\$18,000) | - | 67.97% | 20,438 | 67.97% | 13,891 | 493,392 | - |
| <u>Everlight Lighting China:</u> Zhongshan Everlight Lighting | Research and sale of LED lighting products | 142,907 (RMB33,000) | (Note 3) | - | - | - | - | - | 100% | (4,990) | 100% | (4,990) | 616 | - |
| <u>Everlight China</u> Anhui Hongming | Research and Manufacture of Mini LED lighting products | 433,050 (RMB100,000) | (Note 3) | - | - | - | - | - | 20% | 38,499 | 20% | 7,700 | 87,625 | - |

EVERLIGHT ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 8 Information on investment in Mainland China
December 31, 2023

(ii) Limitation on investment in Mainland China:

Unit: In Thousands of New Taiwan Dollar ∙ Foreign currency

| Company Name | Accumulated Investment in Mainland China as of December 31, 2023 (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) | 5,449,339 (USD169,003 thousand ∙ RMB58,892 thousand) (Notes 9 ∙ 10 ∙ 13 ∙ 16 ∙ 17 ∙ 18 and 22) | 5,580,235 (USD170,898 thousand ∙ RMB75,669 thousand) | 11,130,588 |
| ELIT | 143,855 (USD2,723 thousand ∙ RMB13,893 thousand) (Notes 9 and 18) | 143,855 (USD2,723 thousand ∙ RMB13,893 thousand) | 166,800 |
| Evervision TW | 649,615 (Notes 15 and 21) (USD21,136 thousand) | 649,615 (USD21,136 thousand) | 560,107 (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 Lighting, which recognized their gains and losses on investment in accordance with the investees' self-reported financial statements, the gains and losses on investment of the remaining companies were recognized according to the investees' financial statements audited by the certified public accountants of Taiwan parent company and other accountants, wherein the amounts were translated into New Taiwan Dollars at the yearly average exchange rate in 2023.
 Note 5 : Including the investment amount of USD 3,790 thousand approved by Pai yee.
 Note 6 : The amounts were translated into New Taiwan dollars at the exchange rates at the end of the reporting period.
 Note 7 : The difference from the Company's outflow of investment was due to the retained earnings transferred to the capital of Everlight China amounting to USD 3,140 thousand and RMB 65,129 thousand in 2007 and 2015, respectively.
 Note 8 : Including the remittance amounting to USD 10,140 thousand from Guangzhou Everlight to Everlight BVI to be invested in Everlight China by Everlight BVI in 2007.
 Note 9 : The liquidation of Yi Yao was completed in January 2020; the aforesaid investment amounting to USD 48 thousand and RMB 6,462 thousand was included in the Company's accumulated outflow of investment from Taiwan and amounting to USD 723 thousand was included in the ELIT's accumulated outflow of investment from Taiwan.
 Note 10 : The liquidation of Everlight Electronics (Guangzhou) Co., Ltd. was completed in 2011; and the aforesaid investment amounting to USD 3,750 thousand was included in the Company's accumulated outflow of investment from Taiwan.
 Note 11 : The difference from the Company's outflow of investment was due to the amount of USD 4,800 thousand invested in Everlight Lighting China from Everlight China's owned fund.
 Note 12 : Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Lighting China by Everlight China.
 Note 13 : Shanghai Yaming Lighting Co., Ltd. (Yaming) had been in the process of liquidation in 2023, the aforesaid investment amounting to USD 1,464 thousand was included in the Company's accumulated outflow of investment from Taiwan.
 Note 14 : After the investment of Evervision TW in Mainland China, its net equity decreased due to its capital reduction in 2012. Therefore, the amount in the approval letter from the Investment Commission of Ministry of Economic Affairs is higher than required for the limitation on investment in accordance with the legal authorities.
 Note 15 : Including the investment amount of the factory in Mainland China written off in 2012 amounting to USD 2,750 thousand.
 Note 16 : Including the investments amounting to USD 216 thousand in Inferpoint Touch Solutions (Shenzhen) Limited and Inferpoint Systems (Shenzhen) Limited through Inferpoint Systems Limited, an investee at cost, in Mainland China. The Company sold its equities in December 2013, but had not applied to eliminate the investment amounting to USD 9,475 thousand.
 Note 17 : Everlight Yi Guang Technology (Shanghai) Ltd. had completed its liquidation in April 2014. The aforesaid investment amount included the accumulated outward remittance from the Company for investment amounting to USD 293 thousand.
 Note 18 : The liquidation of ELMS was completed in June 2022; and the above investment amount includes ELIT's accumulated investment amount of USD 2,000 thousand and RMB 13,893 thousand remitted from Taiwan and Everlight's accumulated investment amount of USD 1,294 thousand and RMB 15,562 thousand remitted from Taiwan.
 Note 19 : The difference from the Company's outflow of investment was due to the amount of RMB 45,000 thousand invested in Everlight Electronic (Guangzhou) from Everlight China's owned fund.
 Note 20 : Including the gains or losses on investment and ending balance of the carrying value of investment in Everlight Electronic (Guangzhou) by Everlight China.
 Note 21 : The liquidation of Debao was completed in June 2017; and the aforesaid investment amounting to USD 386 thousand was included in the Evervision company's accumulated outflow of investment from Taiwan.
 Note 22 : The liquidation of Everlight Electronics (Fujian) Co., Ltd. was completed in May 2022; and the above investment amount includes the Company's accumulated investment amount of USD 16,250 thousand and RMB 36,868 thousand remitted from Taiwan..

(iii) Significant transactions:

Please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" for the information on significant direct or indirect transactions between the Company and the investee companies in Mainland China for the year ended December 31, 2023.

6.6 In the most recent year and as of the date of publication of the annual report, if the Company and its affiliated companies had any difficulties in financial turnover, the impact of financial status should be stated: None

7. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Performance

Unit: NT\$ thousands

| Item \ Year | 2023 | 2022 | Difference | |
|---|------------|------------|------------|---------|
| | | | Amount | % |
| Current Assets | 16,693,056 | 16,716,111 | (23,055) | (0.14) |
| Fix Assets | 6,104,676 | 7,073,869 | (969,193) | (13.70) |
| Intangible Assets | 25,232 | 36,842 | (11,610) | (31.51) |
| Other Assets | 3,297,838 | 2,287,356 | 1,010,482 | 44.18 |
| Total Assets | 26,120,802 | 26,114,178 | 6,624 | 0.03 |
| Current Liabilities | 6,292,240 | 6,639,921 | (347,681) | (5.24) |
| Long-term Liabilities | 922,730 | 742,905 | 179,825 | 24.21 |
| Total Liabilites | 7,214,970 | 7,382,826 | (167,856) | (2.27) |
| Equity attribute to owners of parent | 18,550,980 | 18,357,582 | 193,398 | 1.05 |
| Capital Stock | 4,433,931 | 4,433,931 | - | - |
| Capital Surplus | 9,095,266 | 9,094,168 | 1,098 | 0.01 |
| Retained Earnings | 5,864,626 | 5,506,842 | 357,784 | 6.50 |
| Other Equity Interests | (842,843) | (677,359) | (165,484) | (24.43) |
| Treasury stock | - | - | - | - |
| Non-Controlling Interests | 354,852 | 373,770 | (18,918) | (5.06) |
| Total Equity | 18,905,832 | 18,731,352 | 174,480 | 0.93 |
| <ul style="list-style-type: none"> ● Analysis of changes in financial ratios: (Amount changes by more than 20%) <ol style="list-style-type: none"> 1. The decrease in intangible assets was mainly due to amortization in the current period. 2. The increase in other assets was mainly due to the commitment of non-current financial assets at fair value through other comprehensive income. 3. The increase in non-current liabilities was mainly due to the increase in liability reserves – non-current. 4. The decrease in other equity is mainly due to the impact of exchange rate changes. ● Response plan: The above changes have no material impact on the Company. | | | | |

- **Effect of changes on the company's financial condition: The Company's financial condition has not changed significantly.**
- **Future response actions: Not applicable**

7.2 Analysis of Financial Performance

Unit: NT\$ thousands

| Item | Year | 2023 | 2022 | Difference Amount | Difference (%) |
|-----------------------------------|------|------------------|------------------|-------------------|----------------|
| Operating revenue | | 17,845,424 | 19,888,289 | (2,042,865) | (10.27) |
| Cost of sales | | 12,656,193 | 14,286,502 | (1,630,309) | (11.41) |
| Gross profit | | 5,189,231 | 5,601,787 | (412,556) | (7.36) |
| Operating expenses | | 3,395,893 | 4,131,651 | (735,758) | (17.81) |
| Operating Income | | 1,793,338 | 1,470,136 | 323,202 | 21.98 |
| Non-operating income and expenses | | 234,394 | 269,068 | (34,674) | (12.89) |
| Income before tax | | 2,027,732 | 1,739,204 | 288,528 | 16.59 |
| Income tax expenses | | 519,036 | 423,465 | 95,571 | 22.57 |
| Net Income | | <u>1,508,696</u> | <u>1,315,739</u> | 192,957 | 14.67 |

Analysis of changes in financial ratios(Over 20%):

1. The increase in operating profit was mainly due to the decrease in operating expenses in 2023 compared with the previous year.
2. The increase in income tax expenses was mainly due to the increase in pre-tax net profit in 2023.

7.3 Analysis of Cash Flow

7.3.1 Latest 2 years

NT\$, '000 ; %

| Item | Year | 2023 | 2022 | Difference (%) |
|-----------------------|------|-------------|-------------|----------------|
| Operating Activities | | 2,957,707 | 4,315,424 | (31.46) |
| Investment Activities | | (1,328,917) | (1,002,005) | (32.63) |
| Financing Activities | | (1,473,548) | (3,625,468) | 59.36 |

Analysis of change in cash flow in the current year : (Amount changes by more than 20%)

- (1) The difference in cash flow from operating activities is mainly due to the increase in notes receivable and accounts (including related parties) this year, resulting in a decrease in net cash flow from operating activities compared with last year.
- (2) The difference in cash flow from investing activities is mainly due to the increase in financial assets and other financial assets measured at fair value through other comprehensive gains and losses during the year, resulting in a decrease in net cash flow from investing activities compared with last year.
- (3) The difference in cash flow from financing activities is mainly due to the decrease in short-term borrowings and cash dividends issued this year, resulting in an increase in net cash flow from financing activities compared with last year.

7.3.2 Cash flow analysis in the coming year

NTS, '000

| Estimated Cash and Cash Equivalents, Beginning of Year | Estimated Net Cash Flow from Operating Activities | Estimated Cash Outflow (Inflow) | Cash Surplus (Deficit) | Leverage of Cash Surplus (Deficit) | |
|---|---|---------------------------------|------------------------|------------------------------------|------------------|
| | | | | Investment Plans | Investment Plans |
| 4,929,740 | 3,088,002 | 2,118,858 | 5,898,884 | - | - |
| <p>1. Analysis of cash flow changes in the coming year:</p> <p>(1) Operating activities: Mainly due to the expected cash inflow from the operation of the company.</p> <p>(2) Investment activities: Mainly due to cash outflows from the purchase of upgrade machinery and equipment.</p> <p>(3) Financing activities: Mainly due to the net cash outflows arising from the full year financing activities such as cash dividends, employee bonuses, director remuneration, and financing activities.</p> <p>2. Measures and liquidity analysis of expected cash shortfall: None</p> | | | | | |

7.4 Major Capital Expenditure Items: None

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

7.5.1 The most recent annual investment policy, the main reason for its profit or loss, and improvement plans:

NTS, '000

| Our Investment | Profit/Loss | Business | Main Reason of Profit/Loss | Improvement Plan | Investment Plan |
|---|-------------|-----------------------------------|--|------------------|-----------------|
| Everlight (BVI) Co., Ltd. | 117,019 | Holding company | The investment loss of equity method | Not applicable | None |
| Pai Yee Investment Co., Ltd. | 19,049 | Investment company | The investment benefits of equity method and dividend income | Not applicable | None |
| Everlight Americas, Inc. | (139,460) | LED Sales | recognized liability provisions | Expand business | None |
| Evervision Electronics Co., Ltd. | 11,139 | Production and sales of LCD panel | well expanding controled | Not applicable | None |
| Everlight Electronic Europe GmbH | 52,023 | LED Sales | well expanding controled | Not applicable | None |
| Everlight Optoelectronics Korea Co., Ltd. | 6,162 | LED Sales | well expanding controled | Not applicable | None |
| Forever Investment Co., Ltd. | 12,439 | Investment company | The investment benefits of equity method | Not applicable | None |
| Everlight Lighting | 65,566 | Sale of LED | Revenue increased | Not applicable | None |

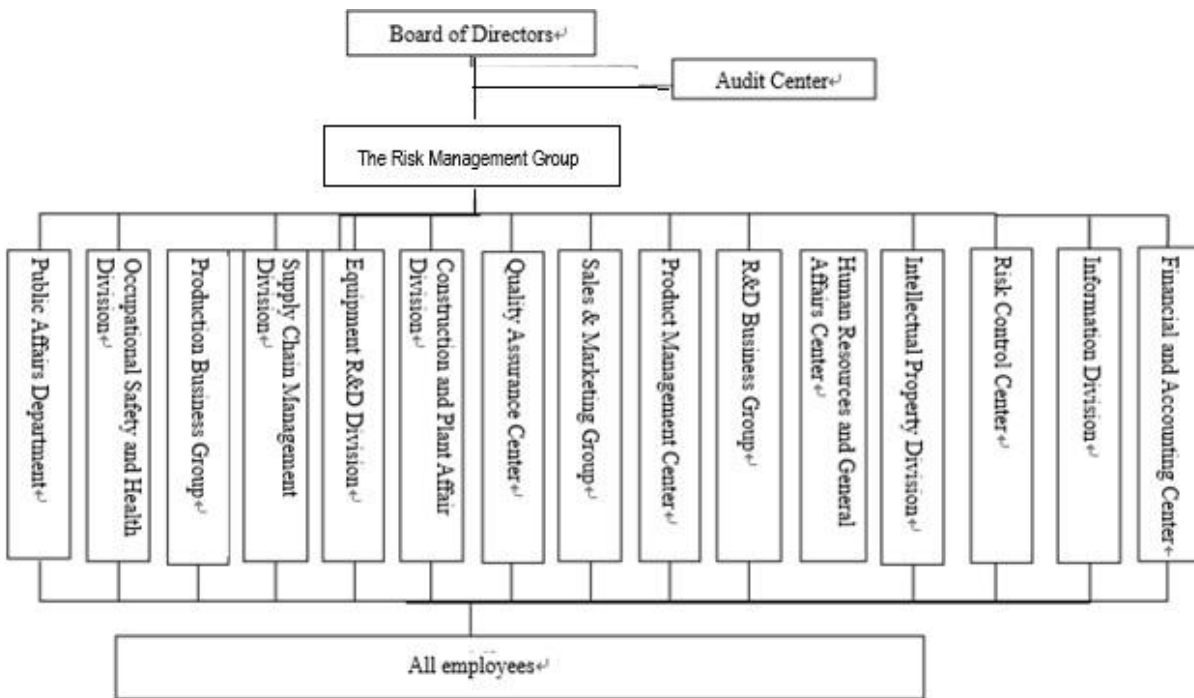
| Our Investment | Profit/Loss | Business | Main Reason of Profit/Loss | Improvement Plan | Investment Plan |
|---|-------------|--|---|---|-----------------|
| Intelligence Technology Co., Ltd. | | lighting products | | | |
| Tekcore Co. Ltd | 1,631 | Production and sales of LED wafers and chips | Gross profit increased | Not applicable | None |
| Evlite Electronics Co., Ltd. | 5,094 | LED Sales | well expanding controlled | Not applicable | None |
| Everlight Electronics India Private Limited | 3,048 | LED Sales | Revenue increased | Not applicable | None |
| Everlight Electronics Singapore Pte.Ltd. | (881) | LED Sales | Revenue decreased | Not applicable | None |
| WOFI Leuchten GmbH | (12,803) | Lighting products and accessories sales | In process of dissolution and liquidation | The Company has incurred losses for several years, resulting in insufficient assets to meet its liabilities. The liquidation was announced in August, 2022. | None |
| Everlight Japan Corporation | (480) | LED Sales | Revenue decreased | Not applicable | None |

7.5.2 Investment plans for the coming year: The Company estimates no major investment plans for the future.

7.6 Risk Management

7.6.1 Risk Management Framework

(1) Risk Management Framework



The purpose of our company's risk management is to adopt appropriate analysis procedures to identify and assess potential risks early on. This provides management with the means to reduce or mitigate risks through the corporate risk management system and integrate risk management into daily operational activities. By adjusting business strategies and enhancing operational performance, we aim to achieve sustainable growth and long-term operation.

The management of operational risks is delegated to relevant units based on the nature of the business, with risk management teams composed of supervisors from various risk management units. Led by the head of the Legal Affairs Department, the Risk Management Committee conducts project analysis and controls for significant risks affecting company operations. We assess the feasibility of risk transfer through insurance resources to minimize company losses.

Each risk management unit is responsible for consolidating risk data and execution status within their respective units to provide the Risk Management Committee with completed risk reports. The Audit Center formulates annual audit plans concerning internal control standards and relevant laws and regulations, ensuring the quality of operational execution across all areas.

The risk management group of all risks and their risk management policies are as follows:

Public Affairs Department: Handling of press and media, industry association, and welfare activity related matters and management of relevant risks to reduce media risks

Occupational Safety and Health Division: Environmental protection, safety, and health operations to prevent or reduce the risk of accidents or environmental pollution

Production Business Group: Production and manufacturing risk control, reduction or prevention of resource waste or production efficiency risks during the production process

Supply Chain Management Division: Hold accountable for the management on the quality of raw materials, substances and components as well as the forbidden or restricted substances that keep the quality meeting the standards of the company and customers. Avoid the work being held up through a lack of materials, ensure reasonable procurement prices, reduce inventory and increase the competitiveness of products. Hold accountable for the risk control on the external risks (including accident risks, price risks, procurement quality risks, and technology advance risks) and internal risks (including contract risks, acceptance risks, and inventory risks) of procurement and to reduce or avoid the risks. Scheduling and allocation of production capacities to reduce or prevent the incidence of resource waste or production efficiency risks generated by production scheduling

Equipment R&D Division: Procurement, research, and development of production equipment to reduce or prevent risks generated by equipment needs or during the technology development process

Quality Assurance Center: Hold accountable for the risk control of the purchase of raw materials and production risks, reducing and avoiding the risks of internal or external failure resulting from defective raw materials quality or defective production process. This will improve the product quality of the company.

Sales and Marketing Group: Development of new clients and retention of old clients in line with annually planned sales targets and relevant KPI to maintain excellent report with customers and establish a sales performance management mechanism in order to reduce the risks associate with the inability to achieve annual sales targets; formulation and execution of marketing strategies for all business units to reduce the risks associated with product development and marketing.

Product Management Center: Hold accountable for planning and implementing the product strategy, life cycle, gross margin and future planning for the development of new products. Make suggestions to the company in compliance with the development trends of the industry and products from the market viewpoint to reduce or avoid the risk of failing to achieve the business goal of the company.

R&D Business Group: Control of risks related to the R&D and design of new products as well as the trial production stage, reduction and prevention of relevant risks through strategic thinking and control of R&D costs; assessment of key technologies and industry information, development and adoption of new materials and processes through integration of company resources and reduction or prevention of relevant risks.

Human Resources and General Affairs Center: Risks controls for human resource planning, training, recruitment, selection, appointment, and labor law compliance to reduce risks associated with human resource issues in order to achieve the goal of sustainable operations. The company's communications, power allocation, energy control, plant electrics, business equipment and other transactions to ensure smooth operations.

Information Division: Risk controls regarding the applicability, reliability, adaptability, and security of information systems to reduce or prevent the incidence of risks related to company systems and information technology project implementation as well as information security risks.

Legal Center: Divided into Legal division and Intellectual Property Division. Legal Division hold accountable for risk management of legal affairs and ESG planning, compliance of monitor policy of the competent authority, as well as

handling contractual and litigation disputes to lower the legal risk concerning the company operations. And Intellectual Property Division is in charge of the risk management for IPR issues, compliance with regulatory policies of competent authorities and handling of litigation issues to reduce risks associated with patent right related matters.

Financial and Accounting Center: Hold accountable for planning and implementing the finance and taxes and risk control of financing, investment assessment, derivatives, financing, accounting information, financial reports and tax compliance, as well as enhancing the functions of internal control systems to ensure the effectiveness of continuous operations of the company.

Audit Center: Supervising unit in the risk management framework, objective and independent audits of the functioning and implementation of risk management mechanisms to guarantee an effective functioning of the system.

7.6.2 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

The Company's and subsidiaries' interest payments for 2022 and 2023 were NT\$49,370 thousand and NT\$11,432 thousand, respectively 0.25% and 0.06% of the consolidated net sales. Their ratios are very small and have no significant impact on the Company's profits. The Company and its subsidiaries consistently pay attention to the trend of interest rates by checking reports of various research institutions, and establish good relationships with financial institutions to keep lower capital costs. In addition to maintaining conservative and stable principles of working capital in the future, the Company and its subsidiaries will continue to strive to improve the financial structure to effectively control of the capital cost.

As for the exchange rate risk, the Company and its subsidiaries' foreign currency assets and liabilities are primarily in USD. Excessive exchange rate fluctuations would cost the profit of the Company and its subsidiaries. In 2022 and 2023, the Company and its subsidiaries recognized exchange gain of NT\$ 362,850 thousand and gain NT\$ 77,809 thousand, accounting for 1.82% and 0.44% of the net sales of each period. The Company and its subsidiaries are in accordance with the "Procedures for Derivative Product Transaction Engagement " and maintain a certain hedge ratio to reduce the impact of exchange rate fluctuations on profitability.

The impact of inflation on the profit and loss is not notable. The Company and its subsidiaries will pay close attention to inflation and continue to work on reducing various costs, monitor the supply/demand and price fluctuation of raw materials, and then adjust inventory in due course. In the meantime, The Company and its subsidiaries devote in developing the high value-added products to respond the challenge.

7.6.3 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions: The Company is not engaged in any high-risk, high-leverage investment. Please refer to the company's financial report for our loans to others and endorsement or guarantee for others. Everlight trades derivative products only for the risk aversion and only undertake structured financial products with lower risks for the trading purposes.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales : None

7.6.5 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures : None

7.6.6 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales : Please see 5.6 Information security, Page 161-173.

7.6.7 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures : None

7.6.8 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans :

None

7.6.9 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans :

Please see 4.8 Financing Plans and Implementation

7.6.10 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration : The Company's sources of purchases and sales are well diversified and will not greatly be affected by a single customer.

7.6.11 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, or Shareholders with Shareholdings of over 10% : None

7.6.12 Effects of, Risks Relating to and Response to the Changes in Management Rights : None

7.6.13 Litigation or Non-litigation Matters :

(1) Nichia Corporation (“Nichia”) filed a lawsuit against the Company and Everlight Europe in the German Dusseldorf District Court alleging the infringement of Nichia European patents EP2276080 (“Patent 080”) and EP2197053 (“Patent 053”) in December 2016. The patent infringement cases are related to white light LED using specific phosphor. Patent 053 and Patent 080 had both expired on July 29th, 2017, therefore they won’t affect the sales of the current products of the Company. In addition, this litigation was filed against only certain obsolete products of the Company, therefore the operation and sales of the Company won’t be seriously impacted by this patent. As a result, The Company had withdrawn litigation claims from this patent infringement case related to Patent 080. In October 2017, we received the European Patent Office's judgment that the claim scope of the European Patent No. EP2197053 was invalid. Therefore, the German Dusseldorf District Court withdrew the infringement lawsuit of the European patent EP2197053.

(2) In April 2016, the Company filed opposition proceedings in the European Patent Office (“EPO”) alleging that Nichia's Patent 080 and Patent 053 are invalid. In October 2017, EPO issued decisions that the original claims were invalid, and the narrowly amended claims were valid. Both Nichia and the Company appealed. In October 2017, we received the European Patent Office judgments that the patent scope of European patent EP2197053 was invalid, but the patent scope of European patent EP2276080 was valid.

(3) In September, 2015, Nichia filed a litigation in the German Dusseldorf District Court alleging that WOFI Leuchten (“WOFI”) infringes Nichia’s European Patent EP2276080 (“Patent 080”) and EP2197053 (“Patent 053”). The Dusseldorf District Court ruled against Wofi in December 2016. WOFI then appealed the case in January 2017 in the Dusseldorf Higher Regional Court. In October 2017, we received the European Patent Office's judgment that the claim scope of the European Patent No. EP2197053 was invalid. Therefore, the German Dusseldorf District Court withdrew

the infringement lawsuit of the European patent EP2197053. In October 2016, we received the European Patent Office's judgment that the claim scope of the European Patent No. EP2276080 was valid. On December 16, 2022, the Higher Court of Dusseldorf, Germany ruled that WOFI lost the case. Since then, the infringement lawsuit of European Patent No. EP2276080 has entered the coercive measure procedure. WOFI evaluated the final judgment result and the possible requested payment amount, and estimated RMB 141,316,000 (Euro 4,500,000) as a liability reserve that should be recorded. Currently, WOFI in this case has declared bankruptcy, and the bankruptcy proceedings are still ongoing.

(4) In January, 2020, Bench Walk Lighting LLC ("BWL") filed a litigation in the United States District Court for the District of Delaware alleging that the Company infringed BWL US patents US 6806658, US 7115428, US 7145182, US 7239080, US 7470936, US 7488990, US 7519287, US 7847300, US 9887338 及 US 9209,373. The patents are related to the design of lead frame, substrate and package in LED products. Currently, the case is reached a settlement on September 26, 2023, and the matter has concluded with the withdrawal of the lawsuit by Bench Walk Lighting LLC (BWL), a U.S. company.

(5) The local company and its partners, A3 Commerce LLP and Altocom Asia LLP (hereinafter referred to as the Alliance), jointly undertook the installation and maintenance project of intelligent streetlights for the Pavlodar State Government of the Republic of Kazakhstan in 2017. The project had a duration of six years with a total contract price of approximately USD 8,967,000. The Alliance completed the installation of the lighting fixtures according to the contract, and the Pavlodar State Government accepted the completion on January 4, 2019. However, during the subsequent operation period, the Pavlodar State Government discovered shortages in the equipment for the installation of the smart control system, which was supposed to be installed by the Alliance member A3 Commerce LLP. As a result, the Pavlodar State Government suspended the disbursement of funds for the second quarter of 2020 and subsequent project payments. On October 26, 2020, they requested the Alliance to promptly complete the installation of the missing smart control system equipment as stipulated in the contract.

The local company believes that the Alliance member A3 Commerce LLP failed to fulfill its obligation to install the smart control system, and Altocom Asia LLP also failed to fulfill its maintenance management responsibilities. Both were deemed unsuitable. To protect the interests of the local company, a letter was sent to the Pavlodar State Government in December 2020 requesting the removal of A3 Commerce LLP and Altocom Asia LLP from the Alliance. However, the Pavlodar State Government reiterated their demand to address the issue of equipment shortages in January 2021. Subsequently, on February 9, 2021, they filed a lawsuit in a Kazakhstan court seeking termination of the contract with the Alliance and compensation of KZT 268,883,000

(approximately NTD 18,203,000). The local company has engaged an international trade law firm and its local member firm in Kazakhstan (Baker McKenzie) to negotiate contract modifications with the Pavlodar State Government and independently complete the unfinished project. Since the Pavlodar State Government initiated legal proceedings without first conducting the negotiation process stipulated in the contract, local courts rejected the government's lawsuit and appeal on March 10 and April 22, 2021, respectively, citing procedural irregularities. Following the dismissal of its lawsuit by the court, the Pavlodar State Government subsequently engaged in negotiations with the Alliance.

In a legal opinion issued by the appointed attorneys on March 22, 2021, the merger company and the Pavlodar State Government are still in the stage of understanding each other's demands and attributing responsibilities. They are jointly formulating negotiation proposals to resolve the dispute. However, the actual outcome remains unpredictable. The maximum exposure amount for contract termination is approximately KZT 141,599,000. As of December 31, 2020, the merger company has made provisions for an estimated loss of KZT 58,754,000 based on reasonably foreseeable obligations and reserves its legal right to pursue A3 Commerce LLP and Altocom Asia LLP for the losses due to project deficiencies and protection of the merger company's interests.

Furthermore, on June 21, 2021, the Energy Department of the Pavlodar State Government filed a lawsuit against the Pavlodar City Administration Transportation Department, the entire alliance, and all contractors, seeking to confirm the invalidity of the project acceptance in January 2019. The merger company's appointed lawyers argued before the court that the subject matter of this lawsuit was identical to the previous lawsuit filed by the Pavlodar State Government in December 2020. The court dismissed the lawsuit on the grounds of lacking legal basis. Considering the principle of *res judicata*, the Pavlodar State Government's failure to comply with pre-litigation negotiation obligations, and its lack of legal rights to request confirmation of the invalidity of the acceptance act, the merger company's lawyers believed that the lawsuit should be dismissed according to law and requested the court to transfer jurisdiction for trial. On July 21, 2021, the court of first instance granted the transfer of jurisdiction. However, following an appeal by the Pavlodar State Government, the court of second instance on August 5, 2021, nullified the ruling to transfer jurisdiction and remanded the case to the court of first instance for further proceedings. On September 13, 2021, the court of first instance rejected the merger company's claims regarding the principle of *res judicata*, the Pavlodar State Government's failure to comply with pre-litigation negotiation obligations, and its lack of legal rights to request confirmation of the invalidity of the acceptance act, and ruled that the project acceptance in January 2019 was invalid. However, considering the company's belief that the judgment was

manifestly illegal, an appeal was filed against the dismissal ruling on October 1, 2021, and against the judgment confirming the invalidity of the acceptance on October 19, 2021. On December 28, 2021, the judge of the second instance rejected the company's appeal and upheld the judgment's finality. The merger company has filed a third-instance appeal against the second-instance appeal ruling and judgment. The third instance rejected the appeal on April 4, 2022. The case only seeks confirmation of the invalidity of the project acceptance in January 2019, and the Pavlodar State Government has not made any compensation claims.

As the negotiations between the parties have not yielded results, the Pavlodar State Government filed a lawsuit against the alliance again on February 10, 2022, seeking termination of the contract and compensation of KZT 1,345,882,000 (approximately NTD 85,733,000). The merger company has engaged lawyers to defend its interests and considers termination of the contract not to be the most advantageous outcome for both parties. Therefore, it seeks to continue negotiations with the Pavlodar State Government to find a mutually beneficial solution. On April 27, 2022, the court of first instance granted all the Pavlodar State Government's requests. Considering the company's belief that the judgment was manifestly illegal, an appeal was filed against the judgment on June 2, 2022. On July 19, 2022, the court of second instance rejected the merger company's appeal and upheld the judgment's finality.

Taraz

The local company and Altocom Asia LLP (hereinafter referred to as the alliance) jointly undertook the installation and maintenance project of intelligent street lights for the Taraz State Government of the Republic of Kazakhstan in 2019. The project lasted for six years, with a total contract value of approximately USD 14,196,000. The alliance has commenced the installation of street lights according to the contract. However, on March 18, 2021, the Taraz State Government filed a lawsuit against the alliance, alleging contract termination due to incomplete design documents related to the project and failure to complete the agreed-upon work by December 31, 2020. The local company contends that the alliance has fulfilled its obligations under the contract without delay or deficiency.

In a legal opinion issued by the appointed attorneys on March 22, 2021, both parties are still in the stage of understanding each other's demands and attributing responsibilities, and the actual outcome remains unpredictable. However, the Taraz State Government did not engage in pre-litigation negotiation procedures as required by the contract but directly initiated legal proceedings to terminate the contract. The appointed lawyers argued that the relevant procedures were illegal and requested the court to transfer jurisdiction for negotiation with the government to resolve the dispute. The local court granted the transfer of jurisdiction to the commercial court on April 22, 2021. On July 21, 2021, the Taraz Commercial Court ruled against the local company. The company filed an appeal on August 19, 2021, which was rejected by the appellate court on

September 23, 2021, with the judgment's finality.

As the local company believes that the alliance did not fail in its duties, it filed a third-instance appeal against the second-instance judgment. The third-instance court rejected the appeal on April 18, 2022. The case only pertains to the determination of whether the contract termination is valid, and the Taraz State Government did not seek compensation. In contrast, the local company will continue to assess whether to request the return of equipment or payment from the Taraz State Government.

In a legal opinion issued by the appointed attorneys on March 17, 2022, the local company evaluated the final judgments and potential claim amounts for the two cases. As a result, it increased the provision for liabilities by KZT 55,981,000 and recorded other losses. It also made provisions for doubtful debts and advances to other alliance parties totaling KZT 84,143,000 under expected credit loss losses.

As of December 31, 2021, the cumulative loss amount for the two cases mentioned above amounted to KZT 198,878,000, including provisions for expected credit losses of KZT 84,143,000, other losses of KZT 622,000, and provisions for liabilities of KZT 114,113,000.

As of the financial reporting date, the local company, with the assistance of lawyers, assessed that the related litigation in Kazakhstan had exhausted judicial procedures and reached the highest court in Kazakhstan. Although there are special recourse procedures similar to retrials in Taiwan, considering the local political environment and judicial peculiarities, the local company believes that such special recourse procedures may not yield favorable results.

Based on the above assessment, the local company increased the provision for doubtful debts by KZT 37,554,000 for the expected uncollectible accounts receivable related to the two cases in 2022, recorded under expected credit loss losses. Additionally, inventory write-down losses of KZT 62,214,000 were recognized for inventory, recorded under cost of goods sold, and other foreseeable obligations and compensation losses were provisioned for KZT 117,553,000, recorded under other losses. Furthermore, legal rights to pursue claims for project deficiencies and protect the company's interests against alliance members A3 Commerce LLP and Altocom Asia LLP were retained.

As of December 31, 2022, the cumulative loss amount for the two cases mentioned above totaled KZT 416,199,000.

To advance the implementation of the two aforementioned cases, the local company, along with alliance members Altocom Asia LLP and A3 Commerce LLP, signed a loan agreement with the European Bank for Reconstruction and Development (EBRD) on June 5, 2018. A supplemental agreement was signed on June 26, 2020. The loan was utilized for the Pavlodar Regional Government's smart streetlight installation and maintenance project, as well as the Taraz Regional Government's smart streetlight installation and maintenance project. The local company independently repaid the debt

between 2022 and 2023, thus having the right to request repayment from Altocom Asia LLP and A3 Commerce LLP within the scope of their respective responsibilities. In July 2023, the local company filed a lawsuit against Altocom Asia LLP in the Kazakh court and won the case, with the judgment becoming final on December 1, 2023. A3 Commerce LLP declared bankruptcy, prompting the local company to file a claim and obtain a bankruptcy claim certificate from the bankruptcy administrator in September 2023.

7.6.14 Other Major Risks : None

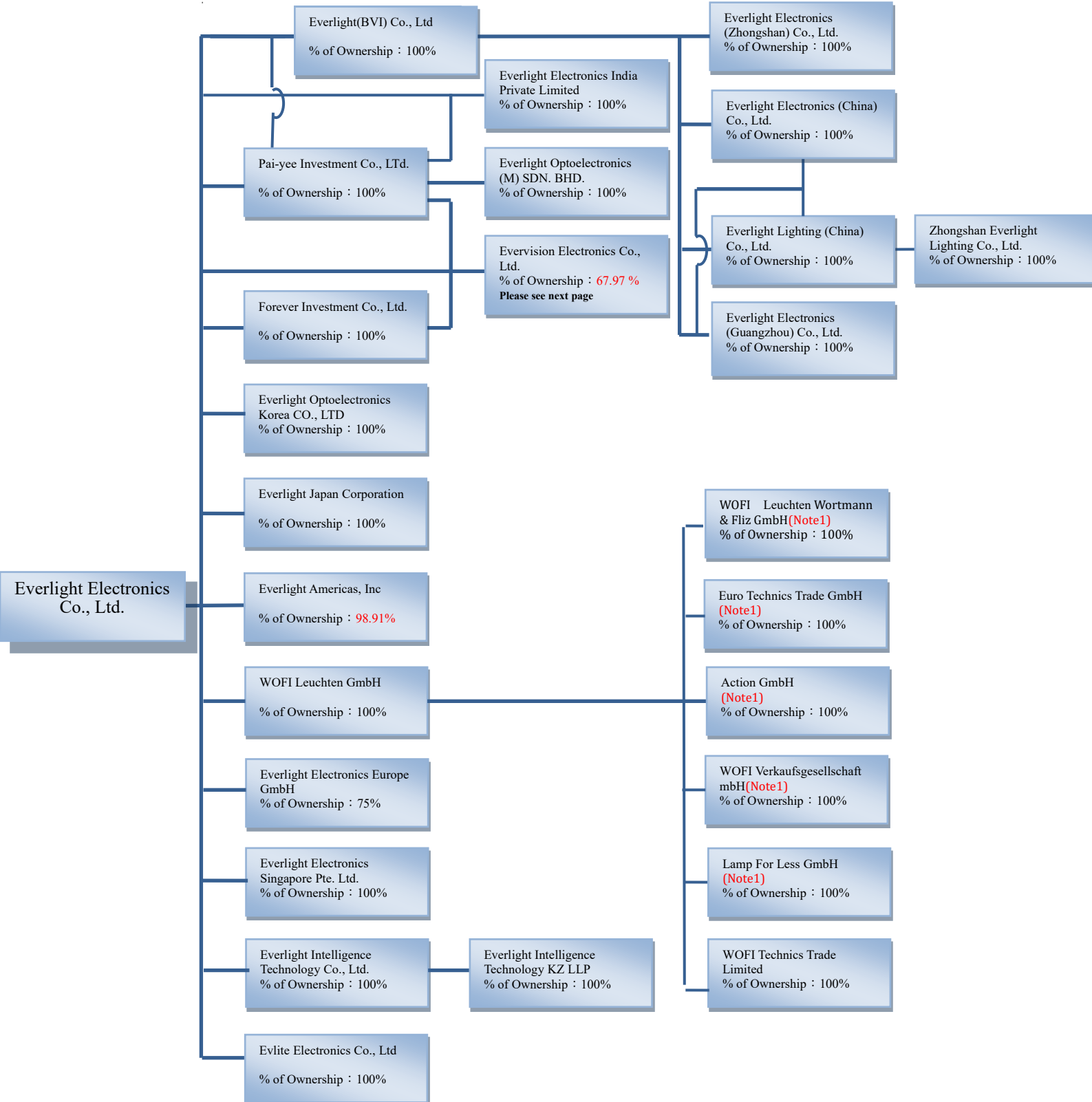
7.7 Other Major Items : None

8. Special Disclosure

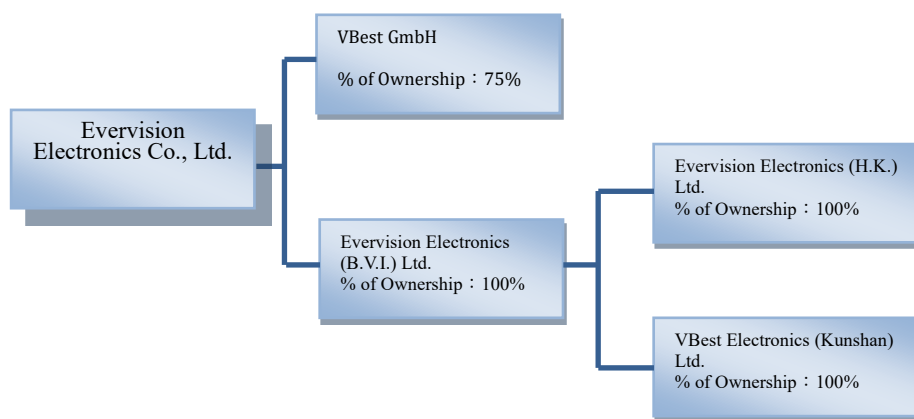
8.1 Summary of Affiliated Companies :

8.1.1 Organization Chart

2023/12/31



Note1 : The proceeding of that company's bankruptcy that was formally adjudged by the court in Germany in April and May 2023 was still in progress, the Group lost control of that company accordingly.



8.1.2 Basic information of related companies

| | Incorporate Date | Address | Capital ('000) | Business | Remark |
|---|------------------|---|----------------|---|--------|
| Pai Yee Investment Co., Ltd. | 1997.09.06 | No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City | NTD239,400 | Investment company | |
| Everlight (BVI) Co.,Ltd. | 1995.10.06 | Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands. | USD153,995 | Holding company | |
| Everlight Americas, Inc. | 2003.01.27 | 3220 Commander Drive, Suite 100, Carrollton, TX 75006 | USD11,500 | LED Sales | |
| Everlight Electronics Europe GmbH | 2000.10.16 | Siemensallee 84, Building 7302,5F,D-76187 KARLSRUHE GERMANY | EUR100 | LED Sales | |
| Everlight Optoelectronics Korea Co.,Ltd. | 2008.02.11 | 7F,S706-1 Garden 5 Works Choongmin Rd52., Songpa-gu, Seoul , KOREA | USD200 | LED Sales | |
| Forever Investment Co., Ltd. | 2007.04.11 | No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City | NTD424,875 | Investment company | |
| Everlight Lighting Intellgence Technology Co., Ltd. | 2011.3.31 | 5F,No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City | NTD 200,000 | Sale of LED lighting products | |
| Evlite Electronics Co.,Ltd. | 1996.01.04 | Units 1606~10, Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong | HKD7,000 | LED Sales | |
| Evervision Electronics Co., Ltd. | 1998.04.15 | 6F,No. 6-8, Zhonghua Rd. Shulin Dist, New Taipei City | NTD184,441 | Manufacture and sales of LCD and LED processing | |
| Everlight Electronics (China) Ltd. | 2001.02.07 | No. 2135, Zhongshan North Road,Wujiang Economic and Technological Development Zone | USD124,140 | LED production | |
| Everlight Lighting (China) Ltd. | 2002.09.28 | Room 1327, No. 139, Futexiyi Road, China (Shanghai) Pilot Free Trade Zone ShangHai China | USD10,000 | LED Sales | |
| Everlight Electronics (Guangzhou) Ltd. | 2007.06.08 | Room 501, No. 131 Dongxing Road, Shiqiao Street, Panyu District, Guangzhou City (Location: No. 8) | RMB45,968 | Business development and customer services | |
| Everlight Electronics (Zhongshan) Ltd. | 2008.01.09 | 1-2 Floor, Factory Building, No. 8, Industrial Avenue South, Xiaolan Town, Zhongshan City, Guangdong Province | USD30,000 | Manufacture of LED-related components | |
| Everlight Optoelectronics (M) SDN. BHD. | 1990.2.22 | B-04-20, Krystal Point, 303, Jalan Sultan Azlan Shah, 11900 Sungai Nibong, Penang | MYR254 | Sales promotion and customer service | |

| | | | | | |
|---|------------|--|-----------|---|-------|
| Evervision Electronics (B.V.I.) Ltd. | 1998.03.12 | Mandar House, 3rd Floor, Suite 301, P.O. Box 3159, Road Town, Tortola, British Virgin Islands | USD20,567 | Holding company | |
| VBest GmbH | 2006.7.13 | Siemensallee 84, Building 7302,5F,D-76187 KARLSRUHE GERMANY | EUR25 | LCD display sales | |
| Evervision Electronics(H.K.) Ltd. | 1998.09.23 | Units 1606-1610 16/F Prosperity place 6 shing yip street kwun tong KL | HKD300 | LCD display sales | |
| VBest Electronics (Kunshan) Ltd. | 2001.05.25 | No. 8, Chengbei Road, High-tech Industrial Park, Yushan Town Development Zone, Kunshan City, Jiangsu Province | USD18,000 | LCD display production | |
| Everlight Electronics India Private Limited | 2012.7.25 | No. 606, 6th Floor, Surya Kiran Building, Connaught Place, KG Marg, Delhi 110001 | INR4,410 | LED Sales | |
| Everlight Electronics Singapore Pte. Ltd. | 2013.5.21 | GH30, 3RD FLOOR., #03-38,5 TAMPINES CENTRAL 6, TELEPARK, Singapore | USD200 | LED Sales | |
| Everlight Japan Corporation | 2013.10.21 | 7F, Taiju Life Kyoto Yamashina Bldg. 46-1takehanadonomaechou, Yamashina Ku, Kyoto,607-8085,Japan | JPY50,000 | LED Sales | |
| Zhongshan Everlight Lighting Ltd. | 2015.10.9 | 3rd Floor, No. 8, Factory Building, Industrial Avenue South, Xiaolan Town, Zhongshan City, Guangdong Province, China | RMB33,000 | LED and lighting products R&D and Sales | |
| WOFI Leuchten GmbH | 2006.11.14 | Im Langel 6, 59872 Meschede | EUR5,775 | Lighting products and accessories sales | |
| WOFI Leuchten Wortmann & Filz GmbH | 2012.8.13 | Im Langel 6, 59872 Meschede | EUR100 | Lighting products and accessories sales | Note1 |
| Euro Technics Trade GmbH | 2004.8.16 | Im Langel 6, 59872 Meschede | EUR 25 | Lighting products and accessories sales | Note1 |
| WOFI Technics Trade Ltd. | 2006.3.1 | 12/F Fortis Bank Tower, 77 Gloucester Rd, Hong Kong | HKD100 | Lighting products and accessories sales | |
| Action GmbH | 2000.9.13 | Im Langel 6, 59872 Meschede | EUR 26 | Lighting products and accessories sales | Note1 |
| WOFI Verkaufsgesellschaft mbH | 2017.10.11 | Im Langel 6, 59872 Meschede | EUR 25 | Lighting products and accessories sales | Note1 |
| Lamp For Less GmbH | 2018.7.27 | Im Langel 6, 59872 Meschede | EUR 25 | Lighting products and accessories sales | Note1 |
| Everlight Intelligence Technology KZ LLP | 2020.01.17 | Republic of Kazakhstan, Almaty, Bostandyk District, Republic Square street No.13, office 202 | KZT 1,000 | Sale of LED lighting products | |

Note1 : The proceeding of that company's bankruptcy that was formally adjudged by the court in Germany in April and May

2023 was still in progress, the Group lost control of that company accordingly.

8.1.3 Industries covered by all of our related subsidiaries:

Industries covered by all of our related subsidiaries includes the manufacture and sale of visible and sensing components, the manufacture and sale of LED, the processing and manufacture and sale of LCD products, the development of lighting products and electronic components, and some of the subsidiaries are investment business related.

8.1.4 Director, Supervisors and Managers of Our Subsidiaries:

NT\$, '000, shares, %

| Company | Position | Name | representative | Ownership | | Remark |
|---|-------------------------|--|--|--------------|-------------|--------|
| | | | | Shares | Ownership % | |
| Pai Yee Investment Co., Ltd. | Chairman | Everlight Electronics Co., Ltd. | Robert Yeh | 23,939,525 | 100 | |
| | Director | Everlight Electronics Co., Ltd. | Alice Fu | | | |
| | Director | Everlight Electronics Co., Ltd. | Ding-Hao Yeh | | | |
| | Supervisor President | Robert Yeh | Chun-Yu Lu | 0 | 0 | |
| Everlight (BVI) Co., Ltd. | Director President | Everlight Electronics Co., Ltd. Robert Yeh | Robert Yeh | 1,539,945.94 | 98 | |
| Everlight Americas, Inc. | Director | Everlight Electronics Co., Ltd. | Robert Yeh | 11,375,000 | 99 | |
| | Director | Everlight Electronics Co., Ltd. | Ting-Wei Yeh | | | |
| | President | Bernd Kammerer | | 125,000 | 1 | |
| Everlight Electronics Europe GmbH | Director | Everlight Electronics Co., Ltd. | Robert Yeh | 75,000 | 75 | |
| | President | Bernd Kammerer | | 25,000 | 25 | |
| Everlight Optoelectronics Korea Co.,Ltd. | Director | Everlight Electronics Co., Ltd. | Robert Yeh | 37,890 | 100 | |
| | Director | Everlight Electronics Co., Ltd. | Ting-Wei Yeh | | | |
| | Director | Everlight Electronics Co., Ltd. | Chung-Wei Wang | | | |
| | Supervisor | Everlight Electronics Co., Ltd. | Chun-Yu Lu | | | |
| Forever Investment Co., Ltd. | Chairman President | Everlight Electronics Co., Ltd. Robert Yeh | Robert Yeh | 42,487,490 | 100 | |
| Everlight Lighting Intellengence Technology Co., Ltd. | Chairman | Everlight Electronics Co., Ltd. | Robert Yeh | 20,000,000 | 100 | |
| | Director | Everlight Electronics Co., Ltd. | Kai-Hung Cheng | | | |
| | Director | Everlight Electronics Co., Ltd. | Li-Fu Lu | | | |
| | Supervisor | Everlight Electronics Co., Ltd. | Alice Fu | | | |
| Evlite Electronics Co., Ltd. | Director | Everlight Electronics Co., Ltd. | Robert Yeh | Note1 | 100 | |
| | Director | Everlight Electronics Co., Ltd. | Alice Fu | | | |
| Everlight Electronics (China) Ltd. | Chairman | Everlight (BVI) Co., Ltd. | Robert Yeh | | | |
| | Director | Everlight (BVI) Co., Ltd. | Hung-Wen Tsai | | | |
| | Director | Everlight (BVI) Co., Ltd. | Chen-En Ko | Note1 | 100 | |
| | Supervisor President | Everlight (BVI) Co., Ltd. Everlight (BVI) Co., Ltd. | Chun-Yu Lu Robert Yeh | | | |
| Everlight Lighting (China) Ltd. | Chairman | Everlight Electronics (China) Ltd. | Robert Yeh | | | |
| | Director | Everlight (BVI) Co.,Ltd. | Ting-Wei Yeh (Registering) | | 52 | |
| | Director | Everlight (BVI) Co.,Ltd. | Che-wei, Hsu | Note1 | 48 | |
| | Supervisor President | Everlight (BVI) Co.,Ltd. Everlight (BVI) Co.,Ltd. | Chun-Yu Lu (Registering) Robert Yeh (Registering) | | | |
| Everlight Electronics (Guangzhou) Ltd. | Chairman | Everlight Electronics (China) Ltd | Robert Yeh | 968,300 | 2.11 | |
| | Director | Everlight (BVI) Co.,Ltd | Min-Ta Tsao (Registering) | 45,000,000 | 97.89 | |
| | Director | Everlight (BVI) Co.,Ltd. | Ting-Wei Yeh (Registering) | | | |
| | Supervisor | Everlight (BVI) Co.,Ltd | Chun-Yu Lu | | | |
| Everlight Electronics (Zhongshan) Ltd. | Chairman | Everlight (BVI) Co.,Ltd. | Robert Yeh | | | |
| | Director | Everlight (BVI) Co.,Ltd. | Chen-En Ko | Note1 | 100 | |
| | Director | Everlight (BVI) Co.,Ltd. | Alice Fu | | | |
| | Supervisor | Everlight (BVI) Co.,Ltd. | Chun-Yu Lu | | | |

| Company | Position | Name | representative | Ownership | | Remark |
|---|-------------------------------------|--|-------------------------------|------------|----------|--------|
| | | | | Shares | Shares | |
| Everlight Optoelectronics (M) SDN. BHD. | Director Director | Pai Yee Investment Co., Ltd. Pai Yee Investment Co., Ltd. | Low Khee Poay Yi-Chen Chen | 253,649 | 100 | |
| Evervision Electronics Co., Ltd. | Director Supervisor President | Everlight Electronics Co., Ltd. Alice Fu Robert Yeh | Robert Yeh | 12,537,105 | 67.97 | |
| Evervision Electronics (BVI) Ltd. | Director | Evervision Electronics Co., Ltd. | Robert Yeh | 20,566,735 | 100 | |
| VBest GmbH | Shareholder Director | Evervision Electronics Co., Ltd. Bernd Kammerer | Robert Yeh | 1 | 75 25 | |
| Evervision Electronics (HK) Ltd. | Director | Evervision Electronics (BVI) Ltd. | Robert Yeh | 300,000 | 100 | |
| Vbest Kunshan Ltd. | Director | Evervision Electronics (BVI) Ltd. | Alice Fu | Note1 | 100 | |
| | Supervisor | Evervision Electronics (BVI) Ltd. | Chi-Jung Huang | | | |
| | President | Chen-Yu Liu | | | | |
| Everlight Electronics India Private Limited | Director | Pai Yee Investment Co., Ltd. | Robert Yeh | 88,200 | 20 | |
| | Director | Everlight Electronics Co., Ltd. | Alice Fu | 352,800 | 80 | |
| | Director | Everlight Electronics Co., Ltd. | Yi-Chen Chen | | | |
| | Director | Everlight Electronics Co., Ltd. | Anuradha Rajashekar | | | |
| Everlight Electronics Singapore Pte. Ltd. | Director | Everlight Electronics Co., Ltd. | Yi-Chen Chen | 200,000 | 100 | |
| | Director | Everlight Electronics Co., Ltd. | Gooi Yih Chi | | | |
| Everlight Japan Corporation | Director | Everlight Electronics Co., Ltd. | Robert Yeh | 5,000 | 100 | |
| | Director | Everlight Electronics Co., Ltd. | Alice Fu | | | |
| | Supervisor President | Everlight Electronics Co., Ltd. Everlight Electronics Co., Ltd. | Chun-Yu Lu Chan-Li Lin | | | |
| Zhongshan Everlight Lighting Ltd. | Execute Director | Everlight Lighting (China) Ltd. | Cheng-Hsiung He | Note1 | 100 | |
| | Supervisor | Everlight Lighting (China) Ltd. | Alice Fu | | | |
| | President | Cheng-Hsiung He | | | | |
| WOFI Leuchten GmbH | Director President | Everlight Electronics Co., Ltd. Yu-He Chang | Robert Yeh | 5,775,000 | 100 | |
| WOFI Leuchten Wortmann & Filz GmbH | Director President | Everlight Electronics Co., Ltd. Yu-He Chang | Robert Yeh | 100,000 | 100 | Note2 |
| Euro Technics Trade GmbH | Director President | Everlight Electronics Co., Ltd. Yu-He Chang | Robert Yeh | 25,000 | 100 | Note2 |
| WOFI Technics Trade Limited | Director President | Everlight Electronics Co., Ltd. Yu-He Chang | Robert Yeh | 100,000 | 100 | |
| Action GmbH | Director President | Everlight Electronics Co., Ltd. Yu-He Chang | Robert Yeh | 26,000 | 100 | Note2 |
| WOFI Verkaufsgesellschaft mbH | Director President | Everlight Electronics Co., Ltd. Yu-He Chang | Robert Yeh | 25,000 | 100 | Note2 |
| Lamp for less | Director President | Everlight Electronics Co., Ltd. Yu-He Chang | Robert Yeh | 25,000 | 100 | Note2 |

| | | | | | | |
|--|-----------------------|---|------------|-------|-----|--|
| Everlight Intelligence Technology KZ LLP | Director President | Everlight Electronics Co., Ltd. Kai-Hung Cheng | Robert Yeh | Note1 | 100 | |
|--|-----------------------|---|------------|-------|-----|--|

Note1 : Limited

Note2 : The proceeding of that company's bankruptcy that was formally adjudged by the court in Germany in April and May 2023 was still in progress, the Group losed control of that company accordingly

8.1.5 Operating overview of our subsidiaries:

NT\$, '000

| Company | Capital | Total Assets | Total Liability | Net Value | Revenues | Operating Income | Net Income/Loss (After Tax) | EPS (After Tax) |
|---|-----------|--------------|-----------------|-----------|-----------|------------------|-----------------------------|-----------------|
| Pai Yee Investment Co., Ltd. | 239,400 | 504,993 | 3,933 | 501,060 | - | (2,042) | 19,049 | 0.80 |
| Everlight (BVI) Co.,Ltd. | 4,649,435 | 7,043,286 | 22,169 | 7,021,117 | - | (208) | 119,407 | |
| Everlight Americas,Inc. | 353,453 | 122,910 | 207,554 | (84,644) | 333,513 | (63,700) | (140,997) | - |
| Evlite Electronics Co., Ltd. | 27,549 | 675,177 | 516,682 | 158,495 | 848,983 | (50,518) | 5,094 | - |
| Everlight Electronics Europe GmbH | 3,393 | 446,998 | 263,262 | 183,736 | 1,154,789 | 65,625 | 69,364 | - |
| Everlight Electronics (China) Ltd. | 3,770,464 | 7,632,452 | 2,168,372 | 5,464,080 | 7,314,026 | 106,729 | 104,233 | - |
| Everlight Lighting (China) Ltd. | 307,350 | 1,483,288 | 1,141,166 | 342,122 | 2,227,839 | 38,729 | 25,701 | - |
| Forever Investment Co., Ltd. | 424,875 | 420,656 | 100 | 420,556 | - | (1,895) | 12,439 | 0.29 |
| Everlight Electronics (GuangZhou) Co., Ltd. | 198,807 | 66,649 | 68,379 | (1,730) | - | (36,407) | 839 | - |
| Everlight Electronics (Zhongshan) Ltd. | 922,050 | 978,076 | 92,313 | 885,763 | 463,524 | (19,855) | (5,096) | - |
| Everlight Optoelectronics Korea Co.,Ltd. | 4,509 | 109,644 | 11,481 | 98,163 | - | (60,372) | 6,162 | - |

| Company | Capital | Total Assets | Total Liability | Net Value | Revenues | Operating Income | Net Income/Loss (After Tax) | EPS (After Tax) |
|---|---------|--------------|-----------------|-----------|----------|------------------|-----------------------------|-----------------|
| Evervision Electronics Co., Ltd. | 184,442 | 1,162,651 | 218,301 | 944,350 | 697,555 | 57,642 | 45,895 | 2.49 |
| Evervision Electronics (B.V.I.) Ltd. | 632,119 | 827,203 | 100,274 | 726,929 | 0 | 0 | 20,409 | - |
| VBest GmbH | 848 | 82,063 | 38,715 | 43,347 | 258,967 | 34,769 | 22,307 | - |
| Evervision Electronics (H.K.) Ltd. | 1,181 | 1,059 | 17 | 1,042 | 0 | (46) | (38) | - |
| VBest Electronics (Kunshan) | 553,230 | 826,144 | 100,257 | 725,887 | 352,877 | 6,626 | 20,446 | - |
| Everlight Lighting Intellgence Technology Co., Ltd. | 200,000 | 417,200 | 139,199 | 278,001 | 539,017 | 66,012 | 65,679 | 3.28 |
| Everlight Optoelectronics (M) SDN. BHD. | 1,699 | 2,453 | 250 | 2,203 | - | (3,687) | (424) | - |
| Everlight Electronics India Private Limited | 1,629 | 25,085 | 1,780 | 23,305 | - | (7,426) | 3,810 | - |
| Everlight Electronics Singapore Pte. Ltd. | 5,868 | 12,467 | 351 | 12,116 | - | (14,381) | (881) | - |
| Everlight Japan Corporation | 10,915 | 33,784 | 14,219 | 19,565 | - | (36,562) | (480) | - |
| WOFI Leuchten GmbH | 195,972 | 3,182 | 577,116 | (573,934) | (2,347) | (10,080) | (12,803) | - |

| Company | Capital | Total Assets | Total Liability | Net Value | Revenues | Operating Income | Net Income/Loss (After Tax) | EPS (After Tax) |
|--|---------|--------------|-----------------|-----------|----------|------------------|-----------------------------|-----------------|
| Zhongshan Everlight Lighting Ltd. | 142,907 | 5,198 | 4,582 | 616 | - | (583) | (4,990) | - |
| Everlight Intelligence Technology KZ LLP | 67 | 30,297 | 27,843 | 2,454 | - | (641) | (237) | - |

Note1: All subsidiaries need to be explored, and the exchange rates are NT\$/US\$-30.735, NT\$/EUR-33.9345, NT\$/HK\$-3.9356, NT\$/RMB-4.3305, NT\$/KOW-0.0238, NT\$/INR-0.3693, NT\$/JPY-0.2183, NT\$/SIN-23.2911, NT\$/MYR-6.6975 , NT\$/KZT-0.0674.

8.1.6 Relationship Report: None

8.1.7 Affiliates Consolidated Financial Statements: Please see 6.5 Latest Audited Consolidated Financial Report

8.2 Private Placement Securities in the Most Recent Years: None

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the date of publication of the annual report: None

8.4 Other supplementary notes: None

8.5 Any Events in 2023 the most recent year and up to the Date of publication of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3, Paragraph 2 of Article 36 of Securities and Exchange Act of Taiwan: None.

Everlight Electronics Co., Ltd.

Chairman :