Stock Code:1711

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Parent-Company-Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

Address: 5~6F., No.77, Sec. 2, DunHua S.Rd., Taipei 106, Taiwan
Telephone: +886-2-2706-6006

Table of contents

安侯建業聯合會計師事務所
KPMG
台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)
電 話 Tel + 886 2 8101 6666
傳 真 Fax + 886 2 8101 6667
網 址 Web home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

Opinion

We have audited the financial statements of Everlight Chemical Industrial Corporation("the Company"), which comprise the balance sheets as of December 31, 2021 and 2020, 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 significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended December 31, 2021. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of accounts receivable

Please refer to Note 4(f) "Financial Instruments" for accounting policy, Note 5 for accounting assumptions, judgments and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the parent-company-only financial statements.

Description of key audit matters

Given the challenging economic climate, the risk of receivables recovery remains high, resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, this is the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing the adequacy of the formula of the calculation for expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Company's accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this 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 Chia-Chien Tang and Ya-Ling Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2022

Notes to Readers

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

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Balance Sheets

December 31, 2021 and 2020

(expressed in thousands New Taiwan dollars)

		December 31, 2021		December 31, 2020	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 990,993	8	864,307	7
1110	Financial assets at fair value through profit or loss-current (note 6(b))	60,247	-	60,100	1
1136	Financial assets at amortized cost-current (note 6(b))	3,502	-	12,869	-
1150	Notes receivable, net (notes 6(c) and (s))	62,721	-	58,914	-
1170	Accounts receivable, net (notes 6(c) and (s))	845,223	7	701,152	6
1180	Accounts receivable due from related parties, net (notes 6(c), (s) and 7)	592,416	5	482,170	4
1210	Other receivables due from related parties (note 7)	9,172	-	3,957	-
130X	Inventories (note 6(d))	2,435,472	19	2,234,719	19
1476	Other current financial assets	15,781	-	17,886	-
1479	Other current assets (note 6(g))	96,063	1	82,357	1
	Total current assets	5,111,590	40	4,518,431	38
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (u))	1,459,491	12	928,694	8
1550	Investments accounted for using equity method (note 6(e))	1,835,361	15	1,853,081	16
1600	Property, plant and equipment (notes 6(f) and 9)	3,967,108	31	4,244,980	36
1755	Right-of-use-assets (note 6(h))	27,497	-	37,176	-
1780	Intangible assets (note 6(i))	110,565	1	112,489	1
1840	Deferred tax assets (note 6(o))	107,460	1	47,818	1
1915	Prepayments for equipment	27,072	-	12,680	-
1980	Other non-current financial assets (notes 6(c) and (s))	2,195	-	2,192	-
	Total non-current assets	7,536,749	60	7,239,110	62
	Total assets	$ 12,648,339	100	11,757,541	100

		December 31, 2021		December 31, 2020	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(j))	$ 1,308,863	11	1,172,531	10
2151	Notes payable (note 7)	238,909	2	181,329	2
2170	Accounts payable (note 7)	290,275	2	326,587	3
2209	Other payable (notes 6(r) and 7)	415,083	3	316,660	3
2213	Payable on equipment	43,062	-	15,638	-
2230	Current tax liabilities	113,138	1	30,669	-
2280	Lease liabilities-current (note 6(l))	9,659	-	9,856	-
2399	Other current liabilities (note 6(m))	37,318	-	41,264	-
	Total current liabilities	2,456,307	19	2,094,534	18
	Non-current liabilities:				
2541	Long-term bank loans (note 6(k))	1,000,000	8	1,250,000	10
2570	Deferred tax liabilities (note 6(o))	86,763	1	79,074	1
2580	Lease liabilities non-current (note 6(l))	18,529	-	27,957	-
2640	Net defined benefit liability (note 6(n))	214,833	2	128,806	1
2670	Other non-current liabilities, others (note 6(m))	65,767	-	89,866	1
	Total non-current liabilities	1,385,892	11	1,575,703	13
	Total liabilities	3,842,199	30	3,670,237	31
	Equity (notes 6(b), (e), (n), (o), (p) and (u)):				
3100	Common shares	5,477,522	43	5,477,522	47
3200	Capital surplus	474,558	4	474,558	4
3300	Retained earnings	2,248,765	18	2,019,285	17
3400	Other equity	605,295	5	115,939	1
	Total equity	8,806,140	70	8,087,304	69
	Total liabilities and equity	$ 12,648,339	100	11,757,541	100

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollars except for earnings per share)

		2021		2020	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(s) and 7)**	$ 7,509,370	100	6,085,544	100
5000	**Operating costs (notes 6(d), (f), (h), (i), (l), (n), (r), 7 and 12)**	5,847,516	78	5,005,499	82
5900	**Gross profit from operations**	1,661,854	22	1,080,045	18
5910	Realized (unrealized) gross profit from sales	(47,138)	1	17,081	-
5950	**Gross profit from operations**	1,614,716	21	1,097,126	18
6000	**Operating expenses (notes 6(c), (f), (h), (i), (l), (n), (r), 7 and 12):**				
6100	Selling expenses	646,932	8	424,883	7
6200	Administrative expenses	164,362	2	145,028	2
6300	Research and development expenses	351,211	5	317,463	5
6450	Expected credit loss (gain)	2,202	-	(433)	-
	Total operating expenses	1,164,707	15	886,941	14
6900	**Net operating income**	450,009	6	210,185	4
7000	**Non-operating income and expenses (notes 6(b), (e), (f), (j), (k), (l) and (t)):**				
7100	Interest income	1,418	-	1,549	-
7010	Other income	37,740	-	44,731	1
7020	Other gains and losses	31,977	-	68,575	1
7050	Finance costs	(23,966)	-	(36,654)	(1)
7060	Share of gains (losses) of subsidiaries and associates accounted for using equity method	56,588	1	(26,544)	-
	Total non-operating income and expense	103,757	1	51,657	1
7990	**Income before income tax**	553,766	7	261,842	5
7950	**Income tax expenses (note (o))**	80,796	1	48,563	1
	Net income	472,970	6	213,279	4
8300	**Other comprehensive income (notes 6(e), (n), (o), (p) and (u)):**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(98,060)	(1)	10,501	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	505,230	7	207,948	3
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	3,113	-	(2,577)	-
8349	Income tax related to components that may not be reclassified to profit or loss	19,612	-	(2,100)	-
	Total components of other comprehensive income that (loss) will not be reclassified to profit or loss	429,895	6	213,772	3
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(20,867)	-	4,286	-
8380	Share of other comprehensive income of associates accounted for using equity method	1,164	-	(2,847)	-
8399	Income tax related to components that may be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that (loss) will be reclassified to profit or loss	(19,703)	-	1,439	-
8300	**Other comprehensive income(after tax)**	410,192	6	215,211	3
8500	**Total comprehensive income**	$ **883,162**	**12**	**428,490**	**7**
9750	**Basic earnings per share (note 6(q)) (expressed in New Taiwan dollars)**	$	**0.86**		**0.39**
9850	**Diluted earnings per share (note 6(q)) (expressed in New Taiwan dollars)**	$	**0.86**		**0.39**

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollars)

			Retained earnings				Other equity			
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance on January 1, 2020	$ 5,477,522	474,558	1,038,600	149,767	713,131	1,901,498	(112,054)	81,616	(30,438)	7,823,140
Net income	-	-	-	-	213,279	213,279	-	-	-	213,279
Other comprehensive income	-	-	-	-	9,142	9,142	1,439	204,630	206,069	215,211
Total comprehensive income	-	-	-	-	222,421	222,421	1,439	204,630	206,069	428,490
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	37,755	-	(37,755)	-	-	-	-	-
Special reserve	-	-	-	(119,329)	119,329	-	-	-	-	-
Cash dividends	-	-	-	-	(164,326)	(164,326)	-	-	-	(164,326)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	59,692	59,692	-	(59,692)	(59,692)	-
Balance on December 31, 2020	5,477,522	474,558	1,076,355	30,438	912,492	2,019,285	(110,615)	226,554	115,939	8,087,304
Net income	-	-	-	-	472,970	472,970	-	-	-	472,970
Other comprehensive income	-	-	-	-	(79,164)	(79,164)	(19,703)	509,059	489,356	410,192
Total comprehensive income	-	-	-	-	393,806	393,806	(19,703)	509,059	489,356	883,162
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	28,211	-	(28,211)	-	-	-	-	-
Cash dividends	-	-	-	-	(164,326)	(164,326)	-	-	-	(164,326)
Balance on December 31, 2021	**$ 5,477,522**	**474,558**	**1,104,566**	**30,438**	**1,113,761**	**2,248,765**	**(130,318)**	**735,613**	**605,295**	**8,806,140**

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollars)

	2021	2020
Cash flows from operating activities:		
Income before income tax	$ 553,766	261,842
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	522,513	526,157
Amortization expense	29,007	27,021
Expected credit losses (gains)	2,202	(433)
Net gains on financial assets at fair value through profit and loss	(216)	(265)
Interest expense	23,966	36,654
Interest income	(1,418)	(1,549)
Dividend income	(37,740)	(44,731)
Share of losses (gains) of subsidiaries and associates accounted for using equity method	(56,588)	26,544
Gains on disposal of property, plants and equipment	(1,125)	(31)
Unrealized (realized) gross profit from sales	47,138	(17,081)
Total adjustments to reconcile profit	527,739	552,286
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(3,858)	(4,157)
Accounts receivable and overdue receivable (under other non-current financial assets)	(146,222)	18,118
Accounts receivable due from related parties	(110,246)	(31,571)
Other receivable due from related parties	1,730	733
Inventories	(200,753)	209,264
Other current financial assets	2,094	678
Other current assets	(13,706)	(4,029)
Total changes in operating assets	(470,961)	189,036
Changes in operating liabilities:		
Notes payable	57,580	29,500
Accounts payable	(36,312)	123,072
Other payable	116,655	(7,265)
Other current liabilities	4,004	(32,144)
Net defined benefit liabilities	(12,033)	(15,490)
Decrease in other non-current liabilities	(32,050)	(37,333)
Total changes in operating liabilities	97,844	60,340
Total changes in operating assets and liabilities	(373,117)	249,376
Total adjustments	154,622	801,662
Cash inflow generated from operations	708,388	1,063,504
Interest received	1,429	1,598
Dividends received	41,375	97,796
Income taxes paid	(46,831)	(20,908)
Net cash flows from operating activities	704,361	1,141,990
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through profit or loss	(180,000)	(240,000)
Proceeds from disposal of financial assets at fair value through profit or loss	180,068	210,188
Acquisition of financial assets at amortized cost	(3,200)	(12,869)
Proceeds from disposal of financial assets at amortized cost	12,567	-
Acquisition of financial assets at fair value through other comprehensive income	(25,567)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	310,625
Acquisition of property, plant and equipment	(151,138)	(158,197)
Proceeds from disposal of property, plant and equipment	1,733	951
Acquisition of intangible assets	(27,083)	(25,731)
Decrease (increase) in other non-current assets	(3)	238
Increase in prepayments for equipment	(71,080)	(26,805)
Net cash flows from (used in) investing activities	(263,703)	58,400
Cash flows used in financing activities:		
Increase in short-term borrowings	3,697,670	4,100,621
Decrease in short-term borrowings	(3,561,338)	(4,645,720)
Proceeds from long-term borrowings	50,000	200,000
Repayments of long-term borrowings	(300,000)	(330,000)
Payment of lease liabilities	(9,943)	(10,495)
Cash dividends paid	(164,326)	(164,326)
Interest paid	(26,035)	(40,846)
Net cash used in financing activities	(313,972)	(890,766)
Net increase in cash and cash equivalents	126,686	309,624
Cash and cash equivalents at beginning of period	864,307	554,683
Cash and cash equivalents at end of period	$ **990,993**	**864,307**

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND ITS SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollars , unless otherwise specified)

(1) Company history

Everlight Chemical Industrial Corporation (the "Company") was incorporated on September 7, 1972 as a Group limited by shares and registered in accordance with the ROC Company Act. The Company engages in manufacturing and selling of dye, UV absorber, specialty chemicals, electronic chemicals, pharmaceutical product and material, chemical intermediary photoresistance, and etc.

(2) Approval date and procedures of the financial statements:

These parent-company-only financial statements were authorized for issuance by the board of directors on March 24, 2022.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") 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, 2021:

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

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

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

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

(Continued)

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

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

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

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

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

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent-company-only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

(a) Statement of compliance

These parent-company-only 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”).

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

1) Financial assets at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income are measured at fair value; and

3) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(p).

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies 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.

(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 the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent 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 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 issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Account receivables 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 account 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. A account receivable without a significant financing component is initially measured at the transaction price.

(Continued)

(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.

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)

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. 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.

(Continued)

4) 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, financial assets at amortized cost, notes and accounts receivable, other receivable, refundable deposits and other financial assets).

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

· Cash in bank, other receivable, refundable deposits and other financial assets 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 account receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, 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.

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 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 ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company holds time deposits for domestic financial institutions, it is considered to be low credit risk.

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.

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

(Continued)

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.

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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.

5) 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

1) 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.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. 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.

3) 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.

(Continued)

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

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

Investments 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 parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their 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 significant influence.

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

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investments in subsidiaries which are controlled by the Company, are accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

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

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and 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) Subsequent cost

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

(iii) 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 of property, plant and equipment for current and comparative periods are as follows:

1)	Land improvements	20 years
2)	buildings and construction	25~55 years
3)	equipment	3~15 years

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

(k) Intangible assets

(i) Other intangible assets

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

The estimated useful lives for current and comparative periods are as follows:

1)	REACH registration related expense	5 years
2)	Others	3~5 years

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

(l) 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 the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Site restoration

In accordance with the Company' s published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when the land is contaminated.

(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.

The Company recognizes a right-of-use asset and a lease liability as a lessee 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.

(Continued)

Lease payments included in the measurement of the lease liability comprise the following:

(i) fixed payments, including in-substance fixed payments;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) 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:

(i) there is a change in future lease payments arising from the change in an index or rate; or

(ii) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(iii) 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

(iv) there is a change of its assessment on whether it will exercise a extension or termination option; or

(v) there is any lease modifications

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

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and leases of transportation equipment that have a lease term of 12 months or less and leases of low-value assets.

(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) 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.

(Continued)

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.

(o) Revenue

(i) 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.

1) Sale of goods

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 use 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.

2) 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.

(Continued)

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to 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 obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, 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 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 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.

(q) 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.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

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.

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.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to common shareholders of the Company. Basic earnings per share are calculated as the profit attributable to common shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as 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 potentially dilutive ordinary shares, such as employee compensation.

(s) Operating segments

The Company discloses its segment reporting in the consolidated financial statements. Therefore, the Company does not disclose 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 parent-company-only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Judgment of whether the Company has substantive control over its investees, please refer to consolidated financial statements for the year ended December 31, 2021.

(b) Judgment regarding significant influence of investees

The Company holds 16.78% of the outstanding voting shares of TAK Technology Co., Ltd. and is the single largest shareholder of the investee. Although the remaining 83.22% of TAK Technology Co., Ltd.’ s shares are not concentrated within specific shareholders, the Company still cannot obtain more than half of the total number of TAK Technology Co., Ltd.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders’ meeting. Therefore, it is determined that the Company has significant influence but not control over TAK Technology Co., Ltd.

The Company holds 22.35% of the outstanding voting shares of Good TV Broadcasting Corp. and is the single largest shareholder of the investee. Although the remaining 77.65% of Good TV Broadcasting Corp.'s shares are not concentrated within specific shareholders, the Company still cannot obtain more than half of the total number of Good TV Broadcasting Corp.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders’ meeting. Therefore, it is determined that the Company has significant influence but not control over Good TV Broadcasting Corp.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Notes to the Parent-Company-Only Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Impairment of accounts receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to Note 6(c) for further description of the impairment of accounts receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then 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 demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to Note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 1,312	1,331
Cash in bank	917,122	801,613
Time deposits	72,559	61,363
Cash and cash equivalents	**$ 990,993**	**864,307**

Please refer to Note 6(u) for the currency risk sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets

(i) Financial assets at fair value through profit and loss

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit and loss:		
Monetary market fund	**$ 60,247**	**60,100**

(Continued)

(ii) Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Stocks listed on domestic markets	$ 1,388,138	884,695
Domestic unlisted common shares	71,353	43,999
	$ 1,459,491	**928,694**

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

For the year ended December 31, 2020, the Company has sold the partial of financial assets at fair value through other comprehensive income for strategic plan. The shares sold had a fair value of $310,625 thousand, and the Company realized a gain of $59,692 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings. There was no such transaction for the year ended December 31, 2021.

(iii) Financial assets at amortized cost-current

Due to the Company's foreign deposits which applied for the "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" has not been engaged in investment yet, therefore, recognized in financial assets at amortized cost-current as follows:

	December 31, 2021	December 31, 2020
Financial assets at amortized cost-current	**$ 3,502**	**12,869**

(iv) For credit risk, please refer to Note 6(u).

(v) The aforementioned financial assets were not pledged.

(vi) Derivative financial instruments－non-hedge

The Company hold derivative financial instruments to hedge its foreign currency and interest rate exposures. However, the derivative financial instruments can't meet the criteria for hedge accounting. The Company recognized gain on forward exchange contracts and foreign currency options amounted to $1,001 thousand and $3,315 thousand in 2021 and 2020, respectively.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(c) Receivables

	December 31, 2021	December 31, 2020
Notes receivable	$ 62,772	58,914
Accounts receivable	860,247	713,622
Accounts receivable from related parties	592,416	482,170
Overdue receivable (under other non-current financial assets)	18,454	19,873
Less: loss allowance	(33,529)	(32,343)
	$ 1,500,360	**1,242,236**

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, account receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance were determined as follows:

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,501,058	0.00%~0.08%	1,222
1 to 90 days past due	14,377	5.69%~96.35%	13,853
91 to 365 days past due	-	58.33%~100%	-
More than 365 days past due	18,454	100%	18,454
	$ 1,533,889		**33,529**

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,241,415	0.00%~0.09%	1,076
1 to 90 days past due	13,099	6.04%~85.52%	11,202
91 to 365 days past due	192	92.68%~100%	192
More than 365 days past due	19,873	100%	19,873
	$ 1,274,579		**32,343**

The detail of loss allowance were as follows:

	December 31, 2021	December 31, 2020
Notes receivable	$ 51	-
Accounts receivable	15,024	12,470
Overdue receivable	18,454	19,873
	$ 33,529	**32,343**

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

The movement in the allowance for receivables were as follows:

	For the years ended December 31,	
	2021	**2020**
Balance on January 1, 2021	$ 32,343	35,889
Impairment losses recognized (reversed)	2,202	(433)
Amounts written off	(1,016)	(3,113)
Balance on December 31, 2021	**$ 33,529**	**32,343**

The aforementioned financial assets were not pledged.

(d) Inventories

	December 31, 2021	**December 31, 2020**
Raw materials	$ 744,042	610,615
Supplies	17,119	12,748
Work in progress	326,442	354,422
Finished goods	1,264,296	1,172,560
Materials in transit	83,573	84,374
	$ 2,435,472	**2,234,719**

Except cost of goods sold and inventories recognized as expenses, the remaining gain or losses which were recognized as operating cost or deduction of operating cost were as follows:

	2021	**2020**
Losses (gains) on valuation of inventories	$ 535	(838)
Losses on obsolescence	5,389	3,783
Losses (gains) on inventory count	3,424	(991)
Unallocated production overheads	127,934	144,084
Scrap income	(2,268)	(1,278)
	$ 135,014	**144,760**

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

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(e) Investments accounted for using equity method

(i) The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Subsidiaries	$ 1,771,611	1,796,424
Associates	63,750	56,657
	$ 1,835,361	**1,853,081**

(ii) Subsidiaries

Please refer to consolidated financial statements for the year ended December 31, 2021.

(iii) Associates

Summary of financial information for the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the parent-company-only financial statements of the Company.

	December 31, 2021	December 31, 2020
Carrying amount of individually insignificant associates	**$ 63,750**	**56,657**

	2021	2020
Attributable to the Company:		
Profit from continuing operations	$ 5,929	3,832
Other comprehensive income	1,164	(2,847)
Total comprehensive income	**$ 7,093**	**985**

(iv) The aforementioned investment accounted for using equity method were not pledged.

(f) Property, plant and equipment

The detail of movement of the property, plant and equipment for the Company were as follows:

	Land	Land improvement	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Cost:						
Balance on of January 1, 2021	$ 890,375	159,000	3,284,943	8,039,901	163,360	12,537,579
Additions	-	-	10,027	67,202	101,333	178,562
Disposals	-	-	-	(48,635)	-	(48,635)
Reclassification (note)	-	-	37,582	147,720	(128,612)	56,690
Balance on of December 31, 2021	**$ 890,375**	**159,000**	**3,332,552**	**8,206,188**	**136,081**	**12,724,196**

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

	Land	Land improvement	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Balance on of January 1, 2020	$ 890,375	-	3,277,993	7,886,677	178,336	12,233,381
Additions	-	127,200	4,557	58,802	93,814	284,373
Disposals	-	-	(7,051)	(42,549)	-	(49,600)
Reclassification (note)	-	31,800	9,444	136,971	(108,790)	69,425
Balance on of December 31, 2020	**$ 890,375**	**159,000**	**3,284,943**	**8,039,901**	**163,360**	**12,537,579**
Accumulated depreciation and impairment:						
Balance on of January 1, 2021	$ -	4,638	2,115,082	6,172,879	-	8,292,599
Depreciation	-	7,950	130,873	373,693	-	512,516
Disposals	-	-	-	(48,027)	-	(48,027)
Balance on of December 31, 2021	**$ -**	**12,588**	**2,245,955**	**6,498,545**	**-**	**8,757,088**
Balance on of January 1, 2020	$ -	-	1,991,344	5,834,459	-	7,825,803
Depreciation	-	4,638	130,586	380,252	-	515,476
Disposals	-	-	(6,848)	(41,832)	-	(48,680)
Balance on of December 31, 2020	**$ -**	**4,638**	**2,115,082**	**6,172,879**	**-**	**8,292,599**
Carrying amounts:						
Balance on of December 31, 2021	**$ 890,375**	**146,412**	**1,086,597**	**1,707,643**	**136,081**	**3,967,108**
Balance on of January 1, 2020	**$ 890,375**	**-**	**1,286,649**	**2,052,218**	**178,336**	**4,407,578**
Balance on of December 31, 2020	**$ 890,375**	**154,362**	**1,169,861**	**1,867,022**	**163,360**	**4,244,980**

(note): Prepayments for business facilities were reclassified as property, plant and equipment.

(i) For the years ended December 31, 2021 and 2020, the Company capitalized the interest expenses on construction in progress, amounted to $1,456 thousand and $2,460 thousand, respectively, and the monthly interest rate used for capitalization calculation were 0.08%~0.09% and 0.11%, respectively.

(ii) As of December 31, 2021 and 2020, the property, plant and equipment of the Company had not been pledged.

(g) Other current assets

	December 31, 2021	December 31, 2020
Prepayments	$ 46,886	44,693
Offset against business tax payable and input taxes	39,665	25,327
Payment on behalf of others	9,512	12,337
	$ 96,063	**82,357**

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(h) Right-of-use assets

The information about leases of buildings and construction, and equipment for which the Company has been a leases is presented below:

		Buildings and construction	Equipment	Total
Cost:				
Balance on January 1, 2021	$	43,387	12,792	56,179
Acquisitions		-	318	318
Disposals		-	(232)	(232)
Balance on December 31, 2021	**$**	**43,387**	**12,878**	**56,265**
Balance on January 1, 2020	$	43,320	13,945	57,265
Acquisitions		67	1,181	1,248
Disposals		-	(2,334)	(2,334)
Balance on December 31, 2020	**$**	**43,387**	**12,792**	**56,179**
Accumulated depreciation:				
Balance on January 1, 2021	$	15,321	3,682	19,003
Depreciation		7,673	2,324	9,997
Disposals		-	(232)	(232)
Balance on December 31, 2021	**$**	**22,994**	**5,774**	**28,768**
Balance on January 1, 2020	$	7,659	2,937	10,596
Depreciation		7,662	3,019	10,681
Disposals		-	(2,274)	(2,274)
Balance on December 31, 2020	**$**	**15,321**	**3,682**	**19,003**
Carrying amount:				
Balance on December 31, 2021	**$**	**20,393**	**7,104**	**27,497**
Balance on January 1, 2020	**$**	**35,661**	**11,008**	**46,669**
Balance on December 31, 2020	**$**	**28,066**	**9,110**	**37,176**

(i) Intangible assets

The movement in intangible assets were as follows:

		REACH registration related expenses	Others	Total
Cost:				
Balance on of January 1, 2021	$	190,896	2,267	193,163
Additions		27,083	-	27,083
Balance on of December 31, 2021	**$**	**217,979**	**2,267**	**220,246**
Balance on of January 1, 2020	$	165,165	2,267	167,432
Additions		25,731	-	25,731
Balance on of December 31, 2020	**$**	**190,896**	**2,267**	**193,163**

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

	REACH registration related expenses	Others	Total
Accumulated amortization:			
Balance on of January 1, 2021	$ 78,793	1,881	80,674
Amortization	28,786	221	29,007
Balance on of December 31, 2021	$ 107,579	2,102	109,681
Balance on of January 1, 2020	$ 52,090	1,563	53,653
Amortization	26,703	318	27,021
Balance on of December 31, 2020	$ 78,793	1,881	80,674
Carrying amounts:			
Balance on of December 31, 2021	$ 110,400	165	110,565
Balance on of January 1, 2020	$ 113,075	704	113,779
Balance on of December 31, 2020	$ 112,103	386	112,489

(i) Amortization expense

For the years ended December 31, 2021 and 2020, the amortization of intangible assets are included in the statement of comprehensive income as follows:

	2021	2020
Operating costs and expenses	$ 29,007	27,021

(ii) Pledge

As of December 31, 2021 and 2020, the intangible assets of the Company were not pledged as collateral.

(j) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured bank loans	$ 1,308,863	1,172,531
Unused credit lines	$ 2,577,938	2,412,189
Range of interest rate	0.55%~1.10%	0.77%~3.09%

(k) Long-term borrowings

	December 31, 2021			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.14%~1.15%	2023.1~2024.6	$ 1,000,000
Unused credit lines				$ 250,000

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

	December 31, 2020			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured bank loans	NTD	1.14%~1.2%	2022.5~2023.6	$ 1,250,000
Unused credit lines				$ 150,000

The Company had not pledged the assets as collateral for bank loans.

(l) Lease liabilities

The carry amount of lease liabilities were as follow:

	December 31, 2021	December 31, 2020
Current	$ 9,659	9,856
Non-current	$ 18,529	27,957

For the maturity analysis, please refer to Note 6(u).

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	$ 492	634
Expenses relating to short-term leases	$ 1,393	1,449

The amounts recognized in the statement of cash flows by the Company were as follows:

	2021	2020
Total cash outflow for leases	$ 11,828	12,578

(i) Land, buildings and constructions, and equipment lease

For the years ended December 31, 2021 and 2020, the Company leases buildings and constructions, and equipment for its warehouses and office space. The leases of warehouses and office typically run for a period from 3 to 7 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.

(ii) The Company leases office equipment and vehicles whose lease periods are 1 to 3 years, are recognized as short-term or lower-price lease. The Company elected to apply practical expedients not recognizing relative right-of-use assets and lease liabilities.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(m) Provisions

The movements of the provisions were as follows:

		December 31, 2021	December 31, 2020
Balance on January 1, 2021	$	119,250	-
Additions		-	159,000
Decreases		(31,800)	(39,750)
Balance on December 31, 2021	**$**	**87,450**	**119,250**

A provision of $159,000 thousand was made in respect of the Company's obligation to rectify environmental damage, which was recognized in other current liabilities and other non-current liabilities.

(n) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan asset at fair value are as follows:

		December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	$	884,896	817,786
Fair value of plan assets		(670,063)	(688,980)
Net defined benefit liabilities	**$**	**214,833**	**128,806**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan and Nanshan life insurance nonforfeiture values that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to received retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance and Nan-shan life insurance nonforfeiture values amounted to $670,063 thousand as of December 31, 2021. 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 Bureau of Labor Funds, Ministry of Labor.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2021 and 2020, the movement in present value of the defined benefit obligations for the Company were as follows:

		2021	2020
Defined benefit obligations as of January 1	$	817,786	851,729
Current service costs and interest cost		13,721	18,712
Net remeasurements of defined benefit liabilities:			
—Actuarial losses arising from changes in financial assumptions		105,661	8,859
Benefits paid by the plan		(52,272)	(61,514)
Defined benefit obligations as of December 31	**$**	**884,896**	**817,786**

3) Movements of defined benefit plan assets

For the years ended December 31, 2021 and 2020, the movements in the fair value of the plan assets were as follows:

		2021	2020
Fair value of plan assets as of January 1	$	688,980	696,932
Return on plan assets (excluding the interest expense)		4,301	6,958
Net remeasurements of the defined benefit liabilities:			
—Actuarial gains arising from changes in financial assumptions		7,601	19,360
Contributions paid to the plan		15,416	18,775
Benefits paid by the plan		(46,235)	(53,045)
Fair value of plan assets as of December 31	**$**	**670,063**	**688,980**

4) Expenses recognized in profit or loss

		2021	2020
Current service costs	$	8,665	10,336
Net interest expense of net defined benefit liabilities		755	1,418
	$	**9,420**	**11,754**

		2021	2020
Operating costs	$	5,497	6,814
Administration expenses		2,729	3,400
Research and development expenses		1,194	1,540
	$	**9,420**	**11,754**

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

5) Remeasurement of net defined benefit (liabilities) assets recognized in other comprehensive income

The Company's remeasurement of the net defined benefit (liabilities) assets recognized in other comprehensive income for the years ended December 31, 2021 and 2020, were as follows:

		2021	2020
Accumulated amount as of January 1	$	(106,369)	(116,870)
Recognized during the period		(98,060)	10,501
Accumulated amount as of December 31	**$**	**(204,429)**	**(106,369)**

6) Actuarial assumptions

The principal actuarial assumptions were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.625 %	0.625 %
Future salary increasing rate	1.500 %	1.200 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $15,465 thousand.

The weighted-average lifetime of the defined benefits plans is 11.04 years.

7) Sensitivity analysis

As of December 31, 2021 and 2020, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		The impact of defined benefit obligations	
		Increased	Decreased
December 31, 2021			
Discount rate decreased (increased) 0.25%	$	18,761	(19,355)
Future salary increasing rate increased (decreased) 0.25%		18,227	(18,693)
December 31, 2020			
Discount rate decreased (increased) 0.25%		18,668	(18,061)
Future salary increasing rate increased (decreased) 0.25%		18,100	(17,601)

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions 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.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(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. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $34,494 thousand and $33,991 thousand for the years ended December 31, 2021 and 2020, respectively.

(o) Income taxes

(i) Income tax expense

The components of income tax expenses (benefit) for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Current tax expense		
Current period	$ 114,778	24,746
Adjustment for prior periods	(1,641)	(4,221)
	113,137	20,525
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(32,341)	28,038
Income tax expense	**$ 80,796**	**48,563**

The amount of income tax expenses (benefit) recognized in other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Components that with not be reclassified to profit or loss:		
Remeasurements from defined benefit plans	**$ (19,612)**	**2,100**

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

Reconciliation of income tax expense and profit before tax for 2021 and 2020 were as follows:

	2021	2020
Profit excluding income tax	$ 553,766	261,842
Income tax using the Company's domestic tax rate	$ 110,753	52,368
Dividend revenue	(7,548)	(8,806)
Tax credit of investment	(11,388)	(10,235)
Others	(11,021)	15,236
Income tax expense	$ 80,796	48,563

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

As of December 31, 2021 and 2020, the Company has no unrecognized deferred tax assets and liabilities.

2) Recognized deferred tax assets and liabilities

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

Deferred tax assets:

	Allowance for impairment of receivables	Allowance for valuation of inventories	Defined benefit plans	Other	Total
Balance as of January 1, 2021	$ 4,745	2,167	25,761	15,145	47,818
Recognized in profit or loss	(1,106)	107	(2,407)	43,436	40,030
Recognized in other comprehensive income	-	-	19,612	-	19,612
Balance as of December 31, 2021	$ 3,639	2,274	42,966	58,581	107,460
Balance as of January 1, 2020	$ 5,736	2,335	31,963	29,056	69,090
Recognized in profit or loss	(991)	(168)	(4,102)	(13,911)	(19,172)
Recognized in other comprehensive income	-	-	(2,100)	-	(2,100)
Balance as of December 31, 2020	$ 4,745	2,167	25,761	15,145	47,818

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

Deferred tax liabilities:

	Unrealized investment income under equity method	Unrealized foreign exchange gains	Other	Total
Balance as of January 1, 2021	$ (74,421)	(4,653)	-	(79,074)
Recognized in profit or loss	(12,313)	4,653	(29)	(7,689)
Balance as of December 31, 2021	**$ (86,734)**	**-**	**(29)**	**(86,763)**
Balance as of January 1, 2020	$ (68,098)	(2,110)	-	(70,208)
Recognized in profit or loss	(6,323)	(2,543)	-	(8,866)
Balance as of December 31, 2020	**$ (74,421)**	**(4,653)**	**-**	**(79,074)**

(iii) The Company's tax return for the years through 2019 were assessed and approved by the Taipei National Tax Administration.

(p) Capital and other equity

(i) Common share

As of December 31, 2021 and 2020, the Company's authorized share capital consisted of 800,000 thousand shares of common share, with $10 dollars par value per share, of which 547,752 thousand shares, were issued and outstanding.

(ii) Capital surplus

The balance of capital surplus as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Cash subscription in excess of par value of shares	$ 462,559	462,559
Treasury share transactions	10,999	10,999
Donation from shareholders	1,000	1,000
	$ 474,558	**474,558**

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that the Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance is to be appropriated as follows:

1) Legal reserve should be at 10%.

2) Special reserve should be appropriated (reversed) in accordance with related rules.

3) Remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. It is authorized the resolution has been adopted by a majority vote at a meeting of the Board of Directors attends by two- thirds of total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

In order for the requirement of future investment and shareholders' interest, the dividend payment is not lower than 50% of net profit of current year deduct legal reserve and the payment of cash dividend should exceed 25% of total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

The Company adopted to exemptions of IFRS 1 First-time Adoption of International Financial Reporting Standards of first time adoption in accordance with the IFRSs approved by the FSC. Based on the exemptions, the Company increased retained earnings amounted to $132,824 thousand from reserve for revaluation increment and cumulative translation adjustments (gains). In accordance with the ruling issued by the FSC, the Company shall reserve a special reserve amounted to $18,752 thousand, which is same as the increased amount at first time adoption of IFRSs. The Company shall reverse to distribute of earnings proportionately based on the prior special reserve when the related assets had been used, disposal or reclassified. As of December 31, 2021 and 2020, the special reserve is amounted to $18,646 thousand.

According to the ruling issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve to account for cumulative changes to other shareholders' equity, and does not qualify for earnings distribution. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

3) Earnings distribution

The amounts of cash dividends for 2020 and 2019 had been approved during the board meeting held on March 25, 2021 and March 19, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	**Amount**	**Amount per share**	**Amount**
Dividends distributed to common shareholders:				
Cash	$ 0.30	$ 164,326	0.30	164,326

On March 24, 2022, the Company's Board of Directors proposed to resolve to appropriate the 2021 earnings. These earnings will be appropriated as follows:

	2021	
	Amount per share	**Amount**
Dividends distributed to common shareholders:		
Cash	$ 0.50	$ 273,876

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2021	$ (110,615)	226,554	115,939
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	505,230	505,230
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income on subsidiaries accounted for using equity method	-	3,829	3,829
Exchange differences on translation of foreign financial statements	(20,867)	-	(20,867)
Exchange differences on associates accounted for using equity method	1,164	-	1,164
Balance on December 31, 2021	$ (130,318)	735,613	605,295

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2020	$ (112,054)	81,616	(30,438)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	207,948	207,948
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income on subsidiaries accounted for using equity method	-	(3,318)	(3,318)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(59,692)	(59,692)
Exchange differences on translation of foreign financial statements	4,286	-	4,286
Exchange differences on associates accounted for using equity method	(2,847)	-	(2,847)
Balance on December 31, 2020	$ **(110,615)**	**226,554**	**115,939**

(q) Earning per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Basic earning per share		
Profit attributable to common shareholders of the Company	$ **472,970**	**213,279**
Weighted-average number of common shares	$ **547,752**	**547,752**
Basic earnings per share (express in New Taiwan dollar)	$ **0.86**	**0.39**

	2021	2020
Diluted earning per share		
Profit attributable to common shareholders of the Company	$ **472,970**	**213,279**
Weighted average number of common shares (basic)	547,752	547,752
Effect of employee compensation	1,287	1,264
Weighted-average number of common shares outstanding (diluted)	**549,039**	**549,016**
Diluted earnings per share (express in New Taiwan dollar)	$ **0.86**	**0.39**

(r) Employee compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute 5% of the profit as employee remuneration and a maximum of 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients may include the employees of the Company's affiliated companies who meet certain conditions.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2021 and 2020, the Company estimated its employee compensation at $29,772 thousand and $14,077 thousand and directors' remuneration at $11,909 thousand and $5,631 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses during 2021 and 2020 for each period. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent-company-only financial statements, are identical to those of the actual distributions for 2021 and 2020.

(s) Revenue from contract with customers

(i) Disaggregation of revenue

	2021				
	Color chemicals	**Specialty chemicals**	**Electronic chemicals**	**Pharmaceuticals**	**Total**
Primary geographical markets:					
Taiwan	$ 429,034	303,044	830,045	7,991	1,570,114
America	269,096	471,831	-	43,935	784,862
Asia	2,429,095	963,632	326,561	67,438	3,786,726
Europe	631,203	451,516	-	95,450	1,178,169
Other	97,319	65,876	-	26,304	189,499
	$ 3,855,747	**2,255,899**	**1,156,606**	**241,118**	**7,509,370**
Major products:					
Chemicals	$ 3,855,747	2,255,899	1,156,606	-	7,268,252
Other	-	-	-	241,118	241,118
	$ 3,855,747	**2,255,899**	**1,156,606**	**241,118**	**7,509,370**

	2020				
	Color chemicals	**Specialty chemicals**	**Electronic chemicals**	**Pharmaceuticals**	**Total**
Primary geographical markets:					
Taiwan	$ 373,502	235,036	821,912	8,286	1,438,736
America	187,359	201,848	-	42,508	431,715
Asia	2,063,744	773,671	226,885	44,634	3,108,934
Europe	518,161	366,126	-	65,186	949,473
Other	68,862	46,683	-	41,141	156,686
	$ 3,211,628	**1,623,364**	**1,048,797**	**201,755**	**6,085,544**
Major products:					
Chemicals	$ 3,211,628	1,623,364	1,048,797	-	5,883,789
Other	-	-	-	201,755	201,755
	$ 3,211,628	**1,623,364**	**1,048,797**	**201,755**	**6,085,544**

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(ii) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Receivables	$ 1,533,889	1,274,579	1,260,082
Less: loss allowance	(33,529)	(32,343)	(35,889)
Total	**$ 1,500,360**	**1,242,236**	**1,224,193**

For the detail on receivable and allowance, please refer to Note 6(c).

(t) Non-operating income and expenses

(i) Interest income

	2021	2020
Interest income for bank deposits	**$ 1,418**	**1,549**

(ii) Other income

	2021	2020
Dividend income	**$ 37,740**	**44,731**

(iii) Other gains and losses

	2021	2020
Foreign exchange losses	$ (52,740)	(19,684)
Net gains on disposal of financial assets and liabilities at fair value through profit or loss	216	265
Gains on disposal of property plant and equipment	1,125	31
Subsidy revenue	20,410	10,372
Gains on writing off over due payment	-	21,143
Others	62,966	56,448
	$ 31,977	**68,575**

(iv) Finance costs

	2021	2020
Interest expense	**$ 23,966**	**36,654**

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2021 and 2020, the Company's exposure to credit risk and the maximum exposure were mainly from:

a) The carrying amount of financial assets recognized in the balance sheet; and

(Continued)

b) The amounts of liabilities as a result from the Company providing financial guarantees were $55,360 thousand and $56,960 thousand , respectively.

2) Concentration of credit risk

The Company has exposure to credit risk of individual counterparty or group of counterparties with similar credit characteristics. Those related parties of which having transactions with the Company are regarded as group of counterparties with similar credit characteristics. The concentrations of credit risk on notes and accounts receivables due from subsidiaries resulted that the Company distributed product through subsidiaries. Please refer to Note 7.

3) Receivables securities

For credit risk exposure of receivables, please refer Note 6(c).

Other financial assets at amortized cost includes other receivables and refundable deposits. There were no loss allowance provision for the years ended December 31, 2021 and 2020. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(f).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payable and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	$ 1,308,863	1,310,228	1,310,228	-	-	-
Notes payable	238,909	238,909	238,909	-	-	-
Accounts payable	290,275	290,275	290,275	-	-	-
Other payable	415,083	415,083	415,083	-	-	-
Payables on equipment	43,062	43,062	43,062	-	-	-
Lease liabilities	28,188	28,911	10,004	8,435	9,478	994
Long-term borrowings	1,000,000	1,019,440	-	617,348	402,092	-
	$ 3,324,380	**3,345,908**	**2,307,561**	**625,783**	**411,570**	**994**

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2020						
Non derivative financial liabilities						
Short-term borrowings	$ 1,172,531	1,174,406	1,174,406	-	-	-
Notes payable	181,329	181,329	181,329	-	-	-
Accounts payable	326,587	326,587	326,587	-	-	-
Other payable	316,660	316,660	316,660	-	-	-
Payables on equipment	15,638	15,638	15,638	-	-	-
Lease liabilities	37,813	39,021	10,345	9,896	16,792	1,988
Long-term borrowings	1,250,000	1,275,300	-	1,074,168	201,132	-
	$ 3,300,558	**3,328,941**	**2,024,965**	**1,084,064**	**217,924**	**1,988**

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 45,018	27.68	1,245,199	34,039	28.48	968,751
JPY	142,221	0.24	33,920	171,904	0.27	47,153
RMB	68,157	4.34	294,372	65,426	4.35	284,735
Financial liabilities						
Monetary items						
USD	41,176	27.70	1,140,568	29,064	28.50	828,319
JPY	87,783	0.24	21,287	61,650	0.28	17,157
RMB	1,808	4.37	7,899	7,914	4.40	34,836

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivable, and accounts payable that are denominated in foreign currency. A strengthening (weakening) 1% of appreciation (depreciation) of the NTD against the USD, JPY, and RMB for the years ended December 31, 2021 and 2020, would have changed the profit by $3,243 thousand and $3,363 thousand, respectively. The analysis is performed on the same basis for 2021 and 2020.

(Continued)

3) Foreign exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years 2021 and 2020, foreign exchange losses (including realized and unrealized portions) are exchange losses (gains) amounted to $52,740 thousand and $19,684 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expresses as the interest rate increase or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1%, the Company's profit would have decreased/increased by $18,471 thousand and $19,380 thousand, respectively, for the years ended December 31, 2021 and 2020, with all other variable factors that remain constant. This is mainly due to the Company's borrowing at floating rates.

(v) Other market price risk

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2021		2020	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
1% increase	$ 14,595	-	9,287	-
1% decrease	$ (14,595)	-	(9,287)	-

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(vi) Fair value of financial instruments

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows, however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2021				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	$ 60,247	60,247	-	-	60,247
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	1,388,138	1,388,138	-	-	1,388,138
Domestic unlisted common shares	71,353	-	-	71,353	71,353
Subtotal	1,459,491	1,388,138	-	71,353	1,459,491
Financial assets measured at amortized cost					
Cash and cash equivalents	990,993	-	-	-	-
Financial assets at amortized cost	3,502	-	-	-	-
Notes and accounts receivable (included related parties)	1,500,360	-	-	-	-
Other financial assets (included other receivables-related parities)	27,148	-	-	-	-
Subtotal	2,522,003	-	-	-	-
Total	**$ 4,041,741**	**1,448,385**	**-**	**71,353**	**1,519,738**
Financial liabilities measured at amortized cost					
Bank loans	$ 2,308,863	-	-	-	-
Notes and trade payable	529,184	-	-	-	-
Other payable	415,083	-	-	-	-
Lease liabilities	28,188	-	-	-	-
Payables on equipment	43,062	-	-	-	-
Total	**$ 3,324,380**	**-**	**-**	**-**	**-**

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

	December 31, 2020				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	$ 60,100	60,100	-	-	60,100
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	884,695	884,695	-	-	884,695
Domestic unlisted common shares	43,999	-	-	43,999	43,999
Subtotal	928,694	884,695	-	43,999	928,694
Financial assets measured at amortized cost					
Cash and cash equivalents	864,307	-	-	-	-
Financial assets at amortized cost	12,869	-	-	-	-
Notes and accounts receivable (included related parties)	1,242,236	-	-	-	-
Other financial assets (included other receivables-related parities)	24,035	-	-	-	-
Subtotal	2,143,447	-	-	-	-
Total	**$ 3,132,241**	**944,795**	**-**	**43,999**	**988,794**
Financial liabilities measured at amortized cost					
Bank loans	$ 2,422,531	-	-	-	-
Notes and trade payable	507,916	-	-	-	-
Other payable	316,660	-	-	-	-
Lease liabilities	37,813	-	-	-	-
Payables on equipment	15,638	-	-	-	-
Total	**$ 3,300,558**	**-**	**-**	**-**	**-**

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative instruments

The fair value of financial instruments traded in an active market is based on the quoted market prices. The quotations, which is published by the main exchange center, is included in the fair value of the listed securities instruments in an active market with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive as follows:

i) the bid-ask spread is increasing; or

ii) the bid-ask spread varies significantly; or

iii) there has been a significant decline in trading volume.

When the financial instrument of the Company is traded in an active market, its fair value is illustrated by the category and nature as follows:

- The fair value of stocks listed on domestic and foreign markets, which are the financial assets with standard terms and conditions and traded in an active market, are based on the market closing prices.

Except the aforementioned financial instruments, with active market the others' fair value is based on valuation techniques. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting data.

When the financial instrument of the Company is traded in an inactive market, its fair value is illustrated by the category and nature as follows:

- Unquoted equity instruments: the fair value of financial instruments transactions in an inactive market, which is valued by comparable method. The main hypothesis is referred from the quotations of comparable listed companies and earning multiplies of PBR proportion as basic, which is adjusted by the discount affections of equity securities lacking market liquidity.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Transfers between Level 1 and Level 2

The Company didn't have any fair value transfer between levels for the years ended December 31, 2021 and 2020.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance on adjustment January 1, 2021	$ 43,999
Total gains or losses:	
Recognized in other comprehensive income	27,354
Balance on December 31, 2021	**$ 71,353**
Balance on adjustment January 1, 2020	$ 56,764
Total gains or losses:	
Recognized in other comprehensive income	(12,765)
Balance on December 31, 2020	**$ 43,999**

The aforementioned total gains or losses were included “unrealized gains (losses) on equity investment measured at fair value through other comprehensive income”, which related to holding assets on December 31, 2021 and 2020 were as follows:

	2021	2020
Recognized in other comprehensive income	**$ 27,354**	**(12,765)**

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value were “financial assets measured at fair value through other comprehensive income – debt investments”.

Most of the Company's financial instruments that use level 3 inputs to measure fair value have multiple significant unobservable inputs. There is no correlation existence among the significant unobservable inputs of equity investments that have no active markets because they were independent of each other.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income- equity investments without an active market	Comparable Listed companies approach	• Price-Book Ratio (as of December 31, 2021 and 2020 were 7.25 and 3.99, respectively) • Market liquidity discount rate (as of December 31, 2021 and 2020 were all 20%)	• The estimated fair value would increase if the multiplier was higher. • The estimated fair value would decrease if market liquidity discount rate was higher.

(Continued)

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurements of financial instruments' fair value were reasonable, only if using different variables leading different results. For the fair value measurements in level 3, if changing valuation variables, would have the following effects on other comprehensive income on December 31, 2021:

		Fair value variation on other comprehensive income			
	Upwards or	Favorable		Unfavorable	
Inputs	**Downwards**	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Price-book ratio	5%	3,556	2,250	(3,556)	(2,250)
Market liquidity discount rate	5%	3,577	2,173	(3,577)	(2,173)

The favorable and unfavorable effects represent the changes in fair value, and fait value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

(v) Financial risk management

(i) Overview

The Company have exposure to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Company's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the parent-company-only financial statements.

(ii) Structure of risk management

The Company's inter departmental management and committee, which consists of general manager and managers from all departments, including manufacturing, research and development, environment, health and safety, financial and audit, is responsible to hold a meeting regularly for monitoring the Company's risk management policies.

The executive and responsible departments of risk management are as follows:

1) Financial risk, liquidity risk, credit risk and legal risk: based on regulations, government policy and analysis of market change, financial division and legal division make the strategy to reflect, then execute the strategy. The internal auditor reviews the risks control and procedures for the aforementioned risks.

(Continued)

2) Market risk: the Company's SBUs and functional division are responsible to make the strategy to identify risk based on regulation, government policy and analysis of market change, then execute the strategy. In order to manage the risk of market change dramatically, management with SBUs managers will establish a task force when it is necessary.

3) Operating strategy risk: in order to monitor the operating strategy in compliance with the Company's vision and meet the operating goals, general manager division with management of SBUs will evaluate the risk of operational policy through performance evaluation periodically.

The Company's Audit Committee oversees how management monitors counterparty with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the internal auditor. The internal auditor undertakes both regular and exceptional reviews of risk management controls and the procedures, and the result of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet it contractual obligations that arises principally from the Company's accounts receivable and investments in securities.

1) Accounts receivable and other receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. According to the credit policy, the Company analyze each new customer individually for their credit worthiness before granting the new customer standard payment terms. Credit lines are established for each customer and reviewed periodically.

The Company did not have any collateral or other enhancements to avoid credit risk of financial assets.

2) Investments

The credit risk exposure in the bank deposits, and equity instruments are measured and monitored by the Company's finance department. Since the Company's transactions resulted from the external parties with good credit standing highly rated financial institutions, publicly-traded stock companies and unlisted companies with good reputation, there are no incompliance issues and therefore no significant credit risk.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2021 and 2020, the outstanding balance of guarantees were $55,360 thousand and $56,960 thousand, respectively.

(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 and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2021 and 2020, the Company's unused credit line were amounted to $2,827,938 thousand and $2,562,189 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. 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 risk. All such transactions are carried out within the guidelines of derivative transaction management set by the board of directors and general meeting of shareholders and the related financial transactions are under oversight by internal auditor. The management of the Company's market risk are as follows:

1) Currency risk

The Company is exposed to currency risk on foreign currency assets and liabilities resulted from operating, financing and investing activities. The Company hedges the currency risk by derivatives. Most of the foreign exchange gains and losses arising from foreign currency assets and liabilities will be offset by the gains or losses on derivative instruments. The Company may reduce the currency risk through derivative instruments but do not avoid all of the currency influence resulted from foreign currency exchange.

The Company monitors the exposure of individual foreign currency assets and liabilities periodically. When necessary, the Company uses foreign currency options and forward exchange contracts to hedge above currency risk exposure. The duration of foreign currency options and forward exchange contracts are within one year and do not meet the criteria for hedge accounting.

2) Interest rate risk

The Company's exposure of interest rate risk is mainly from floating-rate loans. Any change in interest rates will cause influence in the effective interest rates of loans and thus cause the alternation of future cash flows. The Company enters into and designates interest rate swaps and other capital market financing as hedges of the variability in cash flows by continuing to review the interest rate variability in order to control the financial cost at the relatively low in market interest rate.

(Continued)

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

(w) Capital management

The Company's policy is to manage its capital to safeguard the capacity to continue as a going concern, to continue to provide returns for shareholders, maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

	December 31, 2021	December 31, 2020
Total liabilities	$ 3,842,199	3,670,237
Less: cash and cash equivalents	990,993	864,307
Net liabilities	**$ 2,851,206**	**2,805,930**
Total equity	**$ 8,806,140**	**8,087,304**
Debt-to-equity ratio	**32 %**	**35 %**

There were no change in the Company's approach to capital management for the year ended December 31, 2021.

(x) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes Other	December 31, 2021
Short-term borrowings	$ 1,172,531	136,332	-	1,308,863
Lease liabilities	37,813	(9,943)	318	28,188
Long-term borrowings	1,250,000	(250,000)	-	1,000,000
Total liabilities from financing activities	**$ 2,460,344**	**(123,611)**	**318**	**2,337,051**

	January 1, 2020	Cash flows	Non-cash changes Other	December 31, 2020
Short-term borrowings	$ 1,717,630	(545,099)	-	1,172,531
Lease liabilities	47,120	(10,495)	1,188	37,813
Long-term borrowings	1,379,748	(130,000)	252	1,250,000
Total liabilities from financing activities	**$ 3,144,498**	**(685,594)**	**1,440**	**2,460,344**

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Company and its subsidiaries.

(b) Names and relationship with related parties

The following are entities that have had transactions with related party during the periods covered in the parent-company-only financial statements.

Name of related party	Relationship with the Company
EVERLIGHT USA, INC. (EVUS)	Subsidiary
EVERLIGHT (HONG KONG) LIMITED (EVHK)	Subsidiary
EVERLIGHT CHEMICALS (SINGAPORE) PTE LTD. (EVSG)	Subsidiary
EVERLIGHT EUROPE B.V. (EVEU)	Subsidiary
TREND TONE IMAGING, INC. (TTI)	Subsidiary
ELITE FOREIGN TRADING INCORPORATION (ELITE)	Subsidiary
DAILYCARE BIOMEDICAL INC. (DCBM) (Note)	Subsidiary
ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGHAI) CO.,LTD. (ETSH)	Subsidiary
GUANGZHOU ETHICAL TRADING CO., LTD. (ETGZ)	Subsidiary
SHANGHAI EVERLIGHT TRADING CO., LTD. (EVSH)	Subsidiary
EVERLIGHT (SUZHOU) ADVANCED CHEMICALS LTD. (EVSZ)	Subsidiary
ANDA SEMI CONDUCTOR TECHNOLOGY (SUZHOU) CO., LTD. (ANDA)	Subsidiary
GREATLIGHT INVESTMENT CORPORATION (GLTP)	Subsidiary
SHANGHAI ANDA INTERNATIONAL TRADING CO., LTD. (ADSH)	Subsidiary
3E CHEMICAL (SUZHOU) CO., LTD. (3ESZ)	Affiliate
CHUNG HWA CHEMICAL INDUSTRIAL WORKS, LTD. (CHCIW)	The entity's chairman is the director of the Company

Note: The Company decided to resolve DCBM. As of December 31, 2021, the related procedure has not completed.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(c) Significant transactions with related parties

(i) Operating revenue

Significant sales to related parties of the Company were as follow:

	2021	2020
Subsidiary	$ 2,696,954	2,120,879

The payment terms for related parties, except EVUS, ELITE and ADSH are Open Account 120 days, Open Account 100 days and Open Account 120 days, respectively, are same as those of the third-parties sales. There was no collateral on the accounts receivable from related parties. The Company did not recognized allowance of impairment after considerations.

(ii) Purchase

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

	2021	2020
Subsidiary	$ 1,601	1,082
Other related parties	42,984	33,079
	$ 44,585	34,161

The prices, payment terms and other terms and conditions of purchase transactions with related parties were not materially different from those of the third-party vendors.

(iii) Other

1) The Company had provided a guarantee for loans taken out by related parties were as follows:

	December 31, 2021	December 31, 2020
EVUS	$ 55,360	56,960

2) As of December 31, 2021 and 2020, other receivables of dividends from subsidiaries were $6,945 thousand and $0 thousand, respectively.

3) As of December 31, 2021 and 2020, other receivables of prepayments for subsidiaries were $2,227 thousand and $0 thousand, respectively.

4) As of December 31, 2021 and 2020, other payables of prepayments for subsidiaries were $3,919 thousand and $5,081 thousand, respectively.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(iv) Receivable from related parties

The Company's receivable from related parties were as follows:

Account	Name of Entity	December 31, 2021	December 31, 2020
Accounts receivable due from related parties, net	EVUS	$ 157,722	49,959
	EVEU	19,300	85,289
	Elite	118,496	83,474
	ADSH	91,313	59,501
	Other subsidiaries	205,585	203,947
		592,416	482,170
Other receivables due from related parties	Subsidiaries	9,172	3,957
		$ 601,588	486,127

(v) Payable from related parties

The Company's payable from related parties were as follows:

Account	Name of Entity	December 31, 2021	December 31, 2020
Notes and accounts payable	Other related parties	$ 17,165	14,751
Other payable	Other related parties	2,676	-
Accounts payable	Subsidiaries	513	110
Other payable	Subsidiaries	3,919	4,971
		$ 24,273	19,832

(d) Key management personnel compensation

	2021	2020
Short-term employee benefits	$ 28,903	26,945
Post-employment benefits	604	560
	$ 29,507	27,505

(8) Pledged assets: None.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(9) Commitments and contingencies:

(a) The Company's unrecognized contractual commitment are as follows:

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	$ 69,339	58,272

(10) Losses due to major disasters: None.

(11) Subsequent Events:

On March 10, 2022, a fire accident occurred in building Plant #3. Preliminary estimate of the loss is less than 5% of the Company's production capacity, customer supplies are not affected for time being. As of March 24, 2021, the subsequent actual losses and insurance claims are still under assessment.

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	590,797	394,011	984,808	525,811	364,367	890,178
Labor and health insurance	58,165	36,971	95,136	56,084	36,454	92,538
Pension	24,413	19,501	43,914	25,031	20,714	45,745
Remuneration of directors	-	20,185	20,185	-	14,694	14,694
Others	23,123	12,445	35,568	23,124	11,466	34,590
Depreciation (note)	428,164	94,099	522,263	420,569	105,504	526,073
Depletion	-	-	-	-	-	-
Amortization	221	28,786	29,007	318	26,703	27,021

Note: For the years ended December 31, 2021 and 2020, depreciation expense recognized were $522,513 thousand and $526,157 thousand, respectively, less deferred gains of $250 thousand and $84 thousand, respectively.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

As of December 31, 2021 and 2020, the additional information for employee numbers and employee benefits were as follows:

	2021	2020
Average employee numbers	1,294	1,344
Average directors numbers without serving concurrently as employee	10	9
Average employee benefits	$ 903	796
Average employee salaries	$ 767	667
Average adjustment rate of employee salaries	14.99 %	(5.92)%
Remuneration of supervisor	$ -	-

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

Directors:

According to the Company's Articles of Incorporation, the Company's director remuneration is authorized to be determined by the Board of Directors based on the director's participation procedure in the Company's operation and the value of contribution, no matter whether the Company has realized profit or loss. The standard of the industry is also taken into consideration when deciding director remuneration. A rational remuneration was approved by the Remuneration Committee and the Board of Directors.

General managers and employees:

The salaries and bonuses of general managers and employees are based on the Company's salary standards, taking into their positions, contribution and performance, not due to age, gender, race, religion, political position, marital status or membership in a trade union. The principle is the salary level meet the basic need of maintain basic lives and takes into the motivation and sense of accomplishment. The remuneration board of directors for resolution by the Board of Directors for resolution by the Remuneration Committee.

(Continued)

(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2021:

1. Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Highest balance of financing to other parties during the period	Actual usage amount during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 1)
													Item	Value		
0	ECIC	EVSZ	Other receivable from related parties	Yes	142,675	138,400	-	-	2	-	Short-term operating financing	-	NA	-	880,614	3,522,456

Note1： According to the Company's Operating Procedures of Fund Lending and Guarantee, the amount of loaned fund shall be limited to 40% of the lending company's net worth. The individual lending amount shall not exceed 10% of the lending company's net worth.

Note2： The nature of financing as follow:

1. Business transaction calls for a loan arrangement.
2. The need for short-term financing.

2. Guarantees and endorsements for other parties

Number	Name of guarantor	Counter -party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	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 (Note 1)	Parent company endorsements/guarantees to subsidiary	Subsidiary endorsements/guarantees to parent company	Endorsements/guarantees to the companies in mainland China
		Name	Relationship with the Company (Note 2)										
0	ECIC	EVUS	Subsidiary	880,614	57,070	55,360	-	-	0.63%	2,201,535	Yes	No	No

Note1： According to the Company's Operating Procedures of Fund Lending and Guarantee, the amount of guarantees shall be limited to 25% of the Company's net worth. The individual guarantee amount shall not exceed 10% of the Company's net worth.

Note2： The relationship of guarantee and endorsement with the Company and counter-party:

1. The Company that has a business relationship with endorsement/guarantee provider.
2. A subsidiary in which endorser/guarantor provider holds directly over 50% of equity interest.
3. An investee in which endorsement/guarantee provider and its subsidiaries hold over 50% of equity interest.
4. An investor which holds directly or indirectly over 50% of equity interest of endorser/guarantor provider.
5. The Company that has provided guarantees Investment Amounts Authorized by Investment Commission, MOEA
6. An investee in which endorsement/guarantee provider conjunctly invests with other stockholders, and for which endorsement/guarantee provider has provided endorsement/guarantee provider in proportion to its shareholding percentage.
7. Peer engaged in the escrow of the sales contract on pre-sale house under the Consumer Protection Act.

3. Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of Shares/Units)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance Shares/Units	Carrying value	Percentage of Ownership	Fair value	Note
ECIC	Jin Sun Money Market Fund	-	Financial assets at fair value through profit or loss-current	2,010	30,125	-	30,125	
"	Franklin Templeton Sinoam Money Fund	-	"	2,881	30,122	-	30,122	
					60,247		60,247	
ECIC	Polytronic Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	8,376	466,173	10%	1,046,999	
"	Chung Hwa Chemical Industrial Works,Ltd.	-	"	5,500	92,217	5%	279,400	
"	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	61,739	
"	Andros Pharmaceuticals Co., Ltd.	-	"	3,880	77,800	15%	71,353	
GLTP	Taiwan Bio Therapentics Co., Ltd.	-	"	414	11,400	1%	8,634	
TTI	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	61,739	
			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		732,474		-	
	Total				1,529,864		1,529,864	

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.
5. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.
7. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock.

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Counter-party	Nature of relationship	Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	notes/accounts receivable (payable)	Note
ECIC	EVEU	Subsidiary	Sale	648,072	8.63%	OA 90	Non material differences from those of third-parties	Non material differences from those of third-parties	19,300	2.13%	
”	EVUS	”	"	470,086	6.26%	OA 120	"	"	157,722	17.37%	
”	ELITE	”	"	457,628	6.09%	OA 100	"	"	118,496	13.05%	
”	EVSZ	”	"	245,915	3.27%	OA 90	"	"	54,856	6.04%	
”	ETSH	”	"	223,669	2.98%	OA 90	"	"	57,626	6.35%	
”	EVSH	”	"	218,902	2.92%	OA 90	"	"	54,264	5.98%	
”	ADSH	”	"	192,721	2.57%	OA 120	"	"	91,313	10.06%	
”	ETGZ	”	"	133,554	1.78%	OA 90	"	"	31,209	3.44%	
”	EVHK	”	"	106,407	1.42%	OA 90	"	"	7,630	0.84%	
TTI	EVSZ	”	"	139,259	1.85%	OA 90	"	"	32,781	3.61%	

(Continued)

8. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (As of March 24, 2022)	Loss allowance
					Amount	Action taken		
ECIC	EVUS	Subsidiary	157,722	4.53	-	-	62,760	-
〃	ELITE	〃	118,496	4.53	-	-	89,711	-

9. Trading in derivative instruments: Please refer to Note 6(b).

(b) Information on investments:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in mainland China):

Units in Thousands

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
ECIC	EVUS	America	Selling chemical product and related raw materials	88,868	88,868	300	100.00%	121,268	11,391	11,391	
〃	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	40,390	4,748	4,748	
〃	EVSG	Singapore	Investing business	779,115	779,115	24,300	100.00%	936,576	12,541	12,541	
〃	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	64,093	25,380	25,380	
〃	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	577,782	(13,910)	(10,851)	
〃	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	101,293	15,002	7,500	
〃	GOOOTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,208	(336)	(385)	
〃	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithiumion battery	58,600	58,600	4,856	16.78%	43,542	34,070	6,314	
〃	DCBM	Taoyuan City	Selling medical supplies and providing service of biological technology	62,555	62,555	6,325	91.26%	8,340	-	-	(Note 1)
〃	GLTP	Taipei City	Investing business	100,000	100,000	10,000	100.00%	24,649	(50)	(50)	
	Unrealized gross profit on sales			-	-			(102,780)		-	
				1,437,815	1,437,815			1,835,361		56,588	

Note 1 : The Company decided to dissolved DCBM. As of December 31, 2021, the related procedure has not been completed.

(Continued)

(c) Information on investment in mainland China:

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

Units in Thousands

Name of investee	Main businesses and products	Total amount of paid-in capital		Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021		Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021		Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period	
		USD	NTD		USD	NTD	Outflow	Inflow	USD	TWD					USD	TWD
ETSH	Selling chemical product and related raw materials	1,700 (Note 7)	47,056	(Note 6)	700	19,376			700	19,376	13,217	100.00%	13,217	159,330	2,961	81,960
ETGZ	Selling chemical product and related raw materials	700 (Note 6)	19,376	(Note 6)	200	5,536			200	5,536	15,573	100.00%	15,573	91,497	1,523	42,157
EVSH	Selling chemical product and related raw materials	1,250 (Note 6)	34,600	(Note 6)	1,100	30,448			1,100	30,448	1,129	100.00%	1,129	148,960	950	26,296
EVSZ	Manufacturing and selling color chemical, toners and electronic high tech chemical product	23,650 (Note 4)	654,632	(Note 1)	18,600	514,848			18,600	514,848	(11,923)	100.00%	(11,923)	853,225	-	-
ANDA	Selling electronic high tech chemical product	1,200 (Note 4)	33,216	(Note 1)	650	17,992			650	17,992	10,689	56.25%	6,012	21,821	-	-
ADSH	Selling electronic high tech chemical product	157 (Note 5)	4,346	(Note 5)	-	-			-	-	13,642	56.25%	7,674	15,420	-	-
3ESZ	Manufacturing and selling chemical product and related raw materials	6,600 (Note 4)	182,688	(Note 1)	2,490	68,923			2,490	68,923	13,325	40.00%	5,330	60,413	-	-

Note 1: Reinvest in mainland China through third place (EVSG).
Note 2: These financial statements are audited by the same auditor of the Taiwan parent company and accounted for equity method.
Note 3: Exchange rate: NTD vs USD (1:27.68). Expressed in thousands of New Taiwan Dollars unless otherwise specified.
Note 4: EVSG invested in EVSZ USD 5,050 thousand, ANDA USD 25 thousand and 3ESZ USD 150 thousand by owned funds.
Note 5: ANDA invested in ADSH amounted to RMB 1,000 thousand (USD 157 thousand) by owned funds.
Note 6: EVSZ invested in ETSH 1,700 thousand USD, ETGZ 700 USD thousand and EVSH 1,250 thousand USD by issuing shares.
Note 7: Included the capital increasing amounted to USD 1,000 thousand from earning.

(ii) Limitation on investment in mainland China:

Accumulated Investment in mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
704,096 (USD 25,437)	640,681 (USD 23,146)	5,463,763

As of December 31, 2021, the difference between accumulated investment in mainland China and investment amounts authorized by Investment Commission, MOEA was amounted to USD (2,291) thousand, including the follows:

(i) ETSH: capital increasing amounted to USD 1,000 thousand from earning.

(ii) EVSG: investment amounted to USD 2,425 thousand by owned funds.

(iii) EVSG: remittance of earnings amounted to USD (5,716) thousand.

(iii) Significant transactions:

For the year ended December 31, 2021, the information on direct or indirect significant transactions with investees in mainland China, is disclosed in Note (13)(a) Information on significant transactions.

(d) Major shareholders：

(In Shares)

Shareholding / Shareholder's Name	Shares	Percentage
CHEN,DING-CHUAN	63,000,000	11.50%
ETHICAL INVESTMENT CORPORATION	43,000,000	7.85%

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(14) Segment information:

Please see the consolidated financial statements for the year ended December 31, 2021.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of cash and cash equivalents

December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Item	Description	Amount
Cash		$ 1,312
Cash in Bank:		
Checking account		157,264
Foreign deposits	(USD17,061，USD: NTD 1: 27.68)	471,918
	(EUR8,079，EUR: NTD 1: 31.32)	252,621
	(JPY43,169，JPY: NTD 1:0.24)	10,296
	(JPY2,402，CNY: NTD 1:4.34)	10,374
Demand deposit		14,649
		917,122
Time deposit	(CNY16,800，CNY: NTD 1：4.34，1.50%~2.40% 2022.01.06~2022.01.22)	72,559
		$ 990,993

Everlight Chemical Industrial Corporation

Statement of financial assets at fair value through profit or loss-current

December 31, 2021

(expressed in thousands of New Taiwan dollars)

							Fair value	
Name of financial instrument	**Description**	**Units**	**Units price (dollar)**	**Acquisition cost**	**Gains on valuation**	**Total amount**	**Units price (dollar)**	**Total amount**
Jin Sun Money Market Fund	Fund	2,010	14.95	30,000	125	30,125	14.99	30,125
Franklin Templeton Sinoan Money Market Fund	Fund	2,881	10.43	30,000	122	30,122	10.45	30,122
				$ 60,000	**247**	**60,247**		**60,247**

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of notes receivable

December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Client name	Description	Amount	Note
Non-related parties:			
Company A	Operating	$ 5,643	
Company B	〃	4,561	
Company C	〃	3,455	
Other	〃	49,113	Note
Subtotal		62,772	
Less: loss allowance		(51)	
		$ 62,721	

Note: Each amount is less than 5% of the balance.

Statement of accounts receivable

Client name	Description	Amount	Note
Non-related parties:			
Company D	Operating	$ 118,496	
Company E	〃	82,321	
Other	〃	659,430	Note
Subtotal		860,247	
Less: loss allowance		(15,024)	
		$ 845,223	

Note: Each amount is less than 5% of the balance.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of inventories

December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Item	Description	Amount: Cost	Amount: Net realizable value	Note
Finished goods		$ 1,275,665	1,695,897	
Work in process		326,442	326,442	
Raw material		744,042	744,042	
Supplies		17,119	17,119	
Materials in transit		83,573	83,573	
Total		2,446,841	**2,867,073**	
Less: losses on valuation of inventories		(11,369)		
		$ 2,435,472		

Other current financial assets

Item	Description	Amount	Note
Other receivable	Processing income	$ 5,819	
Other		9,962	Note
		$ 15,781	

Note: Each amount is less than 5% of the balance.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of changes in financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Name	Beginning Balance		Increase		Decrease		Ending Balance				
	Shares	Carrying amounts	Shares	Amount	Shares	Amount	Shares	Carrying amounts	Accumulated impairment	Collateral	Note
Stocks											
Polytronic Technology Corp.	8,000	$ 440,606	376	25,567	-	-	8,376	466,173	NA	None	
Chung Hwa Chemical Industrial Works, LTD.	5,500	92,217	-	-	-	-	5,500	92,217	NA	None	
General Plastic Industrial Co., Ltd.	2,140	74,900	-	-	-	-	2,140	74,900	NA	None	
Andros Pharmaceuticals Co., Ltd.	3,880	77,800	-	-	-	-	3,880	77,800	NA	None	
Add: valuation on fair value	-	243,171	-	505,230	-	-	-	748,401			
		$ 928,694		**530,797**		**-**		**1,459,491**			

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2021

(expressed in thousands of New Taiwan dollars units)

	Beginning balance		Increase		Decrease		Ending Balance			Market value or net assets value			
Name	Shares	Amount	Shares	Amount (Note 1)	Shares	Amount (Note 2)	Shares	Percentage of ownership	Amount	Unit price (dollars)	Total amount	Collateral	Note
EVUS	300	$ 113,192	-	11,391	-	3,315	300	100.00 %	121,268	404	121,268	None	
EVHK	1,000	40,634	-	4,748	-	4,992	1,000	100.00 %	40,390	40	40,390	None	
EVSG	24,300	931,109	-	12,541	-	7,074	24,300	100.00 %	936,576	39	936,576	None	
EVEU	1	44,858	-	25,380	-	6,145	1	100.00 %	64,093	64,093	64,093	None	
TTI	44,906	587,963	-	1,386	-	11,567	44,906	76.15 %	577,782	13	577,782	None	
ELITE	22	103,714	-	7,500	-	9,921	22	50.00 %	101,293	4,604	101,293	None	
GLTP	10,000	22,256	-	2,443	-	50	10,000	100.00 %	24,649	2	24,649	None	
DCBM	6,325	8,340	-	-	-	-	6,325	91.26 %	8,340	1	8,340	None	
GOODTV	1,900	20,593	-	-	-	385	1,900	22.35 %	20,208	11	20,208	None	
TAK	10,000	36,064	-	7,478	5,144	-	4,856	16.78 %	43,542	4	43,542	None	
Less: Unrealized gross profit on sale to subsidiaries		(55,642)		-		47,138			(102,780)		(102,780)		
		$ 1,853,081		72,867		90,587			1,835,361		1,835,361		

(Note 1) Comprised of gains on investment income $67,874 thousand, cumulative transaction adjustment $1,164 thousand and unrealized gain on financial assets at fair value through other comprehensive income $3,829 thousand,

(Note 2) Comprised of cash dividends received from subsidiaries $10,580 thousand, investment loss $11,286 thousand, cumulative translation adjustment $20,867 thousand, remeasurement of defined benefit liabilities $716 thousand, unrealized gain from sale $47,138 thousand and capital reduction to write off accumulated deficits reduce $5,144 thousand shares by shareholding ratio.

Everlight Chemical Industrial Corporation

Other non-current financial assets

(expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Refundable deposits		$ 2,195	
Overdue receivable		18,454	
Less: loss allowance		(18,454)	
		$ 2,195	

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of short-term borrowings

December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Type	Description	Ending balance	Contract period	Range of interest rate	Credit line	Collateral	Note
Unsecured bank loan and usance exchange loan	First Bank	$ 113,621	90～180 days	1.00%~1.01%	300,000	None	
〃	Fubon Bank	223,817	90～180 days	0.67%~0.90%	304,480	〃	
〃	Mega Bank	142,756	90～180 days	0.75%~0.77%	430,000	〃	
〃	China Trust	-	90～180 days		400,000	〃	
〃	Taiwan Bank	222,870	90～180 days	0.55%~0.98%	279,920	〃	
〃	Hua Nan Bank	141,285	90～180 days	0.69%~1.03%	350,000	〃	
〃	TCB Bank	137,748	90～180 days	0.91%~1.10%	300,000	〃	
〃	HSBC Bank	50,000	90～180 days	1.03%	415,200	〃	
〃	ANZ Bank	-	90～180 days		415,200	〃	
〃	CCB Bank	-	90～180 days		276,800	〃	
〃	Citi Bank	276,766	90～180 days	0.85%~0.90%	415,200	〃	
		$ 1,308,863			**3,886,800**		

Statement of notes payable

Vendor name	Description	Amount	Note
Related party：			
Chung Hwa Chemical Industrial Works, Ltd.	Operating	$ 12,447	
Non-related parties:			
Company G	Operating	$ 23,931	
Company H	〃	12,621	
Other	〃	189,910	Note
Subtotal		226,462	
Total		**$ 238,909**	

Note: Each amount is less than 5% of the balance.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of accounts payable

December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Vendor name	Description	Amount	Note
Related party:			
Chung Hwa Chemical Industrial Works, Ltd.	Operating	$ 4,718	
Non-related parties:			
Company H	Operating	$ 14,033	
Other	〃	271,524	Note
Subtotal		285,557	
Total		**$ 290,275**	

Note: Each amount is less than 5% of the balance.

Statement of other payables

Item	Description	Amount	Note
Accrued payroll		$ 138,847	
Employee compensation and directors' remuneration payable		41,681	
Commission payable		37,357	
Other payable-related parties		6,595	
Other		190,603	Note
		$ 415,083	

Note: Each amount is less than 5% of the balance.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of other current liabilities

December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Item	Description	Amount	Note
Provisions-current		$ 25,350	
Temporary receipts		9,877	
Other		2,091	Note
		$ 37,318	

Note: Each amount is less than 5% of the balance.

Statement of other non-current liabilities

Item	Description	Amount	Note
Provisions-non-current		$ 63,600	
Other		2,167	Note
		$ 65,767	

Note: Each amount is less than 5% of the balance.

Everlight Chemical Industrial Corporation

Statement of lease liabilities

December 31, 2021

(expressed in thousands of New Taiwan dollars)

Item	Description	Lease term	Discount rate	Ending balance	Note
Building and structures	Office	2015.01.01~2025.11.30	1.5	$ 3,209	
	Dormitory	2017.06.01~2025.01.31	1.5	17,725	
Other equipment	Factory equipment	2011.04.01~2027.12.31	1.5	6,153	
	Official vehicles	2019.03.03~2024.07.23	1.5	1,101	
Subtotal				28,188	
Less: Current portion				(9,659)	
Total				$ 18,529	

Statement of long-term borrowings

Creditor	Description	Borrowing amount	Term of contract	Interest rate	Collateral	Note
China Trust	Unsecured bank loans	$ 200,000	2021.06.30~2023.06.30	1.15%	None	
Mega Bank	〃	200,000	2020.01.09~2023.01.08	1.15%	〃	
Fubon Bank	〃	200,000	2021.07.29~2023.06.30	1.14%	〃	
Taiwan Bank	〃	200,000	2021.05.21~2024.05.21	1.15%	〃	
First Bank	〃	200,000	2021.01.20~2023.01.13	1.15%	〃	
Total		$ 1,000,000				

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of operating revenue

For the year ended December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Item	Description	Amount	Note
Operating revenue:			
Color chemicals		$ 3,858,206	
Specialty chemicals		2,256,954	
Electronic chemicals		1,159,944	
Pharmaceuticals		241,118	
Less: sales returns		(5,316)	
sales allowance		(1,536)	
		$ 7,509,370	

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of operating costs

For the year ended December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Item	Amount
Raw materials:	
Beginning balance	$ 694,989
Add: net purchases	4,097,134
gains on inventory counts	316
Less: transferring to expense	81,994
obsolescence	4,044
cost of sales of raw materials	2,093
other	10,497
ending balance (including materials in transit)	827,615
Cost of raw materials	3,866,196
Supplies:	
Beginning balance	12,748
Add: net purchases	144,008
gains on inventory counts	11
Less: transferring to expense	12,594
other	519
ending balance	17,119
Cost of supplies	126,535
Direct labor	309,596
Manufacturing overhead	1,507,400
Unallocated production overheads	127,934
Manufacturing cost	5,937,661
Add: beginning balance of work in process	354,422
Less: transferring to expense	11,372
losses on inventory counts	793
other	2,614
ending balance of work in process	326,442
Cost of finished goods work in process	5,950,862
Add: beginning balance of finished goods	1,183,394
losses on valuation of inventories	535
other	1,635
Less: transferring to expense	20,480
losses on inventory counts and obsolescence	4,303
ending balance of finished goods	1,275,665
Cost of sales of finished goods	5,835,978
Cost of sales of raw materials	2,093
Scrap income	(2,268)
Losses on inventory count and obsolescence	8,813
Other	2,900
Operating costs	**$ 5,847,516**

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of selling expenses

For the year ended December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Item	Description	Amount	Note
Payroll (including pension)		$ 150,415	
Freight		264,837	
Commission expense		60,150	
Depreciation expense		38,266	
Expenses on international brands		38,776	
Other (each amount is less than 5% of the balance)		94,488	
		$ 646,932	

Statement of administrative expenses

Item	Description	Amount	Note
Payroll (including pension)		$ 114,293	
Personnel expenses		11,787	
Other (each amount is less than 5% of the balance)		38,282	
		$ 164,362	

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statement of research and development expenses

For the year ended December 31, 2021

(expressed in thousands of New Taiwan dollars units)

Item	Description	Amount	Note
Payroll (including pension)		$ 168,989	
Depreciation expenses		49,542	
Consumables		59,457	
Personnel expenses		20,814	
Other (each amount is less than 5% of the balance)		52,409	
		$ 351,211	

Statement of financial assets at amortized cost-current, please refer to Note 6 (b) to the parent-company-only financial statements.

Statement of accounts receivable due from related parties, net and other receivables due from related parties, please refer to Note 7 to the parent-company-only financial statements.

Statement of other current assets, please refer to Note 6 (g) to the parent-company-only financial statements.

Statement of changes in property, plant and equipment, please refer to Note 6 (f) to the parent-company-only financial statements.

Statement of changes in right-of-use assets, please refer to Note 6 (h) to the parent-company-only financial statements.

Statement of changes in intangible assets, please refer to Note 6 (i) to the parent-company-only financial statements.

Statement of defined benefit liabilities, please refer to Note 6 (n) to the parent-company-only financial statements.

Statement of deferred tax assets and liabilities, please refer to Note 6 (o) to the parent-company-only financial statements.

Statement of other income, please refer to Note 6 (t) to the parent-company-only financial statements.

Statement of other gains and losses, please refer to Note 6 (t) to the parent-company-only financial statements.

Statement of finance costs, please refer to Note 6 (t) to the parent-company-only financial statements.