

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

**EVERLIGHT CHEMICAL INDUSTRIAL
CORPORATION AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

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

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11
(6) Explanation of significant accounts	11~37
(7) Related-party transactions	37~38
(8) Assets pledged as security	38
(9) Commitments and contingencies	39
(10) Losses due to major disasters	39
(11) Subsequent Events	39
(12) Other	39
(13) Other disclosures	
(a) Information on significant transactions	40~42
(b) Information on investees	43
(c) Information on investment in mainland China	44
(d) Major shareholders	45
(14) Segment information	46



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' Review Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Everlight Chemical Industrial Corporation and its subsidiaries as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$263,203 thousand and \$251,536 thousand, constituting 1.89% and 1.83% of consolidated total assets as of March 31, 2022 and 2021, respectively, total liabilities amounting to \$47,042 thousand and \$36,947 thousand, constituting 0.92% and 0.72% of consolidated total liabilities as of March 31, 2022 and 2021, respectively, and total comprehensive income (loss) amounting to \$1,843 thousand and \$7,109 thousand, constituting 29.17% and 1.66% of consolidated total comprehensive income for the three months ended March 31, 2022 and 2021, respectively.

Furthermore, as stated in note 6(e), the other equity accounted investments of Everlight Chemical Industrial Corporation and its subsidiaries in its investee companies of \$128,439 thousand and \$116,757 thousand as of March 31, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$1,583 thousand and \$3,142 thousand respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Everlight Chemical Industrial Corporation and its subsidiaries as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditors' report are Chia-Chien Tang and Ya-Ling Chen.

KPMG

Taipei, Taiwan (Republic of China)
May 12, 2022

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2022 and 2021

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31 and March 31, 2021

(Expressed in Thousands New Taiwan Dollars)

Assets		March 31, 2022		December 31, 2021		March 31, 2021		Liabilities and Equity		March 31, 2022		December 31, 2021		March 31, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 1,245,324	9	1,449,753	10	1,471,027	11	2100	Short-term borrowings (notes 6(k) and 8)	\$ 1,926,229	14	2,056,402	15	2,105,406	16
1110	Financial assets at fair value through profit or loss-current (note 6(b))	69,714	1	60,247	-	137,364	1	2322	Long-term borrowings, current portion (note 6(l))	-	-	-	-	20,000	-
1136	Financial assets at amortized cost-current (note 6(b))	33,502	-	3,502	-	42,302	-	2151	Notes payable (note 7)	210,282	2	238,909	2	174,397	2
1150	Notes receivable, net (notes 6(c) and (t))	237,162	2	215,955	2	240,304	2	2170	Accounts payable (note 7)	444,201	3	329,088	2	428,774	3
1170	Accounts receivable, net (notes 6(c) and (t) and 8)	1,737,957	12	1,626,491	12	1,578,545	11	2209	Other payable (notes 6(s) and 7)	397,771	3	535,475	4	339,401	3
130X	Inventories (notes 6(d), 8 and 10)	3,620,966	26	3,530,338	25	3,097,069	23	2213	Payable on equipment	12,826	-	43,062	-	8,655	-
1476	Other current financial assets (note 10)	61,214	-	26,809	-	23,963	-	2216	Dividends payable (note 6(q))	273,876	2	-	-	164,326	1
1479	Other current assets (note 6(h))	111,624	1	123,755	1	90,473	1	2230	Current tax liabilities	147,712	1	132,267	1	67,694	-
	Total current assets	<u>7,117,463</u>	<u>51</u>	<u>7,036,850</u>	<u>50</u>	<u>6,681,047</u>	<u>49</u>	2280	Lease liabilities-current (note 6(m))	31,702	-	29,830	-	33,067	-
								2399	Other current liabilities (note 6(n))	66,924	-	52,528	-	64,550	-
									Total current liabilities	<u>3,511,523</u>	<u>25</u>	<u>3,417,561</u>	<u>24</u>	<u>3,406,270</u>	<u>25</u>
Non-current assets:								Non-current liabilities:							
1517	Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (v))	1,371,820	10	1,529,864	11	1,336,151	10	2540	Long-term borrowings (note 6(l))	1,000,000	7	1,000,000	7	1,167,383	8
1550	Investments accounted for using equity method (note 6(e))	128,439	1	124,163	1	116,757	1	2570	Deferred tax liabilities	86,879	1	86,879	1	79,074	-
1600	Property, plant and equipment (notes 6(g), 9 and 10)	4,742,962	34	4,891,430	34	5,140,676	37	2580	Lease liabilities non-current (note 6(m))	241,323	2	241,777	2	251,273	2
1755	Right-of-use-assets (note 6(i))	285,864	2	284,560	2	299,217	2	2640	Net defined benefit liability	182,962	2	217,449	2	123,253	1
1780	Intangible assets (note 6(j))	109,454	1	115,756	1	114,108	1	2670	Other non-current liabilities (note 6(n))	66,068	-	66,330	-	91,304	1
1840	Deferred tax assets	109,394	1	109,394	1	49,654	-		Total non-current liabilities	<u>1,577,232</u>	<u>12</u>	<u>1,612,435</u>	<u>12</u>	<u>1,712,287</u>	<u>12</u>
1915	Prepayments for equipment	46,528	-	28,808	-	18,781	-		Total liabilities	<u>5,088,755</u>	<u>37</u>	<u>5,029,996</u>	<u>36</u>	<u>5,118,557</u>	<u>37</u>
1980	Other non-current financial assets (notes 6(c) and (t))	3,558	-	3,542	-	3,722	-	Equity attributable to owners of parent (notes 6(b), (e), (f), (q) and (v)):							
1990	Other non-current assets	11,989	-	11,903	-	11,746	-	3100	Common shares	5,477,522	39	5,477,522	39	5,477,522	40
	Total non-current assets	<u>6,810,008</u>	<u>49</u>	<u>7,099,420</u>	<u>50</u>	<u>7,090,812</u>	<u>51</u>	3200	Capital surplus	474,558	3	474,558	3	474,558	4
								3300	Retained earnings	2,094,838	15	2,248,765	16	1,974,306	14
								3400	Other equity	482,470	4	605,295	4	424,986	3
									Total equity attributable to owners of parent	<u>8,529,388</u>	<u>61</u>	<u>8,806,140</u>	<u>62</u>	<u>8,351,372</u>	<u>61</u>
								36XX	Non-controlling interests (notes 6(f) and (q))	<u>309,328</u>	<u>2</u>	<u>300,134</u>	<u>2</u>	<u>301,930</u>	<u>2</u>
									Total equity	<u>8,838,716</u>	<u>63</u>	<u>9,106,274</u>	<u>64</u>	<u>8,653,302</u>	<u>63</u>
Total assets		<u>\$ 13,927,471</u>	<u>100</u>	<u>14,136,270</u>	<u>100</u>	<u>13,771,859</u>	<u>100</u>	Total liabilities and equity		<u>\$ 13,927,471</u>	<u>100</u>	<u>14,136,270</u>	<u>100</u>	<u>13,771,859</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share)

	For the three months ended March 31			
	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (note 6(t))	\$ 2,412,233	100	2,280,803	100
5000 Operating costs (notes 6(d), (g), (i), (j), (m), (o), (s), 7 and 12)	<u>1,863,414</u>	<u>77</u>	<u>1,718,748</u>	<u>75</u>
5950 Gross profit from operations	<u>548,819</u>	<u>23</u>	<u>562,055</u>	<u>25</u>
6000 Operating expenses (notes 6(c), (g), (i), (j), (m), (o), (s), 7 and 12):				
6100 Selling expenses	250,722	10	205,931	9
6200 Administrative expenses	81,040	3	78,061	3
6300 Research and development expenses	85,734	4	87,808	4
6450 Expected credit loss (gain)	<u>(1,292)</u>	<u>-</u>	<u>13,274</u>	<u>1</u>
Total operating expenses	<u>416,204</u>	<u>17</u>	<u>385,074</u>	<u>17</u>
6900 Net operating income	<u>132,615</u>	<u>6</u>	<u>176,981</u>	<u>8</u>
7000 Non-operating income and expenses (notes 6(b), (c), (g), (k), (l), (m), (u) and 10):				
7100 Interest income	585	-	1,195	-
7020 Other gains and losses	28,344	1	(13,333)	(1)
7050 Finance costs	(11,797)	(1)	(12,577)	-
7060 Share of gains of associates accounted for using equity method	<u>1,583</u>	<u>-</u>	<u>3,142</u>	<u>-</u>
Total non-operating income and expense	<u>18,715</u>	<u>-</u>	<u>(21,573)</u>	<u>(1)</u>
7900 Income before income tax	151,330	6	155,408	7
7951 Income tax expenses (note (p))	<u>26,457</u>	<u>1</u>	<u>34,870</u>	<u>2</u>
8200 Net income	<u>124,873</u>	<u>5</u>	<u>120,538</u>	<u>5</u>
8300 Other comprehensive income (notes 6(e), (q) and (v)):				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316 Unrealized gains from financial assets measured at fair value through other comprehensive income	(168,113)	(7)	315,778	14
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(168,113)</u>	<u>(7)</u>	<u>315,778</u>	<u>14</u>
8360 Components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	48,964	2	(8,965)	-
8370 Share of other comprehensive income of associates accounted for using equity method	594	-	1,894	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>49,558</u>	<u>2</u>	<u>(7,071)</u>	<u>-</u>
8300 Other comprehensive income (after tax)	<u>(118,555)</u>	<u>(5)</u>	<u>308,707</u>	<u>14</u>
8500 Total comprehensive income	<u>\$ 6,318</u>	<u>-</u>	<u>429,245</u>	<u>19</u>
Profit attributable to:				
8610 Owners of parent	\$ 119,949	5	119,347	5
8620 Non-controlling interests	<u>4,924</u>	<u>-</u>	<u>1,191</u>	<u>-</u>
	<u>\$ 124,873</u>	<u>5</u>	<u>120,538</u>	<u>5</u>
Comprehensive income attributable to:				
8710 Owners of parent	\$ (2,876)	-	428,394	19
8720 Non-controlling interests	<u>9,194</u>	<u>-</u>	<u>851</u>	<u>-</u>
	<u>\$ 6,318</u>	<u>-</u>	<u>429,245</u>	<u>19</u>
9750 Basic earnings per share (note 6(r)) (expressed in New Taiwan dollars)	<u>\$ 0.22</u>		<u>0.22</u>	
9850 Diluted earnings per share (note 6(r)) (expressed in New Taiwan dollars)	<u>\$ 0.22</u>		<u>0.22</u>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	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) from financial assets measured at fair value through other comprehensive income	Total	Total equity attributable to owners of parent	Non- controlling interests	Total equity
Balance on January 1, 2021	\$ 5,477,522	474,558	1,076,355	30,438	912,492	2,019,285	(110,615)	226,554	115,939	8,087,304	301,079	8,388,383
Net income	-	-	-	-	119,347	119,347	-	-	-	119,347	1,191	120,538
Other comprehensive income	-	-	-	-	-	-	(7,165)	316,212	309,047	309,047	(340)	308,707
Total comprehensive income	-	-	-	-	119,347	119,347	(7,165)	316,212	309,047	428,394	851	429,245
Appropriation and distribution of retained earnings:												
Cash dividends	-	-	-	-	(164,326)	(164,326)	-	-	-	(164,326)	-	(164,326)
Balance at March 31, 2021	<u>\$ 5,477,522</u>	<u>474,558</u>	<u>1,076,355</u>	<u>30,438</u>	<u>867,513</u>	<u>1,974,306</u>	<u>(117,780)</u>	<u>542,766</u>	<u>424,986</u>	<u>8,351,372</u>	<u>301,930</u>	<u>8,653,302</u>
Balance at January 1, 2022	\$ 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	300,134	9,106,274
Net income	-	-	-	-	119,949	119,949	-	-	-	119,949	4,924	124,873
Other comprehensive income	-	-	-	-	-	-	45,417	(168,242)	(122,825)	(122,825)	4,270	(118,555)
Total comprehensive income	-	-	-	-	119,949	119,949	45,417	(168,242)	(122,825)	(2,876)	9,194	6,318
Appropriation and distribution of retained earnings:												
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	(273,876)	-	(273,876)
Balance on March 31, 2022	<u>\$ 5,477,522</u>	<u>474,558</u>	<u>1,104,566</u>	<u>30,438</u>	<u>959,834</u>	<u>2,094,838</u>	<u>(84,901)</u>	<u>567,371</u>	<u>482,470</u>	<u>8,529,388</u>	<u>309,328</u>	<u>8,838,716</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the three months ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows from operating activities:		
Income before income tax	\$ 151,330	155,408
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	162,933	167,671
Amortization expense	9,761	8,767
Expected credit loss (gain)	(1,292)	13,274
Net gains on financial assets at fair value through profit	(5,467)	(1,767)
Interest expense	11,797	12,577
Interest income	(585)	(1,195)
Share of gains of associates accounted for using equity method	(1,583)	(3,142)
Losses (gains) on disposal of property, plant and equipment	2,925	(67)
Losses due to disaster	30,000	-
Other	(12)	61
Total adjustments to reconcile profit	208,477	196,179
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(15,351)	(28,139)
Accounts receivable and overdue receivable (under other non-current financial assets)	(49,746)	(210,813)
Inventories	(79,551)	82,332
Other current financial assets	1,837	(2,728)
Other current assets	12,872	23,449
Total changes in operating assets	(129,939)	(135,899)
Changes in operating liabilities:		
Notes payable	(28,627)	(7,035)
Accounts payable	83,512	29,940
Other payable	(135,800)	(62,274)
Other current liabilities	13,893	16,842
Net defined benefit liability	(34,487)	(7,314)
Other non-current liabilities	(264)	1,437
Total changes in operating liabilities	(101,773)	(28,404)
Total changes in operating assets and liabilities	(231,712)	(164,303)
Total adjustments	(23,235)	31,876
Cash inflow generated from operations	128,095	187,284
Interest received	575	1,183
Income taxes paid	(11,360)	(3,487)
Net cash flows from operating activities	117,310	184,980
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	(30,000)	(29,433)
Acquisition of financial assets at fair value through profit or loss	(4,000)	(105,500)
Proceeds from disposal of financial assets at fair value through profit or loss	-	30,003
Acquisition of financial assets at fair value through other comprehensive income	(10,069)	(25,567)
Acquisition of property, plant and equipment	(63,202)	(31,166)
Proceeds from disposal of property, plant and equipment	679	262
Acquisition of intangible assets	(3,414)	(3,134)
Decrease in other non-current financial assets	12	146
Decrease (increase) in other non-current assets	181	(945)
Increase in prepayments for equipment	(25,930)	(11,779)
Net cash flows used in investing activities	(135,743)	(177,113)
Cash flows used in financing activities:		
Increase in short-term borrowings	1,469,294	1,263,967
Decrease in short-term borrowings	(1,610,693)	(1,027,834)
Repayments of long-term borrowings	-	(102,486)
Payments of lease liabilities	(8,423)	(8,903)
Interest paid	(12,071)	(13,510)
Subsidiaries distributed cash dividends to non-controlling interests	(6,999)	-
Net cash flows from (used in) financing activities	(168,892)	111,234
Effect of exchange rate changes on cash and cash equivalents	(17,104)	17,118
Net (decrease) increase in cash and cash equivalents	(204,429)	136,219
Cash and cash equivalents at beginning of period	1,449,753	1,334,808
Cash and cash equivalents at end of period	\$ 1,245,324	1,471,027

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2022 and 2021

(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 Company limited by shares and registered in accordance with the ROC Company Act. Everlight Chemical Industrial Corporation and subsidiaries (“the Group”) engage in manufacturing and selling of dye, UV absorber, specialty chemicals, toners, electronic chemicals, pharmaceutical product and material, chemical intermediary photoresistance, and etc.

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

These consolidated financial statements were authorized for issuance by the board of directors on May 12, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

(4) Summary of significant accounting policies:

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2021. For the detail information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Statement of compliance

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company (ECIC)	EVERLIGHT USA, INC. (EVUS)	Selling chemical product and related raw materials	100.00	100.00	100.00	-
ECIC	EVERLIGHT (HONG KONG) LIMITED (EVHK)	Selling chemical product and related raw materials	100.00	100.00	100.00	(note 1)
ECIC	EVERLIGHT CHEMICALS (SINGAPORE) PTE LTD. (EVSG)	Investing business	100.00	100.00	100.00	(note 1)
ECIC	EVERLIGHT EUROPE B.V. (EVEU)	Selling chemical product and related raw materials	100.00	100.00	100.00	-
ECIC	TREND TONE IMAGING, INC. (TTI)	Manufacturing and selling toners of laser printer, copier and fax machine	76.15	76.15	76.15	-
ECIC	ELITE FOREIGN TRADING INCORPORATION (ELITE)	Selling chemical product and related raw materials	50.00	50.00	50.00	(note 2)
ECIC	DAILYCARE BIOMEDICAL INC. (DCBM)	Manufacturing of medical supplies and providing service of biological technology	91.26	91.26	91.26	(note 1) 、 (note 3)
EVSG	ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGHAI) CO., LTD. (ETSH)	Selling chemical product and related raw materials	-	-	100.00	(note 4)
EVSG	SHANGHAI EVERLIGHT TRADING CO., LTD. (EVSH)	Selling chemical product and related raw materials	-	-	100.00	(note 4)
EVSG	EVERLIGHT (SUZHOU) ADVANCED CHEMICALS LTD. (EVSZ)	Manufacturing and selling color chemicals, toners and electronic high-tech chemical product	100.00	100.00	100.00	-
EVSG	ANDA SEMICONDUCTOR TECHNOLOGY (SUZHOU) CO., LTD. (ANDA)	Selling electronic high-tech chemical product	56.25	56.25	56.25	(note 1)
ANDA	SHANGHAI ANDA INTERNATIONAL TRADING CO., LTD. (ADSH)	Selling electronic high-tech chemical product	100.00	100.00	100.00	(note 1)
EVSZ	ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGAI) CO., LTD. (ETSH)	Selling chemical product and related raw materials	100.00	100.00	-	(note 4)
EVSZ	GUANZHOU ETHICAL TRADING CO., LTD. (ETGZ)	Selling chemical product and related raw materials	100.00	100.00	100.00	-
EVSZ	SHANGHAI EVERLIGHT TRADING CO., LTD. (EVSH)	Selling chemical product and related raw materials	100.00	100.00	-	(note 4)
ECIC	GREATLIGHT INVESTMENT COPRORATION (GLTP)	Investing business	100.00	100.00	100.00	(note 1)

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (note 1): The Company is a non-significant subsidiary and its financial statement, have not been reviewed by independent auditor.
- (note 2): The Company has the right to appoint more than half of members of board of directors and has control over the board of directors. The subsidiary is deemed to be consolidated.
- (note 3): The Company decided to resolve DCBM. As of March 31, 2022, the related procedure has not been completed.
- (note 4): As of July 8, 2021, the Company decided to reorganize of investment structure. EVSZ, the Company's sub-subsiidiary, issued shares to acquire ETSH and EVSH 100% shareholding which were hold by EVSG.

(ii) List of subsidiaries which are not included in the consolidated financial statement: None.

(c) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(d) Income taxes

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

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

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 2,692	1,885	3,025
Cash in bank	1,127,446	1,370,965	1,300,474
Time deposits	115,186	76,903	167,528
Cash and cash equivalents	<u>\$ 1,245,324</u>	<u>1,449,753</u>	<u>1,471,027</u>

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

(b) Financial assets and liabilities

(i) Financial assets at fair value through profit or loss:

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets mandatorily measured at fair value through profit or loss:			
Monetary market fund	\$ 64,291	60,247	135,657
Option contracts	5,423	-	1,707
Total	<u>\$ 69,714</u>	<u>60,247</u>	<u>137,364</u>

The Group holds derivative financial instruments to hedge its foreign exchange risk that the Group is exposed to, arising from its operating, financing and investing activities. The following derivative instruments not applied hedge accounting were classified as financial assets mandatorily measured at fair value through profit on March 31, 2022 and 2021:

	March 31, 2022		
	Contract amount (in thousand)	Currency	Period
Option contracts	<u>\$ 2,000</u>	EUR	2022/4/29~2022/8/31
Option contracts	<u>\$ 6,000</u>	USD	2022/12/30

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2021		
	Contract amount (in thousand)	Currency	Period
Option contracts	\$ 1,500	EUR	2021/4/30~2021/12/30
Option contracts	\$ 6,000	USD	2021/12/30

For the fair value recognized in profit and loss, please refer to note 6(u).

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

	March 31, 2022	December 31, 2021	March 31, 2021
Stocks listed on domestic markets	\$ 1,277,379	1,449,877	1,282,270
Domestic unlisted common shares	94,441	79,987	53,881
	\$ 1,371,820	1,529,864	1,336,151

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

- (iii) Financial assets at amortized cost-current

Due to the Group'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:

	March 31, 2022	December 31, 2021	March 31, 2021
Government bonds	\$ 30,000	-	30,000
Financial assets at amortized cost-current	3,502	3,502	12,302
	\$ 33,502	3,502	42,302

- 1) The Group purchased government bonds with a face value of 30,000 thousand during March 2022 and 2021. The due date of government bonds were April 11, 2022 and June 30, 2021, and its' effective interest rate were 0.30% and 0.19%.
 - 2) Due to the Group'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.
- (iv) For credit risk and market risk, please refer to note 6(v).m
- (v) The aforementioned financial assets were not pledged.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Receivables

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 238,263	218,260	240,304
Accounts receivable	1,771,379	1,655,238	1,611,054
Overdue receivable (under other non-current financial assets)	41,434	44,763	46,060
Less: loss allowance	<u>(75,957)</u>	<u>(75,815)</u>	<u>(78,569)</u>
	<u>\$ 1,975,119</u>	<u>1,842,446</u>	<u>1,818,849</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts 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 provisions were determined as follows:

	<u>March 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,851,646	0.01%~0.47%	7,490
1 to 90 days past due	152,391	1.87%~11.39%	23,813
91 to 365 days past due	5,605	20.92%~58.28%	3,220
More than 365 days past due	<u>41,434</u>	100%	<u>41,434</u>
	<u>\$ 2,051,076</u>		<u>75,957</u>
	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,744,944	0.01%~0.28%	4,874
1 to 90 days past due	125,201	2.64%~15.51%	24,641
91 to 365 days past due	3,353	18.37%~57.39%	1,537
More than 365 days past due	<u>44,763</u>	100%	<u>44,763</u>
	<u>\$ 1,918,261</u>		<u>75,815</u>
	<u>March 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,707,985	0.01%~0.16%	3,498
1 to 90 days past due	131,857	1.99%~15.45%	22,610
91 to 365 days past due	11,516	19.47%~59.84%	6,401
More than 365 days past due	<u>46,060</u>	100%	<u>46,060</u>
	<u>\$ 1,897,418</u>		<u>78,569</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The detail of loss allowance were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	\$ 1,101	2,305	-
Accounts receivable	33,422	28,747	32,509
Overdue receivable	41,434	44,763	46,060
	<u>\$ 75,957</u>	<u>75,815</u>	<u>78,569</u>

The movement in the allowance for receivables was as follows:

	For the three months ended March 31	
	2022	2021
Balance on January 1, 2022	\$ 75,815	66,516
Impairment losses recognized (reverse)	(1,292)	13,274
Amounts written off	-	(1,017)
Effect of movements in exchange rates	1,434	(204)
Balance on March 31, 2022	<u>\$ 75,957</u>	<u>78,569</u>

As of March 31, 2022 and December 31, 2021, the aforementioned financial assets of the Group had been pledged as collateral for short-term borrowings, please refer to note 8. As of March 31, 2021, the aforementioned financial assets were not pledged.

(d) Inventories

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials	\$ 1,044,975	924,964	842,207
Supplies	31,107	27,113	24,465
Work in progress	571,528	565,906	584,281
Finished goods	1,708,495	1,828,140	1,588,940
Materials in transit	264,861	184,215	57,176
	<u>\$ 3,620,966</u>	<u>3,530,338</u>	<u>3,097,069</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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:

	For the three months ended	
	March 31	
	2022	2021
Losses (gains) on valuation of inventories	\$ (1,189)	992
Losses on inventory count	544	415
Unallocated production overheads	36,363	40,457
Losses on obsolescence	3,703	-
Scrap income	(381)	(505)
	<u>\$ 39,040</u>	<u>41,359</u>

As of March 31, 2022 and December 31, 2021, the inventories of the Group had been pledged as collateral for short-term borrowings, please refer to note 8. As of March 31, 2021, the inventories were not pledged.

(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:

	March 31, 2022	December 31, 2021	March 31, 2021
Associates	<u>\$ 128,439</u>	<u>124,163</u>	<u>116,757</u>

(ii) Associates

Summary of financial information for by the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the consolidated financial statements of the Group.

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amount of individually insignificant associates	<u>\$ 128,439</u>	<u>124,163</u>	<u>116,757</u>

	For the three month ended	
	March 31	
	2022	2021
Attributable to the Group:		
Profit from continuing operations	\$ 1,583	3,142
Other comprehensive income	594	1,894
Total comprehensive income	<u>\$ 2,177</u>	<u>5,036</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Pledge

As of March 31, 2022, December 31 and March 31, 2021, the aforementioned investment accounted for using equity method were not pledged.

(f) Material non-controlling interest of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non-controlling interests</u>		
		<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
TTI	Taiwan	23.85 %	23.85 %	23.85 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current assets	\$ 594,271	623,723	604,234
Non-current assets	828,756	843,695	891,307
Current liabilities	(468,926)	(524,541)	(549,686)
Non-current liabilities	(183,217)	(183,545)	(185,025)
Net assets	<u>\$ 770,884</u>	<u>759,332</u>	<u>760,830</u>
Non-controlling interest	<u>\$ 183,826</u>	<u>181,071</u>	<u>181,429</u>

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Operating revenues	<u>\$ 233,962</u>	<u>195,242</u>
Net income (loss)	11,017	(9,713)
Other comprehensive income	535	(1,819)
Total comprehensive income	<u>\$ 11,552</u>	<u>(11,532)</u>
Profit (loss) attributable to non-controlling interests	<u>\$ 2,627</u>	<u>(2,316)</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 2,755</u>	<u>(2,750)</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31	
	2022	2021
Net cash flows from (used in) operating activities	\$ 67,295	(11,980)
Net cash flows from investing activities	(1,158)	(4,523)
Net cash flows from (used in) financing activities	(93,780)	3,414
Net decrease in cash and cash equivalents	\$ (27,643)	(13,089)
Cash dividend distributed to non-controlling interests	-	-

(g) Property, plant and equipment

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

	Land	Land improvements	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
	Cost:					
Balance on January 1, 2022	\$ 893,780	159,000	4,460,492	9,972,383	143,367	15,629,022
Additions	-	-	7,075	17,288	8,603	32,966
Disposal and derecognitions	-	-	(14,912)	(60,684)	-	(75,596)
Reclassification (note)	-	-	6,211	12,903	(7,465)	11,649
Effect of movements in exchange rates	116	-	12,703	28,861	273	41,953
Balance on March 31, 2022	\$ 893,896	159,000	4,471,569	9,970,751	144,778	15,639,994
Balance on January 1, 2021	\$ 893,877	159,000	4,418,972	9,786,333	177,205	15,435,387
Additions	-	-	768	13,945	7,563	22,276
Disposals	-	-	-	(21,555)	-	(21,555)
Reclassification (note)	-	-	2,911	78,809	(68,243)	13,477
Effect of movements in exchange rates	8	-	(2,339)	(5,710)	(121)	(8,162)
Balance on March 31, 2021	\$ 893,885	159,000	4,420,312	9,851,822	116,404	15,441,423
Accumulated depreciation and impairment:						
Balance on January 1, 2022	\$ -	12,588	2,726,137	7,998,867	-	10,737,592
Depreciation	-	1,988	42,089	109,650	-	153,727
Disposal and derecognitions	-	-	-	(23,992)	-	(23,992)
Effect of movements in exchange rates	-	-	6,925	22,780	-	29,705
Balance on March 31, 2022	\$ -	14,576	2,775,151	8,107,305	-	10,897,032
Balance on January 1, 2021	\$ -	4,638	2,560,199	7,604,733	-	10,169,570
Depreciation	-	1,988	42,150	113,834	-	157,972
Disposals	-	-	-	(21,360)	-	(21,360)
Effect of movements in exchange rates	-	-	(1,151)	(4,284)	-	(5,435)
Balance on March 31, 2021	\$ -	6,626	2,601,198	7,692,923	-	10,300,747
Carrying amounts:						
Balance on January 1, 2022	\$ 893,780	146,412	1,734,355	1,973,516	143,367	4,891,430
Balance on March 31, 2022	\$ 893,896	144,424	1,696,418	1,863,446	144,778	4,742,962
Balance on January 1, 2021	\$ 893,877	154,362	1,858,773	2,181,600	177,205	5,265,817
Balance on March 31, 2021	\$ 893,885	152,374	1,819,114	2,158,899	116,404	5,140,676

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

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) For the three months ended March 31, 2022 and 2021, the Group capitalized the interest expenses on construction in progress amounted to \$422 thousand and \$452 thousand respectively, and the monthly interest rate used for capitalization calculation were 0.08~0.09% and 0.09%, respectively.
- (ii) As of March 31, 2022, December 31 and March 31, 2021, the property, plant and equipment of the Group had not been pledged.

(h) Other current assets

	March 31, 2022	December 31, 2021	March 31, 2021
Prepayments	\$ 68,875	67,624	53,437
Offset against business tax payable and input taxes	32,245	46,491	24,210
Payment on behalf of others	10,376	9,512	11,953
Others	128	128	873
	<u>\$ 111,624</u>	<u>123,755</u>	<u>90,473</u>

(i) Right-of-use assets

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

	Land	Buildings and construction	Equipment	Total
Cost:				
Balance on January 1, 2022	\$ 217,239	136,290	15,727	369,256
Acquisitions	-	5,403	2,654	8,057
Disposals	-	(702)	(547)	(1,249)
Effect of changes in foreign exchange rates	809	3,340	76	4,225
Balance on March 31, 2022	<u>\$ 218,048</u>	<u>144,331</u>	<u>17,910</u>	<u>380,289</u>
Balance on January 1, 2021	\$ 217,404	142,917	16,143	376,464
Acquisitions	-	1,646	318	1,964
Disposals	-	(4,443)	(232)	(4,675)
Effect of changes in foreign exchange rates	(165)	(1,104)	(112)	(1,381)
Balance on March 31, 2021	<u>\$ 217,239</u>	<u>139,016</u>	<u>16,117</u>	<u>372,372</u>
Accumulated depreciation:				
Balance on January 1, 2022	\$ 17,153	60,000	7,543	84,696
Depreciation	1,432	6,835	939	9,206
Disposals	-	(457)	(548)	(1,005)
Effect of changes in foreign exchange rates	68	1,428	32	1,528
Balance on March 31, 2022	<u>\$ 18,653</u>	<u>67,806</u>	<u>7,966</u>	<u>94,425</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Buildings and construction	Equipment	Total
Balance on January 1, 2021	\$ 11,444	50,534	5,041	67,019
Depreciation	1,431	7,424	844	9,699
Disposals	-	(2,979)	(233)	(3,212)
Effect of changes in foreign exchange rates	(10)	(296)	(45)	(351)
Balance on March 31, 2021	<u>\$ 12,865</u>	<u>54,683</u>	<u>5,607</u>	<u>73,155</u>
Carrying amount:				
Balance on January 1, 2022	<u>\$ 200,086</u>	<u>76,290</u>	<u>8,184</u>	<u>284,560</u>
Balance on March 31, 2022	<u>\$ 199,395</u>	<u>76,525</u>	<u>9,944</u>	<u>285,864</u>
Balance on January 1, 2021	<u>\$ 205,960</u>	<u>92,383</u>	<u>11,102</u>	<u>309,445</u>
Balance on March 31, 2021	<u>\$ 204,374</u>	<u>84,333</u>	<u>10,510</u>	<u>299,217</u>

(j) Intangible assets

	REACH registration related expenses	Others	Total
Carrying amounts:			
Balance on January 1, 2022	<u>\$ 110,401</u>	<u>5,355</u>	<u>115,756</u>
Balance on March 31, 2022	<u>\$ 104,685</u>	<u>4,769</u>	<u>109,454</u>
Balance on January 1, 2021	<u>\$ 112,104</u>	<u>7,640</u>	<u>119,744</u>
Balance on March 31, 2021	<u>\$ 107,148</u>	<u>6,960</u>	<u>114,108</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2022 and 2021. Information on amortization for the period is discussed in note 12. Please refer to note 6(j) of consolidated financial statements for the year end December 31, 2021 for the other related information.

(k) Short-term borrowings

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured bank loans	\$ 1,835,514	1,960,415	2,025,510
Secured bank loans	10,972	16,244	-
Short-term notes and bills payable	79,743	79,743	79,896
Total	<u>\$ 1,926,229</u>	<u>2,056,402</u>	<u>2,105,406</u>
Unused credit lines	<u>\$ 3,924,810</u>	<u>3,330,724</u>	<u>3,514,179</u>
Range of interest rate	<u>0.63%~4.60%</u>	<u>0.55%~4.70%</u>	<u>0.69%~4.70%</u>

As of March 31, 2022, December 31 and March 31, 2021, the Group issued short-term notes and bills payable through Dah-Chung Bills Finance Corp. to obtain funds from the currency market.

For the collateral for short-term borrowings, please refer to note 8.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Long-term borrowings

March 31, 2022				
<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>	
Unsecured bank loans	NTD	1.14%~1.43%	2023.6~2024.12	\$ 1,000,000
Less: long-term borrowings, current portion				-
Total				<u>\$ 1,000,000</u>
Unused credit lines				<u>\$ 450,000</u>

December 31, 2021				
<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>	
Unsecured bank loans	NTD	1.14%~1.15%	2023.1~2024.6	\$ 1,000,000
Less: long-term borrowings, current portion				-
Total				<u>\$ 1,000,000</u>
Unused credit lines				<u>\$ 250,000</u>

March 31, 2021				
<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>	
Unsecured bank loans	NTD	1.14%~1.51%	2022.5~2023.6	\$ 1,187,383
Less: long-term borrowings, current portion				(20,000)
Total				<u>\$ 1,167,383</u>
Unused credit lines				<u>\$ 430,000</u>

Please refer note 6(u) for the interest expense. For the other related information, please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2021. The Group had not pledged the assets as collateral for long-term bank loans.

(m) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Current	<u>\$ 31,702</u>	<u>29,830</u>	<u>33,067</u>
Non-current	<u>\$ 241,323</u>	<u>241,777</u>	<u>251,273</u>

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

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2022	2021
Interest on lease liabilities	\$ 1,517	\$ 1,674
Expenses relating to short-term leases	\$ 889	\$ 768

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

	For the three months ended March 31	
	2022	2021
Total cash outflow for leases	\$ 10,829	\$ 11,345

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

The Group leases land, 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 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(n) Provisions

The movements of the provisions were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Balance on January 1	\$ 87,450	119,250	119,250
Decreases	-	(31,800)	-
Balance on March 31	\$ 87,450	87,450	119,250

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

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Employee benefits

(i) Defined benefit plans

At the end of the prior fiscal year, there was no material volatility of the market, as well as reimbursement and settlement, or other significant one-time events. As a result, the pension cost in the consolidated interim financial statements was measured and disclosed on a year-to-date basis by using the actuarially determined pension cost rate of December 31, 2021 and 2019.

	For the three months ended March 31	
	2022	2021
Operating costs	\$ 1,401	1,368
Operating expenses	1,010	1,002
	\$ 2,411	2,370

(ii) Defined contribution plans

The expense recognized in profit or loss for the Group were as follows:

	For the three months ended March 31	
	2022	2021
Operating costs	\$ 8,926	8,108
Operating expenses	7,906	6,661
	\$ 16,832	14,769

(p) Income taxes

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

	For the three months ended March 31	
	2022	2021
Current tax expense	\$ 26,457	34,870

(ii) The Company's income tax return for the years through 2019 were assessed and approved by the tax authorities.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Capital and other equity

There was no significant change for capital and other equity for the periods from January 1 to March 31, 2022 and 2021. For the related information, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2021.

(i) Retained earnings

In accordance with amendment to Company's article of incorporation, it stipulates 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.

The Company's dividend policy is as follows:

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

(ii) Distribution of earnings

On March 24, 2022 and March 19, 2021 the Company's board of directors resolved to appropriate the 2021 and 2020 earnings. These earnings were appropriate as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share</u>	<u>Amount</u>	<u>Amount per share</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.50	\$ <u>273,876</u>	0.30	<u>164,326</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) 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	Non- controlling interest	Total
Balance on January 1, 2022	\$ (130,318)	735,613	(8,575)	596,720
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(168,242)	129	(168,113)
Exchange differences on translation of foreign financial statements	44,823	-	4,141	48,964
Exchange differences on associates accounted for using equity method	594	-	-	594
Balance on March 31, 2022	<u>\$ (84,901)</u>	<u>567,371</u>	<u>(4,305)</u>	<u>478,165</u>
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Non- controlling interest	Total
Balance on January 1, 2021	\$ (110,615)	226,554	(5,940)	109,999
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	316,212	(434)	315,778
Exchange differences on translation of foreign financial statements	(9,059)	-	94	(8,965)
Exchange differences on associates accounted for using equity method	1,894	-	-	1,894
Balance on March 31, 2021	<u>\$ (117,780)</u>	<u>542,766</u>	<u>(6,280)</u>	<u>418,706</u>

(r) Earning per share

The Group's earnings per share were calculated as follows:

	For the three months ended March 31	
	2022	2021
Basic earning per share		
Profit attributable to common shareholders of the Company	\$ <u>119,949</u>	<u>119,347</u>
Weighted-average number of common shares outstanding	<u>547,752</u>	<u>547,752</u>
Basic earnings per share (express in New Taiwan Dollar)	\$ <u>0.22</u>	<u>0.22</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31	
	2022	2021
Diluted earning per share		
Profit attributable to common shareholders of the Company	\$ 119,949	119,347
Weighted-average number of common shares outstanding (basic)	\$ 547,752	547,752
Effect of employee compensation	1,279	1,268
Weighted-average number of common shares outstanding (diluted)	549,031	549,020
Diluted earnings per share (express in New Taiwan Dollar)	\$ 0.22	0.22

(s) Employees compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute 5% of the profit as employee compensation 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.

For the three months ended March 31, 2022 and 2021, the Company estimated its employee compensation at \$6,862 thousand and \$8,049 thousand, and directors' remuneration at \$2,745 thousand and \$3,220 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 for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2021 and 2020, the employee compensation amounted to \$29,772 thousand and \$14,077 thousand, and directors' remuneration amounting to \$11,909 thousand and \$5,631 thousand, respectively. There were no any difference between the actual disturbed amount and those recognized in the financial statements. The related information would be available at the Market Observation Post System Website.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Revenue from contract with customers

(i) Disaggregation of revenue

		For the three months ended March 31, 2022						
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Other	Total
Primary geographical markets:								
	Taiwan	\$ 106,628	89,526	227,790	11,864	3,912	-	439,720
	America	51,048	139,071	-	56,365	9,372	-	255,856
	Asia	634,144	310,442	93,890	172,792	4,907	-	1,216,175
	Europe	162,891	182,829	-	58,771	22,805	-	427,296
	Other	13,214	46,028	-	4,421	9,523	-	73,186
		<u>\$ 967,925</u>	<u>767,896</u>	<u>321,680</u>	<u>304,213</u>	<u>50,519</u>	<u>-</u>	<u>2,412,233</u>
Major products:								
	Chemicals	\$ 967,925	767,896	321,680	-	-	-	2,057,501
	Toners	-	-	-	304,213	-	-	304,213
	Other	-	-	-	-	50,519	-	50,519
		<u>\$ 967,925</u>	<u>767,896</u>	<u>321,680</u>	<u>304,213</u>	<u>50,519</u>	<u>-</u>	<u>2,412,233</u>
		For the three months ended March 31, 2021						
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Other	Total
Primary geographical markets:								
	Taiwan	\$ 102,972	79,494	208,708	9,845	3,248	-	404,267
	America	67,069	67,300	-	30,254	14,671	-	179,294
	Asia	636,524	265,538	94,270	189,225	23,805	-	1,209,362
	Europe	200,277	167,284	-	54,144	25,292	-	446,997
	Other	20,432	14,550	-	297	5,604	-	40,883
		<u>\$ 1,027,274</u>	<u>594,166</u>	<u>302,978</u>	<u>283,765</u>	<u>72,620</u>	<u>-</u>	<u>2,280,803</u>
Major products:								
	Chemicals	\$ 1,027,274	594,166	302,978	-	-	-	1,924,418
	Toners	-	-	-	283,765	-	-	283,765
	Other	-	-	-	-	72,620	-	72,620
		<u>\$ 1,027,274</u>	<u>594,166</u>	<u>302,978</u>	<u>283,765</u>	<u>72,620</u>	<u>-</u>	<u>2,280,803</u>

(ii) Contract balance

	March 31, 2022	December 31, 2021	March 31, 2021
Receivables	\$ 2,051,076	1,918,261	1,897,418
Less: loss allowance	(75,957)	(75,815)	(78,569)
Total	<u>\$ 1,975,119</u>	<u>1,842,446</u>	<u>1,818,849</u>

For the detail on receivables and loss allowance, please refer to note 6(c).

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Non-operating income and expenses

(i) Interest income

	For the three months ended March 31	
	2022	2021
Interest income from bank deposits	\$ 585	1,195

(ii) Other gains and losses

	For the three months ended March 31	
	2022	2021
Foreign exchange losses, net	\$ 30,134	(35,078)
Net gains on financial assets and liabilities at fair value through profit or loss	5,467	1,767
Losses on disposal of property, plant and equipment	(2,925)	67
Subsidy revenue	2,986	30
Disaster loss	(30,000)	-
Others	22,682	19,881
	\$ 28,344	(13,333)

(iii) Finance costs

	For the three months ended March 31	
	2022	2021
Interest expense	\$ 11,797	12,577

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(v) of the consolidated financial statements for the year ended year end December 31, 2021.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Credit risk

1) Credit risk exposure

There was on concentration of credit risk.

2) 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 three months ended March 31, 2022 and 2021. 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.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>within 1 year</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
March 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,926,229	1,928,063	1,928,063	-	-	-
Notes payable	210,282	210,282	210,282	-	-	-
Accounts payable	444,201	444,201	444,201	-	-	-
Lease liabilities	273,025	341,848	37,301	44,488	44,062	215,997
Other payable	397,771	397,771	397,771	-	-	-
Payables on equipment	12,826	12,826	12,826	-	-	-
Dividends payable	273,876	273,876	273,876	-	-	-
Long-term borrowings	<u>1,000,000</u>	<u>1,024,505</u>	<u>-</u>	<u>421,869</u>	<u>602,636</u>	<u>-</u>
	\$ 4,538,210	4,633,372	3,304,320	466,357	646,698	215,997
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,056,402	2,060,470	2,060,470	-	-	-
Notes payable	238,909	238,909	238,909	-	-	-
Accounts payable	329,088	329,088	329,088	-	-	-
Lease liabilities	271,607	341,210	35,319	41,584	46,307	218,000
Other payable	535,475	535,475	535,475	-	-	-
Payables on equipment	43,062	43,062	43,062	-	-	-
Long-term borrowings	<u>1,000,000</u>	<u>1,019,440</u>	<u>-</u>	<u>617,348</u>	<u>402,092</u>	<u>-</u>
	\$ 4,474,543	4,567,654	3,242,323	658,932	448,399	218,000

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>within 1 year</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
March 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,105,406	2,105,974	2,105,974	-	-	-
Notes payable	174,397	174,397	174,397	-	-	-
Accounts payable	428,774	428,774	428,774	-	-	-
Lease liabilities	284,340	357,740	39,076	44,560	48,836	225,268
Other payable	339,401	339,401	339,401	-	-	-
Payables on equipment	8,655	8,655	8,655	-	-	-
Dividends payable	164,326	164,326	164,326	-	-	-
Long-term borrowings (including current portion)	<u>1,187,383</u>	<u>1,208,580</u>	<u>20,176</u>	<u>987,835</u>	<u>200,569</u>	<u>-</u>
	<u>\$ 4,692,682</u>	<u>4,787,847</u>	<u>3,280,779</u>	<u>1,032,395</u>	<u>249,405</u>	<u>225,268</u>

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

	<u>March 31, 2022</u>			<u>December 31, 2021</u>			<u>March 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 51,913	28.63	1,486,262	53,292	27.68	1,475,130	49,494	28.54	1,412,553
JPY	241,810	0.24	58,034	149,975	0.24	35,994	206,541	0.26	53,701
RMB	70,383	4.50	316,722	72,665	4.34	315,367	98,138	4.34	425,918
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	59,945	28.65	1,716,238	59,472	27.70	1,646,182	52,321	28.56	1,493,240
JPY	227,557	0.24	54,614	131,506	0.24	31,561	82,905	0.26	21,555
RMB	2,615	4.53	11,769	1,832	4.37	7,953	8,615	4.37	37,390

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, 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 three months ended March 31, 2022 and 2021, would have changed the profit by \$627 thousand and \$2,720 thousand, respectively. The analysis is performed on the same basis for 2022 and 2021.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Foreign exchange gains and losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the three months ended March 31, 2022 and 2021, foreign exchange losses (including realized and unrealized portions) are exchange gains (losses) amounted to \$30,134 thousand and \$(35,078) thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group'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 expressed as the interest rate increase or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1%, the Group's profit would have changed by \$23,410 thousand and \$26,342 thousand, respectively, for the three months ended March 31, 2022 and 2021, with all other variable factors that remain constant. This is mainly due to the Group's borrowing at floating rates.

(v) Other price risk

For the three months ended March 31, 2022 and 2021, the sensitivity analyses for changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at reporting day	For the three months ended March 31, 2022		For the three months ended March 31, 2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
1% increase	\$ 13,718	-	13,362	-
1% decrease	\$ (13,718)	-	(13,362)	-

(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 Group'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:

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		March 31, 2022			
		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	\$ 64,291	64,291	-	-	64,291
Derivative financial assets	5,423	-	5,423	-	5,423
Subtotal	<u>69,714</u>	<u>64,291</u>	<u>5,423</u>	<u>-</u>	<u>69,714</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	1,277,379	1,277,379	-	-	1,277,379
Domestic unlisted common shares	94,441	-	-	94,441	94,441
Subtotal	<u>1,371,820</u>	<u>1,277,379</u>	<u>-</u>	<u>94,441</u>	<u>1,371,820</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,245,324	-	-	-	-
Financial assets at amortized cost	33,502	-	-	-	-
Notes and accounts receivable	1,975,119	-	-	-	-
Other financial assets	64,772	-	-	-	-
Subtotal	<u>3,318,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>4,760,251</u>	<u>1,341,670</u>	<u>5,423</u>	<u>94,441</u>	<u>1,441,534</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,926,229	-	-	-	-
Notes and accounts payable	654,483	-	-	-	-
Lease liabilities	273,025	-	-	-	-
Other payable	397,771	-	-	-	-
Payables on equipment	12,826	-	-	-	-
Dividends payable	273,876	-	-	-	-
Total	\$ <u>4,538,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		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 and foreign markets	1,449,877	1,449,877	-	-	1,449,877
Domestic unlisted common shares	79,987	-	-	79,987	79,987
Subtotal	<u>1,529,864</u>	<u>1,449,877</u>	<u>-</u>	<u>79,987</u>	<u>1,529,864</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		December 31, 2021			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,449,753	-	-	-	-
Financial assets at amortized cost	3,502	-	-	-	-
Notes and accounts receivable	1,842,446	-	-	-	-
Other financial assets	30,351	-	-	-	-
Subtotal	<u>3,326,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,916,163</u>	<u>1,510,124</u>	<u>-</u>	<u>79,987</u>	<u>1,590,111</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 3,056,402	-	-	-	-
Notes and accounts payable	567,997	-	-	-	-
Lease liabilities	271,607	-	-	-	-
Other payable	535,475	-	-	-	-
Payables on equipment	43,062	-	-	-	-
Total	<u>\$ 4,474,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		March 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	\$ 135,657	135,657	-	-	135,657
Derivative financial assets	1,707	-	1,707	-	1,707
Subtotal	<u>137,364</u>	<u>135,657</u>	<u>1,707</u>	<u>-</u>	<u>137,364</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	1,282,270	1,282,270	-	-	1,282,270
Domestic unlisted common shares	53,881	-	-	53,881	53,881
Subtotal	<u>1,336,151</u>	<u>1,282,270</u>	<u>-</u>	<u>53,881</u>	<u>1,336,151</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	1,471,027	-	-	-	-
Financial assets at amortized cost	42,302	-	-	-	-
Notes and accounts receivable	1,818,849	-	-	-	-
Other financial assets	27,685	-	-	-	-
Subtotal	<u>3,359,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,833,378</u>	<u>1,417,927</u>	<u>1,707</u>	<u>53,881</u>	<u>1,473,515</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank loans	\$ 3,292,789	-	-	-	-
Notes and accounts payable	603,171	-	-	-	-
Lease liabilities	284,340	-	-	-	-
Other payable	339,401	-	-	-	-
Payables on equipment	8,655	-	-	-	-
Dividends payable	164,326	-	-	-	-
Total	\$ 4,692,682	-	-	-	-

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 Group 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.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the financial instrument of the Group 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 Group didn't have any fair value transfer between levels for the three months ended March 31, 2022 and 2021.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance on January 1, 2022	\$ 79,987
Purchased	7,800
Total gains or losses:	
Recognized in other comprehensive income	6,654
Balance on March 31, 2022	\$ 94,441
	Fair value through other comprehensive income
	Unquoted equity instruments
Balance on January 1, 2021	\$ 50,190
Total gains or losses:	
Recognized in other comprehensive income	3,691
Balance on March 31, 2021	\$ 53,881

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 March 31, 2022 and 2021 were as follows:

	For the three months ended	
	March 31	
	2022	2021
Recognized in other comprehensive income	\$ 6,654	3,691

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

The Group'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 Group'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:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through other comprehensive income- equity investments without an active market	Comparable Listed companies approach	<ul style="list-style-type: none"> • Price-Book Ratio (as of March 31, 2022, December 31 and March 31, 2021 were 2.36~4.36, 2.70~7.25 and 3.06~4.28, respectively) • Market liquidity discount rate (as of March 31, 2022, December 31 and March 31, 2021 were all 20%) 	<ul style="list-style-type: none"> • The estimated fair value would increase if the multiplier was higher. • The estimated fair value would decrease if market liquidity discount rate was higher.

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

The Group'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 March 31, 2022, December 31 and March 31, 2021:

<u>Inputs</u>	<u>Upwards or Downwards</u>	<u>Fair value variation on other comprehensive income</u>					
		<u>Favorable</u>			<u>Unfavorable</u>		
		March 31, 2022	December 31, 2021	March 31, 2021	March 31, 2022	December 31, 2021	March 31, 2021
Price-book ratio	5%	4,467	4,012	2,673	(4,467)	(4,012)	(2,673)
Market liquidity discount rate	5%	4,491	3,988	2,737	(4,491)	(3,988)	(2,737)

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

(x) Capital management

The Group's objectives, policies and processes of capital management were the same as those described in the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2021.

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

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>March 31, 2022</u>
			<u>Foreign exchange movement</u>	<u>Others</u>	
Short-term borrowings	\$ 2,056,402	(141,399)	11,226	-	1,926,229
Long-term borrowings	1,000,000	-	-	-	1,000,000
Lease liabilities	271,607	(8,423)	2,040	7,801	273,025
Total liabilities from financing activities	<u>\$ 3,328,009</u>	<u>(149,822)</u>	<u>13,266</u>	<u>7,801</u>	<u>3,199,254</u>

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>March 31, 2021</u>
			<u>Foreign exchange movement</u>	<u>Others</u>	
Short-term borrowings	\$ 1,871,991	236,133	(2,718)	-	2,105,406
Long-term borrowings	1,290,000	(102,486)	-	(131)	1,187,383
Lease liabilities	293,710	(8,903)	(895)	428	284,340
Total liabilities from financing activities	<u>\$ 3,455,701</u>	<u>124,744</u>	<u>(3,613)</u>	<u>297</u>	<u>3,577,129</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

The following is the entity that has had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Chung Hwa Chemical Industrial Works, Ltd. (CHCIW)	The entity's chairman is the director of the Company

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Purchase

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

	For the three months ended	
	March 31	
	<u>2022</u>	<u>2021</u>
CHCIW	<u>\$ 11,608</u>	<u>9,077</u>

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.

(ii) Payables to related parties

<u>Account</u>	<u>Name of related party</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes and accounts payable	CHCIW	\$ 16,906	17,165	14,008
Other payable	CHCIW	<u>2,687</u>	<u>2,676</u>	<u>-</u>
		<u>\$ 19,593</u>	<u>19,841</u>	<u>14,008</u>

(c) Key management personnel compensation

	For the three months ended	
	March 31	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 8,313	7,977
Post-employment benefits	<u>130</u>	<u>159</u>
	<u>\$ 8,443</u>	<u>8,136</u>

(8) Assets pledged as security:

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts receivable	Short-term borrowings	\$ 98,350	115,601	-
Inventories	Short-term borrowings	<u>8,588</u>	<u>8,304</u>	<u>-</u>
		<u>\$ 106,938</u>	<u>123,905</u>	<u>-</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

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

	March 31, 2022	December 31, 2021	March 31, 2021
Acquisition of property, plant and equipment	\$ <u>93,583</u>	<u>77,954</u>	<u>61,011</u>

(b) The Group's outstanding standby letter of credit are as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Outstanding standby letter of credit	\$ <u>2,333</u>	<u>2,385</u>	<u>-</u>

(10) Losses due to major disasters:

A fire accident occurred in building Plant #3 on March 10, 2022, and caused damage to some buildings, equipment and inventories. The aforementioned estimated disaster loss is \$64,000 thousand recognized in other gains and losses in March 31, 2022. The Company has already entered into related property insurance contracts and is currently in the process of negotiation with the insurance company to handle claims. The Company has confirmed with the insurance company and its notary to recognize the virtually certain amount of compensation that can be received from the insurance company as claim receivables, but shall not exceed the disaster loss of each asset. As of March 31, 2022, the Company recognizes the claim receivable for \$34,000 thousand, as a deduction in other gains and losses. However, the insurance claims involve disaster identification, the Company has not been able to confirm the total amount of insurance claims, and will recognize it when the Company can almost be certain that it can receive the subsequent increase in insurance claims income.

(11) Subsequent Events: None.

(12) Other:

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

By item	By function	For the three months ended March, 31, 2022			For the three months ended March, 31, 2021		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		187,162	145,639	332,801	168,766	137,227	305,993
Labor and health insurance		18,236	15,782	34,018	16,870	14,515	31,385
Pension		10,327	8,916	19,243	9,476	7,663	17,139
Remuneration of directors		-	2,475	2,475	-	3,220	3,220
Others		6,136	4,430	10,566	6,347	7,445	13,792
Depreciation (note)		129,931	32,940	162,871	130,566	37,041	167,607
Amortization		550	9,211	9,761	665	8,102	8,767

Note: For the three month ended March 31, 2022 and 2021, depreciation expenses recognized were \$162,933 thousand and \$167,671 thousand, respectively, less deferred gains of \$62 thousand and \$64 thousand, respectively.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year three months March 31, 2022:

1. Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related Party	Highest balance of financing to other parties 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	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	143,125	143,125	-	-	2	-	Short-term operation financing	-	NA	-	852,938	3,411,755

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	852,938	57,250	57,250	-	-	0.67%	2,132,347	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 to endorsement/guarantee provider, and vice versa, due to contractual requirements.
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.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

3. Securities held as of March 31, 2022 (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				Note
				Shares/Units	Carrying value	Percentage of Ownership	Fair value	
ECIC	Jin Sun Money Market Fund	-	Financial assets at fair value through profit or loss-current	2,010	30,144	-	30,144	
"	Franklin Templeton Sinoam Money Market Fund	-	"	2,881	30,141	-	30,141	
GLTP	UPAMC James Bond Money Market Fund	-	"	237	4,006	-	4,006	
	Total				64,291		64,291	
ECIC	Polytronics Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	8,376	466,173	10%	871,103	
"	Chung Hwa Chemical Industrial Works, LTD	-	"	5,500	92,217	5%	279,400	
"	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	62,274	
"	Andros Pharmaceuticals Co., Ltd.	-	"	3,880	77,800	14%	76,552	
GLTP	QISDA Corp.	-	"	70	2,269	-	2,328	
"	Andros Pharmaceuticals Co., Ltd.	-	"	260	7,800	1%	5,130	
"	Taiwan Bio Therapeutics Co., Ltd.	-	"	414	11,400	1%	12,759	
TTI	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	62,274	
			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		564,361		-	
	Total				1,371,820		1,371,820	

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:

Name of company	Counter-party	Nature of relationship	Purchase/Sale	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
				Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
ECIC	EVEU	Subsidiary	Sale	175,818	7.29%	OA 90	Non material differences from those of third-parties	Non material differences from those of third-parties	71,836	3.57%	Note
"	EVUS	"	"	109,146	4.52%	OA 120	"	"	141,583	7.05%	Note

Note : The amounts of the transaction and the ending balance had been eliminated in the consolidated financial statements.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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 (note)	Turnover rate	Overdue		Amounts received in subsequent period (As of May 12, 2022)	Loss allowance
					Amount	Action taken		
ECIC	EVUS	Subsidiary	141,583	2.92	-	-	29,148	-
"	ELITE	"	119,400	3.18	-	-	44,124	-

Note : The amount of the transactions and the ending balance had been eliminated in the consolidated financial statements.

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

10. Significant transactions and business relationships between the parent company and its subsidiaries:

Number (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentages of the consolidated net revenue or total assets
0	ECIC	EVUS	1	Account receivable	141,583	No material differences from those of third parties	1.02%
0	"	EVEU	1	Operating revenue	175,818	"	7.29%
0	"	EVUS	1	"	109,146	"	4.52%
0	"	ELITE	1	"	94,471	"	3.92%
0	"	EVSZ	1	"	62,037	"	2.57%
0	"	ETSH	1	"	50,609	"	2.10%
0	"	EVSH	1	"	37,574	"	1.56%
0	"	ADSH	1	"	32,777	"	1.36%
1	TTI	EVSZ	2	"	40,234	"	1.67%

Note 1: Company numbering as follows:

Parent company - 0

Subsidiary starts from 1

Note 2: The numbering of the relationship between transaction parties as follows:

Parent company to subsidiary - 1

Subsidiary to subsidiary - 2

Note 3: These accounts are disclosed based on the amounts represented to 1% of consolidated net sales.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investments (excluding investment in mainland China):

The following are the information on investees for the three months ended March 31, 2022 (excluding investment in mainland China):

Units in Thousands

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance of March 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
ECIC	EVUS	America	Selling chemical product and related raw materials	88,868	88,868	300	100.00%	133,417	7,832	7,832	(Note 2)
"	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	38,146	191	191	(Note 2)
"	EVSG	Singapore	Investing business	779,115	779,115	24,300	100.00%	961,421	(9,714)	(9,714)	(Note 2)
"	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	78,414	12,899	12,899	(Note 2)
"	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	585,785	11,017	7,596	(Note 2)
"	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	106,922	4,245	2,122	(Note 2)
"	GOODTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,428	986	219	(Note 1)
"	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithium ion battery	58,600	58,600	4,856	16.78%	44,009	2,314	48	(Note 1)
"	DCBM	Taoyuan City	Manufacturing of medical supplies and providing service of biological technology	62,555	62,555	6,325	91.26%	8,340	-	-	(Note 2)
"	GLTP	Taipei City	Investing business	100,000	100,000	10,000	100.00%	26,155	(7)	(7)	(Note 2)
	Unrealized gross profit on sales			-	-			(106,305)		-	
				1,437,815	1,437,815			1,896,732		21,186	

Note 1: These companies are the investees of investments accounted for using equity method. Investment income (loss) arisen from these companies were included in share of profit of subsidiaries accounted for using equity method of the Company.

Note 2: The amounts of the transactions and the ending balance had been eliminated in the consolidated financial statements.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

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

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, 2022		Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2022		Net income (losses) of the investee	Percentage of ownership	Highest balance during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period	
		USD	NTD		USD	NTD	Outflow	Inflow	USD	NTD						USD	TWD
ETSH (Note 9)	Selling chemical product and related raw materials	1,700 (Note 8)	48,663	(Note 7)	700	20,038			700	20,038	7,099	100.00%	100.00%	7,099 (note 2)	158,990	2,961	84,759
ETGZ (Note 9)	Selling chemical product and related raw materials	700 (Note 7)	20,038	(Note 7)	200	5,725			200	5,725	674	100.00%	100.00%	674 (note 2)	95,584	1,523	43,596
EVSH (Note 9)	Selling chemical product and related raw materials	1,250 (Note 7)	35,781	(Note 7)	1,100	31,488			1,100	31,488	(117)	100.00%	100.00%	(117) (note 2)	154,372	950	27,194
EVSZ (Note 9)	Manufacturing and selling color chemical, toners and electronic high tech chemical product	23,650 (Note 5)	676,981	(Note 1)	18,600	532,425			18,600	532,425	(11,257)	100.00%	100.00%	(11,257) (note 2)	873,400	-	-
ANDA (Note 9)	Selling electronic high tech chemical product	1,200 (Note 5)	34,350	(Note 1)	650	18,606			650	18,606	402	56.25%	56.25%	226 (note 3)	22,863	-	-
ADSH (Note 9)	Selling electronic high tech chemical product	157 (Note 6)	4,494	(Note 6)	-	-			-	-	2,809	56.25%	56.25%	1,580 (note 3)	17,608	-	-
3ESZ	Manufacturing and selling chemical product and related raw materials	6,600 (Note 5)	188,925	(Note 1)	2,490	71,276			2,490	71,276	3,290	40.00%	40.00%	1,316 (note 3)	64,002	-	-

- Note 1: Reinvest in mainland China through third place (EVSG).
 Note 2: These financial statements are reviewed by the same auditor of the Taiwan parent company and accounted for equity method.
 Note 3: The amounts had been accounted for using equity method based upon the unreviewed financial statements of these investees.
 Note 4: Exchange rate: NTD vs USD (1:28.625). Expressed in thousands of New Taiwan Dollars unless otherwise specified.
 Note 5: EVSG invested in EVSZ USD 5,050 thousand, ANDA USD 25 thousand and 3ESZ USD 150 thousand by owned funds.
 Note 6: ANDA invested in ADSH amounted to RMB 1,000 thousand (USD 157 thousand) by owned funds.
 Note 7: EVSZ invested in ETSH 1,700 thousand USD, ETGZ 700 USD thousand and EVSH 1,250 thousand USD by issuing shares.
 Note 8: Included the capital increasing amounted to USD 1,000 thousand from earning.
 Note 9: The amounts of the transaction and the ending balance had been eliminated in the consolidated financial statements.

(ii) Limitation on investment in mainland China:

Accumulated Investment in mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
728,134 (USD 25,437)	662,554 (USD 23,146)	5,303,229

As of March 31, 2022, 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 three months ended March 31, 2022, the information on direct or indirect significant transactions with investees in mainland China, which had been eliminated in the consolidated financial statements, is disclosed in note (13)(a) Information on significant transactions.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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%

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The Group's operating segment information and reconciliation are as follow:

	For the three months ended March 31, 2022							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 967,925	767,896	321,680	304,213	50,519	-	-	2,412,233
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 967,925</u>	<u>767,896</u>	<u>321,680</u>	<u>304,213</u>	<u>50,519</u>	<u>-</u>	<u>-</u>	<u>2,412,233</u>
Reportable segment profit or loss	<u>\$ 97,555</u>	<u>62,126</u>	<u>28,387</u>	<u>(7,677)</u>	<u>(33,894)</u>	<u>4,833</u>	<u>-</u>	<u>151,330</u>

	For the three months ended March 31, 2021							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 1,027,274	594,166	302,978	283,765	72,620	-	-	2,280,803
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 1,027,274</u>	<u>594,166</u>	<u>302,978</u>	<u>283,765</u>	<u>72,620</u>	<u>-</u>	<u>-</u>	<u>2,280,803</u>
Reportable segment profit or loss	<u>\$ 145,343</u>	<u>65,276</u>	<u>4,678</u>	<u>(26,994)</u>	<u>(36,506)</u>	<u>3,611</u>	<u>-</u>	<u>155,408</u>