

(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 Six Months Ended June 30, 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	38
(8) Assets pledged as security	39
(9) Commitments and contingencies	39
(10) Losses due to major disasters	39
(11) Subsequent Events	40
(12) Other	40
(13) Other disclosures	
(a) Information on significant transactions	41~43
(b) Information on investees	44
(c) Information on investment in mainland China	45
(d) Major shareholders	46
(14) Segment information	47



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 June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, as well as the changes in equity and cash flows for the six months ended June 30, 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 \$270,525 thousand and \$265,235 thousand, constituting 1.95% and 1.93% of consolidated total assets as of June 30, 2022 and 2021, respectively, total liabilities amounting to \$34,043 thousand and \$41,183 thousand, constituting 0.65% and 0.84% of consolidated total liabilities as of June 30, 2022 and 2021, respectively, and total comprehensive income (loss) amounting to \$2,680 thousand, \$3,093 thousand, \$4,523 thousand and \$10,202 thousand, constituting (1.20)%, 1.58%, (2.09)% and 1.63% of consolidated total comprehensive income for the three months and six months ended June 30, 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 \$132,591 thousand and \$119,047 thousand as of June 30, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$5,093 thousand, \$2,745 thousand, \$6,676 thousand and \$5,887 thousand for the three months and six months ended June 30, 2022 and 2021, 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 June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021, as well as its consolidated cash flows for the six months ended June 30, 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)
August 11, 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 June 30, 2022 and 2021

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31 and June 30, 2021

(Expressed in Thousands New Taiwan Dollars)

Assets		June 30, 2022		December 31, 2021		June 30, 2021		Liabilities and Equity		June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 1,366,391	10	1,449,753	10	1,377,358	10	2100	Short-term borrowings (notes 6(k) and 8)	\$ 2,088,665	15	2,056,402	15	1,991,786	15
1110	Financial assets at fair value through profit or loss-current (note 6(b))	100,197	1	60,247	-	135,728	1	2322	Long-term borrowings, current portion (note 6(l))	200,000	2	-	-	220,000	2
1136	Financial assets at amortized cost-current (note 6(b))	61,014	-	3,502	-	39,192	-	2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	-	-	-	-	1,869	-
1150	Notes receivable, net (notes 6(c) and (t))	213,008	2	215,955	2	246,760	2	2151	Notes payable (note 7)	235,022	2	238,909	2	200,514	2
1170	Accounts receivable, net (notes 6(c) and (t) and 8)	1,663,725	12	1,626,491	12	1,607,874	12	2170	Accounts payable (note 7)	412,589	3	329,088	2	441,895	3
130X	Inventories (notes 6(d), 8 and 10)	3,857,275	28	3,530,338	25	3,198,991	23	2209	Other payable (notes 6(s) and 7)	440,825	3	535,475	4	337,000	3
1476	Other current financial assets (note 10)	72,084	-	26,809	-	35,273	-	2213	Payable on equipment	16,789	-	43,062	-	10,055	-
1479	Other current assets (note 6(h))	110,708	1	123,755	1	102,814	1	2216	Dividends payable (note 6(q))	273,876	2	-	-	164,326	1
	Total current assets	<u>7,444,402</u>	<u>54</u>	<u>7,036,850</u>	<u>50</u>	<u>6,743,990</u>	<u>49</u>	2230	Current tax liabilities	89,102	1	132,267	1	78,326	-
Non-current assets:								2280	Lease liabilities-current (note 6(m))	32,598	-	29,830	-	31,464	-
1517	Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (v))	993,857	7	1,529,864	11	1,375,416	10	2399	Other current liabilities (note 6(n))	69,045	-	52,528	-	57,762	-
1550	Investments accounted for using equity method (note 6(e))	132,591	1	124,163	1	119,047	1		Total current liabilities	<u>3,858,511</u>	<u>28</u>	<u>3,417,561</u>	<u>24</u>	<u>3,534,997</u>	<u>26</u>
1600	Property, plant and equipment (notes 6(g), 9 and 10)	4,705,633	34	4,891,430	34	5,015,953	37		Non-current liabilities:						
1755	Right-of-use-assets (note 6(i))	286,952	2	284,560	2	289,336	2	2540	Long-term borrowings (note 6(l))	830,000	6	1,000,000	7	850,000	6
1780	Intangible assets (note 6(j))	109,390	1	115,756	1	107,793	1	2570	Deferred tax liabilities	86,879	1	86,879	1	79,074	-
1840	Deferred tax assets	109,394	1	109,394	1	49,654	-	2580	Lease liabilities non-current (note 6(m))	241,832	2	241,777	2	243,854	2
1915	Prepayments for equipment	54,886	-	28,808	-	40,947	-	2640	Net defined benefit liability	179,482	1	217,449	2	121,379	1
1980	Other non-current financial assets (notes 6(c) and (t))	3,604	-	3,542	-	3,680	-	2670	Other non-current liabilities (note 6(n))	63,964	-	66,330	-	96,087	1
1990	Other non-current assets	35,495	-	11,903	-	28,650	-		Total non-current liabilities	<u>1,402,157</u>	<u>10</u>	<u>1,612,435</u>	<u>12</u>	<u>1,390,394</u>	<u>10</u>
	Total non-current assets	<u>6,431,802</u>	<u>46</u>	<u>7,099,420</u>	<u>50</u>	<u>7,030,476</u>	<u>51</u>		Total liabilities	<u>5,260,668</u>	<u>38</u>	<u>5,029,996</u>	<u>36</u>	<u>4,925,391</u>	<u>36</u>
								Equity attributable to owners of parent (notes 6(b), (e), (f), (q) and (v)):							
								3100	Common shares	5,477,522	40	5,477,522	39	5,477,522	40
								3200	Capital surplus	474,558	3	474,558	3	474,558	3
								3300	Retained earnings	2,222,344	16	2,248,765	16	2,143,654	16
								3400	Other equity	118,895	1	605,295	4	451,309	3
									Total equity attributable to owners of parent	<u>8,293,319</u>	<u>60</u>	<u>8,806,140</u>	<u>62</u>	<u>8,547,043</u>	<u>62</u>
								36XX	Non-controlling interests (notes 6(f) and (q))	322,217	2	300,134	2	302,032	2
									Total equity	<u>8,615,536</u>	<u>62</u>	<u>9,106,274</u>	<u>64</u>	<u>8,849,075</u>	<u>64</u>
Total assets		<u>\$ 13,876,204</u>	<u>100</u>	<u>14,136,270</u>	<u>100</u>	<u>13,774,466</u>	<u>100</u>	Total liabilities and equity		<u>\$ 13,876,204</u>	<u>100</u>	<u>14,136,270</u>	<u>100</u>	<u>13,774,466</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 and six months ended June 30, 2022 and 2021

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

	For the three months ended June 30				For the six months ended June 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(t))	\$ 2,323,801	100	2,349,495	100	4,736,034	100	4,630,298	100
5000	Operating costs (notes 6(d), (g), (i), (j), (m), (o), (s), 7 and 12)	<u>1,795,260</u>	<u>77</u>	<u>1,784,516</u>	<u>76</u>	<u>3,658,674</u>	<u>77</u>	<u>3,503,264</u>	<u>76</u>
5950	Gross profit from operations	<u>528,541</u>	<u>23</u>	<u>564,979</u>	<u>24</u>	<u>1,077,360</u>	<u>23</u>	<u>1,127,034</u>	<u>24</u>
6000	Operating expenses (notes 6(c), (g), (i), (j), (m), (o), (s), 7 and 12):								
6100	Selling expenses	244,782	10	207,655	9	495,504	10	413,586	9
6200	Administrative expenses	89,116	4	81,771	3	170,156	4	159,832	3
6300	Research and development expenses	92,203	4	90,349	4	177,937	4	178,157	4
6450	Expected credit loss (gain)	<u>(2,922)</u>	<u>-</u>	<u>1,114</u>	<u>-</u>	<u>(4,214)</u>	<u>-</u>	<u>14,388</u>	<u>-</u>
	Total operating expenses	<u>423,179</u>	<u>18</u>	<u>380,889</u>	<u>16</u>	<u>839,383</u>	<u>18</u>	<u>765,963</u>	<u>16</u>
6900	Net operating income	<u>105,362</u>	<u>5</u>	<u>184,090</u>	<u>8</u>	<u>237,977</u>	<u>5</u>	<u>361,071</u>	<u>8</u>
7000	Non-operating income and expenses (notes 6(b), (c), (g), (k), (l), (m), (u) and 10):								
7100	Interest income	1,295	-	1,389	-	1,880	-	2,584	-
7010	Other income	38,458	1	35,598	2	38,458	1	35,598	1
7020	Other gains and losses	18,400	1	5,427	-	46,744	1	(7,906)	-
7050	Finance costs	(15,341)	(1)	(12,606)	(1)	(27,138)	(1)	(25,183)	(1)
7060	Share of gains of associates accounted for using equity method	<u>5,093</u>	<u>-</u>	<u>2,745</u>	<u>-</u>	<u>6,676</u>	<u>-</u>	<u>5,887</u>	<u>-</u>
	Total non-operating income and expense	<u>47,905</u>	<u>1</u>	<u>32,553</u>	<u>1</u>	<u>66,620</u>	<u>1</u>	<u>10,980</u>	<u>-</u>
7900	Income before income tax	<u>153,267</u>	<u>6</u>	<u>216,643</u>	<u>9</u>	<u>304,597</u>	<u>6</u>	<u>372,051</u>	<u>8</u>
7951	Income tax expenses (note (p))	<u>27,797</u>	<u>1</u>	<u>43,474</u>	<u>2</u>	<u>54,254</u>	<u>1</u>	<u>78,344</u>	<u>2</u>
8200	Net income	<u>125,470</u>	<u>5</u>	<u>173,169</u>	<u>7</u>	<u>250,343</u>	<u>5</u>	<u>293,707</u>	<u>6</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	(346,795)	(15)	39,265	2	(514,908)	(11)	355,043	8
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(346,795)</u>	<u>(15)</u>	<u>39,265</u>	<u>2</u>	<u>(514,908)</u>	<u>(11)</u>	<u>355,043</u>	<u>8</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(273)	-	(16,660)	-	48,691	1	(25,625)	-
8370	Share of other comprehensive income of associates accounted for using equity method	(1,582)	-	(1)	-	(988)	-	1,893	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(1,855)</u>	<u>-</u>	<u>(16,661)</u>	<u>-</u>	<u>47,703</u>	<u>1</u>	<u>(23,732)</u>	<u>-</u>
8300	Other comprehensive income (after tax)	<u>(348,650)</u>	<u>(15)</u>	<u>22,604</u>	<u>2</u>	<u>(467,205)</u>	<u>(10)</u>	<u>331,311</u>	<u>8</u>
8500	Total comprehensive income	<u>\$ (223,180)</u>	<u>(10)</u>	<u>195,773</u>	<u>9</u>	<u>(216,862)</u>	<u>(5)</u>	<u>625,018</u>	<u>14</u>
	Profit attributable to:								
8610	Owners of parent	\$ 117,263	5	169,348	7	237,212	5	288,695	6
8620	Non-controlling interests	<u>8,207</u>	<u>-</u>	<u>3,821</u>	<u>-</u>	<u>13,131</u>	<u>-</u>	<u>5,012</u>	<u>-</u>
		<u>\$ 125,470</u>	<u>5</u>	<u>173,169</u>	<u>7</u>	<u>250,343</u>	<u>5</u>	<u>293,707</u>	<u>6</u>
	Comprehensive income attributable to:								
8710	Owners of parent	\$ (236,069)	(10)	195,671	9	(238,945)	(5)	624,065	14
8720	Non-controlling interests	<u>12,889</u>	<u>-</u>	<u>102</u>	<u>-</u>	<u>22,083</u>	<u>-</u>	<u>953</u>	<u>-</u>
		<u>\$ (223,180)</u>	<u>(10)</u>	<u>195,773</u>	<u>9</u>	<u>(216,862)</u>	<u>(5)</u>	<u>625,018</u>	<u>14</u>
9750	Basic earnings per share (note 6(r)) (expressed in New Taiwan dollars)	<u>\$ 0.21</u>		<u>0.31</u>		<u>0.43</u>		<u>0.53</u>	
9850	Diluted earnings per share (note 6(r)) (expressed in New Taiwan dollars)	<u>\$ 0.21</u>		<u>0.31</u>		<u>0.43</u>		<u>0.53</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 Changes in Equity
For the six months ended June 30, 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	-	-	-	-	288,695	288,695	-	-	-	288,695	5,012	293,707
Other comprehensive income	-	-	-	-	-	-	(21,204)	356,574	335,370	335,370	(4,059)	331,311
Total comprehensive income	-	-	-	-	288,695	288,695	(21,204)	356,574	335,370	624,065	953	625,018
Appropriation and distribution of retained earnings:												
Cash dividends	-	-	-	-	(164,326)	(164,326)	-	-	-	(164,326)	-	(164,326)
Balance on June 30, 2021	\$ 5,477,522	474,558	1,076,355	30,438	1,036,861	2,143,654	(131,819)	583,128	451,309	8,547,043	302,032	8,849,075
Balance on 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	-	-	-	-	237,212	237,212	-	-	-	237,212	13,131	250,343
Other comprehensive income	-	-	-	-	-	-	39,695	(515,852)	(476,157)	(476,157)	8,952	(467,205)
Total comprehensive income	-	-	-	-	237,212	237,212	39,695	(515,852)	(476,157)	(238,945)	22,083	(216,862)
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	39,381	-	(39,381)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	(273,876)	-	(273,876)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	10,243	10,243	-	(10,243)	(10,243)	-	-	-
Balance on June 30, 2022	\$ 5,477,522	474,558	1,143,947	30,438	1,047,959	2,222,344	(90,623)	209,518	118,895	8,293,319	322,217	8,615,536

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 and six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from operating activities:		
Income before income tax	\$ 304,597	372,051
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	323,997	335,864
Amortization expense	18,140	15,758
Expected credit loss (gain)	(4,214)	14,388
Net losses (gains) on financial assets at fair value through profit	(5,949)	1,738
Interest expense	27,138	25,183
Interest income	(1,880)	(2,584)
Dividend income	(38,458)	(35,598)
Share of gains of associates accounted for using equity method	(6,676)	(5,887)
Losses (gains) on disposal of property, plant and equipment	2,670	(244)
Losses due to disaster	31,345	-
Other	(12)	(73)
Total adjustments to reconcile profit	<u>346,101</u>	<u>348,545</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	6,102	(36,165)
Accounts receivable and overdue receivable (under other non-current financial assets)	3,163	(253,127)
Inventories	(305,380)	(8,396)
Other current financial assets	(6,732)	(7,493)
Other current assets	16,179	10,126
Total changes in operating assets	<u>(286,668)</u>	<u>(295,055)</u>
Changes in operating liabilities:		
Notes payable	(3,887)	19,083
Accounts payable	83,813	42,925
Other payable	(94,158)	(69,883)
Other current liabilities	16,253	9,000
Net defined benefit liability	(37,968)	(9,187)
Other non-current liabilities	(2,374)	6,220
Total changes in operating liabilities	<u>(38,321)</u>	<u>(1,842)</u>
Total changes in operating assets and liabilities	<u>(324,989)</u>	<u>(296,897)</u>
Total adjustments	<u>21,112</u>	<u>51,648</u>
Cash inflow generated from operations	325,709	423,699
Interest received	1,781	2,556
Dividends received	35,598	35,598
Income taxes paid	(97,694)	(37,128)
Net cash flows from operating activities	<u>265,394</u>	<u>424,725</u>
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	(60,000)	(93,201)
Proceeds from disposal of financial assets at amortized cost	2,488	66,878
Acquisition of financial assets at fair value through profit or loss	(46,000)	(105,500)
Proceeds from disposal of financial assets at fair value through profit or loss	12,000	30,003
Acquisition of financial assets at fair value through other comprehensive income	(10,069)	(25,567)
Proceeds from disposal of financial assets at fair value through other comprehensive income	31,169	-
Increase in prepayments for investments	(25,320)	(18,720)
Acquisition of property, plant and equipment	(117,541)	(56,191)
Proceeds from disposal of property, plant and equipment	980	680
Acquisition of intangible assets	(11,708)	(3,838)
Increase in other non-current financial assets	(44)	(134)
Decrease in other non-current assets	1,882	1,028
Increase in prepayments for equipment	(102,804)	(40,711)
Net cash flows used in investing activities	<u>(324,967)</u>	<u>(245,273)</u>
Cash flows used in financing activities:		
Increase in short-term borrowings	2,771,948	2,725,416
Decrease in short-term borrowings	(2,746,877)	(2,600,758)
Proceeds from long-term borrowings	30,000	-
Repayments of long-term borrowings	-	(220,000)
Payments of lease liabilities	(16,839)	(17,521)
Interest paid	(26,462)	(26,919)
Subsidiaries distributed cash dividends to non-controlling interests	(7,181)	-
Net cash flows from (used in) financing activities	<u>4,589</u>	<u>(139,782)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(28,378)</u>	<u>2,880</u>
Net (decrease) increase in cash and cash equivalents	<u>(83,362)</u>	<u>42,550</u>
Cash and cash equivalents at beginning of period	<u>1,449,753</u>	<u>1,334,808</u>
Cash and cash equivalents at end of period	<u>\$ 1,366,391</u>	<u>1,377,358</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

Notes to the Consolidated Financial Statements

June 30, 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 August 11, 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”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- 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”

(Continued)

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

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
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”

(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
			June 30, 2022	December 31, 2021	June 30, 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 June 30, 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 year ended December 31, 2021. Please refer to note 6 of the consolidated financial statements for the year ended year ended December 31, 2021.

(Continued)

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

(a) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$ 2,897	1,885	2,730
Cash in bank	1,228,621	1,370,965	1,254,458
Time deposits	134,873	76,903	120,170
Cash and cash equivalents	<u>\$ 1,366,391</u>	<u>1,449,753</u>	<u>1,377,358</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:

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets mandatorily measured at fair value through profit or loss:			
Monetary market fund	\$ 94,359	60,247	135,728
Option contracts	5,838	-	-
Total	<u>\$ 100,197</u>	<u>60,247</u>	<u>135,728</u>
	June 30, 2022	December 31, 2021	June 30, 2021
Financial liabilities held-for-trading:			
Option contracts	<u>\$ -</u>	<u>-</u>	<u>1,869</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 June 30, 2022 and 2021:

	June 30, 2022		
	Contract amount (in thousand)	Currency	Period
Option contracts	<u>\$ 800</u>	EUR	2022/7/29~2022/10/31
Option contracts	<u>\$ 3,000</u>	USD	2022/12/30

(Continued)

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

	June 30, 2021		
	Contract amount (in thousand)	Currency	Period
Option contracts	\$ 2,100	EUR	2021/7/8-2021/12/30
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:

	June 30, 2022	December 31, 2021	June 30, 2021
Stocks listed on domestic markets	\$ 842,427	1,449,877	1,317,108
Domestic unlisted common shares	151,430	79,987	58,308
	\$ 993,857	1,529,864	1,375,416

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.

For the six months ended June 30, 2022, the Group has sold the partial of financial assets at fair value through other comprehensive income for strategic purposes. The shares sold had a fair value of \$31,169 thousand, and the Group realized a gain of \$10,243 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings. There was no such transaction for the six months ended June 30, 2021.

- (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:

	June 30, 2022	December 31, 2021	June 30, 2021
Government bonds	\$ 60,000	-	30,000
Financial assets at amortized cost-current	1,014	3,502	9,192
	\$ 61,014	3,502	39,192

- 1) The Group purchased government bonds with a face value of 60,000 thousand and 30,000 thousand during June 2022 and 2021. The due date of government bonds were July 12, 2022 and July 12, 2021, and its' effective interest rate were 0.41% 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).

(Continued)

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

(v) The aforementioned financial assets were not pledged.

(c) Receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	\$ 214,025	218,260	246,760
Accounts receivable	1,694,234	1,655,238	1,637,839
Overdue receivable (under other non-current financial assets)	41,199	44,763	49,276
Less: loss allowance	<u>(72,725)</u>	<u>(75,815)</u>	<u>(79,241)</u>
	<u>\$ 1,876,733</u>	<u>1,842,446</u>	<u>1,854,634</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:

	June 30, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,768,661	0.01%~0.32%	1,718
1 to 90 days past due	128,423	1.41%~12.02%	24,711
91 to 365 days past due	11,175	16.82%~51.14%	5,097
More than 365 days past due	41,199	100%	41,199
	<u>\$ 1,949,458</u>		<u>72,725</u>
	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
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	44,763	100%	44,763
	<u>\$ 1,918,261</u>		<u>75,815</u>
	June 30, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,742,242	0.01%~0.15%	3,190
1 to 90 days past due	136,613	1.96%~17.04%	23,342
91 to 365 days past due	5,744	16.8%~57.19%	3,433
More than 365 days past due	49,276	100%	49,276
	<u>\$ 1,933,875</u>		<u>79,241</u>

(Continued)

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

The detail of loss allowance were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	\$ 1,017	2,305	-
Accounts receivable	30,509	28,747	29,965
Overdue receivable	41,199	44,763	49,276
	\$ 72,725	75,815	79,241

The movement in the allowance for receivables was as follows:

	For the six months ended June 30	
	2022	2021
Balance on January 1, 2022	\$ 75,815	66,516
Impairment losses recognized (reverse)	(4,214)	14,388
Amounts written off	-	(1,017)
Effect of movements in exchange rates	1,124	(646)
Balance on June 30, 2022	\$ 72,725	79,241

As of 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 June 30, 2022 and 2021, the aforementioned financial assets were not pledged.

(d) Inventories

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	\$ 1,132,117	924,964	898,627
Supplies	31,216	27,113	23,263
Work in progress	556,735	565,906	601,601
Finished goods	1,827,452	1,828,140	1,539,691
Materials in transit	309,755	184,215	135,809
	\$ 3,857,275	3,530,338	3,198,991

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 June 30		For the six months ended June 30	
	2022	2021	2022	2021
Losses (gains) on valuation of inventories	\$ 1,975	(655)	786	337
Losses on inventory count	423	993	967	1,408
Unallocated production overheads	46,171	32,958	82,534	73,415
Losses on obsolescence	2,714	2,433	6,417	2,433
Scrap income	(701)	(470)	(1,082)	(975)
	\$ 50,582	35,259	89,622	76,618

(Continued)

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

As of December 31, 2021, the inventories of the Group had been pledged as collateral for short-term borrowings, please refer to note 8. As of June 30, 2022 and 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:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Associates	\$ <u>132,591</u>	<u>124,163</u>	<u>119,047</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.

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Carrying amount of individually insignificant associates	\$ <u>132,591</u>	<u>124,163</u>	<u>119,047</u>
	<u>For the three months ended June 30</u>	<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Attributable to the Group:			
Profit from continuing operations	\$ 5,093	2,745	6,676
Other comprehensive income	(1,582)	(1)	(988)
Total comprehensive income	\$ <u>3,511</u>	<u>2,744</u>	<u>7,780</u>

(iii) Pledge

As of June 30, 2022, December 31 and June 30, 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
TTI	Taiwan	23.85 %	23.85 %	23.85 %

(Continued)

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

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.

	June 30, 2022	December 31, 2021	June 30, 2021
Current assets	\$ 661,319	623,723	663,296
Non-current assets	817,034	843,695	867,888
Current liabilities	(470,869)	(524,541)	(590,524)
Non-current liabilities	(212,894)	(183,545)	(183,983)
Net assets	<u>\$ 794,590</u>	<u>759,332</u>	<u>756,677</u>
Non-controlling interest	<u>\$ 189,479</u>	<u>181,071</u>	<u>180,438</u>

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Operating revenues	<u>\$ 275,237</u>	<u>221,453</u>	<u>509,199</u>	<u>416,695</u>
Net income (loss)	20,282	447	31,299	(9,266)
Other comprehensive income	3,424	(4,601)	3,959	(6,420)
Total comprehensive income	<u>\$ 23,706</u>	<u>(4,154)</u>	<u>35,258</u>	<u>(15,686)</u>
Profit (loss) attributable to non-controlling interests	<u>\$ 4,838</u>	<u>106</u>	<u>7,465</u>	<u>(2,210)</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 5,654</u>	<u>(991)</u>	<u>8,409</u>	<u>(3,741)</u>

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Net cash flows from (used in) operating activities	\$ 25,863	(69,775)	93,158	(81,755)
Net cash flows used in investing activities	(867)	(4,317)	(2,025)	(8,840)
Net cash flows from (used in) financing activities	24,472	69,277	(69,308)	72,691
Net increase (decrease) in cash and cash equivalents	<u>\$ 49,468</u>	<u>(4,815)</u>	<u>21,825</u>	<u>(17,904)</u>
Cash dividend distributed to non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

(g) Property, plant and equipment

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

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings and construction</u>	<u>Equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
Cost:						
Balance on January 1, 2022	\$ 893,780	159,000	4,460,492	9,972,383	143,367	15,629,022
Additions	-	-	8,159	35,360	47,749	91,268
Disposal and derecognitions	-	-	(5,855)	(383,913)	(1,345)	(391,113)
Reclassification (note)	-	-	7,523	36,241	30,436	74,200
Effect of movements in exchange rates	251	-	8,924	18,486	228	27,889
Balance on June 30, 2022	<u>\$ 894,031</u>	<u>159,000</u>	<u>4,479,243</u>	<u>9,678,557</u>	<u>220,435</u>	<u>15,431,266</u>
Balance on January 1, 2021	\$ 893,877	159,000	4,418,972	9,786,333	177,205	15,435,387
Additions	-	-	1,877	28,341	18,483	48,701
Disposals	-	-	-	(26,270)	-	(26,270)
Reclassification (note)	-	-	3,974	108,971	(88,431)	24,514
Effect of movements in exchange rates	(76)	-	(5,518)	(12,284)	(184)	(18,062)
Balance on June 30, 2021	<u>\$ 893,801</u>	<u>159,000</u>	<u>4,419,305</u>	<u>9,885,091</u>	<u>107,073</u>	<u>15,464,270</u>
Accumulated depreciation and impairment:						
Balance on January 1, 2022	\$ -	12,588	2,726,137	7,998,867	-	10,737,592
Depreciation	-	3,975	84,292	218,049	-	306,316
Disposal and derecognitions	-	-	(5,795)	(332,323)	-	(338,118)
Effect of movements in exchange rates	-	-	5,064	14,779	-	19,843
Balance on June 30, 2022	<u>\$ -</u>	<u>16,563</u>	<u>2,809,698</u>	<u>7,899,372</u>	<u>-</u>	<u>10,725,633</u>
Balance on January 1, 2021	\$ -	4,638	2,560,199	7,604,733	-	10,169,570
Depreciation	-	3,975	84,341	228,514	-	316,830
Disposals	-	-	-	(25,834)	-	(25,834)
Effect of movements in exchange rates	-	-	(2,848)	(9,401)	-	(12,249)
Balance on June 30, 2021	<u>\$ -</u>	<u>8,613</u>	<u>2,641,692</u>	<u>7,798,012</u>	<u>-</u>	<u>10,448,317</u>
Carrying amounts:						
Balance on January 1, 2022	<u>\$ 893,780</u>	<u>146,412</u>	<u>1,734,355</u>	<u>1,973,516</u>	<u>143,367</u>	<u>4,891,430</u>
Balance on June 30, 2022	<u>\$ 894,031</u>	<u>142,437</u>	<u>1,669,545</u>	<u>1,779,185</u>	<u>220,435</u>	<u>4,705,633</u>
Balance on January 1, 2021	<u>\$ 893,877</u>	<u>154,362</u>	<u>1,858,773</u>	<u>2,181,600</u>	<u>177,205</u>	<u>5,265,817</u>
Balance on June 30, 2021	<u>\$ 893,801</u>	<u>150,387</u>	<u>1,777,613</u>	<u>2,087,079</u>	<u>107,073</u>	<u>5,015,953</u>

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

- (i) For the six months ended June 30, 2022 and 2021, the Group capitalized the interest expenses on construction in progress amounted to \$1,200 thousand and \$743 thousand respectively, and the monthly interest rate used for capitalization calculation were 0.08%~0.10% and 0.08%~0.09%, respectively.
- (ii) As of June 30, 2022, December 31 and June 30, 2021, the property, plant and equipment of the Group had not been pledged.

(Continued)

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

(h) Other current assets

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Prepayments	\$ 62,529	67,624	54,221
Offset against business tax payable and input taxes	36,225	46,491	30,657
Payment on behalf of others	11,826	9,512	15,105
Others	128	128	2,831
	<u>\$ 110,708</u>	<u>123,755</u>	<u>102,814</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:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2022	\$ 217,239	136,290	15,727	369,256
Acquisitions	815	14,268	3,769	18,852
Disposals	-	(1,891)	(1,595)	(3,486)
Effect of changes in foreign exchange rates	476	1,871	(17)	2,330
Balance on June 30, 2022	<u>\$ 218,530</u>	<u>150,538</u>	<u>17,884</u>	<u>386,952</u>
Balance on January 1, 2021	\$ 217,404	142,917	16,143	376,464
Acquisitions	-	1,746	319	2,065
Disposals	-	(4,414)	(233)	(4,647)
Effect of changes in foreign exchange rates	(335)	(1,930)	(136)	(2,401)
Balance on June 30, 2021	<u>\$ 217,069</u>	<u>138,319</u>	<u>16,093</u>	<u>371,481</u>
Accumulated depreciation:				
Balance on January 1, 2022	\$ 17,153	60,000	7,543	84,696
Depreciation	2,876	12,959	1,846	17,681
Disposals	-	(1,645)	(1,595)	(3,240)
Effect of changes in foreign exchange rates	39	840	(16)	863
Balance on June 30, 2022	<u>\$ 20,068</u>	<u>72,154</u>	<u>7,778</u>	<u>100,000</u>
Balance on January 1, 2021	\$ 11,444	50,534	5,041	67,019
Depreciation	2,860	14,491	1,683	19,034
Disposals	-	(2,960)	(232)	(3,192)
Effect of changes in foreign exchange rates	(21)	(638)	(57)	(716)
Balance on June 30, 2021	<u>\$ 14,283</u>	<u>61,427</u>	<u>6,435</u>	<u>82,145</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 June 30, 2022	<u>\$ 198,462</u>	<u>78,384</u>	<u>10,106</u>	<u>286,952</u>
Balance on January 1, 2021	<u>\$ 205,960</u>	<u>92,383</u>	<u>11,102</u>	<u>309,445</u>
Balance on June 30, 2021	<u>\$ 202,786</u>	<u>76,892</u>	<u>9,658</u>	<u>289,336</u>

(Continued)

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

(j) Intangible assets

	REACH registration related expenses	Others	Total
Carrying amounts:			
Balance on January 1, 2022	\$ <u>110,402</u>	<u>5,354</u>	<u>115,756</u>
Balance on June 30, 2022	\$ <u>105,132</u>	<u>4,258</u>	<u>109,390</u>
Balance on January 1, 2021	\$ <u>112,104</u>	<u>7,640</u>	<u>119,744</u>
Balance on June 30, 2021	\$ <u>101,347</u>	<u>6,446</u>	<u>107,793</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 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

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loans	\$ 2,008,978	1,960,415	1,911,789
Secured bank loans	-	16,244	-
Short-term notes and bills payable	<u>79,687</u>	<u>79,743</u>	<u>79,997</u>
Total	\$ <u>2,088,665</u>	<u>2,056,402</u>	<u>1,991,786</u>
Unused credit lines	\$ <u>3,721,088</u>	<u>3,330,724</u>	<u>3,438,216</u>
Range of interest rate	<u>0.67%~4.60%</u>	<u>0.55%~4.70%</u>	<u>0.6%~4.70%</u>

As of June 30, 2022, December 31 and June 30, 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.

(l) Long-term borrowings

	June 30, 2022			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.15%~1.77%	2023.6~2027.06	\$ 1,030,000
Less: long-term borrowings, current portion				<u>(200,000)</u>
Total				\$ <u>830,000</u>
Unused credit lines				<u>420,000</u>

(Continued)

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

	December 31, 2021			
	Currency	Rate	Maturity year	Amount
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>

	June 30, 2021			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.14%~1.51%	2022.6~2024.5	\$ 1,070,000
Less: long-term borrowings, current portion				(220,000)
Total				<u>\$ 850,000</u>
Unused credit lines				<u>\$ 350,000</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:

	June 30, 2022	December 31, 2021	June 30, 2021
Current	<u>\$ 32,598</u>	<u>29,830</u>	<u>31,464</u>
Non-current	<u>\$ 241,832</u>	<u>241,777</u>	<u>243,854</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Interest on lease liabilities	<u>\$ 1,552</u>	<u>1,598</u>	<u>3,069</u>	<u>3,272</u>
Expenses relating to short-term leases	<u>\$ 1,554</u>	<u>720</u>	<u>2,443</u>	<u>1,488</u>

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

	For the six months ended June 30	
	2022	2021
Total cash outflow for leases	<u>\$ 22,351</u>	<u>22,281</u>

(Continued)

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

(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:

	June 30, 2022	December 31, 2021	June 30, 2021
Balance on January 1	\$ 87,450	119,250	119,250
Decreases	-	(31,800)	-
Balance on June 30	\$ 87,450	87,450	119,250

A provision 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.

(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 2020.

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Operating costs	\$ 1,465	1,388	2,866	2,756
Operating expenses	1,652	983	2,662	1,985
	\$ 3,117	2,371	5,528	4,741

(Continued)

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

(ii) Defined contribution plans

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

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Operating costs	\$ 8,432	8,086	17,358	16,194
Operating expenses	6,637	6,690	14,543	13,351
	\$ 15,069	14,776	31,901	29,545

(p) Income taxes

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

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Current tax expense	\$ 27,797	43,474	54,254	78,344

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

(q) Capital and other equity

There was no significant change for capital and other equity for the periods from January 1 to June 30, 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.

(Continued)

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

(ii) Distribution of earnings

On March 24, 2022 and March 25, 2021 the Company's board of directors resolved to appropriate the 2021 and 2020 earnings. These earnings were appropriate as follows:

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

(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	-	(515,852)	944	(514,908)
Exchange differences on translation of foreign financial statements	40,683	-	8,008	48,691
Exchange differences on associates accounted for using equity method	(988)	-	-	(988)
Disposal of equity instruments designated at fair value through other comprehensive income	-	(10,243)	-	(10,243)
Balance on June 30, 2022	<u>\$ (90,623)</u>	<u>209,518</u>	<u>377</u>	<u>119,272</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	-	356,574	(1,531)	355,043
Exchange differences on translation of foreign financial statements	(23,097)	-	(2,528)	(25,625)
Exchange differences on associates accounted for using equity method	1,893	-	-	1,893
Balance on June 30, 2021	<u>\$ (131,819)</u>	<u>583,128</u>	<u>(9,999)</u>	<u>441,310</u>

(Continued)

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

(r) Earning per share

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

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Basic earning per share				
Profit attributable to common shareholders of the Company	\$ <u>117,263</u>	<u>169,348</u>	<u>237,212</u>	<u>288,695</u>
Weighted-average number of common shares outstanding	<u>547,752</u>	<u>547,752</u>	<u>547,752</u>	<u>547,752</u>
Basic earnings per share (express in New Taiwan Dollar)	\$ <u>0.21</u>	<u>0.31</u>	<u>0.43</u>	<u>0.53</u>
	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Diluted earning per share				
Profit attributable to common shareholders of the Company	\$ <u>117,263</u>	<u>169,348</u>	<u>237,212</u>	<u>288,695</u>
Weighted-average number of common shares outstanding (basic)	\$ 547,752	547,752	547,752	547,752
Effect of employee compensation	390	540	1,252	1,340
Weighted-average number of common shares outstanding (diluted)	<u>548,142</u>	<u>548,292</u>	<u>549,004</u>	<u>549,092</u>
Diluted earnings per share (express in New Taiwan Dollar)	\$ <u>0.21</u>	<u>0.31</u>	<u>0.43</u>	<u>0.53</u>

(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 and six months ended June 30, 2022 and 2021, the Company estimated its employee compensation at \$7,490 thousand, \$10,659 thousand, \$14,352 thousand and \$18,708 thousand, and directors' remuneration at \$2,996 thousand, \$4,263 thousand, \$5,741 thousand and \$7,483 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.

(Continued)

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

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.

(t) Revenue from contract with customers

(i) Disaggregation of revenue

		For the three months ended June 30, 2022					
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:							
Taiwan	\$	109,279	75,319	223,379	10,260	1,292	419,529
America		62,638	189,157	-	50,650	13,291	315,736
Asia		596,656	190,481	107,873	207,739	8,361	1,111,110
Europe		120,979	185,336	-	73,355	34,828	414,498
Other		32,307	21,692	-	5,061	3,868	62,928
	\$	<u>921,859</u>	<u>661,985</u>	<u>331,252</u>	<u>347,065</u>	<u>61,640</u>	<u>2,323,801</u>
Major products:							
Chemicals	\$	921,859	661,985	331,252	-	-	1,915,096
Toners		-	-	-	347,065	-	347,065
Other		-	-	-	-	61,640	61,640
	\$	<u>921,859</u>	<u>661,985</u>	<u>331,252</u>	<u>347,065</u>	<u>61,640</u>	<u>2,323,801</u>
		For the three months ended June 30, 2021					
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:							
Taiwan	\$	109,594	85,041	227,390	11,659	933	434,617
America		70,113	140,289	-	36,042	1,497	247,941
Asia		693,459	276,182	82,359	169,271	18,185	1,239,456
Europe		180,038	114,236	-	53,939	30,586	378,799
Other		18,807	10,238	-	9,038	10,599	48,682
	\$	<u>1,072,011</u>	<u>625,986</u>	<u>309,749</u>	<u>279,949</u>	<u>61,800</u>	<u>2,349,495</u>
Major products:							
Chemicals	\$	1,072,011	625,986	309,749	-	-	2,007,746
Toners		-	-	-	279,949	-	279,949
Other		-	-	-	-	61,800	61,800
	\$	<u>1,072,011</u>	<u>625,986</u>	<u>309,749</u>	<u>279,949</u>	<u>61,800</u>	<u>2,349,495</u>

(Continued)

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

For the six months ended June 30, 2022						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:						
Taiwan	\$ 215,907	164,845	451,169	22,124	5,204	859,249
America	113,686	328,228	-	107,015	22,663	571,592
Asia	1,230,800	500,923	201,763	380,531	13,268	2,327,285
Europe	283,870	368,165	-	132,126	57,633	841,794
Other	45,521	67,720	-	9,482	13,391	136,114
	<u>\$ 1,889,784</u>	<u>1,429,881</u>	<u>652,932</u>	<u>651,278</u>	<u>112,159</u>	<u>4,736,034</u>
Major products:						
Chemicals	\$ 1,889,784	1,429,881	652,932	-	-	3,972,597
Toners	-	-	-	651,278	-	651,278
Other	-	-	-	-	112,159	112,159
	<u>\$ 1,889,784</u>	<u>1,429,881</u>	<u>652,932</u>	<u>651,278</u>	<u>112,159</u>	<u>4,736,034</u>
For the six months ended June 30, 2021						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:						
Taiwan	\$ 212,566	164,535	436,098	21,504	4,181	838,884
America	137,182	207,589	-	66,296	16,168	427,235
Asia	1,329,983	541,720	176,629	358,496	41,990	2,448,818
Europe	380,315	281,520	-	108,083	55,878	825,796
Other	39,239	24,788	-	9,335	16,203	89,565
	<u>\$ 2,099,285</u>	<u>1,220,152</u>	<u>612,727</u>	<u>563,714</u>	<u>134,420</u>	<u>4,630,298</u>
Major products:						
Chemicals	\$ 2,099,285	1,220,152	612,727	-	-	3,932,164
Toners	-	-	-	563,714	-	563,714
Other	-	-	-	-	134,420	134,420
	<u>\$ 2,099,285</u>	<u>1,220,152</u>	<u>612,727</u>	<u>563,714</u>	<u>134,420</u>	<u>4,630,298</u>

(ii) Contract balance

	June 30, 2022	December 31, 2021	June 30, 2021
Receivables	\$ 1,949,458	1,918,261	1,933,875
Less: loss allowance	(72,725)	(75,815)	(79,241)
Total	<u>\$ 1,876,733</u>	<u>1,842,446</u>	<u>1,854,634</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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ <u>1,295</u>	<u>1,389</u>	<u>1,880</u>	<u>2,584</u>

(ii) Other income

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Dividend income	\$ <u>38,458</u>	<u>35,598</u>	<u>38,458</u>	<u>35,598</u>

(iii) Other gains and losses

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Foreign exchange gains (losses), net	\$ 3,512	(6,671)	33,646	(41,749)
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	482	(3,505)	5,949	(1,738)
Gains (losses) on disposal of property, plant and equipment	255	177	(2,670)	244
Subsidy revenue	5,063	2,489	8,049	2,519
Disaster loss	(1,345)	-	(31,345)	-
Others	10,433	12,937	33,115	32,818
	\$ <u>18,400</u>	<u>5,427</u>	<u>46,744</u>	<u>(7,906)</u>

(iv) Finance costs

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest expense	\$ <u>15,341</u>	<u>12,606</u>	<u>27,138</u>	<u>25,183</u>

(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 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 six months ended June 30, 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>
June 30, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,088,665	2,091,868	2,091,868	-	-	-
Notes payable	235,022	235,022	235,022	-	-	-
Accounts payable	412,589	412,589	412,589	-	-	-
Lease liabilities	274,430	342,894	38,316	45,843	44,253	214,482
Other payable	440,825	440,825	440,825	-	-	-
Payables on equipment	16,789	16,789	16,789	-	-	-
Dividends payable	273,876	273,876	273,876	-	-	-
Long-term borrowings (including current portion)	<u>1,030,000</u>	<u>1,056,157</u>	<u>203,393</u>	<u>628,644</u>	<u>224,120</u>	<u>-</u>
	<u>\$ 4,772,196</u>	<u>4,870,020</u>	<u>3,712,678</u>	<u>674,487</u>	<u>268,373</u>	<u>214,482</u>
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>
	<u>\$ 4,474,543</u>	<u>4,567,654</u>	<u>3,242,323</u>	<u>658,932</u>	<u>448,399</u>	<u>218,000</u>

(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>
June 30, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,991,786	2,002,712	2,002,712	-	-	-
Financial liabilities at fair value through profit and loss- current	1,869	1,869	1,869	-	-	-
Notes payable	200,514	200,514	200,514	-	-	-
Accounts payable	441,895	441,895	441,895	-	-	-
Lease liabilities	275,318	347,092	37,202	42,774	44,197	222,919
Other payable	337,000	337,000	337,000	-	-	-
Payables on equipment	10,055	10,055	10,055	-	-	-
Dividends payable	164,326	164,326	164,326	-	-	-
Long-term borrowings (including current portion)	1,070,000	1,093,415	222,364	567,812	303,239	-
Financial liabilities as fair value through profit and loss	1,869	1,869	1,869	-	-	-
	<u>\$ 4,494,632</u>	<u>4,600,747</u>	<u>3,419,806</u>	<u>610,586</u>	<u>347,436</u>	<u>222,919</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>June 30, 2022</u>			<u>December 31, 2021</u>			<u>June 30, 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	\$ 53,069	29.72	1,577,207	53,292	27.68	1,475,130	54,037	27.86	1,505,461
JPY	126,506	0.22	27,831	149,975	0.24	35,994	150,506	0.25	37,626
RMB	79,935	4.44	354,913	72,665	4.34	315,367	78,013	4.31	336,235
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	54,643	29.74	1,623,982	59,472	27.70	1,646,182	55,361	27.88	1,542,357
JPY	154,773	0.22	34,050	131,506	0.24	31,561	136,120	0.25	34,030
RMB	6,496	4.46	28,841	1,832	4.37	7,953	12,667	4.33	54,594

(Continued)

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

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 six months ended June 30, 2022 and 2021, would have changed the profit by \$2,185 thousand and \$1,986 thousand, respectively. The analysis is performed on the same basis for 2022 and 2021.

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 and six months ended June 30, 2022 and 2021, foreign exchange losses (including realized and unrealized portions) are exchange gains (losses) amounted to \$3,512 thousand, \$(6,671) thousand, \$33,646 thousand and \$(41,749) 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 \$24,949 thousand and \$24,494 thousand, respectively, for the six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, 2022		For the six months ended June 30, 2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
1% increase	\$ 9,939	-	13,754	-
1% decrease	\$ (9,939)	-	(13,754)	-

(Continued)

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

(vi) Fair value of financial instruments

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the 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:

	June 30, 2022				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	\$ 94,359	94,359	-	-	94,359
Derivative financial assets	5,838	-	5,838	-	5,838
Subtotal	<u>100,197</u>	<u>94,359</u>	<u>5,838</u>	<u>-</u>	<u>100,197</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	842,427	842,427	-	-	842,427
Domestic unlisted common shares	151,430	-	-	151,430	151,430
Subtotal	<u>993,857</u>	<u>842,427</u>	<u>-</u>	<u>151,430</u>	<u>993,857</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,366,391	-	-	-	-
Financial assets at amortized cost	61,014	-	-	-	-
Notes and accounts receivable	1,876,733	-	-	-	-
Other financial assets	75,688	-	-	-	-
Subtotal	<u>3,379,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,473,880</u>	<u>936,786</u>	<u>5,838</u>	<u>151,430</u>	<u>1,094,054</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 3,118,665	-	-	-	-
Notes and accounts payable	647,611	-	-	-	-
Lease liabilities	274,430	-	-	-	-
Other payable	440,825	-	-	-	-
Payables on equipment	16,789	-	-	-	-
Dividends payable	273,876	-	-	-	-
Total	<u>\$ 4,772,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

	June 30, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,377,358	-	-	-	-
Financial assets at amortized cost	39,192	-	-	-	-
Notes and accounts receivable	1,854,634	-	-	-	-
Other financial assets	38,953	-	-	-	-
Subtotal	<u>3,310,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,821,281</u>	<u>1,452,836</u>	<u>-</u>	<u>58,308</u>	<u>1,511,144</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 1,869	-	1,869	-	1,869
Financial liabilities measured at amortized cost					
Bank loans	3,061,786	-	-	-	-
Notes and accounts payable	642,409	-	-	-	-
Lease liabilities	275,318	-	-	-	-
Other payable	337,000	-	-	-	-
Payables on equipment	10,055	-	-	-	-
Dividends payable	164,326	-	-	-	-
Subtotal	<u>4,490,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,492,763</u>	<u>-</u>	<u>1,869</u>	<u>-</u>	<u>1,869</u>

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.

(Continued)

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

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.

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 six months ended June 30, 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	63,643
Balance on June 30, 2022	\$ 151,430

(Continued)

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

	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	8,118
Balance on June 30, 2021	\$ 58,308

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 June 30, 2022 and 2021 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Recognized in other comprehensive income	\$ 56,989	4,427	63,643	8,118

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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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 June 30, 2022, December 31 and June 30, 2021 were 3.56~6.19, 2.70~7.25 and 3.50~4.34, respectively) • Market liquidity discount rate (as of June 30, 2022, December 31 and June 30, 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.

(Continued)

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

- 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 June 30, 2022, December 31 and June 30, 2021:

Inputs	Upwards or Downwards	Fair value variation on other comprehensive income					
		Favorable			Unfavorable		
		June 30, 2022	December 31, 2021	June 30, 2021	June 30, 2022	December 31, 2021	June 30, 2021
Price-book ratio	5%	7,212	4,012	3,793	(7,212)	(4,012)	(3,793)
Market liquidity discount rate	5%	7,126	3,988	3,909	(7,126)	(3,988)	(3,909)

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:

	January 1, 2022	Cash flows	Non-cash changes		June 30, 2022
			Foreign exchange movement	Others	
Short-term borrowings	\$ 2,056,402	25,071	7,192	-	2,088,665
Long-term borrowings	1,000,000	30,000	-	-	1,030,000
Lease liabilities	271,607	(16,839)	1,068	18,594	274,430
Total liabilities from financing activities	<u>\$ 3,328,009</u>	<u>38,232</u>	<u>8,260</u>	<u>18,594</u>	<u>3,393,095</u>

	January 1, 2021	Cash flows	Non-cash changes		June 30, 2021
			Foreign exchange movement	Others	
Short-term borrowings	\$ 1,871,991	124,658	(4,863)	-	1,991,786
Long-term borrowings	1,290,000	(220,000)	-	-	1,070,000
Lease liabilities	293,710	(17,521)	(1,408)	537	275,318
Total liabilities from financing activities	<u>\$ 3,455,701</u>	<u>(112,863)</u>	<u>(6,271)</u>	<u>537</u>	<u>3,337,104</u>

(Continued)

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

(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

(b) Significant transactions with related parties

(i) Purchase

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
CHCIW	\$ <u>10,779</u>	<u>10,379</u>	<u>22,387</u>	<u>19,456</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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Notes and accounts payable	CHCIW	\$ 15,821	17,165	14,663
Other payable	CHCIW	-	2,676	-
		<u>\$ 15,821</u>	<u>19,841</u>	<u>14,663</u>

(c) Key management personnel compensation

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 6,003	7,548	14,316	15,525
Post-employment benefits	120	159	250	318
	<u>\$ 6,123</u>	<u>7,707</u>	<u>14,566</u>	<u>15,843</u>

(Continued)

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

(8) Assets pledged as security:

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts receivable	Short-term borrowings	\$ -	115,601	-
Inventories	Short-term borrowings	-	8,304	-
		<u>\$ -</u>	<u>123,905</u>	<u>-</u>

(9) Commitments and contingencies:

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Acquisition of property, plant and equipment	<u>\$ 334,084</u>	<u>77,954</u>	<u>113,170</u>

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Outstanding standby letter of credit	<u>\$ 2,182</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 \$65,345 thousand recognized in other gains and losses in June 30, 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 June 30, 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.

(Continued)

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

(11) Subsequent Events:

The Company resolved to reorganize of investment structure, Anda Semiconductor Technology (Suzhou) Co., Ltd transfers 56.25% shares of Shanghai Anda International Trading Co. to EVERLIGHT CHMICALS (SINGAPORE) PTE LTD, as proposed in the Board of Director's meeting held on August 11, 2022.

(12) Other:

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

By item	By function	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		189,540	162,172	351,712	182,747	146,949	329,696
Labor and health insurance		17,498	15,822	33,320	16,782	15,332	32,114
Pension		9,897	8,289	18,186	9,474	7,673	17,147
Remuneration of directors		-	2,996	2,996	-	4,263	4,263
Others		10,045	5,445	15,490	6,521	772	7,293
Depreciation (note)		129,503	31,539	161,042	132,252	35,880	168,132
Amortization		445	7,934	8,379	445	6,546	6,991

By item	By function	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		376,702	307,811	684,513	351,513	284,176	635,689
Labor and health insurance		35,734	31,604	67,338	33,652	29,877	63,529
Pension		20,224	17,205	37,429	18,950	15,336	34,286
Remuneration of directors		-	5,741	5,741	-	7,483	7,483
Others		16,181	9,875	26,056	12,868	8,217	21,085
Depreciation (note)		259,434	64,479	323,913	262,818	72,921	335,739
Amortization		995	17,145	18,140	1,110	14,648	15,758

Note: For the three months and the six months ended June 30, 2022 and 2021, depreciation expenses recognized were \$161,064 thousand, \$168,193 thousand, \$323,997 thousand and \$335,864 thousand, respectively, less deferred gains of \$22 thousand, \$61 thousand, \$84 thousand and \$125 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 six months ended June 30, 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	148,600	148,600	-	-	2	-	Short-term operation financing	-	NA	-	829,331	3,317,327

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	829,331	59,440	59,440	-	-	0.72%	2,073,329	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 June 30, 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	30,173	-	30,173	
"	Franklin Templeton Sinoam Money Market Fund	-	"	2,881	30,169	-	30,169	
"	Yuanta De-Bao Money Market Fund	-	"	2,470	30,008	-	30,008	
GLTP	UPAMC James Bond Money Market Fund	-	"	237	4,009	-	4,009	
	Total				94,359		94,359	
ECIC	Polytronics Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	8,000	445,241	9%	534,400	
"	Chung Hwa	-	"	5,500	92,217	5%	174,625	
"	General Plastic Industrial Works, LTD	-	"	2,140	74,900	2%	65,698	
"	Andros Pharmaceuticals Co., Ltd.	-	"	3,880	77,800	14%	123,888	
GLTP	QISDA Corp.	-	"	70	2,269	-	2,006	
"	Andros Pharmaceuticals Co., Ltd.	-	"	260	7,800	1%	8,302	
"	Taiwan Bio Therapeutics Co., Ltd.	-	"	414	11,400	1%	19,240	
TTI	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	65,698	
	Total		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		207,330		-	
					993,857		993,857	

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	309,337	6.53%	OA 90	Non material differences from those of third-parties	Non material differences from those of third-parties	74,950	3.93%	Note
"	EVUS	"	"	228,944	4.83%	OA 100	"	"	171,483	8.99%	Note
"	ELITE	"	"	197,382	4.17%	OA 100	"	"	125,474	6.58%	Note
"	EVSZ	"	"	125,161	2.64%	OA 90	"	"	63,385	3.32%	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 August 11, 2022)	Loss allowance
					Amount	Action taken		
ECIC	EVUS	Subsidiary	171,483	2.78	-	-	45,984	-
"	ELITE	"	125,474	3.24	-	-	48,596	-

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	Accounts receivable	171,483	No material differences from those of third parties	1.23%
0	"	EVEU	1	Operating revenue	309,337	"	6.53%
0	"	EVUS	1	"	228,944	"	4.83%
0	"	ELITE	1	"	197,382	"	4.17%
0	"	EVSZ	1	"	125,161	"	2.64%
0	"	ETSH	1	"	67,806	"	1.43%
0	"	EVSH	1	"	73,812	"	1.56%
0	"	ADSH	1	"	95,552	"	2.02%
1	TTI	EVSZ	2	"	80,758	"	1.71%

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 six months ended June 30, 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 June 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 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%	142,973	12,340	12,340	(Note 2)
"	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	40,196	847	847	(Note 2)
"	EVSG	Singapore	Investing business	779,115	779,115	24,300	100.00%	952,363	(4,686)	(4,686)	(Note 2)
"	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	83,886	20,579	20,579	(Note 2)
"	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	603,558	31,300	22,761	(Note 2)
"	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	113,864	9,869	4,935	(Note 2)
"	GOODTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,561	1,580	353	(Note 1)
"	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithium ion battery	58,600	58,600	4,856	16.78%	45,368	9,155	1,406	(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%	35,490	(3)	(3)	(Note 2)
	Unrealized gross profit on sales			-	-			(102,660)		-	
				1,437,815	1,437,815			1,943,939		58,532	

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 June 30, 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)	50,524	(Note 7)	700	20,804			700	20,804	9,965	100.00%	100.00%	9,965 (note 2)	159,486	2,961	88,001
ETGZ (Note 9)	Selling chemical product and related raw materials	700 (Note 7)	20,804	(Note 7)	200	5,944			200	5,944	4,848	100.00%	100.00%	4,848 (note 2)	98,356	1,523	45,264
EVSH (Note 9)	Selling chemical product and related raw materials	1,250 (Note 7)	37,150	(Note 7)	1,100	32,692			1,100	32,692	1,426	100.00%	100.00%	1,426 (note 2)	153,644	950	28,234
EVSZ (Note 9)	Manufacturing and selling color chemical, toners and electronic high tech chemical product	23,650 (Note 5)	702,878	(Note 1)	18,600	552,792			18,600	552,792	(10,464)	100.00%	100.00%	(10,464) (note 2)	861,372	-	-
ANDA (Note 9)	Selling electronic high tech chemical product	1,200 (Note 5)	35,664	(Note 1)	650	19,318			650	19,318	1,672	56.25%	56.25%	941 (note 3)	23,241	-	-
ADSH (Note 9)	Selling electronic high tech chemical product	157 (Note 6)	4,666	(Note 6)	-	-			-	-	3,298	56.25%	56.25%	1,855 (note 3)	15,121	-	-
3ESZ	Manufacturing and selling chemical product and related raw materials	6,600 (Note 5)	196,152	(Note 1)	2,490	74,003			2,490	74,003	12,291	40.00%	40.00%	4,917 (note 3)	66,662	-	-

- 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 (1:29.72). 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 June 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
755,988 (USD 25,437)	687,899 (USD 23,146)	5,169,321

As of June 30, 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 six months ended June 30, 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 June 30, 2022							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 921,859	661,985	331,252	347,065	61,640	-	-	2,323,801
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 921,859</u>	<u>661,985</u>	<u>331,252</u>	<u>347,065</u>	<u>61,640</u>	<u>-</u>	<u>-</u>	<u>2,323,801</u>
Reportable segment profit (loss)	<u>\$ 52,645</u>	<u>56,611</u>	<u>26,236</u>	<u>11,811</u>	<u>(39,645)</u>	<u>45,609</u>	<u>-</u>	<u>153,267</u>
	For the three months ended June 30, 2021							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 1,072,011	625,986	309,749	279,949	61,800	-	-	2,349,495
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 1,072,011</u>	<u>625,986</u>	<u>309,749</u>	<u>279,949</u>	<u>61,800</u>	<u>-</u>	<u>-</u>	<u>2,349,495</u>
Reportable segment profit (loss)	<u>\$ 125,985</u>	<u>73,020</u>	<u>8,246</u>	<u>(8,286)</u>	<u>(27,632)</u>	<u>45,310</u>	<u>-</u>	<u>216,643</u>
	For the six months ended June 30, 2022							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 1,889,784	1,429,881	652,932	651,278	112,159	-	-	4,736,034
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 1,889,784</u>	<u>1,429,881</u>	<u>652,932</u>	<u>651,278</u>	<u>112,159</u>	<u>-</u>	<u>-</u>	<u>4,736,034</u>
Reportable segment profit or loss	<u>\$ 150,200</u>	<u>118,737</u>	<u>54,623</u>	<u>4,134</u>	<u>(73,539)</u>	<u>50,442</u>	<u>-</u>	<u>304,597</u>
	For the six months ended June 30, 2021							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 2,099,285	1,220,152	612,727	563,714	134,420	-	-	4,630,298
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 2,099,285</u>	<u>1,220,152</u>	<u>612,727</u>	<u>563,714</u>	<u>134,420</u>	<u>-</u>	<u>-</u>	<u>4,630,298</u>
Reportable segment profit or loss	<u>\$ 271,328</u>	<u>138,296</u>	<u>12,924</u>	<u>(35,280)</u>	<u>(64,138)</u>	<u>48,921</u>	<u>-</u>	<u>372,051</u>