

**EVERLIGHT CHEMICAL INDUSTRIAL  
CORPORATION AND SUBSIDIARIES**

**Consolidated Financial Statements**

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

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

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## Independent Auditors' Review Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Everlight Chemical Industrial Corporation and its subsidiaries as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, as well as the changes in equity and cash flows for the nine months ended September 30, 2020 and 2019, 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 \$344,333 thousand and \$406,147 thousand, constituting 2.63% and 2.86% of consolidated total assets as of September 30, 2020 and 2019, respectively, total liabilities amounting to \$42,976 thousand and \$62,441 thousand, constituting 0.87% and 1.03% of consolidated total liabilities as of September 30, 2020 and 2019, respectively, and total comprehensive income (loss) amounting to \$7,796 thousand, \$(7,548) thousand, \$15,257 thousand and \$(16,803) thousand, constituting 5.33%, (5.73)%, 8.12% and (3.72)% of consolidated total comprehensive income for the three months and nine months ended September 30, 2020 and 2019, 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 \$132,055 thousand and \$105,717 thousand as of September 30, 2020 and 2019, respectively, and its equity in net earnings on these investee companies of \$2,484 thousand, \$4,098 thousand, \$8,373 thousand and \$1,282 thousand for the three months and nine months ended September 30, 2020 and 2019, 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 September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, as well as its consolidated cash flows for the nine months ended September 30, 2020 and 2019 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)  
November 12, 2020

### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2020 and 2019**

**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

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

(Expressed in Thousands New Taiwan Dollars)

Assets		September 30, 2020		December 31, 2019		September 30, 2019		Liabilities and Equity		September 30, 2020		December 31, 2019		September 30, 2019	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note 6(a))	\$ 1,209,747	9	978,856	7	890,226	6	2100	Short-term borrowings (note 6(l))	\$ 2,100,980	16	2,473,321	18	2,692,479	19
1110	Financial assets at fair value through profit or loss-current (note 6(b))	103,600	1	30,023	-	14,892	-	2322	Long-term borrowings, current portion (note 6(m))	40,000	-	470,000	3	650,000	5
1150	Notes receivable, net (notes 6(c) and (u))	203,377	2	233,735	2	241,236	2	2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	10,286	-	-	-	-	-
1170	Accounts receivable, net (notes 6(c) and (u))	1,239,479	9	1,417,891	10	1,614,694	12	2151	Notes payable (note 7)	137,660	1	152,138	1	201,147	1
130X	Inventories (note 6(d))	3,275,292	25	3,504,183	26	3,732,808	26	2170	Accounts payable (note 7)	191,611	2	295,375	2	367,912	3
1476	Other current financial assets	26,774	-	25,032	-	19,908	-	2209	Other payable (note 6(t))	270,299	2	428,330	4	442,685	3
1479	Other current assets (note 6(i))	122,263	1	112,288	1	140,975	1	2213	Payable on equipment	5,715	-	11,902	-	11,976	-
	<b>Total current assets</b>	<u>6,180,532</u>	<u>47</u>	<u>6,302,008</u>	<u>46</u>	<u>6,654,739</u>	<u>47</u>	2230	Current tax liabilities	94,361	1	69,118	1	128,625	1
<b>Non-current assets:</b>								2280	Lease liabilities-current (note 6(n))	33,031	-	34,488	-	35,110	-
1517	Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (w))	901,694	7	1,102,127	8	1,156,880	8	2399	Other current liabilities	37,242	-	47,679	-	62,083	-
1550	Investments accounted for using equity method (note 6(e))	132,055	1	126,934	1	105,717	1		<b>Total current liabilities</b>	<u>2,921,185</u>	<u>22</u>	<u>3,982,351</u>	<u>29</u>	<u>4,592,017</u>	<u>32</u>
1600	Property, plant and equipment (notes 6(f), (h) and 9)	5,337,456	41	5,527,737	41	5,640,085	40		<b>Non-current liabilities:</b>						
1755	Right-of-use-assets (note 6(j))	312,617	2	327,521	2	342,712	2	2540	Long-term borrowings (note 6(m))	1,400,000	11	989,748	7	889,495	6
1780	Intangible assets (note 6(k))	114,389	1	122,455	1	120,741	1	2570	Deferred tax liabilities	70,208	1	70,208	1	68,933	-
1840	Deferred tax assets	83,688	1	75,957	1	119,766	1	2580	Lease liabilities non-current (note 6(n))	263,773	2	274,557	2	288,155	2
1915	Prepayments for equipment	12,634	-	16,860	-	45,889	-	2640	Net defined benefit liability	143,481	1	167,779	1	224,913	2
1980	Other non-current financial assets (notes 6(c) and (u))	3,646	-	4,191	-	4,670	-	2670	Other non-current liabilities	129,679	1	-	-	-	-
1990	Other non-current assets	11,826	-	17,572	-	20,397	-		<b>Total non-current liabilities</b>	<u>2,007,141</u>	<u>16</u>	<u>1,502,292</u>	<u>11</u>	<u>1,471,496</u>	<u>10</u>
	<b>Total non-current assets</b>	<u>6,910,005</u>	<u>53</u>	<u>7,321,354</u>	<u>54</u>	<u>7,556,857</u>	<u>53</u>		<b>Total liabilities</b>	<u>4,928,326</u>	<u>38</u>	<u>5,484,643</u>	<u>40</u>	<u>6,063,513</u>	<u>42</u>
								<b>Equity attributable to owners of parent (notes 6(b), (e), (g), (r) and (w)):</b>							
								3100	Common shares	5,477,522	42	5,477,522	40	5,477,522	39
								3200	Capital surplus	474,558	3	474,558	4	473,558	3
								3300	Retained earnings	1,940,288	15	1,901,498	14	1,824,171	13
								3400	Other equity	(36,572)	-	(30,438)	-	2,831	-
									Total equity attributable to owners of parent	<u>7,855,796</u>	<u>60</u>	<u>7,823,140</u>	<u>58</u>	<u>7,778,082</u>	<u>55</u>
								36XX	<b>Non-controlling interests (notes 6(g) and (r))</b>	<u>306,415</u>	<u>2</u>	<u>315,579</u>	<u>2</u>	<u>370,001</u>	<u>3</u>
									<b>Total equity</b>	<u>8,162,211</u>	<u>62</u>	<u>8,138,719</u>	<u>60</u>	<u>8,148,083</u>	<u>58</u>
									<b>Total liabilities and equity</b>	<u>\$ 13,090,537</u>	<u>100</u>	<u>13,623,362</u>	<u>100</u>	<u>14,211,596</u>	<u>100</u>
	<b>Total assets</b>	<u>\$ 13,090,537</u>	<u>100</u>	<u>13,623,362</u>	<u>100</u>	<u>14,211,596</u>	<u>100</u>								

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**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months and nine months ended September 30, 2020 and 2019**

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

	For the three months ended September 30				For the nine months ended September 30				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenue (note 6(u))</b>	\$ 1,862,553	100	2,338,207	100	5,656,387	100	7,096,026	100
5000	<b>Operating costs (notes 6(d), (h), (j), (k), (n), (p), (t), 7 and 12)</b>	<u>1,527,593</u>	<u>82</u>	<u>1,843,836</u>	<u>79</u>	<u>4,567,287</u>	<u>81</u>	<u>5,526,200</u>	<u>78</u>
5950	<b>Gross profit from operations</b>	<u>334,960</u>	<u>18</u>	<u>494,371</u>	<u>21</u>	<u>1,089,100</u>	<u>19</u>	<u>1,569,826</u>	<u>22</u>
6000	<b>Operating expenses (notes 6(c), (h), (j), (k), (n), (p), (t), 7 and 12):</b>								
6100	Selling expenses	161,493	9	218,377	9	494,750	9	642,151	9
6200	Administrative expenses	80,117	4	85,304	4	232,428	4	260,699	4
6300	Research and development expenses	90,541	5	116,084	5	282,964	5	327,072	4
6450	Expected credit loss	<u>3,337</u>	<u>-</u>	<u>2,304</u>	<u>-</u>	<u>1,473</u>	<u>-</u>	<u>3,096</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>335,488</u>	<u>18</u>	<u>422,069</u>	<u>18</u>	<u>1,011,615</u>	<u>18</u>	<u>1,233,018</u>	<u>17</u>
6900	<b>Net operating income (losses)</b>	<u>(528)</u>	<u>-</u>	<u>72,302</u>	<u>3</u>	<u>77,485</u>	<u>1</u>	<u>336,808</u>	<u>5</u>
7000	<b>Non-operating income and expenses (notes 6(b), (c), (h), (l), (m), (n) and (v)):</b>								
7100	Interest income	777	-	998	-	2,520	-	3,143	-
7010	Other income	5,821	-	52,824	3	49,846	1	53,534	1
7020	Other gains and losses	27,972	2	3,179	-	59,597	1	72,956	1
7050	Finance costs	(14,336)	(1)	(23,786)	(1)	(50,710)	(1)	(75,011)	(1)
7060	Share of gains of associates accounted for using equity method	<u>2,484</u>	<u>-</u>	<u>4,098</u>	<u>-</u>	<u>8,373</u>	<u>-</u>	<u>1,282</u>	<u>-</u>
	<b>Total non-operating income and expense</b>	<u>22,718</u>	<u>1</u>	<u>37,313</u>	<u>2</u>	<u>69,626</u>	<u>1</u>	<u>55,904</u>	<u>1</u>
7900	<b>Income before income tax</b>	22,190	1	109,615	5	147,111	2	392,712	6
7951	<b>Income tax expenses (note (q))</b>	<u>(1,326)</u>	<u>-</u>	<u>21,746</u>	<u>1</u>	<u>22,959</u>	<u>-</u>	<u>82,565</u>	<u>1</u>
8200	<b>Net income</b>	<u>23,516</u>	<u>1</u>	<u>87,869</u>	<u>4</u>	<u>124,152</u>	<u>2</u>	<u>310,147</u>	<u>5</u>
8300	<b>Other comprehensive income (notes 6(e), (r) and (w)):</b>								
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>								
8316	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	113,128	6	82,150	4	83,686	1	165,221	2
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>113,128</u>	<u>6</u>	<u>82,150</u>	<u>4</u>	<u>83,686</u>	<u>1</u>	<u>165,221</u>	<u>2</u>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	10,610	1	(38,209)	(2)	(17,173)	-	(22,845)	-
8370	Share of other comprehensive income of associates accounted for using equity method	<u>(1,069)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,847)</u>	<u>-</u>	<u>(710)</u>	<u>-</u>
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<u>9,541</u>	<u>1</u>	<u>(38,209)</u>	<u>(2)</u>	<u>(20,020)</u>	<u>-</u>	<u>(23,555)</u>	<u>-</u>
8300	<b>Other comprehensive income (after tax)</b>	<u>122,669</u>	<u>7</u>	<u>43,941</u>	<u>2</u>	<u>63,666</u>	<u>1</u>	<u>141,666</u>	<u>2</u>
8500	<b>Total comprehensive income</b>	<u>\$ 146,185</u>	<u>8</u>	<u>131,810</u>	<u>6</u>	<u>187,818</u>	<u>3</u>	<u>451,813</u>	<u>7</u>
	<b>Profit attributable to:</b>								
8610	Owners of parent	\$ 26,333	1	93,326	4	128,014	2	313,969	5
8620	Non-controlling interests	<u>(2,817)</u>	<u>-</u>	<u>(5,457)</u>	<u>-</u>	<u>(3,862)</u>	<u>-</u>	<u>(3,822)</u>	<u>-</u>
		<u>\$ 23,516</u>	<u>1</u>	<u>87,869</u>	<u>4</u>	<u>124,152</u>	<u>2</u>	<u>310,147</u>	<u>5</u>
	<b>Comprehensive income attributable to:</b>								
8710	Owners of parent	\$ 152,717	8	138,925	6	196,982	3	452,819	7
8720	Non-controlling interests	<u>(6,532)</u>	<u>-</u>	<u>(7,115)</u>	<u>-</u>	<u>(9,164)</u>	<u>-</u>	<u>(1,006)</u>	<u>-</u>
		<u>\$ 146,185</u>	<u>8</u>	<u>131,810</u>	<u>6</u>	<u>187,818</u>	<u>3</u>	<u>451,813</u>	<u>7</u>
9750	<b>Basic earnings per share (note 6(s)) (expressed in New Taiwan dollars)</b>	<u>\$ 0.05</u>		<u>0.17</u>		<u>0.23</u>		<u>0.57</u>	
9850	<b>Diluted earnings per share (note 6(s)) (expressed in New Taiwan dollars)</b>	<u>\$ 0.05</u>		<u>0.17</u>		<u>0.23</u>		<u>0.57</u>	

See accompanying notes to consolidated financial statements.

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**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the nine months ended September 30, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent											
	Retained earnings						Other equity					
	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
<b>Balance at January 1, 2019</b>	\$ 5,477,522	473,558	998,402	43,346	756,078	1,797,826	(68,420)	(81,347)	(149,767)	7,599,139	314,057	7,913,196
Net income	-	-	-	-	313,969	313,969	-	-	-	313,969	(3,822)	310,147
Other comprehensive income	-	-	-	-	-	-	(24,483)	163,333	138,850	138,850	2,816	141,666
Total comprehensive income	-	-	-	-	313,969	313,969	(24,483)	163,333	138,850	452,819	(1,006)	451,813
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	40,199	-	(40,199)	-	-	-	-	-	-	-
Special reserve	-	-	-	106,421	(106,421)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	(273,876)	(7,753)	(281,629)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	64,703	64,703
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(13,748)	(13,748)	-	13,748	13,748	-	-	-
<b>Balance at September 30, 2019</b>	<b>\$ 5,477,522</b>	<b>473,558</b>	<b>1,038,601</b>	<b>149,767</b>	<b>635,803</b>	<b>1,824,171</b>	<b>(92,903)</b>	<b>95,734</b>	<b>2,831</b>	<b>7,778,082</b>	<b>370,001</b>	<b>8,148,083</b>
<b>Balance at January 1, 2020</b>	<b>\$ 5,477,522</b>	<b>474,558</b>	<b>1,038,600</b>	<b>149,767</b>	<b>713,131</b>	<b>1,901,498</b>	<b>(112,054)</b>	<b>81,616</b>	<b>(30,438)</b>	<b>7,823,140</b>	<b>315,579</b>	<b>8,138,719</b>
Net income	-	-	-	-	128,014	128,014	-	-	-	128,014	(3,862)	124,152
Other comprehensive income	-	-	-	-	-	-	(16,810)	85,778	68,968	68,968	(5,302)	63,666
Total comprehensive income	-	-	-	-	128,014	128,014	(16,810)	85,778	68,968	196,982	(9,164)	187,818
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	37,755	-	(37,755)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(119,329)	119,329	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(164,326)	(164,326)	-	-	-	(164,326)	-	(164,326)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	75,102	75,102	-	(75,102)	(75,102)	-	-	-
<b>Balance at September 30, 2020</b>	<b>\$ 5,477,522</b>	<b>474,558</b>	<b>1,076,355</b>	<b>30,438</b>	<b>833,495</b>	<b>1,940,288</b>	<b>(128,864)</b>	<b>92,292</b>	<b>(36,572)</b>	<b>7,855,796</b>	<b>306,415</b>	<b>8,162,211</b>

See accompanying notes to consolidated financial statements.

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**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 nine months ended September 30, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

	<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Income before income tax</b>	\$ 147,111	392,712
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	508,744	506,988
Amortization expense	15,243	14,469
Expected credit loss	1,473	3,096
Net loss on financial assets at fair value through profit and loss	10,121	(1,336)
Interest expense	50,710	75,011
Interest income	(2,520)	(3,143)
Dividend income	(49,846)	(53,534)
Share of gains of associates accounted for using equity method	(8,373)	(1,282)
Losses (gains) on disposal of property, plant and equipment	1,761	(320)
Prepayments for equipment transferred to expense	-	420
Other	401	(21)
Total adjustments to reconcile profit	<u>527,714</u>	<u>540,348</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Notes receivable	28,645	90,038
Accounts receivable and overdue receivable (under other non-current financial assets)	170,022	(159,897)
Inventories	219,606	6,451
Other current financial assets	(4,396)	12,772
Other current assets	(9,764)	8,378
Total changes in operating assets	<u>404,113</u>	<u>(42,258)</u>
<b>Changes in operating liabilities:</b>		
Notes payable	(14,478)	9,337
Accounts payable	(15,476)	(72,141)
Other payable	(116,251)	(52,809)
Other current liabilities	(5,328)	11,918
Net defined benefit liability	(24,299)	(41,048)
Other non-current liability	(31,800)	-
Total changes in operating liabilities	<u>(207,632)</u>	<u>(144,743)</u>
Total changes in operating assets and liabilities	<u>196,481</u>	<u>(187,001)</u>
Total adjustments	<u>724,195</u>	<u>353,347</u>
Cash inflow generated from operations	871,306	746,059
Interest received	2,517	3,202
Dividends received	49,846	53,534
Income taxes paid	(16,985)	(30,015)
<b>Net cash flows from operating activities</b>	<u>906,684</u>	<u>772,780</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through profit or loss	(163,500)	-
Proceeds from disposal of financial assets at fair value through profit or loss	90,088	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	284,118	44,049
Acquisition of property, plant and equipment	(114,643)	(336,836)
Proceeds from disposal of property, plant and equipment	980	1,934
Acquisition of intangible assets	(6,807)	(3,929)
Decrease in other non-current financial assets	237	247
Decrease in other non-current assets	4,644	186
Increase in prepayments for equipment	(24,673)	(14,445)
Net cash inflows from business combination	-	16,952
<b>Net cash inflows (outflows) used in investing activities</b>	<u>70,444</u>	<u>(291,842)</u>
<b>Cash flows used in financing activities:</b>		
Increase in short-term borrowings	4,511,003	6,844,725
Decrease in short-term borrowings	(4,879,318)	(6,730,953)
Proceeds from long-term borrowings	200,000	-
Repayments of long-term borrowings	(220,000)	(185,000)
Payment of lease liabilities	(26,507)	(25,482)
Cash dividends paid	(164,326)	(273,876)
Interest paid	(66,502)	(78,427)
Subsidiaries distributed cash dividends to non-controlling interests	(7,527)	-
<b>Net cash flows used in financing activities</b>	<u>(653,177)</u>	<u>(449,013)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(93,060)</u>	<u>19,708</u>
<b>Net increase in cash and cash equivalents</b>	230,891	51,633
<b>Cash and cash equivalents at beginning of period</b>	978,856	838,593
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,209,747</u>	<u>890,226</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**

**September 30, 2020 and 2019**

(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 November 12, 2020.

**(3) New standards, amendments and interpretations adopted:**

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

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

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

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

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

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

(Continued)

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

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

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

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

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

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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.

(Continued)

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

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

**(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
			September 30, 2020	December 31, 2019	September 30, 2019	
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 3)
ECIC	EVERLIGHT CHEMICALS (SINGAPORE) PTE LTD. (EVSG)	Investing business	100.00	100.00	100.00	(note 3)
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 1)
ECIC	DAILYCARE BIOMEDICAL INC. (DCBM)	Manufacturing of medical supplies and providing service of biological technology	91.26	91.26	91.26	(note 3)
EVSG	ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGHAI) CO., LTD. (ETSH)	Selling chemical product and related raw materials	100.00	100.00	100.00	-
EVSG	GUANGZHOU ETHICAL TRADING CO., LTD. (ETGZ)	Selling chemical product and related raw materials	100.00	100.00	100.00	(note 3)
EVSG	SHANGHAI EVERLIGHT TRADING CO., LTD. (EVSH)	Selling chemical product and related raw materials	100.00	100.00	100.00	-
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 3)
ANDA	SHANGHAI ANDA INTERNATIONAL TRADING CO., LTD. (ADSH)	Selling electronic high-tech chemical product	100.00	100.00	100.00	(note 3)

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage			Note
			September 30, 2020	December 31, 2019	September 30, 2019	
ECIC	GREATLIGHT INVESTMENT CORPORATION (GLTP)	Investing business	100.00	100.00	100.00	(note 3)
GLTP	KEYSTONE PHARMACEUTICALS INC. (KEYSTONE)	Research and development and manufacturing pharmaceuticals	-	-	34.09	(note 2)

(note 1): 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 2): Despite the Company held the stock of KEYSTONE less than 50%, the Company obtain the substantial control of appointing operating policies at June 1, 2019, and therefore regarded KEYSTONE as subsidiary. Hence, its financial statement was combined into the consolidated financial statements since the day of acquisition control. GLTP lost the substantial control of appointing operating policies at December 1, 2019, Since the date the control ceased, the KEYSTONE was excluded from accompanying consolidated financial statements.

(note 3): The Company is a non-significant subsidiary and its financial statement, have not been reviewed by independent auditor.

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

(c) Provisions

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

Site restoration

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

(d) 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.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

(Continued)

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

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

(f) Income taxes

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

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

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time 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, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

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

The accounting policies involved significant judgments and the information that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Judgment of whether the Group has substantive control over its investees

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

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

The Group holds 34.09% of the outstanding voting shares of Keystone Pharmaceuticals Inc. and is the single largest shareholder of the investee. Although the remaining 65.91% of Keystone Pharmaceuticals Inc.'s shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Keystone Pharmaceuticals Inc.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence but not control over Keystone Pharmaceuticals Inc.

The Group holds 40% of the outstanding voting shares of 3E Chemical Co. (Suzhou) Ltd. and is the single largest shareholder of the investee. Although the remaining 60% of 3E Chemical Co. (Suzhou) Ltd.'s shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of 3E Chemical Co. (Suzhou) Ltd.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence but not control over 3E Chemical Co. (Suzhou) Ltd..

(Continued)

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

**(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 December 31, 2019. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand	\$ 3,199	2,418	7,144
Cash in bank	1,109,588	917,374	811,920
Time deposits	66,960	59,064	71,162
Short-term notes	30,000	-	-
Cash and cash equivalents	<u>\$ 1,209,747</u>	<u>978,856</u>	<u>890,226</u>

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

(b) Financial assets and liabilities

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<b>Financial assets mandatorily measured at fair value through profit or loss:</b>			
Option contracts	\$ -	-	1,280
Monetary market fund	103,600	30,023	13,612
Total	<u>\$ 103,600</u>	<u>30,023</u>	<u>14,892</u>
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<b>Financial liabilities held-for-trading:</b>			
Option contracts	<u>\$ 10,286</u>	<u>-</u>	<u>-</u>

(Continued)

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

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 or loss and financial liabilities hold-for-trading on September 30, 2020 and 2019:

<b>September 30, 2020</b>			
	<b>Contract amount (in thousand)</b>	<b>Currency</b>	<b>Period</b>
Option contracts	<u>\$ 1,900</u>	EUR	2020/10/8~2020/12/30
Option contracts	<u>\$ 9,000</u>	USD	2020/12/31
<b>September 30, 2019</b>			
	<b>Contract amount (in thousand)</b>	<b>Currency</b>	<b>Period</b>
Option contracts	<u>\$ 1,100</u>	EUR	2019/10/31~2019/12/31
Option contracts	<u>\$ 6,000</u>	USD	2019/12/31

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

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Stocks listed on domestic and foreign markets	\$ 846,220	1,040,091	1,062,132
Domestic unlisted common shares	<u>55,474</u>	<u>62,036</u>	<u>94,748</u>
Total	<u>\$ 901,694</u>	<u>1,102,127</u>	<u>1,156,880</u>

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 nine month ended September 30, 2020, 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 \$284,118 thousand and \$44,049 thousand, and the Group realized a gain of \$75,102 thousand and a loss of \$(13,748) thousand, respectively, which is already included in other comprehensive income. The gain (loss) has been transferred to retained earnings.

- (iii) For credit risk and market risk, please refer to note 6(w).  
 (iv) The aforementioned financial assets were not pledged.

(Continued)



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

## (c) Receivables

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 203,413	233,771	241,276
Accounts receivable	1,268,105	1,443,937	1,645,691
Overdue receivable (under other non-current financial assets)	44,830	46,414	53,907
Less: loss allowance	(73,492)	(72,496)	(84,944)
	<u>\$ 1,442,856</u>	<u>1,651,626</u>	<u>1,855,930</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, trade 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:

	September 30, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,351,423	0.01%~0.47%	2,808
1 to 90 days past due	91,973	2.40%~21.92%	14,329
91 to 365 days past due	28,122	22.98%~93.81%	11,525
More than 365 days past due	44,830	100%	44,830
Total	<u>\$ 1,516,348</u>		<u>73,492</u>
	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,475,486	0.01%~0.73%	5,470
1 to 90 days past due	183,764	6.81%~19.36%	13,346
91 to 365 days past due	18,458	33.46%~100%	7,266
More than 365 days past due	46,414	100%	46,414
Total	<u>\$ 1,724,122</u>		<u>72,496</u>
	September 30, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,628,429	0.01% ~ 0.75%	6,195
1 to 90 days past due	236,446	6.99% ~ 19.86%	17,392
91 to 365 days past due	22,092	33.72% ~ 100%	7,450
More than 365 days past due	53,907	100%	53,907
Total	<u>\$ 1,940,874</u>		<u>84,944</u>

(Continued)

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

The detail of loss allowance were as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Notes receivable	\$ 36	36	40
Accounts receivable	28,626	26,046	30,997
Overdue receivable	44,830	46,414	53,907
	<u>\$ 73,492</u>	<u>72,496</u>	<u>84,944</u>

The movement in the allowance for receivables was as follows:

	<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1, 2020	\$ 72,496	96,594
Impairment losses recognized	1,473	3,096
Amounts written off	(129)	(14,154)
Effect of movements in exchange rates	(348)	(592)
Balance on September 30, 2020	<u>\$ 73,492</u>	<u>84,944</u>

The aforementioned financial assets were not pledged.

(d) Inventories

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Raw materials	\$ 763,386	786,128	943,040
Supplies	22,767	18,296	20,945
Work in progress	635,249	709,057	739,072
Finished goods	1,809,404	1,907,798	1,943,898
Materials in transit	44,486	82,904	85,853
	<u>\$ 3,275,292</u>	<u>3,504,183</u>	<u>3,732,808</u>

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:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Losses (gains) on valuation of inventories	\$ (464)	(1,414)	(378)	(859)
Losses (gains) on inventory count	17	305	(2,310)	2,384
Unallocated production overheads	60,015	55,320	144,744	142,517
Losses on obsolescence	4,075	2,910	7,327	4,091
Scrap income	(344)	(369)	(848)	(1,097)
	<u>\$ 63,299</u>	<u>56,752</u>	<u>148,535</u>	<u>147,036</u>

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

For the nine month ended September 30, 2019, the expense resulted from obtaining the certificated of GMP for pharmaceuticals division was included in unallocated production overhead. There was no such transaction for the nine month ended September 30, 2020.

As of September 30, 2020, December 31 and September 30, 2019, 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>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Associates	\$ <u>132,055</u>	<u>126,934</u>	<u>105,717</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>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Carrying amount of individually insignificant associates	\$ <u>132,055</u>	<u>126,934</u>	<u>105,717</u>
	<u>For the three months ended September 30</u>	<u>For the nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Attributable to the Group:			
Profit from continuing operations	\$ 2,484	4,098	8,373
Other comprehensive income	(1,069)	-	(2,847)
Total comprehensive income	<u>\$ 1,415</u>	<u>4,098</u>	<u>5,526</u>

(iii) Pledge

As of September 30, 2020, December 31 and September 30, 2019, the aforementioned investment accounted for using equity method were not pledged.

(f) Acquisition of subsidiary

- (i) On June 1, 2019, the Group obtained the control of KEYSTONE, which is major in research and development and manufacturing pharmaceuticals, by acquiring substantial control of appointing operating policies of KEYSTONE. Therefore, KEYSTONE have been consolidated into the consolidated financial statements.

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**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**  
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- (ii) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	\$	16,952
Other current assets		31,311
Plant, property, and equipment (note 6 (h))		39,144
Prepayments for equipment		3,796
Other non-current financial assets		844
Other non-current assets		301
Notes payables		(1,058)
Other payables		(4,664)
Other current assets		(165)
Total identifiable net assets acquired	<b>\$</b>	<b><u>86,461</u></b>

There was no such transaction for the nine months ended September 30, 2020.

- (g) 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>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
TTI	Taiwan	23.85 %	23.85 %	23.85 %

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current assets	\$ 508,848	644,051	620,112
Non-current assets	932,429	986,336	1,007,433
Current liabilities	(455,174)	(533,445)	(519,033)
Non-current liabilities	(188,508)	(242,426)	(244,432)
Net assets	<b><u>\$ 797,595</u></b>	<b><u>854,516</u></b>	<b><u>864,080</u></b>
Non-controlling interest	<b><u>\$ 190,196</u></b>	<b><u>203,769</u></b>	<b><u>206,049</u></b>

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**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**  
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	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating revenues	\$ <b>143,896</b>	<b>262,381</b>	<b>566,947</b>	<b>805,448</b>
Net income (loss)	(24,027)	2,491	(48,147)	12,400
Other comprehensive income	(8,239)	(2,349)	(8,774)	7,918
Total comprehensive income	\$ <b>(32,266)</b>	<b>142</b>	<b>(56,921)</b>	<b>20,318</b>
Profit (loss), attributable to non-controlling interests	\$ <b>(5,728)</b>	<b>594</b>	<b>(11,481)</b>	<b>2,957</b>
Comprehensive income, attributable to non-controlling interests	\$ <b>(7,693)</b>	<b>34</b>	<b>(13,573)</b>	<b>4,845</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net cash flows from operating activities	\$ 60,793	8,023	14,335	117,234
Net cash flows used in investing activities	(12)	(4,122)	(3,045)	(16,301)
Net cash flows used in financing activities	(62,316)	(14,727)	(56,568)	(82,881)
Net increase (decrease) in cash and cash equivalents	\$ <b>(1,535)</b>	<b>(10,826)</b>	<b>(45,278)</b>	<b>18,052</b>
Cash dividend distributed to non-controlling interests	\$ -	-	-	-

(h) Property, plant and equipment

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

	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings and construction</b>	<b>Equipment</b>	<b>Construction in progress and equipment to be inspected</b>	<b>Total</b>
Cost:						
Balance at January 1, 2020	\$ 894,063	-	4,408,204	9,627,222	183,082	15,112,571
Additions	-	127,200	3,243	49,624	55,589	235,656
Disposals	-	-	(5,921)	(33,077)	-	(38,998)
Reclassification (note)	-	31,800	6,106	116,453	(93,613)	60,746
Effect of movements in exchange rates	(109)	-	(3,496)	(6,791)	(43)	(10,439)
Balance at September 30, 2020	\$ <b>893,954</b>	<b>159,000</b>	<b>4,408,136</b>	<b>9,753,431</b>	<b>145,015</b>	<b>15,359,536</b>
Balance at January 1, 2019	\$ 894,153	-	4,312,840	9,182,889	409,611	14,799,493
Additions	-	-	18,327	112,413	100,728	231,468
Disposals	-	-	-	(40,157)	-	(40,157)
Reclassification (note)	-	-	84,580	301,475	(279,720)	106,335
Effects of changes in consolidated entities	-	-	-	55,888	-	55,888
Effect of movements in exchange rates	40	-	(8,523)	(19,259)	(107)	(27,849)
Balance at September 30, 2019	\$ <b>894,193</b>	<b>-</b>	<b>4,407,224</b>	<b>9,593,249</b>	<b>230,512</b>	<b>15,125,178</b>
Accumulated depreciation and impairment:						
Balance at January 1, 2020	\$ -	-	2,396,146	7,188,688	-	9,584,834
Depreciation	-	2,650	126,495	351,004	-	480,149
Disposals	-	-	(5,718)	(30,539)	-	(36,257)
Effect of movements in exchange rates	-	-	(1,662)	(4,984)	-	(6,646)
Balance at September 30, 2020	\$ -	<b>2,650</b>	<b>2,515,261</b>	<b>7,504,169</b>	<b>-</b>	<b>10,022,080</b>

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	<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>
Balance at January 1, 2019	\$ -	-	2,234,410	6,810,518	-	9,044,928
Depreciation	-	-	126,645	352,428	-	479,073
Disposals	-	-	-	(38,543)	-	(38,543)
Reclassification	-	-	-	16,744	-	16,744
Effect of movements in exchange rates	-	-	(3,714)	(13,395)	-	(17,109)
Balance at September 30, 2019	<u>\$ -</u>	<u>-</u>	<u>2,357,341</u>	<u>7,127,752</u>	<u>-</u>	<u>9,485,093</u>
Carrying amounts:						
Balance at January 1, 2020	<u>\$ 894,063</u>	<u>-</u>	<u>2,012,058</u>	<u>2,438,534</u>	<u>183,082</u>	<u>5,527,737</u>
Balance at September 30, 2020	<u>\$ 893,954</u>	<u>156,350</u>	<u>1,892,875</u>	<u>2,249,262</u>	<u>145,015</u>	<u>5,337,456</u>
Balance at January 1, 2019	<u>\$ 894,153</u>	<u>-</u>	<u>2,078,430</u>	<u>2,372,371</u>	<u>409,611</u>	<u>5,754,565</u>
Balance at September 30, 2019	<u>\$ 894,193</u>	<u>-</u>	<u>2,049,883</u>	<u>2,465,497</u>	<u>230,512</u>	<u>5,640,085</u>

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

- (i) For the nine months ended September 30, 2020 and 2019, the Group capitalized the interest expenses on construction in progress amounted to \$1,952 thousand and \$5,324 thousand respectively, and the monthly interest rate used for capitalization calculation were 0.08~0.13% and 0.16~0.17%, respectively.
- (ii) As of September 30, 2020, December 31 and September 30, 2019, the property, plant and equipment of the Group had not been pledged.

(i) Other current assets

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Prepayments	\$ 74,895	69,188	87,417
Offset against business tax payable and input taxes	22,976	32,925	34,478
Payment on behalf of others	22,317	9,157	15,438
Others	2,075	1,018	3,642
	<u>\$ 122,263</u>	<u>112,288</u>	<u>140,975</u>

(j) Right-of-use assets

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Equipment</u>	<u>Total</u>
<b>Cost:</b>				
Balance at January 1, 2020	\$ 217,042	127,648	17,306	361,996
Acquisitions	-	19,770	2,896	22,666
Disposals	-	(9,629)	(2,721)	(12,350)
Effect of changes in foreign exchange rates	(178)	(586)	40	(724)
Balance at September 30, 2020	<u>\$ 216,864</u>	<u>137,203</u>	<u>17,521</u>	<u>371,588</u>

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**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**  
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	<u>Land</u>	<u>Buildings and construction</u>	<u>Equipment</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application for IFRS16	218,355	124,950	13,060	356,365
Acquisitions	-	14,866	3,300	18,166
Disposals	-	(1,324)	-	(1,324)
Effect of changes in foreign exchange rates	(1,084)	(1,959)	(40)	(3,083)
Balance at September 30, 2019	<u>\$ 217,271</u>	<u>136,533</u>	<u>16,320</u>	<u>370,124</u>
<b>Accumulated depreciation:</b>				
Balance at January 1, 2020	\$ 5,712	25,109	3,654	34,475
Depreciation	4,281	21,098	3,216	28,595
Disposals	-	(2,843)	(1,101)	(3,944)
Effect of changes in foreign exchange rates	(5)	(163)	13	(155)
Balance at September 30, 2020	<u>\$ 9,988</u>	<u>43,201</u>	<u>5,782</u>	<u>58,971</u>
Balance at January 1, 2019	\$ -	-	-	-
Depreciation	4,303	21,017	2,595	27,915
Disposals	-	(46)	-	(46)
Effect of changes in foreign exchange rates	(15)	(439)	(3)	(457)
Balance at September 30, 2019	<u>\$ 4,288</u>	<u>20,532</u>	<u>2,592</u>	<u>27,412</u>
<b>Carrying amount:</b>				
Balance at January 1, 2020	<u>\$ 211,330</u>	<u>102,539</u>	<u>13,652</u>	<u>327,521</u>
Balance at September 30, 2020	<u>\$ 206,876</u>	<u>94,002</u>	<u>11,739</u>	<u>312,617</u>
Balance at January 1, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2019	<u>\$ 212,983</u>	<u>116,001</u>	<u>13,728</u>	<u>342,712</u>

## (k) Intangible assets

	<u>REACH registration related expenses</u>	<u>Others</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2020	<u>\$ 113,076</u>	<u>9,379</u>	<u>122,455</u>
Balance at September 30, 2020	<u>\$ 106,308</u>	<u>8,081</u>	<u>114,389</u>
Balance at January 1, 2019	<u>\$ 119,804</u>	<u>11,466</u>	<u>131,270</u>
Balance at September 30, 2019	<u>\$ 110,806</u>	<u>9,935</u>	<u>120,741</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2020 and 2019. Information on amortization for the period is discussed in note 12. Please refer to note 6(l) of consolidated financial statements for the year end December 31, 2019 for the other related information.

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## (l) Short-term borrowings

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Unsecured bank loans	\$ 2,011,143	2,403,358	2,622,522
Short-term notes and bills payable	89,837	69,963	69,957
Total	<u>\$ 2,100,980</u>	<u>2,473,321</u>	<u>2,692,479</u>
Unused credit lines (including short-term and long-term borrowings)	<u>\$ 3,792,430</u>	<u>3,411,117</u>	<u>3,429,136</u>
Range of interest rate	<u>0.77%~5.15%</u>	<u>1.00%~5.15%</u>	<u>1.16%~5.15%</u>

As of September 30, 2020, December 31 and September 30, 2019, the Group issued short-term notes and bills payable through Dah-Chung Bills Finance Corp. to obtain funds from the currency market.

## (m) Long-term borrowings

	<b>September 30, 2020</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	NTD	1.14%~1.75%	2022.5~2023.6	\$ 1,440,000
Less: long-term borrowings, current portion				(40,000)
Total				<u>\$ 1,400,000</u>

	<b>December 31, 2019</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	\$ 179,748
Unsecured bank loans	NTD	1.33%~1.79%	2020.3~2022.6	1,280,000
Less: long-term borrowings, current portion				(470,000)
Total				<u>\$ 989,748</u>

	<b>September 30, 2019</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	\$ 359,495
Unsecured bank loans	NTD	1.33%~1.79%	2019.10~2022.5	1,180,000
Less: long-term borrowings, current portion				(650,000)
Total				<u>\$ 889,495</u>

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

Please refer note 6(v) for the interest expense. For the other related information, please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2019.

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(n) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
Current	\$ <u>33,031</u>	<u>34,488</u>	<u>35,110</u>
Non-current	\$ <u>263,773</u>	<u>274,557</u>	<u>288,155</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>1,762</u>	<u>1,827</u>	<u>5,341</u>	<u>5,657</u>
Expenses relating to short-term leases	\$ <u>592</u>	<u>1,706</u>	<u>2,026</u>	<u>4,763</u>

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

	<u>For the nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>33,874</u>	<u>35,902</u>

(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 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.

(o) Provisions

The movements of the provisions were as follows:

	<u>Site restoration</u>
Balance at January 1, 2020	\$ -
Additions	159,000
Decreases	(31,800)
Effect movements in exchange rate	-
Balance at September 30, 2020	\$ <u>127,200</u>

A provision of \$159,000 thousand was made in respect of the Group's obligation to rectify environmental damage. There was no such transaction for the nine months ended September 30, 2020.

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**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**  
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(p) 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, 2019 and 2018.

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Operating costs	\$ 1,741	2,262	5,276	6,789
Operating expenses	1,277	1,677	3,784	5,027
	<b>\$ 3,018</b>	<b>3,939</b>	<b>9,060</b>	<b>11,816</b>

(ii) Defined contribution plans

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Operating costs	\$ 6,313	7,936	20,568	23,546
Operating expenses	6,060	7,551	19,199	22,801
	<b>\$ 12,373</b>	<b>15,487</b>	<b>39,767</b>	<b>46,347</b>

(q) Income taxes

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Current tax expense	\$ (1,326)	21,746	22,959	82,565

(ii) There were no income tax recognized in equity and other comprehensive income for the nine months ended September 30, 2020 and 2019.

(iii) The Company's income tax return for the years through 2016 were assessed and approved by the tax authorities.

(r) Capital and other equity

There was no significant change for capital and other equity for the periods from January 1 to September 30, 2020 and 2019. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2019.

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**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**  
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(i) Retained earnings

In accordance with amendment to Company's article of incorporation on May 30, 2019, 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 a majority vote at a meeting of the Board of Directors attends by two-thirds of total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

(ii) Distribution of earnings

On March 19, 2020, the Company's board of directors resolved to appropriate the 2019 earnings. On May 30, 2019, the shareholders' meeting resolved to distribute the 2018 earnings. These earnings were appropriated as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Amount per share</u>	<u>Amount</u>	<u>Amount per share</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.30	\$ <u><u>164,326</u></u>	0.50	<u><u>273,876</u></u>

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**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**  
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(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 at January 1, 2020	\$ (112,054)	81,616	534	(29,904)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	85,778	(2,092)	83,686
Exchange differences on translation of foreign financial statements	(13,963)	-	(3,210)	(17,173)
Exchange differences on associates accounted for using equity method	(2,847)	-	-	(2,847)
Disposal of equity instruments designated at fair value through other comprehensive income	-	(75,102)	-	(75,102)
Balance at September 30, 2020	<u>\$ (128,864)</u>	<u>92,292</u>	<u>(4,768)</u>	<u>(41,340)</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 at January 1, 2019	\$ (68,420)	(81,347)	2,282	(147,485)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	163,333	1,888	165,221
Exchange differences on translation of foreign financial statements	(23,773)	-	928	(22,845)
Exchange differences on associates accounted for using equity method	(710)	-	-	(710)
Cumulative gains (losses) reclassified to profit or loss disposal of investments in debt instrument at fair value through other comprehensive income	-	13,748	-	13,748
Balance at September 30, 2019	<u>\$ (92,903)</u>	<u>95,734</u>	<u>5,098</u>	<u>7,929</u>

(s) Earning per share

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Basic earning per share				
Profit attributable to common shareholders of the Company	<u>\$ 26,333</u>	<u>93,326</u>	<u>128,014</u>	<u>313,969</u>
Weighted-average number of common shares	<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>\$ 0.05</u>	<u>0.17</u>	<u>0.23</u>	<u>0.57</u>

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	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Diluted earning per share				
Profit attributable to common shareholders of the Company	\$ <u>26,333</u>	<u>93,326</u>	<u>128,014</u>	<u>313,969</u>
Weighted-average number of common shares	547,752	547,752	547,752	547,752
Effect of employee compensation	<u>491</u>	<u>109</u>	<u>1,076</u>	<u>1,707</u>
Weighted-average number of common shares outstanding (diluted)	<u>548,243</u>	<u>547,861</u>	<u>548,828</u>	<u>549,459</u>
Diluted earnings per share (express in New Taiwan dollar)	\$ <u>0.05</u>	<u>0.17</u>	<u>0.23</u>	<u>0.57</u>

(t) **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 nine months ended September 30, 2020 and 2019, the Company estimated its employee compensation amounting to \$2,223 thousand, \$5,650 thousand, \$8,002 thousand and \$19,783 thousand, and directors' remuneration amounting to \$889 thousand, \$2,260 thousand, \$3,201 thousand and \$7,913 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. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2019 and 2018, the employee compensation amounted to \$24,143 thousand and \$26,554 thousand, and directors' remuneration amounting to \$9,658 thousand and \$10,622 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.

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## (u) Revenue from contract with customers

## (i) Disaggregation of revenue

		<b>For the three months ended September 30, 2020</b>						
		<b>Color chemicals</b>	<b>Specialty chemicals</b>	<b>Electronic chemicals</b>	<b>Toners</b>	<b>Pharmaceuticals</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:								
	Taiwan	\$ 88,226	73,636	191,256	14,483	2,000	703	370,304
	America	45,275	75,425	-	26,790	6,772	-	154,262
	Asia	576,742	202,469	97,359	133,708	10,646	-	1,020,924
	Europe	101,015	86,682	-	33,083	21,380	-	242,160
	Other	18,777	7,350	-	40,242	8,534	-	74,903
		<u>\$ 830,035</u>	<u>445,562</u>	<u>288,615</u>	<u>248,306</u>	<u>49,332</u>	<u>703</u>	<u>1,862,553</u>
Major products:								
	Chemicals	\$ 830,035	445,562	288,615	-	-	-	1,564,212
	Toners	-	-	-	248,306	-	-	248,306
	Other	-	-	-	-	49,332	703	50,035
		<u>\$ 830,035</u>	<u>445,562</u>	<u>288,615</u>	<u>248,306</u>	<u>49,332</u>	<u>703</u>	<u>1,862,553</u>
		<b>For the three months ended September 30, 2019</b>						
		<b>Color chemicals</b>	<b>Specialty chemicals</b>	<b>Electronic chemicals</b>	<b>Toners</b>	<b>Pharmaceuticals</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:								
	Taiwan	\$ 100,002	67,346	183,350	11,257	3,457	479	365,891
	America	80,414	104,432	-	61,179	10,156	-	256,181
	Asia	738,883	218,910	60,919	233,336	14,151	-	1,266,199
	Europe	171,675	119,777	-	88,048	19,023	-	398,523
	Other	25,073	14,407	-	4,882	7,051	-	51,413
		<u>\$ 1,116,047</u>	<u>524,872</u>	<u>244,269</u>	<u>398,702</u>	<u>53,838</u>	<u>479</u>	<u>2,338,207</u>
Major products:								
	Chemicals	\$ 1,116,047	524,872	244,269	-	-	-	1,885,188
	Toners	-	-	-	398,702	-	-	398,702
	Other	-	-	-	-	53,838	479	54,317
		<u>\$ 1,116,047</u>	<u>524,872</u>	<u>244,269</u>	<u>398,702</u>	<u>53,838</u>	<u>479</u>	<u>2,338,207</u>
		<b>For the nine months ended September 30, 2020</b>						
		<b>Color chemicals</b>	<b>Specialty chemicals</b>	<b>Electronic chemicals</b>	<b>Toners</b>	<b>Pharmaceuticals</b>	<b>Other</b>	<b>Total</b>
Primary geographical markets:								
	Taiwan	\$ 274,464	180,185	563,011	34,126	5,263	2,421	1,059,470
	America	160,933	203,802	-	103,943	41,803	-	510,481
	Asia	1,683,634	577,809	241,079	456,510	30,500	-	2,989,532
	Europe	405,421	300,067	-	172,349	57,194	-	935,031
	Other	41,407	27,737	-	60,344	32,385	-	161,873
		<u>\$ 2,565,859</u>	<u>1,289,600</u>	<u>804,090</u>	<u>827,272</u>	<u>167,145</u>	<u>2,421</u>	<u>5,656,387</u>

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		For the nine months ended September 30, 2020						
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Other	Total
Major products:								
Chemicals	\$	2,565,859	1,289,600	804,090	-	-	-	4,659,549
Toners		-	-	-	827,272	-	-	827,272
Other		-	-	-	-	167,145	2,421	169,566
	\$	<u>2,565,859</u>	<u>1,289,600</u>	<u>804,090</u>	<u>827,272</u>	<u>167,145</u>	<u>2,421</u>	<u>5,656,387</u>
		For the nine months ended September 30, 2019						
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Other	Total
Primary geographical markets:								
Taiwan	\$	362,226	193,549	509,366	31,027	7,073	4,254	1,107,495
America		270,095	338,245	-	173,197	19,624	-	801,161
Asia		2,325,998	642,688	182,238	652,320	34,157	-	3,837,401
Europe		487,549	364,166	-	258,551	65,231	-	1,175,497
Other		79,670	40,050	-	22,986	31,766	-	174,472
	\$	<u>3,525,538</u>	<u>1,578,698</u>	<u>691,604</u>	<u>1,138,081</u>	<u>157,851</u>	<u>4,254</u>	<u>7,096,026</u>
Major products:								
Chemicals	\$	3,525,538	1,578,698	691,604	-	-	-	5,795,840
Toners		-	-	-	1,138,081	-	-	1,138,081
Other		-	-	-	-	157,851	4,254	162,105
	\$	<u>3,525,538</u>	<u>1,578,698</u>	<u>691,604</u>	<u>1,138,081</u>	<u>157,851</u>	<u>4,254</u>	<u>7,096,026</u>

## (ii) Contract balance

	September 30, 2020	December 31, 2019	September 30, 2019
Receivables	\$ 1,516,348	1,724,122	1,940,874
Less: loss allowance	(73,492)	(72,496)	(84,944)
Total	<u>\$ 1,442,856</u>	<u>1,651,626</u>	<u>1,855,930</u>

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

## (v) Non-operating income and expenses

## (i) Interest income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest income from bank deposits	\$ 777	998	2,520	3,143

## (ii) Other income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Dividend income	\$ 5,821	52,824	49,846	53,534

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**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**  
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## (iii) Other gains and losses

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Foreign exchange (losses) gains, net	\$ 5,383	(20,143)	(1,444)	1,235
Net gains (losses) on financial assets at fair value through profit or loss	(6,300)	1,849	(10,121)	1,336
Gains on disposal of property, plant and equipment	(1,423)	12	(1,761)	320
Subsidy revenue	3,090	5,011	5,846	8,520
Gains on writing off overdue payment	6,723	-	14,958	-
Others	20,499	16,450	52,119	61,545
	<u>\$ 27,972</u>	<u>3,179</u>	<u>59,597</u>	<u>72,956</u>

## (iv) Finance costs

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Interest expense	\$ 14,336	23,786	50,710	75,011

## (w) 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(w) of the consolidated financial statements for the year end December 31, 2019.

## (i) Credit risk

## 1) Credit risk exposure

There was on concentration of credit risk.

## 2) Receivables and debt 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 was no loss allowance provision for the nine months ended September 30, 2020 and 2019. 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. There was no impairment allowance at September 30, 2020, December 31 and September 30, 2019.

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(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>
<b>September 30, 2020</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,100,980	2,109,858	2,109,858	-	-	-
Financial liabilities at fair value through profit and loss-current	10,286	10,286	10,286	-	-	-
Notes payable	137,660	137,660	137,660	-	-	-
Accounts payable	191,611	191,611	191,611	-	-	-
Lease liabilities	296,804	373,227	39,393	46,260	56,879	230,695
Other payable	270,299	270,299	270,299	-	-	-
Payables on equipment	5,715	5,715	5,715	-	-	-
Long-term borrowings (including current portion)	<u>1,440,000</u>	<u>1,490,179</u>	<u>57,266</u>	<u>880,383</u>	<u>552,530</u>	<u>-</u>
	<u>\$ 4,453,355</u>	<u>4,588,835</u>	<u>2,822,088</u>	<u>926,643</u>	<u>609,409</u>	<u>230,695</u>
<b>December 31, 2019</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,473,321	2,476,739	2,476,739	-	-	-
Notes payable	152,138	152,138	152,138	-	-	-
Accounts payable	295,375	295,375	295,375	-	-	-
Lease liabilities	309,045	387,974	41,091	48,986	64,669	233,228
Other payable	252,252	252,252	252,252	-	-	-
Payables on equipment	11,902	11,902	11,902	-	-	-
Long-term borrowings (including current portion)	<u>1,459,748</u>	<u>1,488,574</u>	<u>474,236</u>	<u>410,116</u>	<u>604,222</u>	<u>-</u>
	<u>\$ 4,953,781</u>	<u>5,064,954</u>	<u>3,703,733</u>	<u>459,102</u>	<u>668,891</u>	<u>233,228</u>
<b>September 30, 2019</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,692,479	2,696,029	2,696,029	-	-	-
Notes payable	201,147	201,147	201,147	-	-	-
Accounts payable	367,912	367,912	367,912	-	-	-
Lease liabilities	323,265	403,722	41,828	50,781	71,547	239,566
Other payable	260,727	260,727	260,727	-	-	-
Payables on equipment	11,976	11,976	11,976	-	-	-
Long-term borrowings (including current portion)	<u>1,539,495</u>	<u>1,576,914</u>	<u>657,852</u>	<u>364,375</u>	<u>554,687</u>	<u>-</u>
	<u>\$ 5,397,001</u>	<u>5,518,427</u>	<u>4,237,471</u>	<u>415,156</u>	<u>626,234</u>	<u>239,566</u>

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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:

	September 30, 2020			December 31, 2019			September 30, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b>Financial assets</b>									
<u>Monetary items</u>									
USD	\$ 34,711	29.10	1,010,095	31,506	29.98	944,551	35,353	31.04	1,097,344
JPY	257,031	0.28	71,969	229,189	0.28	64,173	227,087	0.29	65,855
RMB	74,237	4.27	316,993	74,855	4.31	322,007	62,239	4.35	270,739
<u>Non-monetary items</u>									
JPY	-	-	-	423,000	0.28	116,748	333,500	0.29	95,981
<b>Financial liabilities</b>									
<u>Monetary items</u>									
USD	35,614	29.12	1,036,379	33,955	30.00	1,018,650	44,244	31.04	1,373,333
JPY	68,387	0.28	19,148	153,310	0.28	42,927	142,776	0.29	41,405
RMB	6,288	4.29	26,850	1,792	4.33	7,759	6,603	4.35	28,722

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 nine months ended September 30, 2020 and 2019, would have changed the profit by \$2,533 thousand and \$76 thousand, respectively, and equity by \$0 thousand and \$960 thousand, respectively. The analysis is performed on the same basis for 2020 and 2019.

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 nine months ended September 30, 2020 and 2019, foreign exchange gains (losses) (including realized and unrealized portions) are exchange losses amounted to \$5,383 thousand, \$(20,143) thousand, \$(1,444) thousand and \$1,235 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.

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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 \$28,328 thousand and \$33,856 thousand, respectively, for the nine months ended September 30, 2020 and 2019, 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 nine months ended September 30, 2020 and 2019, 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 nine months ended September 30, 2020		For the nine months ended September 30, 2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increase 1%	\$ 9,017	-	11,569	-
Decrease 1%	\$ (9,017)	-	(11,569)	-

(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:

	September 30, 2020				
	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	\$ 103,600	103,600	-	-	103,600
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	846,220	846,220	-	-	846,220
Domestic unlisted common shares	55,474	-	-	55,474	55,474
Subtotal	901,694	846,220	-	55,474	901,694

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	December 31, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank loans	\$ 3,933,069	-	-	-	-
Notes and accounts payable	447,513	-	-	-	-
Lease liabilities	309,045	-	-	-	-
Other payable	252,252	-	-	-	-
Payables on equipment	11,902	-	-	-	-
<b>Total</b>	<b>\$ 4,953,781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	September 30, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	\$ 13,612	13,612	-	-	13,612
Derivative financial assets	1,280	-	1,280	-	1,280
Subtotal	14,892	13,612	1,280	-	14,892
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	1,062,132	1,062,132	-	-	1,062,132
Domestic unlisted common shares	94,748	-	-	94,748	94,748
Subtotal	1,156,880	1,062,132	-	94,748	1,156,880
Financial assets measured at amortized cost					
Cash and cash equivalents	890,226	-	-	-	-
Notes and accounts receivable	1,855,930	-	-	-	-
Other financial assets	24,578	-	-	-	-
Subtotal	2,770,734	-	-	-	-
<b>Total</b>	<b>\$ 3,942,506</b>	<b>1,075,744</b>	<b>1,280</b>	<b>94,748</b>	<b>1,171,772</b>
Financial liabilities at fair value through profit or loss					
Financial liabilities measured at amortized cost					
Bank loans	\$ 4,231,974	-	-	-	-
Notes and accounts payable	569,059	-	-	-	-
Lease liabilities	323,265	-	-	-	-
Other payable	260,727	-	-	-	-
Payables on equipment	11,976	-	-	-	-
Subtotal	5,397,001	-	-	-	-
<b>Total</b>	<b>\$ 5,397,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**  
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2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative instruments

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

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

- i) the bid-ask spread is increasing; or
- ii) the bid-ask spread varies significantly; or
- iii) there has been a significant decline in trading volume.

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

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

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

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.

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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 nine months ended September 30, 2020 and 2019.

4) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Balance on January 1, 2020	\$ 62,036
Total gains or losses:	
Recognized in other comprehensive income	(6,562)
Balance on September 30, 2020	<b>\$ 55,474</b>
	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Balance on January 1, 2019	\$ 92,769
Total gains or losses:	
Recognized in other comprehensive income	1,979
Balance on September 30, 2019	<b>\$ 94,748</b>

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 September 30, 2020 and 2019 were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Recognized in other comprehensive income	\$ (14,858)	12,798	(6,562)	1,979

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”.

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through other comprehensive income- equity investments without an active market	Comparable Listed companies approach	<ul style="list-style-type: none"> <li>• Price-Book Ratio (as of September 30, 2020, December 31 and September 30, 2019 were 3.07~3.52、3.57~4.03, 3.25~4.08, respectively)</li> <li>• Market liquidity discount rate (as of September 30, 2020, December 31 and September 30, 2019 were all 20%)</li> </ul>	<ul style="list-style-type: none"> <li>• The estimated fair value would increase if the multiplier was higher.</li> <li>• The estimated fair value would decrease if market liquidity discount rate was higher.</li> </ul>

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

<u>Inputs</u>	<u>Upwards or Downwards</u>	<u>Fair value variation on other comprehensive income</u>					
		<u>Favorable</u>			<u>Unfavorable</u>		
		<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Price-book ratio	5%	3,213	2,958	3,455	(3,213)	(2,958)	(3,455)
Market liquidity discount rate	5%	2,356	3,205	5,900	(2,356)	(3,205)	(5,900)

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.

- (x) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(x) of the consolidated financial statements for the year ended December 31, 2019.

- (y) 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, 2019. For the related information, please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2019.

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

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>September 30, 2020</u>
			<u>Foreign exchange movement</u>	<u>Others</u>	
Short-term borrowings	\$ 2,473,321	(368,315)	(4,026)	-	2,100,980
Long-term borrowings	1,459,748	(20,000)	-	252	1,440,000
Lease liabilities	309,045	(26,507)	(404)	14,670	296,804
Total liabilities from financing activities	<u>\$ 4,242,114</u>	<u>(414,822)</u>	<u>(4,430)</u>	<u>14,922</u>	<u>3,837,784</u>

  

	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>September 30, 2019</u>
			<u>Foreign exchange movement</u>	<u>Others</u>	
Short-term borrowings	\$ 2,589,403	113,772	(10,696)	-	2,692,479
Long-term borrowings	1,723,988	(185,000)	-	507	1,539,495
Lease liabilities	333,450	(25,482)	(1,787)	17,084	323,265
Total liabilities from financing activities	<u>\$ 4,646,841</u>	<u>(96,710)</u>	<u>(12,483)</u>	<u>17,591</u>	<u>4,555,239</u>

**(7) Related-party transactions:**

(a) Names and relationship with related parties

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

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

(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 September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
CHCIW	\$ <u>8,452</u>	<u>9,832</u>	<u>22,448</u>	<u>28,483</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>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Notes and accounts payable	CHCIW	\$ <u>10,913</u>	<u>11,829</u>	<u>12,936</u>

(Continued)

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(c) Key management personnel compensation

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 6,704	8,071	22,826	25,731
Post-employment benefits	137	195	431	674
	<b>\$ 6,841</b>	<b>8,266</b>	<b>23,257</b>	<b>26,405</b>

**(8) Pledged assets: None.**

**(9) Commitments and contingencies:**

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

	September 30, 2020	December 31, 2019	September 30, 2019
Acquisition of property, plant and equipment	<b>\$ 82,966</b>	<b>106,770</b>	<b>149,791</b>

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other:**

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

By item	By function	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		158,116	124,108	282,224	191,500	147,826	339,326
Labor and health insurance		16,156	13,121	29,277	17,637	12,051	29,688
Pension		8,054	7,337	15,391	10,198	9,228	19,426
Remuneration of directors		-	889	889	-	2,430	2,430
Others		6,151	2,546	8,697	9,206	5,419	14,625
Depreciation (note)		130,563	39,105	169,668	130,681	42,676	173,357
Amortization		-	4,887	4,887	-	4,938	4,938

By item	By function	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		506,917	418,109	925,026	583,843	468,297	1,052,140
Labor and health insurance		51,527	43,209	94,736	53,417	44,569	97,986
Pension		25,844	22,983	48,827	30,335	27,828	58,163
Remuneration of directors		-	3,201	3,201	-	8,153	8,153
Others		18,909	10,875	29,784	24,690	17,375	42,065
Depreciation (note)		390,746	117,977	508,723	383,905	123,083	506,988
Amortization		318	14,925	15,243	302	14,167	14,469

Note: For the three months and the nine months ended September 30, 2020 and 2019, depreciation expenses recognized were \$169,689 thousand and \$508,744 thousand, respectively, less deferred gains of \$21 thousand and \$21 thousand, respectively.

(b) Seasonality of operations:

The Group's operations were not affected by seasonality or cyclicity factors.

(Continued)

**EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**  
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**(13) Other disclosures:**

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2020:

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	151,125	145,500	-	-	2	-	Short-term operation financing	-	NA	-	785,579	3,142,318

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	785,579	60,500	58,200	29,100	-	0.74%	1,963,949	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.

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3. Securities held as of September 30, 2020 (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	30,021	-	30,021	
"	FSITC Taiwan Money Market Fund	-	"	1,947	30,018	-	30,018	
"	Franklin Templeton Sinoam Money Market Fund	-	"	2,881	30,020	-	30,020	
GLTP	UPAMC James Bond Money Market Fund	-	"	805	13,541	-	13,541	
	Total				103,600		103,600	
ECIC	Polytronics Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	8,000	440,606	10%	644,800	
"	Chung Hwa	-	"	8,000	134,133	7%	88,000	
"	Chemical Industrial Works, LTD	-	"	2,140	74,900	2%	56,710	
"	General Plastic Industrial Co., Ltd.	-	"	3,880	77,800	15%	51,876	
GLTP	Andros Pharmaceuticals Co., Ltd.	-	"	414	11,400	4%	3,598	
TTI	Taiwan Bio Therapeutics Co., Ltd.	-	"	2,140	74,900	2%	56,710	
			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	87,955		-	
	Total				901,694		901,694	

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	416,930	7.37%	OA 90	Non material differences from those of third-parties	Non material differences from those of third-parties	75,456	5.23%	Note
"	ELITE	"	"	292,230	5.17%	OA 100	"	"	97,853	6.78%	Note
"	EVSZ	"	"	185,225	3.27%	OA 90	"	"	51,133	3.54%	Note
"	EVSH	"	"	156,930	2.77%	OA 90	"	"	53,691	3.72%	Note
"	EVUS	"	"	142,796	2.52%	OA 100	"	"	36,111	2.50%	Note
"	ETSH	"	"	116,640	2.06%	OA 90	"	"	34,560	2.40%	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**  
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8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

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	ELITE	1	Operating revenue	292,230	No material differences from those of third parties	5.17%
0	"	EVEU	1	"	416,930	"	7.37%
0	"	EVSZ	1	"	185,225	"	3.27%
0	"	EVSH	1	"	156,930	"	2.77%
0	"	EVUS	1	"	142,796	"	2.52%
0	"	ETSH	1	"	116,640	"	2.06%
0	"	ETGZ	1	"	67,312	"	1.19%
0	"	ADSH	1	"	57,176	"	1.01%

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.

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

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

Units in Thousands

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance of September 30, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
ECIC	EVUS	America	Selling chemical product and related raw materials	88,868	88,868	300	100.00%	115,201	1,512	1,512	(Note 2)
"	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	38,443	616	616	(Note 2)
"	EVSG	Singapore	Investing business	779,115	779,115	24,300	100.00%	892,242	19,577	19,577	(Note 2)
"	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	42,808	1,851	1,851	(Note 2)
"	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	607,572	(48,147)	(36,239)	(Note 2)
"	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	105,384	9,521	4,760	(Note 2)
"	GOODTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,673	788	176	(Note 1)
"	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithium ion battery	58,600	58,600	10,000	16.78%	36,043	20,273	3,714	(Note 1)
"	DCBM	Taoyuan City	Manufacturing of medical supplies and providing service of biological technology	62,555	62,555	6,325	91.26%	8,355	(2,463)	(2,248)	(Note 2)
"	GLTP	Taipei City	Investing business	100,000	100,000	10,000	100.00%	38,256	15	15	(Note 2)
	Unrealized gross profit on sales			-	-			(60,506)		-	
				1,437,815	1,437,815			1,844,471		(6,266)	
GLTP	KEYSTONE	Taipei City	Selling pharmaceuticals	75,000	75,000	7,500	34.09%	20,971	-	-	(Note 1)

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.

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**(c) Information on investment in mainland China:**

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

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, 2020		Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2020		Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period	
		USD	NTD		USD	NTD	Outflow	Inflow	USD	NTD					USD	TWD
		ETSH (Note 8)	Selling chemical product and related raw materials		1,700 (Note 7)	49,470	(Note 1)	700	20,370							700
ETGZ (Note 8)	Selling chemical product and related raw materials	700 (Note 5)	20,370	(Note 1)	200	5,820			200	5,820	7,950	100.00%	7,950 (Note 3)	75,550	1,523	44,319
EVSH (Note 8)	Selling chemical product and related raw materials	1,250 (Note 5)	36,375	(Note 1)	1,100	32,010			1,100	32,010	4,168	100.00%	4,168 (Note 2)	143,973	950	27,645
EVSZ (Note 8)	Manufacturing and selling color chemical, toners and electronic high tech chemical product	20,000 (Note 5)	582,000	(Note 1)	18,600	541,260			18,600	541,260	(8,821)	100.00%	(8,821) (Note 2)	464,257	-	-
ANDA (Note 8)	Selling electronic high tech chemical product	1,200 (Note 5)	34,920	(Note 1)	650	18,915			650	18,915	7,027	56.25%	3,952 (Note 3)	12,904	-	-
ADSH (Note 8)	Selling electronic high tech chemical product	157 (Note 6)	4,569	(Note 6)	-	-			-	-	5,031	56.25%	2,830 (Note 3)	4,470	-	-
3ESZ (Note 8)	Manufacturing and selling chemical product and related raw materials	6,600 (Note 5)	192,060	(Note 1)	2,490	72,459			2,490	72,459	11,208	40.00%	4,483 (Note 3)	54,368	-	-

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 (1:29.10). Expressed in thousands of New Taiwan Dollars unless otherwise specified.

Note 5: EVSG invested in ETGZ USD 500 thousand, EVSH USD 150 thousand, EVSZ USD 1,400 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: Included the capital increasing amounted to USD 1,000 thousand from earning.

Note 8: 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 September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
740,217 (USD 25,437)	673,549 (USD 23,146)	4,713,477

As of September 30, 2020, 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 nine months ended September 30, 2020, 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.

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**(d) Major shareholders :**

(IN Shares)

Shareholding Shareholder's Name	Shares	Percentage
CHEN,DING-CHUAN	68,000,000	12.41%
ETHICAL INVESTMENT CORPORATION	35,800,000	6.53%



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**(14) Segment information:**

(a) General information

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

		For the three months ended September 30, 2020						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 830,035	445,562	288,615	248,306	49,332	703	-	1,862,553
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 830,035</u>	<u>445,562</u>	<u>288,615</u>	<u>248,306</u>	<u>49,332</u>	<u>703</u>	<u>-</u>	<u>1,862,553</u>
Reportable segment profit or loss	<u>\$ 50,140</u>	<u>34,728</u>	<u>12,463</u>	<u>(36,451)</u>	<u>(43,967)</u>	<u>5,277</u>	<u>-</u>	<u>22,190</u>
		For the three months ended September 30, 2019						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals (Note)	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 1,116,047	524,872	244,269	398,702	53,838	479	-	2,338,207
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 1,116,047</u>	<u>524,872</u>	<u>244,269</u>	<u>398,702</u>	<u>53,838</u>	<u>479</u>	<u>-</u>	<u>2,338,207</u>
Reportable segment profit or loss	<u>\$ 75,154</u>	<u>61,210</u>	<u>1,961</u>	<u>(14,858)</u>	<u>(53,794)</u>	<u>39,942</u>	<u>-</u>	<u>109,615</u>
		For the nine months ended September 30, 2020						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 2,565,859	1,289,600	804,090	827,272	167,145	2,421	-	5,656,387
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 2,565,859</u>	<u>1,289,600</u>	<u>804,090</u>	<u>827,272</u>	<u>167,145</u>	<u>2,421</u>	<u>-</u>	<u>5,656,387</u>
Reportable segment profit or loss	<u>\$ 162,421</u>	<u>111,413</u>	<u>16,963</u>	<u>(75,979)</u>	<u>(119,576)</u>	<u>51,869</u>	<u>-</u>	<u>147,111</u>
		For the nine months ended September 30, 2019						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals (Note)	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 3,525,538	1,578,698	691,604	1,138,081	157,851	4,254	-	7,096,026
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 3,525,538</u>	<u>1,578,698</u>	<u>691,604</u>	<u>1,138,081</u>	<u>157,851</u>	<u>4,254</u>	<u>-</u>	<u>7,096,026</u>
Reportable segment profit or loss	<u>\$ 348,186</u>	<u>180,854</u>	<u>(1,035)</u>	<u>(21,634)</u>	<u>(141,860)</u>	<u>28,201</u>	<u>-</u>	<u>392,712</u>

Note: The expense resulted from obtaining the certification of GMP for Pharmaceuticals division, please refer to note 6(d).