

Taiwan Stock Code: 1711

Everlight Chemical Industrial Corporation

Handbook for the 2018 Annual General Shareholders' Meeting

TIME: June 6, 2018

**PLACE: Central Pictures Bade Building Auditorium (3F., No.260, Sec. 2, Bade Rd.,
Taipei City, Taiwan)**

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THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2018 ANNUAL GENERAL SHAREHOLDERS' MEETING (THE "HANDBOOK") OF EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION.(THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE AGENDA SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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Everlight Chemical Industrial Corporation

**Agenda of 2018 Annual General Shareholders’
Meeting**

Time: 9:00 a.m. on Wednesday, June 6, 2018

Venue: Central Pictures Bade Building Auditorium (3F., No.260, Sec. 2,
Bade Rd., Taipei City, Taiwan)

1. Report Items

- (1) 2017 Business Report
- (2) 2017 Audit Committee’s Review Report
- (3) Report on 2017 employees’ profit sharing bonus and directors’ compensation
- (4) Report on 2017 the status of implementation of investments

2. Adoption Items

- (1) Adoption of the 2017 Business Report and Financial Statements
- (2) Adoption of the Proposal for Distribution of 2017 Profits

3. Election Item

To elect eleven Directors(including three independent directors)

4. Discussion Items

To release the newly elected directors from non-competition restrictions

5. Questions and Motions

6. Adjournment

Report Items

Report No. 1

2017 Business Report, please refer to Chinese version, P.3~P.4 for details.

Report No. 2

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements, and proposal for allocation of earnings, The CPAs, Ms. Lily Lu and Ms. Chun-Hsiu Kuang, of KPMG Taiwan were retained to audit ECIC's Financial Statements and have issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Everlight Chemical Industrial Corporation

Chairman of the Audit Committee: Rebecca Chung-Fern Wu

March 29, 2018

Report No. 3

Report on 2017 employees' profit sharing bonus and directors' compensation

Items	Approved by BOD	Note
Employees' profit sharing bonus	NT\$ 23,356,876	To be distributed in cash.
Directors' compensation	NT\$ 9,342,750	

Report No. 4

Report on 2017 the status of implementation of investments, please refer to Chinese version, P.7 for details.

Adoption Items

Item 1.

Proposed by the Board of Directors

Proposal:

Adoption of the 2017 Business Report and Financial Statements

Explanation:

- (1) The Company's Financial Statements, including the balance sheets, income statements, statements of changes in shareholders' equity and statements of cash flows, were audited by independent auditors, Ms. Lily Lu and Ms. Chun-Hsiu Kuang of KPMG Taiwan. The Financial Statements described above and the Business Report of 2017 have been authorized by the Board of Directors and examined by the Audit Committee.
- (2) The 2017 Financial Statements are attached hereto as Attachments 1 (P.10~P.25).

Resolution:

Item 2.**Proposed by the Board of Directors****Proposal:**

Adoption of the Proposal for Distribution of 2017 Profits

Explanation:

- (1) The proposed earnings distribution is allocated from Earnings in 2017 Available for Distribution. Each common shareholder will be entitled to receive a cash dividend of NT\$ 0.5 per share.
- (2) Should the total of the Company's common shares outstanding change for any reason, the ultimate cash dividend to be distributed to each common share may need be adjusted accordingly. It is proposed that the Chairman of Board of Directors of the Company be authorized to adjust that cash dividend to be distributed to each common share based on the total amount of earnings resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.
- (3) 2017 Profit Distribution Table is attached hereto as below.

Everlight Chemical Industrial Corporation
PROFIT DISTRIBUTION TABLE
Year 2017

(Unit: NT\$)

Items	Subtotal	Total
Unappropriated retained earnings at beginning of the year		292,889,001
Profit before tax	434,437,899	
Less: Income tax expense	68,299,799	
Profit after tax		366,138,100
Add: Remeasurements of defined benefit plan		14,587,620
Less: Changes in ownership interests in subsidiaries		4,797,768
Distributable net profit		668,816,953
Distributable items:		
Less: 10% legal reserve	36,613,810	
Cash dividends(NT\$ 0.5 per share)	273,876,113	
Subtotal		310,489,923
Unappropriated retained earnings at the end of the year		358,327,030

Resolution:

Election Item

Proposed by the Board of Directors

Proposal:

To elect eleven Directors (including three independent directors)

Explanation:

- (1) The term of the Company's current directors will expire by June 10, 2018. In accordance with the Articles of Incorporation, the Board of Directors resolved that eleven Directors (including three independent directors) will be elected at this Annual Shareholders' Meeting. The tenure of newly elected directors shall commence on June 6, 2018 and expire on June 5, 2021.
- (2) The directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the ROC Company Law. The directors shall be elected from the nominated candidates, whose education and professional qualifications, experience and relevant information are attached hereto as below.

Election Results:

List of director candidates				
Name	Number of shares held	Education	Experience	Current position
Chen,Chien-Hsin	6,725,250	Master of Public Health (MPH), Harvard University	Vice Superintendent, Country Hospital, Taipei, Taiwan Chief, Department of Internal Medicine & ICU, Puli Christian Special Assistant to Chairman, Everlight Chemical Industrial Corp. Vice Chairman of BOD, Everlight Chemical Industrial Corp.	Chairman of BOD, Everlight Chemical Industrial Corp. Chairman of BOD, Everlight Chemicals (Singapore) PTE LTD. Chairman of BOD, Trend Tone Imaging, Inc. Chairman of BOD, DailyCare BioMedical Inc. Chairman of BOD, Keystone Pharmaceuticals, Inc. Director, Elite Foreign Trading Inc. (Turkey) Director, GOOD TV Broadcasting Corp.
Chen,Ding-Chuan	81,000,000	B.S. in International Trade, Tamkang College of Arts and Sciences Honorary Doctorate in Management, Chang Jung Christian University	Chairman of BOD, Everlight Chemical Industrial Corp. Supervisor, Chung Hwa Chemical Industrial Works, Ltd.	Director, Everlight Chemical Industrial Corp.

Chen,Ding-Chi	14,975,254	Doctor of Christian Education ,Cohen University	Vice Chairman of BOD, Everlight Chemical Industrial Corp. General Manager, Everlight Chemical Industrial Corp. Director, GOOD TV Broadcasting Corp.	Director, Everlight Chemical Industrial Corp.
Chen,Wei-Wang	6,300,000	Ph.D. in Industrial Engineering, University of Michigan	Deputy General Manager, Everlight Chemical Industrial Corp. Assistant General Manager ,R&D Division, Everlight Chemical Industrial Corp.	Director and General Manager, Everlight Chemical Industrial Corp. Chairman of BOD, Everlight (Suzhou) Advanced Chemicals Ltd. Chairman of BOD, Everlight U.S.A. Chairman of BOD, Everlight Europe B.V. (Netherlands) Chairman of BOD, Everlight (Hongkong) Ltd. Chairman of BOD, Ethical (Shanghai) Ltd. Chairman of BOD, Everlight (Shanghai) Ltd. Chairman of BOD, Ethical (Guangzhou) Ltd. Director, Trend Tone Imaging, Inc. Director, Polytronics Technology Corp. Director, Elite Foreign Trading Inc. (Turkey) Director, Anda Semiconductor Technology (Suzhou) Co., Ltd. Director, 3E Chemical (Suzhou) Ltd.
Chen,Chien-Ming	3,503,192	Ph.D. in Mechanical Engineering, University of Michigan	Senior Project Engineer, General Motors Corp. Deputy Director of Supply Chan Management Division, Everlight Chemical Industrial Corp. Deputy General Manager, Trend Tone Imaging, Inc.	Director, Everlight Chemical Industrial Corp. Director, Trend Tone Imaging, Inc. Director and General Manager, Everlight U.S.A.
Lee,Yung-Long	2,281,007	B.S. in Public Administration,National Chung Hsing University	Chairman of BOD, Hangzhou Yuda Technology Company	Director, Everlight Chemical Industrial Corp.
Ken,Wen-Yuen	2,951,405	M.S. in Computer System Management, University of San Francisco	Deputy General Manager, Chung Hwa Chemical Industrial Works, Ltd.	Chairman of BOD and General Manager, Chung Hwa Chemical Industrial Works, Ltd. Director, Everlight Chemical Industrial Corp. Director, Honest Fine Chemical Co., Ltd.
Tsai,Kuang-Feng	312,636	M.S. in Chemical Engineering, University of Southern California	Assistant General Manager, Marketing Department, Laurel Industrial Corporation Assistant General Manager, Everlight Chemical Industrial Corp.	Deputy General Manager, Everlight Chemical Industrial Corp. Director, Everlight Europe B.V. (Netherlands)

List of independent director candidates

Name	Number of shares held	Education	Experience	Current position
Wang,Hsiu- Chun	0	Ph.D. in Engineering-Economic Systems and Operations, Stanford University	Managing Director, WK Technology Fund Global Head of Semiconductor Research, ABN AMRO Bank Yield Improvement Engineer, KLA-Tencor Corporation Managing Partner, ZRC	Managing Partner, GRC SinoGreen Fund and GVT Fund Chairman, SinoGreenergy Company Independent Director, Swancor Holding Corp. Independent Director, Everlight Chemical Industrial Corp.
Hung,Ying-Cheng	0	Ph.D. in Business Administration, National Chengchi University	Department director, Department of Business Administration, Tamkang University	Associate Professor, Department of Business Administration, Tamkang University Independent Director, Everlight Chemical Industrial Corp.
Wu,Chung-Fern	0	Ph.D. in Accounting and Information Management, UCLA	Independent Director, Chunghwa Telecom Co., Ltd. Independent Director, Taiwan Sugar Corp. Commissioner, Financial Supervisory Commission, R.O.C Assistant Professor, Fisher School of Accounting, University of Florida Audit Manager, Taiwan Union CPA Office	Professor, Department of Accounting, National Taiwan University Director, Taiwan Cooperative Financial Holding Co., Ltd. Supervisor, Taiwan Cooperative Bank, Ltd. Director, GreTai Securities Market Independent Director, Chunghwa Precision Test Tech.Co., Ltd . Independent Director, Everlight Chemical Industrial Corp.

Discussion Items

Proposed by the Board of Directors

Proposal:

To release the newly elected directors from non-competition restrictions

Explanation:

In accordance with the Article 209 of the Company Act, it is proposed to lift the non-competition restrictions to the newly elected directors as below.

Resolution:

Title	Name	Company Name and Concurrent Positeion
Director	Chen,Chien-Hsin	Chairman of BOD, Everlight Chemicals (Singapore) PTE LTD. Chairman of BOD, Trend Tone Imaging, Inc. Chairman of BOD, DailyCare BioMedical Inc. Chairman of BOD, Keystone Pharmaceuticals, Inc. Director, Elite Foreign Trading Inc. (Turkey) Director, GOOD TV Broadcasting Corp.
Director	Chen,Wei-Wang	Chairman of BOD, Everlight (Suzhou) Advanced Chemicals Ltd. Chairman of BOD, Everlight U.S.A. Chairman of BOD, Everlight Europe B.V. (Netherlands) Chairman of BOD, Everlight (Hongkong) Ltd. Chairman of BOD, Ethical (Shanghai) Ltd. Chairman of BOD, Everlight (Shanghai) Ltd. Chairman of BOD, Ethical (Guangzhou) Ltd. Director, Trend Tone Imaging, Inc. Director, Polytronics Technology Corp. Director, Elite Foreign Trading Inc. (Turkey) Director, Anda Semiconductor Technology (Suzhou) Co., Ltd. Director, 3E Chemical (Suzhou) Ltd.
Director	Chen,Chien-Ming	Director, Trend Tone Imaging, Inc. Director and General Manager, Everlight U.S.A.
Director	Ken,Wen-Yuen	Chairman of BOD and General Manager, Chung Hwa Chemical Industrial Works, Ltd. Director, Honest Fine Chemical Co., Ltd.
Director	Tsai,Kuang-Feng	Director, Everlight Europe B.V. (Netherlands)

Independent Director	Wang,Hsiu- Chun	Managing Partner, GRC SinoGreen Fund and GVT Fund Chairman, SinoGreenergy Company Independent Director, Swancor Holding Corp.
Independent Director	Wu,Chung-Fern	Director, Taiwan Cooperative Financial Holding Co., Ltd. Supervisor, Taiwan Cooperative Bank, Ltd. Director, GreTai Securities Market Independent Director, Chunghwa Precision Test Tech.Co., Ltd .

Questions and Motions

Adjournment

Attachments 1

Independent Auditors' Report

To the Board of Directors
Everlight Chemical Industrial Corporation:

Opinion

We have audited the consolidated financial statements of Everlight Chemical Industrial Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to Note 4(n) and Note 6(r) to the consolidated financial statements for the disclosure of revenue recognition.

Description of key audit matters

The Group is a listed Company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the risks and rewards of ownership have been transferred to the customers, to support the timing of revenue recognition; evaluating the adequacy of revenue recognition by testing the sale transactions during the period before and after the balance sheet date.

2. Valuation of accounts receivable

Please refer to Notes 4(g), 5(a) and 6(c) to the consolidated financial statements for the disclosure of the valuation of accounts receivable.

Description of key audit matters

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

How the matter was addressed in our audit

Our major audit procedures included testing the adequacy of aging report; evaluating the appropriateness of the provision made by the management through assessing the historical receivables recoverability, customers' industry situation and subsequent recoverability.

3. Impairment of property, plant and equipment

Please refer to Notes 4(m), 5(b) and 6(g) to the consolidated financial statements for the disclosure of the impairment of property, plant and equipment.

Description of key audit matters

The Group evaluates if there is any indication of impairment of property, plant and equipment and then estimates the recoverable amount of property, plant and equipment in according with value in use. The calculation for recoverable amount involved assumptions and estimations, resulting in impairment of property, plant and equipment is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included obtaining the impairment valuation report of cash generating unit which is identified by the Group; evaluating the appropriateness of the assumptions and estimations, including the future cash flows, discount rate and gross margin and the sensitivity analysis of the related assumptions.

Other Matter

Everlight Chemical Industrial Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor' s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lily Lu and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)
March 29, 2018

Notes to Readers

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

The auditors' 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in, New Taiwan Dollars)

		December 31, 2017		December 31, 2016				December 31, 2017		December 31, 2016	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 947,185	7	981,138	7	2100	Short-term borrowings (notes 6(j) and 9)	\$ 2,063,876	15	2,568,900	19
1150	Notes receivable, net (note 6(c))	274,904	2	281,186	2	2322	Long-term borrowings, current portion (notes 6(g), (k) and 8)	60,000	-	248,540	2
1170	Accounts receivable, net (note 6(c))	1,532,710	11	1,459,364	11	2150	Notes payable	238,797	2	226,829	2
130X	Inventories (note 6(d))	3,392,199	25	3,386,017	25	2170	Accounts payable (notes 6(q) and 7)	400,002	3	412,578	3
1476	Other current financial assets	17,143	-	45,270	-	2209	Other payables	512,701	4	522,633	4
1479	Other current assets (note 6(h))	137,506	1	170,871	1	2213	Payables on equipment	56,920	1	107,772	1
	Total current assets	<u>6,301,647</u>	<u>46</u>	<u>6,323,846</u>	<u>46</u>	2230	Current tax liabilities	42,102	-	59,180	-
	Non-current assets:					2399	Other current liabilities	40,582	-	26,652	-
1523	Available-for-sale financial assets-non-current (note 6(b))	1,038,813	7	1,069,726	8		Total current liabilities	<u>3,414,980</u>	<u>25</u>	<u>4,173,084</u>	<u>31</u>
1543	Financial assets measured at cost (note 6(b))	89,200	1	128,366	1		Non-current liabilities:				
1550	Investments accounted for using equity method (note 6(e))	143,035	1	76,837	1	2540	Long-term borrowings (notes 6(g), (k) and 8)	1,913,228	14	1,052,530	8
1600	Property, plant and equipment (notes 6(g), (k), 8 and 9)	5,789,476	42	5,685,055	42	2570	Deferred tax liabilities (note 6(n))	55,064	1	53,309	-
1780	Intangible assets (note 6(i))	119,020	1	32,592	-	2640	Net defined benefit liabilities (note 6(m))	304,568	1	344,912	2
1840	Deferred tax assets (note 6(n))	103,989	1	102,860	1		Total non-current liabilities	<u>2,272,860</u>	<u>16</u>	<u>1,450,751</u>	<u>10</u>
1915	Prepayments for equipment	93,632	1	119,446	1		Total liabilities	<u>5,687,840</u>	<u>41</u>	<u>5,623,835</u>	<u>41</u>
1980	Other non-current financial assets (note 6(c))	5,480	-	33,017	-		Equity attributable to owners of parent (notes 6(e), (m), (n), (o) and (t)):				
1985	Long-term prepaid rents	23,524	-	24,405	-	3100	Common share	5,477,522	40	5,477,522	40
1990	Other non-current assets	16,802	-	7,820	-	3200	Capital surplus	473,558	3	473,558	3
	Total non-current assets	<u>7,422,971</u>	<u>54</u>	<u>7,280,124</u>	<u>54</u>	3300	Retained earnings	1,673,952	12	1,571,900	12
						3400	Other equity	99,054	2	135,428	2
							Total equity attributable to owners of parent:	<u>7,724,086</u>	<u>57</u>	<u>7,658,408</u>	<u>57</u>
						36XX	Non-controlling interests (notes 6(f) and (o))	312,692	2	321,727	2
							Total equity	<u>8,036,778</u>	<u>59</u>	<u>7,980,135</u>	<u>59</u>
							Total liabilities and equity	<u>\$ 13,724,618</u>	<u>100</u>	<u>\$ 13,603,970</u>	<u>100</u>
	Total assets	<u>\$ 13,724,618</u>	<u>100</u>	<u>13,603,970</u>	<u>100</u>						

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

	2017		2016	
	Amount	%	Amount	%
4000 Operating revenues (note 6(r))	\$ 9,169,480	100	9,450,874	100
5000 Operating costs (notes 6(d), (g), (i), (l), (m), (q), 7 and 12)	7,199,208	79	7,351,972	78
Gross profit from operations	<u>1,970,272</u>	<u>21</u>	<u>2,098,902</u>	<u>22</u>
Operating expenses (notes 6(c), (g), (i), (l), (m), (q), 7 and 12):				
6100 Selling expenses	853,830	9	811,989	9
6200 Administrative expenses	347,459	4	412,750	4
6300 Research and development expenses	406,564	4	406,724	4
Total operating expenses	<u>1,607,853</u>	<u>17</u>	<u>1,631,463</u>	<u>17</u>
Net operating income	<u>362,419</u>	<u>4</u>	<u>467,439</u>	<u>5</u>
Non-operating income and expenses (notes 6(e), (f), (s) and (t)):				
7010 Other income	64,797	1	63,791	1
7020 Other gains and losses	131,954	1	122,576	1
7050 Finance costs	(71,690)	(1)	(60,371)	(1)
7060 Share of losses of associates accounted for using equity method	(15,088)	-	(20,701)	-
Total non-operating income and expenses	<u>109,973</u>	<u>1</u>	<u>105,295</u>	<u>1</u>
7900 Income before income tax	472,392	5	572,734	6
7950 Income tax expense (note 6(n))	102,148	1	98,900	1
Net income	<u>370,244</u>	<u>4</u>	<u>473,834</u>	<u>5</u>
8300 Other comprehensive income (loss) (notes 6(e), (f), (m), (n), (o) and (t)):				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Remeasurements of defined benefit plans	17,566	-	(70,602)	(1)
8349 Income tax benefit (expense) related to items that may not be reclassified subsequently to profit or loss	(2,986)	-	12,002	-
Total items that may not be reclassified subsequently to profit or loss	<u>14,580</u>	<u>-</u>	<u>(58,600)</u>	<u>(1)</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(37,777)	-	(84,189)	(1)
8362 Unrealized losses on available-for-sale financial assets	(5,291)	-	(59,788)	-
8370 Share of other comprehensive income of associates accounted for using equity method	(1,102)	-	(82)	-
8399 Income tax benefit related to items that may be reclassified subsequently to profit or loss	-	-	-	-
Total items that may be reclassified subsequently to profit or loss	<u>(44,170)</u>	<u>-</u>	<u>(144,059)</u>	<u>(1)</u>
8300 Other comprehensive income	<u>(29,590)</u>	<u>-</u>	<u>(202,659)</u>	<u>(2)</u>
8500 Total comprehensive income	<u>\$ 340,654</u>	<u>4</u>	<u>271,175</u>	<u>3</u>
Profit attributable to:				
8610 Owners of parent	\$ 366,138	4	468,534	5
8620 Non-controlling interests	4,106	-	5,300	-
	<u>\$ 370,244</u>	<u>4</u>	<u>473,834</u>	<u>5</u>
Comprehensive income (loss) attributable to:				
8710 Owners of parent	\$ 344,353	4	269,561	3
8720 Non-controlling interests	(3,699)	-	1,614	-
	<u>\$ 340,654</u>	<u>4</u>	<u>271,175</u>	<u>3</u>
9750 Basic earnings per share (note 6(p))(in New Taiwan Dollars)	<u>\$ 0.67</u>		<u>0.86</u>	
9850 Diluted earnings per share (note 6(p))(in New Taiwan Dollars)	<u>\$ 0.67</u>		<u>0.85</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Retained earnings						Other equity		Total	Total equity		
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets		attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2016	\$ 5,216,688	473,558	858,401	43,346	781,292	1,683,039	55,060	221,336	276,396	7,649,681	324,283	7,973,964
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	56,534	-	(56,534)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(260,834)	(260,834)	-	-	-	(260,834)	(4,170)	(265,004)
Stock dividends	260,834	-	-	-	(260,834)	(260,834)	-	-	-	-	-	-
Net income	-	-	-	-	468,534	468,534	-	-	-	468,534	5,300	473,834
Other comprehensive income	-	-	-	-	(58,005)	(58,005)	(81,180)	(59,788)	(140,968)	(198,973)	(3,686)	(202,659)
Total comprehensive income	-	-	-	-	410,529	410,529	(81,180)	(59,788)	(140,968)	269,561	1,614	271,175
Balance at December 31, 2016	5,477,522	473,558	914,935	43,346	613,619	1,571,900	(26,120)	161,548	135,428	7,658,408	321,727	7,980,135
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	46,853	-	(46,853)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	(273,876)	(5,626)	(279,502)
Net income	-	-	-	-	366,138	366,138	-	-	-	366,138	4,106	370,244
Other comprehensive income	-	-	-	-	14,589	14,589	(31,083)	(5,291)	(36,374)	(21,785)	(7,805)	(29,590)
Total comprehensive income	-	-	-	-	380,727	380,727	(31,083)	(5,291)	(36,374)	344,353	(3,699)	340,654
Changes in ownership interests in subsidiaries	-	-	-	-	(4,799)	(4,799)	-	-	-	(4,799)	290	(4,509)
Balance at December 31, 2017	\$ 5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	156,257	99,054	7,724,086	312,692	8,036,778

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Income before income tax	\$ 472,392	572,734
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	593,812	567,524
Amortization expense	10,765	10,554
Provision for allowance of impairment	32,897	22,536
Net gains on financial assets at fair value through profit or loss	(23)	(19)
Interest expense	71,690	60,371
Interest income	(5,085)	(4,749)
Dividend income	(59,712)	(59,042)
Share of losses of associates accounted for using equity method	15,088	20,701
Losses (gains) on disposal of property, plant and equipment	(15,500)	1,972
Gains on disposal of investments	(68,962)	(103,112)
Remeasurement gains on financial assets measured at cost	(4,853)	-
Property, plant and equipment transferred to expenses	-	667
Total adjustments to reconcile profit	<u>570,117</u>	<u>517,403</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(711)	(19,405)
Accounts receivable and overdue receivable	(83,314)	120,336
Inventories	(14,619)	(224,944)
Other current assets	41,178	(12,612)
Other current financial assets	24,514	(14,155)
Total changes in operating assets	<u>(32,952)</u>	<u>(150,780)</u>
Changes in operating liabilities:		
Notes payable	11,968	29,595
Accounts payable	(11,891)	37,207
Other payable	(2,246)	54,555
Other current liabilities	9,712	10,349
Net defined benefit liabilities	(22,780)	(11,351)
Total changes in operating liabilities	<u>(15,237)</u>	<u>120,355</u>
Total changes in operating assets and liabilities	<u>(48,189)</u>	<u>(30,425)</u>
Total adjustments	<u>521,928</u>	<u>486,978</u>
Cash inflow generated from operations	994,320	1,059,712
Interest received	5,095	4,877
Dividends received	59,712	59,042
Income taxes paid	(119,439)	(139,927)
Net cash flows from operating activities	<u>939,688</u>	<u>983,704</u>
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through profit or loss	(93,500)	(180,000)
Proceeds from disposal of financial assets at fair value through profit or loss	93,523	180,019
Proceeds from disposal of available-for-sale financial assets	94,584	202,343
Acquisition of investments accounted for using equity method	(45,000)	-
Acquisition of property, plant and equipment	(753,814)	(704,307)
Proceeds from disposal of property, plant and equipment	31,444	2,277
Acquisition of intangible assets	(96,616)	(8,494)
Increase in other non-current financial assets	(833)	(600)
Decrease (increase) in other non-current assets	(7,337)	7,545
Decrease (increase) in prepayments for equipment	5,830	(69,989)
Net cash flows used in investing activities	<u>(771,719)</u>	<u>(571,206)</u>
Cash flows used in financing activities:		
Increase in short-term borrowings	6,424,754	6,927,593
Decrease in short-term borrowings	(6,918,593)	(6,962,310)
Short-term financing	-	2,000
Proceeds from long-term borrowings	1,500,000	590,000
Repayments of long-term borrowings	(828,540)	(486,883)
Cash dividends paid	(273,876)	(260,834)
Interest paid	(78,903)	(62,096)
Subsidiaries distributed cash dividends to non-controlling interests	(5,626)	(4,170)
Change in non-controlling interests	(7,515)	(3,686)
Net cash flows used in financing activities	<u>(188,299)</u>	<u>(260,386)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(13,623)</u>	<u>16,467</u>
Net increase (decrease) in cash and cash equivalents	<u>(33,953)</u>	<u>168,579</u>
Cash and cash equivalents at beginning of period	<u>981,138</u>	<u>812,559</u>
Cash and cash equivalents at end of period	<u>\$ 947,185</u>	<u>981,138</u>

See accompanying notes to consolidated financial statements.

Independent Auditors' Report

To the Board of Directors
Everlight Chemical Industrial Corporation:

Opinion

We have audited the financial statements of Everlight Chemical Industrial Corporation(“the Company”), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4(n) and Note 6(q) to the parent-company-only financial statements for the disclosures of revenue recognition

Description of key audit matters

The Company is a listed company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the risks and rewards of ownership have been transferred to the customers, to support the timing of revenue recognition; evaluating the adequacy of revenue recognition by testing the sale transactions during the period before and after the balance sheet date.

2. Valuation of accounts receivable

Please refer to Notes 4(f), 5(a) and 6(c) to the parent-company-only financial statements for the disclosure of valuation of accounts receivable.

Description of key audit matters

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

How the matter was addressed in our audit

Our major audit procedures included testing the adequacy of aging report; evaluating the appropriateness of the provision made by the management through assessing the historical receivables recoverability, customers' industry situation and subsequent recoverability.

3. Impairment of property, plant and equipment

Refer to Notes 4(m), 5(b) and 6(f) to the parent-company-only financial statements for the disclosure of the impairment of property, plant and equipment.

Description of key audit matters

The Company evaluates if there is any indication of impairment of property, plant and equipment and then estimates the recoverable amount of property, plant and equipment in according with value in use. The calculation for recoverable amount involved assumptions and estimations, resulting in impairment of property, plant and equipment is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included obtaining the impairment valuation report of cash generating unit which is identified by the Company; evaluating the appropriateness of the assumptions and estimations, including the future cash flows, discount rate and gross margin and the sensitivity analysis of the related assumptions.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

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

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

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

Auditor' s Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lily Lu and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)

March 29, 2018

Notes to Readers

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

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Balance Sheets

December 31, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016				December 31, 2017		December 31, 2016	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 522,068	4	445,858	4	2100	Short-term borrowings (notes 6(i) and 9)	\$ 1,374,847	11	1,669,445	14
1150	Notes receivable, net (note 6(c))	83,221	1	83,601	1	2322	Long-term borrowings, current portion (note 6(j))	10,000	-	220,000	2
1170	Accounts receivable, net (note 6(c))	811,808	6	732,390	6	2150	Notes payable	236,636	2	224,122	2
1180	Accounts receivable from related parties, net (notes 6(c) and 7)	584,980	5	480,767	4	2170	Accounts payable (note 7)	295,664	3	291,653	3
1210	Other receivable from related parties, net (notes 6(c) and 7)	3,890	-	36,982	-	2209	Other payables (notes 6(p) and 7)	398,972	3	396,669	3
130X	Inventories (note 6(d))	2,312,487	19	2,279,169	20	2213	Payables on equipment	39,134	-	81,191	1
1476	Other current financial assets	13,963	-	37,693	-	2230	Current tax liabilities	36,164	-	43,853	-
1479	Other current assets (note 6(g))	86,732	1	139,618	1	2399	Other current liabilities	30,849	-	15,968	-
	Total current assets	4,419,149	36	4,236,078	36		Total current liabilities	2,422,266	19	2,942,901	25
Non-current assets:						Non-current liabilities:					
1523	Available-for-sale financial assets-non-current (note 6(b))	1,038,813	8	1,069,726	9	2540	Long-term borrowings (note 6(j))	1,788,228	15	877,530	7
1543	Financial assets measured at cost (note 6(b))	77,800	1	77,800	1	2570	Deferred tax liabilities (note 6(m))	54,327	-	52,224	-
1550	Investments accounted for using equity method (note 6(e))	1,987,342	16	1,940,808	16	2640	Net defined benefit liabilities (note 6(k))	291,059	2	325,823	3
1600	Property, plant and equipment (notes 6(f) and 9)	4,469,701	36	4,311,865	36		Total non-current liabilities	2,133,614	17	1,255,577	10
1780	Intangible assets (note 6(h))	116,119	1	30,882	-		Total liabilities	4,555,880	36	4,198,478	35
1840	Deferred tax assets (note 6(m))	94,967	1	88,471	1	Equity (notes 6(e), (l), (m), (n) and (s)):					
1915	Prepayments for equipment	73,670	1	71,295	1	3100	Common shares	5,477,522	45	5,477,522	46
1980	Other non-current financial assets (note 6(c))	2,405	-	29,961	-	3200	Capital surplus	473,558	4	473,558	4
	Total non-current assets	7,860,817	64	7,620,808	64	3300	Retained earnings	1,673,952	14	1,571,900	14
						3400	Other equity	99,054	1	135,428	1
							Total equity	7,724,086	64	7,658,408	65
							Total liabilities and equity	\$ 12,279,966	100	11,856,886	100
	Total assets	\$ 12,279,966	100	11,856,886	100						

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(q) and 7)	\$ 6,833,550	100	6,925,150	100
5000	Operating costs (notes 6(d), (f), (h), (k), (l), (p), 7 and 12)	5,530,529	81	5,509,732	80
	Gross profit from operations	1,303,021	19	1,415,418	20
5910	Less: unrealized gross profit on sales to subsidiaries	8,467	-	(1,457)	-
	Net gross profit from operations	1,311,488	19	1,413,961	20
	Operating expenses (notes 6(c), (f), (k), (l), (p), 7 and 12):				
6100	Selling expenses	515,589	8	537,776	8
6200	Administrative expenses	168,269	2	186,158	2
6300	Research and development expenses	341,777	5	342,078	5
	Total operating expenses	1,025,635	15	1,066,012	15
	Net operating income	285,853	4	347,949	5
	Non-operating income and expenses (notes 6(b), (e), (f), (r) and (s)):				
7010	Other income	62,041	1	61,275	1
7020	Other gains and losses	102,018	2	150,026	2
7050	Finance costs	(46,204)	(1)	(38,005)	-
7060	Share of profit of subsidiaries and associates accounted for using equity method	30,730	-	9,198	-
	Total non-operating income and expenses	148,585	2	182,494	3
7900	Income before income tax	434,438	6	530,443	8
7950	Income tax expense (note 6(m))	68,300	1	61,909	1
	Net income	366,138	5	468,534	7
8300	Other comprehensive income (loss) (notes 6(e), (l), (m), (n) and (s)):				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	17,612	-	(67,592)	(1)
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	(29)	-	(1,903)	-
8349	Income tax benefit (expense) related to items that may not be reclassified subsequently to profit or loss	(2,994)	-	11,490	-
	Total items that may not be reclassified subsequently to profit or loss	14,589	-	(58,005)	(1)
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(29,981)	-	(81,098)	(1)
8362	Unrealized losses on available-for-sale financial assets	(5,291)	-	(59,788)	(1)
8380	Share of other comprehensive of associates accounted for using equity method	(1,102)	-	(82)	-
8399	Income tax benefit related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(36,374)	-	(140,968)	(2)
8300	Other comprehensive income	(21,785)	-	(198,973)	(3)
8500	Total comprehensive income	<u>\$ 344,353</u>	<u>5</u>	<u>269,561</u>	<u>4</u>
9750	Basic earnings per share (note 4(m)) (expressed in New Taiwan dollars)	<u>\$ 0.67</u>		<u>0.86</u>	
9850	Diluted earnings per share (note 4(m)) (expressed in New Taiwan dollars)	<u>\$ 0.67</u>		<u>0.85</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total retained earnings	Exchange differences on translation of foreign financial statements	Other equity Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings					
Balance at January 1, 2016	\$ 5,216,688	473,558	858,401	43,346	781,292	1,683,039	55,060	221,336	276,396	7,649,681
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	56,534	-	(56,534)	-	-	-	-	-
Cash dividends	-	-	-	-	(260,834)	(260,834)	-	-	-	(260,834)
Stock dividends	260,834	-	-	-	(260,834)	(260,834)	-	-	-	-
Net income	-	-	-	-	468,534	468,534	-	-	-	468,534
Other comprehensive income	-	-	-	-	(58,005)	(58,005)	(81,180)	(59,788)	(140,968)	(198,973)
Total comprehensive income	-	-	-	-	410,529	410,529	(81,180)	(59,788)	(140,968)	269,561
Balance at December 31, 2016	5,477,522	473,558	914,935	43,346	613,619	1,571,900	(26,120)	161,548	135,428	7,658,408
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	46,853	-	(46,853)	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	(273,876)
Net income	-	-	-	-	366,138	366,138	-	-	-	366,138
Other comprehensive income	-	-	-	-	14,589	14,589	(31,083)	(5,291)	(36,374)	(21,785)
Total comprehensive income	-	-	-	-	380,727	380,727	(31,083)	(5,291)	(36,374)	344,353
Changes in ownership interests in subsidiaries	-	-	-	-	(4,799)	(4,799)	-	-	-	(4,799)
Balance at December 31, 2017	\$ 5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	156,257	99,054	7,724,086

Note: For the years ended December 31, 2017 and 2016, the Company recognized the directors and supervisors' remuneration amounting to \$9,343 and \$11,407, respectively, employee's compensation amounting to \$23,357 and \$28,519, respectively, and the abovementioned amounts have been deducted in the comprehensive income statements for each period.

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Income before income tax	\$ 434,438	530,443
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	430,891	401,223
Amortization expense	9,041	8,971
Provision for allowance of impairment	22,820	16,195
Net gains on financial assets at fair value through profit or loss	(9)	(19)
Interest expense	46,204	38,005
Interest income	(2,329)	(2,233)
Dividend income	(59,712)	(59,042)
Share of profit of subsidiaries and associates accounted for using equity method	(30,730)	(9,198)
Losses on disposal of property, plant and equipment	127	1,082
Gains on disposal of investments	(68,962)	(103,112)
Unrealized (realized) gross profit on sale to subsidiaries	(8,467)	1,457
Total adjustments to reconcile profit	338,874	293,329
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	380	7,165
Accounts receivable and overdue receivable	(74,617)	2,939
Accounts receivable from related parties	(104,213)	43,681
Other receivable from related parties	(702)	3,685
Inventories	(33,318)	(161,962)
Other current financial assets	23,719	(23,432)
Other current assets	53,584	(17,742)
Total changes in operating assets	(135,167)	(145,666)
Changes in operating liabilities:		
Notes payable	12,514	47,406
Accounts payable	4,011	4,434
Other payable	4,729	41,031
Other current liabilities	14,881	(1,851)
Net defined benefit liabilities	(17,152)	(10,928)
Total changes in operating liabilities	18,983	80,092
Total changes in operating assets and liabilities	(116,184)	(65,574)
Total adjustments	222,690	227,755
Cash inflow generated from operations	657,128	758,198
Interest received	2,340	2,137
Dividends received	110,028	107,304
Income taxes paid	(78,575)	(78,514)
Net cash flows from operating activities	690,921	789,125
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through profit or loss	(80,000)	(180,000)
Proceeds from disposal of financial assets at fair value through profit or loss	80,009	180,019
Proceeds from disposal of available-for-sale financial assets	94,584	202,343
Acquisition of investments accounted for using equity method	(92,000)	-
Acquisition of property, plant and equipment	(632,090)	(599,362)
Proceeds from disposal of property, plant and equipment	1,179	1,055
Decrease (increase) in other receivables due from loans to related parties	32,230	(32,230)
Acquisition of intangible assets	(94,278)	(7,662)
Decrease (increase) in other non-current financial assets	(66)	58
Decrease (increase) in prepayments for equipment	(2,375)	7,296
Net cash flows used in investing activities	(692,807)	(428,483)
Cash flows used in financing activities:		
Increase in short-term borrowings	5,193,778	6,473,750
Decrease in short-term borrowings	(5,488,375)	(6,433,003)
Proceeds from long-term borrowings	1,500,000	400,000
Repayments of long-term borrowings	(800,000)	(480,000)
Cash dividends paid	(273,876)	(260,834)
Interest paid	(53,431)	(38,163)
Net cash flows from (used in) financing activities	78,096	(338,250)
Net increase in cash and cash equivalents	76,210	22,392
Cash and cash equivalents at beginning of period	445,858	423,466
Cash and cash equivalents at end of period	\$ 522,068	445,858

See accompanying notes to financial statements.