Stock Code:1711

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Three Months Ended March 31, 2019 and 2018

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

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

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安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Review Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Everlight Chemical Industrial Corporation and its subsidiaries as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018, 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 $379,736 thousand and $410,162 thousand, constituting 2.67% and 2.97% of consolidated total assets as of March 31, 2019 and 2018, respectively, total liabilities amounting to $46,077 thousand and $36,228 thousand, constituting 0.76% and 0.65% of consolidated total liabilities as of March 31, 2019 and 2018, respectively, and total comprehensive income (loss) amounting to $(10,692) thousand and $(6,034) thousand, constituting (4.57)% and (3.55)% of consolidated total comprehensive income for the three months ended March 31, 2019 and 2018, 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 $133,752 thousand and $140,846 thousand as of March 31, 2019 and 2018, respectively, and its equity in net earnings on these investee companies of $(2,467) thousand and $(3,802) thousand for the three months ended March 31, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Everlight Chemical Industrial Corporation and its subsidiaries as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 and 2018 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' review report are Chia-Chien Tang and Ya-Ling Chen.

KPMG

Taipei, Taiwan (Republic of China)
May 9, 2019

Notes to Readers

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

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

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2019 and 2018

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2019, December 31, 2018, and March 31, 2018

(Expressed in Thousands New Taiwan Dollars)

	Assets	March 31, 2019 Amount	%	December 31, 2018 Amount	%	March 31, 2018 Amount	%
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 915,770	6	838,593	6	972,358	7
1110	Financial assets at fair value through profit or loss-current (note 6(b))	14,093	-	13,556	-	13,500	-
1150	Notes receivable, net (notes 6(c) and (r))	217,267	2	333,665	2	275,925	2
1170	Accounts receivable, net (notes 6(c) and (r))	1,589,778	11	1,470,253	11	1,486,763	11
130X	Inventories (note 6(d))	3,685,782	26	3,757,724	27	3,403,061	25
1476	Other current financial assets	21,812	-	29,031	-	19,098	-
1479	Other current assets (note 6(h))	128,936	1	134,967	1	139,710	1
	Total current assets	6,573,438	46	6,577,789	47	6,310,415	46
	Non-current assets:						
1517	Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (v))	1,120,702	8	1,035,709	8	1,205,888	9
1550	Investments accounted for using equity method (note 6(e))	133,752	1	135,803	1	140,846	1
1600	Property, plant and equipment (notes 6(g) and 9)	5,704,270	40	5,754,565	42	5,800,285	42
1755	Right-of-use-assets (note 6(i))	350,362	3	-	-	-	-
1780	Intangible assets (note 6(j))	128,383	1	131,270	1	121,903	1
1840	Deferred tax assets	119,736	1	119,722	1	103,395	1
1915	Prepayments for equipment	56,770	-	55,724	-	78,364	-
1980	Other non-current financial assets (notes 6(c) and (r))	4,057	-	4,762	-	3,897	-
1985	Long-term prepaid rents	-	-	22,439	-	23,785	-
1990	Other non-current assets	20,627	-	20,243	-	16,652	-
	Total non-current assets	7,638,659	54	7,280,237	53	7,495,015	54
	Total assets	$ 14,212,097	100	13,858,026	100	13,805,430	100

	Liabilities and Equity	March 31, 2019 Amount	%	December 31, 2018 Amount	%	March 31, 2018 Amount	%
	Current liabilities:						
2100	Short-term borrowings (note 6(k))	$ 2,619,075	19	2,589,403	19	2,081,983	15
2322	Long-term borrowings, current portion (note 6(l))	185,000	1	185,000	1	60,000	-
2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	-	-	-	-	2,278	-
2150	Notes payable (note 7)	148,848	1	190,752	1	181,410	1
2170	Accounts payable (note 7)	397,495	3	438,743	3	463,722	4
2209	Other payable	386,174	3	494,878	4	372,951	3
2213	Payable on equipment	11,367	-	38,697	-	56,326	1
2230	Current tax liabilities	105,238	1	77,128	1	64,371	-
2280	Lease liabilities-current (note 6(m))	33,244	-	-	-	-	-
2399	Other current liabilities	64,116	-	56,345	-	56,125	-
	Total current liabilities	3,950,557	28	4,070,946	29	3,339,166	24
	Non-current liabilities:						
2540	Long-term borrowings (note 6(l))	1,519,030	11	1,538,988	11	1,893,230	14
2570	Deferred tax liabilities	68,933	-	68,933	1	54,561	1
2580	Lease liabilities non-current (note 6(m))	295,311	2	-	-	-	-
2640	Net defined benefit liability	231,350	2	265,963	2	301,251	1
	Total non-current liabilities	2,114,624	15	1,873,884	14	2,249,042	16
	Total liabilities	6,065,181	43	5,944,830	43	5,588,208	40
	Equity attributable to owners of parent (notes 6(b), (e), (p), (q) and (v)):						
3100	Common shares	5,477,522	39	5,477,522	40	5,477,522	40
3200	Capital surplus	473,558	3	473,558	3	473,558	3
3300	Retained earnings	1,922,511	13	1,797,826	13	1,777,750	13
3400	Other equity	(46,511)	-	(149,767)	(1)	176,750	2
	Total equity attributable to owners of parent	7,827,080	55	7,599,139	55	7,905,580	58
36XX	**Non-controlling interests (notes 6(f) and (q))**	319,836	2	314,057	2	311,642	2
	Total equity	8,146,916	57	7,913,196	57	8,217,222	60
	Total liabilities and equity	$ 14,212,097	100	13,858,026	100	13,805,430	100

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

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2019 and 2018

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

		For the three months ended March 31			
		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(t))**	$ 2,303,364	100	2,318,092	100
5000	**Operating costs (notes 6(d), (g), (i), (j), (n), (o), (s), 7 and 12)**	1,779,397	77	1,812,433	78
5950	**Gross profit from operations**	523,967	23	505,659	22
6000	**Operating expenses (notes 6(c), (g), (i), (j), (n), (o), (s), 7 and 12):**				
6100	Selling expenses	199,847	9	187,181	8
6200	Administrative expenses	86,185	4	88,150	4
6300	Research and development expenses	100,765	5	103,336	4
6450	Expected credit loss (gain)	(2,514)	-	729	-
	Total operating expenses	384,283	18	379,396	16
6900	**Net operating income**	139,684	5	126,263	6
7000	**Non-operating income and expenses (notes 6(e), (g), (l), (m), and (q)):**				
7010	Other income	836	-	1,014	-
7020	Other gains and losses	48,933	2	26,310	1
7050	Finance costs	(26,396)	(1)	(19,882)	(1)
7060	Share of losses of associates accounted for using equity method	(2,467)	-	(3,802)	-
	Total non-operating income and expense	20,906	1	3,640	-
7900	**Income before income tax**	160,590	6	129,903	6
7951	**Income tax expenses (note (p))**	34,059	1	25,622	1
8200	**Net income**	126,531	5	104,281	5
8300	**Other comprehensive income (notes 6(e), (p), (q), and (v)):**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8316	Unrealized gains from financial assets measured at fair value through other comprehensive income	84,994	4	69,049	3
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	84,994	4	69,049	3
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	22,905	1	(3,629)	(1)
8370	Share of other comprehensive income of associates accounted for using equity method	(710)	-	316	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	22,195	1	(3,313)	(1)
8300	**Other comprehensive income**	107,189	5	65,736	2
8500	**Total comprehensive income**	$ 233,720	10	170,017	7
	Profit attributable to:				
8610	Owners of parent	$ 124,685	5	103,431	5
8620	Non-controlling interests	1,846	-	850	-
		$ 126,531	5	104,281	5
	Comprehensive income attributable to:				
8710	Owners of parent	$ 227,941	10	171,067	7
8720	Non-controlling interests	5,779	-	(1,050)	-
		$ 233,720	10	170,017	7
9750	**Basic earnings per share (note 6(r)) (experssed in New Taiwan dollars)**	$	0.23		0.19
9850	**Diluted earnings per share (note 6(r)) (experssed in New Taiwan dollars)**	$	0.23		0.19

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2019 and 2018

(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	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 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
Effects of retrospective application	-	-	-	-	-	-	-	166,684	(156,257)	10,427	10,427	-	10,427
Balance at January 1, 2018 after adjustments	5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	166,684	-	109,481	7,734,513	312,692	8,047,205
Net income	-	-	-	-	103,431	103,431	-	-	-	-	103,431	850	104,281
Other comprehensive income	-	-	-	-	-	-	(1,413)	69,049	-	67,636	67,636	(1,900)	65,736
Total comprehensive income	-	-	-	-	103,431	103,431	(1,413)	69,049	-	67,636	171,067	(1,050)	170,017
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	367	367	-	(367)	-	(367)	-	-	-
Balance at March 31, 2018	$ 5,477,522	473,558	961,788	43,346	772,616	1,777,750	(58,616)	235,366	-	176,750	7,905,580	311,642	8,217,222
Balance at January 1, 2019	$ 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	-	-	-	-	124,685	124,685	-	-	-	-	124,685	1,846	126,531
Other comprehensive income	-	-	-	-	-	-	21,630	81,626	-	103,256	103,256	3,933	107,189
Total comprehensive income	-	-	-	-	124,685	124,685	21,630	81,626	-	103,256	227,941	5,779	233,720
Balance on March 31, 2019	$ 5,477,522	473,558	998,402	43,346	880,763	1,922,511	(46,790)	279	-	(46,511)	7,827,080	319,836	8,146,916

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2019	2018
Cash flows from (used in) operating activities:		
Income before income tax	$ 160,590	129,903
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	164,931	154,381
Amortization expense	4,717	3,155
Expected credit loss (gain)	(2,514)	729
Net gains (losses) on financial assets at fair value through profit and loss	(537)	2,276
Interest expense	26,396	19,882
Interest income	(836)	(1,014)
Share of losses of associates accounted for using equity method	2,467	3,802
Gains on disposal of property, plant and equipment	(731)	(160)
Prepayments for equipment transferred to expense	420	-
Total adjustments to reconcile profit	194,313	183,051
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	120,200	(457)
Accounts receivable and overdue receivable (under other non-current financial assets)	(110,422)	48,093
Inventories	72,609	(3,086)
Other current financial assets	7,162	(1,171)
Other current assets	6,185	(5,278)
Total changes in operating assets	95,734	38,101
Changes in operating liabilities:		
Notes payable	(41,904)	(57,388)
Accounts payable	(40,513)	61,079
Other payable	(101,212)	(133,891)
Other current liabilities	9,366	5,789
Net defined benefit liability	(34,614)	(3,317)
Total changes in operating liabilities	(208,877)	(127,728)
Total changes in operating assets and liabilities	(113,143)	(89,627)
Total adjustments	81,170	93,424
Cash inflow generated from operations	241,760	223,327
Interest received	876	1,012
Income taxes paid	(4,993)	(3,545)
Net cash flows from operating activities	237,643	220,794
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	-	(41,500)
Proceeds from disposal of financial assets at fair value through profit or loss	-	28,002
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	1,602
Acquisition of property, plant and equipment	(118,764)	(135,803)
Proceeds from disposal of property, plant and equipment	1,095	1,109
Acquisition of intangible assets	(1,823)	(5,957)
Decrease in other non-current financial assets	409	418
Decrease in other non-current assets	125	1,731
Increase in prepayments for equipment	(1,154)	(5,369)
Net cash flows used in investing activities	(120,112)	(155,767)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	2,085,199	1,338,119
Decrease in short-term borrowings	(2,065,268)	(1,326,020)
Repayments of long-term borrowings	(20,000)	(20,000)
Payment of lease liabilities	(7,934)	-
Interest paid	(30,026)	(21,933)
Net cash used in financing activities	(38,029)	(29,834)
Effect of exchange rate changes on cash and cash equivalents	(2,325)	(10,020)
Net increase in cash and cash equivalents	77,177	25,173
Cash and cash equivalents at beginning of period	838,593	947,185
Cash and cash equivalents at end of period	$ 915,770	972,358

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

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

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

These consolidated financial statements were authorized for issuance by the board of directors on May 9, 2019.

(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, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 " Leases" , IFRIC 4 " Determining whether an Arrangement contains a Lease", SIC-15 " Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating leases or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group previously classified leases as operating leases under IAS 17 at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. The amount of right-of-use assets are determined by the lease liabilities.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

— Applied a single discount rate to a portfolio of leases with similar characteristics.

— Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional $356,365 thousand of right-of-use assets and $333,450 thousands of lease liabilities, recognising the difference from long-term prepaid rents. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.39%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 123,419
Recognition exemption for:	
Short-term leases	(2,891)
Interest expense from discounting	(24,270)
Extension and termination options reasonably certain to be exercised	237,192
Lease liabilities recognized at January 1, 2019	$ **333,450**

(b) 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:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
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, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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.

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, 2018. For the detail information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018 .

(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 March 31, 2019	December 31, 2018	March 31, 2018	Note
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 2)
ECIC	EVERLIGHT CHEMICALS (SINGAPORE) PTE LTD. (EVSG)	Investing business	100.00	100.00	100.00	(note 2)
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 2)
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 2)
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 2)
EVUS	EVERLIGHT HONDUARS S.A. de C.V. (EVHOSH)	Selling chemical product and related raw materials	51.00	51.00	51.00	-
ANDA	SHANGHAI ANDA INTERNATIONAL TRADING CO., LTD. (ADSH)	Selling electronic high-tech chemical product	100.00	100.00	100.00	(note 2)
ECIC	GREATLIGHT INVESTMENT COPRORATION (GLTP)	Investing business	100.00	100.00	100.00	(note 2)

(Continued)

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

(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): The Company is an non-significant subsidiary, its financial statement have not been reviewed.

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

(c) Lease (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset, this may be specified explicitly in contract or implicitly by available for use. Which should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset under one of the circumstances below:

- The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.
- In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset and:
  - the Group has the right to operate the asset, and the provider has no right to change the operation of the underlying asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

1) fixed payments, including substance fixed payments;

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

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability accrued interest using the effective interest method, and remeasured when:

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

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

3) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

4) there is a change of its assessment on whether it will exercise extension or termination option, and change its estimate of the period of lease, or

5) there is any lease modification.

When the lease liability is remeasured due to the abovementioned change in an index or rate, residual value guarantee and estimate of extension or termination option, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

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

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

(d) Employee benefits

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

(e) 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, 2018. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2018.

(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, 2018. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2018.

(a) Cash and cash equivalents

		March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	$	2,468	3,332	2,467
Cash in bank		848,987	752,469	878,112
Time deposits		64,315	82,792	61,779
Short-term notes		-	-	30,000
Cash and cash equivalents	$	**915,770**	**838,593**	**972,358**

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

(b) Financial assets and liabilities

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

		March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily measured at fair value through profit or loss:				
Option contracts	$	537	-	-
Monetary market fund		13,556	13,556	13,500
Total	$	**14,093**	**13,556**	**13,500**

		March 31, 2019	December 31, 2018	March 31, 2018
Financial liabilities held-for-trading:				
Option contracts	$	-	-	2,278

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 assets mandatorily measured at fair value through profit or loss and financial assets and liabilities held-for-trading on March 31, 2019 and 2018:

	March 31, 2019		
	Contract amount (in thousand)	**Currency**	**Period**
Option contracts	$ 2,600	EUR	2019/4/10~2019/12/31

	March 31, 2018		
	Contract amount (in thousand)	**Currency**	**Period**
Option contracts	$ 2,500	EUR	2018/5/22~2018/12/29
Option contracts	$ 86,750	YEN	2018/4/27~2018/8/29

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

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Stocks listed on domestic and foreign markets	$ 1,029,099	942,940	1,085,992
Domestic unlisted common shares	91,603	92,769	119,896
Total	$ 1,120,702	1,035,709	1,205,888

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 three months ended March 31, 2018, the Group has sold financial assets at fair value through other comprehensive income for strategic purposes. The shares sold had a fair value of $1,602 thousand and the Group realized a gain of $367 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

(iii) For credit risk and market risk, please refer to note 6(v).

(iv) As of March 31, 2019, December 31 and March 31, 2018, the aforementioned financial assets were not pledged.

(c) Receivables

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Notes receivable	$ 217,307	333,705	275,977
Accounts receivable	1,628,617	1,506,912	1,517,808
Overdue receivable (under other non-current financial assets)	53,203	59,895	86,575
Less: loss allowance	(92,082)	(96,594)	(117,672)
	$ 1,807,045	1,803,918	1,762,688

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 incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

	March 31, 2019		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 1,604,596	0.01%-0.77%	6,247
1 to 90 days past due	193,394	7.15%~20.86%	15,182
91 to 365 days past due	47,934	34.23%~100%	17,450
More than 365 days past due	53,203	100%	53,203
Total	$ **1,899,127**		**92,082**

	December 31, 2018		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 1,633,389	0.01%~0.74%	6,143
1 to 90 days past due	172,208	6.07%~20.20%	15,616
91 to 365 days past due	35,020	42.66%	14,940
More than 365 days past due	59,895	100%	59,895
Total	$ **1,900,512**		**96,594**

	March 31, 2018		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 1,599,541	0.01% ~ 0.65%	3,132
1 to 90 days past due	141,065	5.31%~20.17%	11,020
91 to 365 days past due	53,179	28.67%~100%	16,945
More than 365 days past due	86,575	100%	86,575
Total	$ **1,880,360**		**117,672**

The detail of loss allowance were as follows:

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Notes receivable	$ 40	40	52
Accounts receivable	38,839	36,659	31,045
Overdue receivable	53,203	59,895	86,575
	$ **92,082**	**96,594**	**117,672**

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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The movement in the allowance for receivables were as follows:

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Balance on January 1	$ 96,594	117,731
Impairment losses recognized	-	729
Impairment losses reversed	(2,514)	-
Amounts written off	(2,810)	(859)
Effect of movements in exchange rates	812	71
Balance on March 31	$ 92,082	117,672

The aforementioned financial assets were not pledged.

(d) Inventories

	March 31, 2019	December 31, 2018	March 31, 2018
Raw materials	$ 1,073,607	1,043,645	900,723
Supplies	20,087	20,545	20,838
Work in progress	710,811	698,252	670,863
Finished goods	1,778,674	1,878,919	1,734,874
Materials in transit	102,603	116,363	75,763
	$ 3,685,782	3,757,724	3,403,061

For the three months ended March 31, 2019 and 2018, except cost of goods sold and inventories recognized as expenses, the remaining gain or losses which were recognized as operating cost or deduction of operating cost were as follows:

	For the three month ended March 31	
	2019	2018
Losses on valuation of inventories	$ 1,302	2,015
Losses on inventory count	130	296
Unallocated production overheads	40,012	56,331
Scrap income	(228)	(827)
	$ 41,216	57,815

For the three months ended March 31, 2019 and 2018, the expense resulted from obtaining the certification of GMP for pharmaceuticals division was included in unallocated production overheads.

As of March 31, 2019, December 31 and March 31, 2018, the inventories were not pledged.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(e) Investments accounted for using equity method

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

		March 31, 2019	December 31, 2018	March 31, 2018
Associates	$	133,752	135,803	140,846

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

		March 31, 2019	December 31, 2018	March 31, 2018
Carrying amount of individually insignificant associates	$	133,752	135,803	140,846

		For the three months ended March 31	
		2019	2018
Attributable to the Group:			
Loss from continuing operations	$	(2,467)	(3,802)
Other comprehensive income		(710)	316
Total comprehensive income	$	(3,177)	(3,486)

(ii) Pledge

As of March 31, 2019, December 31 and March 31, 2018, the aforementioned investment accounted for using equity method were not pledged.

(f) Material non-controlling interest of subsidiaries

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

		Percentage of non-controlling interests		
Subsidiaries	Main operation place	March 31, 2019	December 31, 2018	March 31, 2018
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.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	$ 583,618	629,679	652,407
Non-current assets	1,043,068	846,528	810,865
Current liabilities	(497,845)	(538,618)	(477,879)
Non-current liabilities	(267,133)	(93,829)	(118,734)
Net assets	$ **861,708**	**843,760**	**866,659**
Non-controlling interest	$ **205,484**	**201,204**	**206,665**

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Operating revenues	$ 263,507	275,462
Net income (loss)	$ 3,824	(3,298)
Other comprehensive income	14,124	-
Total comprehensive income	$ **17,948**	**(3,298)**
Profit (loss), attributable to non-controlling interests	$ **912**	**(786)**
Comprehensive income, attributable to non-controlling interests	$ **4,280**	**(786)**

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Net cash flows from operating activities	$ 70,287	28,003
Net cash flows from investing activities	(7,953)	(20,108)
Net cash flows from financing activities	(45,660)	11,929
Net increase in cash and cash equivalents	$ **16,674**	**19,824**
Cash dividend distributed to non-controlling interests	$ -	-

(g) Property, plant and equipment

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

	Land	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Cost:					
Balance at January 1, 2019	$ 894,153	4,312,840	9,182,889	409,611	14,799,493
Additions	-	2,300	27,405	39,920	69,625
Disposals	-	-	(9,715)	-	(9,715)
Reclassification	-	10,014	79,782	(64,311)	25,485
Effect of movements in exchange rates	13	7,993	18,517	157	26,680
Balance at March 31, 2019	$ **894,166**	**4,333,147**	**9,298,878**	**385,377**	**14,911,568**

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

		Land	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Balance at January 1, 2018	$	894,035	4,235,094	8,728,197	474,192	14,331,518
Additions		-	4,315	46,817	63,598	114,730
Disposals		-	(170)	(59,775)	-	(59,945)
Reclassification		-	28,023	207,228	(192,144)	43,107
Effect of movements in exchange rates		(80)	5,239	11,969	257	17,385
Balance at March 31, 2018	$	893,955	4,272,501	8,934,436	345,903	14,446,795
Accumulated depreciation and impairment:						
Balance at January 1, 2019	$	-	2,234,410	6,810,518	-	9,044,928
Depreciation		-	41,502	114,323	-	155,825
Disposals		-	-	(9,351)	-	(9,351)
Effect of movements in exchange rates		-	3,186	12,710	-	15,896
Balance at March 31, 2019	$	-	2,279,098	6,928,200	-	9,207,298
Balance at January 1, 2018	$	-	2,070,936	6,471,106	-	8,542,042
Depreciation		-	41,159	113,222	-	154,381
Disposals		-	(166)	(58,830)	-	(58,996)
Effect of movements in exchange rates		-	1,715	7,368	-	9,083
Balance at March 31, 2018	$	-	2,113,644	6,532,866	-	8,646,510
Carrying amounts:						
Balance at March 31, 2019	$	894,166	2,054,049	2,370,678	385,377	5,704,270
Balance at January 1, 2019	$	894,153	2,078,430	2,372,371	409,611	5,754,565
Balance at March 31, 2018	$	893,955	2,158,857	2,401,570	345,903	5,800,285
Balance at January 1, 2018	$	894,035	2,164,158	2,257,091	474,192	5,789,476

(i) For the three months ended March 31, 2019 and 2018, the Group capitalized the interest expenses on construction in progress amounted to $2,289 thousand and $2,044 thousand respectively, and the monthly interest rate used for capitalization calculation were 0.17% and 0.12~0.19%, respectively.

(ii) As of March 31, 2019, December 31 and March 31, 2018, the property, plant and equipment of the Group had not been pledged.

(h) Other current assets

		March 31, 2019	December 31, 2018	March 31, 2018
Prepayments	$	80,412	80,807	89,102
Tax refund receivable		33,767	43,034	34,334
Payment on behalf of others		13,357	6,653	11,274
Others		1,400	4,473	5,000
	$	128,936	134,967	139,710

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(i) 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:

	Land	Buildings and construction	Equipment	Total
Cost:				
Balance at January 1, 2019	$ -	-	-	-
Effects of retrospective application for IFRS16	218,355	124,950	13,060	356,365
Acquisitions	-	1,311	232	1,543
Effect of changes in foreign exchange rates	68	1,504	-	1,572
Balance at March 31, 2019	$ 218,423	127,765	13,292	359,480
Accumulated depreciation:				
Balance at January 1, 2019	$ -	-	-	-
Depreciation	1,437	6,888	781	9,106
Effect of changes in foreign exchange rates	1	11	-	12
Balance at March 31, 2019	$ 1,438	6,899	781	9,118
Carrying amount:				
Balance at March 31, 2019	$ 216,985	120,866	12,511	350,362

The Group leases offices, warehouses and factory facilities under operating lease, please refer to note 6 (n).

(j) Intangible assets

	REACH registration related expenses	Others	Total
Carrying amounts:			
Balance at March 31, 2019	$ 117,467	10,916	128,383
Balance at January 1, 2019	$ 119,804	11,466	131,270
Balance at March 31, 2018	$ 118,675	3,228	121,903
Balance at January 1, 2018	$ 115,156	3,864	119,020

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2019 and 2018. Information on amortization for the period is discussed in note (12). Please refer to note 6(i) of consolidated financial statements for the year end December 31, 2018 for the other related information.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(k) Short-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured bank loans (NTD、USD、RMB)	$ 2,579,098	2,569,426	2,062,027
Short-term notes and bills payable (NTD)	39,977	19,977	19,956
Total	$ 2,619,075	2,589,403	2,081,983
Unused credit lines (including short-term and long-term borrowings)	$ 3,206,357	3,498,523	3,965,780
Range of interest rate	1.16%~5.15%	1.16%~5.22%	1.1%~4.79%

As of March 31, 2019, December 31 and March 31, 2018, the Group issued short-term notes and bills payable through Dah Chung Bills Finance Corp. to obtain funds from the currency market.

(l) Long-term borrowings

	March 31, 2019			
	Currency	Rate	Maturity year	Amount
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	$ 499,030
Unsecured bank loans	NTD	1.33%~1.79%	2019.2~2021.8	1,205,000
Less: long-term borrowings, current portion				(185,000)
Total				$ 1,519,030

	December 31, 2018			
	Currency	Rate	Maturity year	Amount
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	$ 498,988
Unsecured bank loans	NTD	1.33%~1.75%	2019.6~2021.8	1,225,000
Less: long-term borrowings, current portion				(185,000)
Total				$ 1,538,988

	March 31, 2018			
	Currency	Rate	Maturity year	Amount
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	$ 998,230
Unsecured bank loans	NTD	1.20%~1.79%	2019.6~2021.8	955,000
Less: long-term borrowings, current portion				(60,000)
Total				$ 1,893,230

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

Please refer note 6(u) for the interest expense. For the other related information, please refer to note 6(k) of the consolidated financial statements for the year ended December 31, 2018.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(m) Lease liabilities

	March 31, 2019		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Less than one year	$ 40,431	7,187	33,244
Between one and two years	55,073	7,632	47,441
Between two and five years	74,431	12,078	62,353
More than five years	242,510	56,993	185,517
	$ 412,445	83,890	328,555
Current	$ 40,431	7,187	33,244
Non-current	$ 372,014	76,703	295,311

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31, 2019
Interest on lease liabilities	$ 1,939
Expenses relating to short-term leases	$ 1,557

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

	For the three months ended March 31, 2019
Total cash outflow for leases	$ 11,430

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

As of March 31, 2019, 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.

(n) Operating lease

The were no significant in operating lease for the three months ended March 31, 2018. Please refer note 6(l) for the consolidated financial statements for the year ended December 31, 2018 for the related information.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(o) Employee benefits

(i) Defined benefit plans

At the end of the prior fiscal year, there was no material volatility of the market, as well as reimbursement and settlement, or other significant one-time events. As a result, the pension cost in the consolidated interim financial statements was measured and disclosed on a year-to-date basis by using the actuarially determined pension cost rate of December 31, 2018 and 2017.

	For the three month ended March 31	
	2019	**2018**
Operating costs	$ 2,255	1,604
Operating expenses	1,684	1,940
	$ 3,939	**3,544**

(ii) Defined contribution plans

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

	For the three month ended March 31	
	2019	**2018**
Operating costs	$ 7,873	10,150
Operating expenses	7,402	7,558
	$ 15,275	**17,708**

(p) Income taxes

(i) The components of income tax for the three months ended March 31, 2019 and 2018 were as follows:

	For the three months ended March 31	
	2019	**2018**
Current tax expense	**$ 34,059**	**25,622**

(ii) There were no income tax recognized in equity and other comprehensive income for the three months ended March 31, 2019 and 2018.

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

(q) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to March 31, 2019 and 2018. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2018.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(i) Retained earnings

In accordance to Company's article of incorporation, it stipulates that the Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance is to be appropriated as follows:

1) Legal reserve should be at 10%.

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

3) Remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy is as follows:

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

(ii) Distribution of earnings

On March 28, 2019, the Company's board of directors resolved to appropriate the 2018 earnings. On June 6, 2018, the shareholders' meeting resolved to distribute the 2017 earnings. These earnings were appropriated as follows:

	2018		2017	
	Amount per share	Amount	Amount per share	Amount
Dividends distributed to ordinary shareholders:				
Cash	$ 0.50	$ 273,876	0.50	273,876

(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, 2019	$ (68,420)	(81,347)	2,282	(147,485)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	81,626	3,368	84,994
Exchange differences on translation of foreign financial statements	22,340	-	565	22,905
Exchange differences on associates accounted for using equity method	(710)	-	-	(710)
Balance at March 31, 2019	$ (46,790)	279	6,215	(40,296)

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Non-Controlling interest	Total
Balance at January 1, 2019	$ (57,203)	-	156,257	2,643	101,697
Effects of retrospective application	-	166,684	(156,257)	-	10,427
Balance at January 1, 2019 after adjustments	(57,203)	166,684	-	2,643	112,124
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	69,049	-	-	69,049
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(367)	-	-	(367)
Exchange differences on translation of foreign financial statements	(1,729)	-	-	(1,900)	(3,629)
Exchange differences on associates accounted for using equity method	316	-	-	-	316
Balance at March 31, 2019	$ (58,616)	235,366	-	743	177,493

(r) Earning per share

For the three months ended March 31, 2019 and 2018, the Group's earnings per share were calculated as follows:

	For the three months ended March 31 2019	2018
Basic earning per share		
Profit attributable to common shareholders of the Company	$ 124,685	103,431
Weighted-average number of common shares outstanding	$ 547,752	547,752
Basic earnings per share (express in New Taiwan dollar)	$ 0.23	0.19

	For the three months ended March 31 2019	2018
Diluted earning per share		
Profit attributable to common shareholders of the Company	$ 124,685	103,431
Weighted-average number of common shares outstanding (basic)	547,752	547,752
Effect of employee compensation	1,946	1,634
Weighted-average number of common shares outstanding (diluted)	549,698	549,386
Diluted earnings per share (express in New Taiwan dollar)	$ 0.23	0.19

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(s) Employees compensation and directors' remuneration

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

For the three months ended March 31, 2019 and 2018, the Company estimated its employee compensation amounting to $7,681 thousand, and $6,080 thousand, and directors' remuneration amounting to $3,072 thousand, and $2,432 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' 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 December 31, 2018 and 2017, the employee compensation amounted to $26,554 thousand and $23,357 thousand, and directors' remuneration amounting to $10,622 thousand and $9,343 thousand, respectively. There were no any difference between the actual disturbed amount and those recognized in the financial statements. The related information would be available at the Market Observation Post System Website.

(t) Revenue from contract with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2019						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Others	Total
Primary geographical markets:							
Taiwan	$ 117,248	62,789	157,844	9,511	2,801	977	351,170
America	88,657	111,721	-	49,465	3,267	-	253,110
Asia	731,516	226,155	61,140	202,032	16,425	-	1,237,268
Europe	171,692	107,132	-	88,386	30,641	-	397,851
Other	20,152	14,295	-	14,421	15,097	-	63,965
	$ 1,129,265	522,092	218,984	363,815	68,231	977	2,303,364
Major products:							
Chemicals	$ 1,129,265	522,092	218,984	-	-	-	1,870,341
Toners	-	-	-	363,815	-	-	363,815
Other	-	-	-	-	68,231	977	69,208
	$ 1,129,265	522,092	218,984	363,815	68,231	977	2,303,364

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

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	For the three months ended March 31, 2018						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Other	Total
Primary geographical markets:							
Taiwan	$ 133,488	65,975	201,781	11,445	706	899	414,294
America	70,144	116,484	-	87,496	6,028	-	280,152
Asia	655,897	226,315	66,520	254,914	22,624	-	1,226,270
Europe	171,422	114,524	236	46,069	16,527	-	348,778
Other	24,089	16,381	-	3,543	4,585	-	48,598
	$ 1,055,040	539,679	268,537	403,467	50,470	899	2,318,092
Major products:							
Chemicals	$ 1,055,040	539,679	268,537	-	-	-	1,863,256
Toners	-	-	-	403,467	-	-	403,467
Other	-	-	-	-	50,470	899	51,369
	$ 1,055,040	539,679	268,537	403,467	50,470	899	2,318,092

(ii) Contract balance

	March 31, 2019	December 31, 2018	March 31, 2018
Receivables	$ 1,899,127	1,900,512	1,880,360
Less: loss allowance	(92,082)	(96,594)	(117,672)
Total	$ 1,807,045	1,803,918	1,762,688

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

(u) Non-operating income and expenses

(i) Other income

	For the three month ended March 31, 2019	For the three month ended March 31, 2018
Interest income	$ 836	1,014

(ii) Other gains and losses

	For the three month ended March 31, 2019	For the three month ended March 31, 2018
Foreign exchange gains (losses), net	$ 11,420	12,629
Net gains (losses) on financial assets at fair value through profit or loss	537	(2,276)
Gains (losses) on disposal of property, plant and equipment	731	160
Others	36,245	15,797
	$ 48,933	26,310

(Continued)

(iii) Finance costs

	For the three month ended March 31, 2019	For the three month ended March 31, 2018
Interest expense	$ 26,396	19,882

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(v) of the consolidated financial statements for the year ended year end December 31, 2018.

(i) Credit risk

1) Concentration of credit risk

The was no 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 were no loss allowance provision for the three month ended March 31, 2019 and 2018. All of these financial assets are condidered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. There were no impairment allowance at March 31, 2019, December 31 and March 31, 2018.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
March 31, 2019						
Non-derivative financial liabilities						
Short-term borrowings	$ 2,619,075	2,624,261	2,624,261	-	-	-
Notes payable	148,848	148,848	148,848	-	-	-
Accounts payable	397,495	397,495	397,495	-	-	-
Lease liabilities	328,555	412,445	40,431	55,073	74,431	242,510
Other payable	254,146	254,146	254,146	-	-	-
Payables on equipment	11,367	11,367	11,367	-	-	-
Long-term borrowings (including current portion)	1,704,030	1,739,988	188,160	1,229,727	322,101	-
	$ 5,463,516	5,588,550	3,664,708	1,284,800	396,532	242,510

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	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						
Short-term borrowings	$ 2,589,403	2,593,766	2,593,766	-	-	-
Notes payable	190,752	190,752	190,752	-	-	-
Accounts payable	438,743	438,743	438,743	-	-	-
Other payable	335,864	335,864	335,864	-	-	-
Payables on equipment	38,697	38,697	38,697	-	-	-
Long-term borrowings (including current portion)	1,723,988	1,771,864	194,194	1,274,694	302,976	-
	$ 5,317,447	5,369,686	3,792,016	1,274,694	302,976	-
March 31, 2018						
Non-derivative financial liabilities						
Short-term borrowings	$ 2,081,983	2,085,367	2,085,367	-	-	-
Financial liabilities at fair value through profit and loss-current	2,278	2,278	2,278	-	-	-
Notes payable	181,410	181,410	181,410	-	-	-
Accounts payable	463,722	463,722	463,722	-	-	-
Other payable	228,974	228,974	228,974	-	-	-
Payables on equipment	56,326	56,326	56,326	-	-	-
Long-term borrowings (including current portion)	1,953,230	2,013,812	62,788	768,416	1,182,608	-
	$ 4,967,923	5,031,889	3,080,865	768,416	1,182,608	-

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:

	March 31, 2019			December 31, 2018			March 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	$ 35,888	30.82	1,106,080	31,748	30.72	975,285	38,306	29.11	1,115,087
JPY	249,927	0.28	69,979	319,386	0.28	89,562	310,874	0.27	83,936
RMB	68,010	4.58	311,488	62,722	4.47	380,367	75,481	4.65	350,986
Non-monetary items									
JPY	322,500	0.28	89,752	200,900	0.28	55,890	482,000	0.27	132,020
Financial liabilities									
Monetary items									
USD	48,097	30.82	1,482,343	52,880	30.74	1,575,637	53,596	29.11	1,560,184
JPY	195,400	0.28	54,712	122,129	0.28	34,196	180,303	0.27	48,682
RMB	4,957	4.58	22,704	6,312	4.50	28,130	5,258	4.65	24,450

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, and accounts payable that are denominated in foreign currency. A strengthening (weakening) 1% of appreciation (depreciation) of the NTD against the USD, JPY and RMB for the three months ended March 31, 2019 and 2018, would have changed the profit by $578 thousand and $666 thousand, respectively, and equity by $898 thousand and $1,320 thousand, respectively. The analysis is performed on the same basis for 2019 and 2018.

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 years ended March 31, 2019 and 2018, foreign exchange gains (losses) (including realized and unrealized portions) are exchange gains amounted to $11,420 thousand and $12,629 thousand, respectively.

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expresses 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 decreased/increased by $34,585 thousand and $32,282 thousand, respectively, for the three months ended March 31, 2019 and 2018, with all other variable factors that remain constant. This is mainly due to the Group's borrowing at floating rates.

(v) 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:

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	March 31, 2019				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	$ 13,556	13,556	-	-	13,556
Derivative financial assets	537	-	537	-	537
Subtotal	14,093	13,556	537	-	14,093
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foregn markets	1,029,099	1,029,099	-	-	1,029,099
Domestic unlisted common shares	91,603	-	-	91,603	91,603
Subtotal	1,120,702	1,029,099	-	91,603	1,120,702
Financial assets measured at amortized cost					
Cash and cash equivalents	915,770	-	-	-	-
Notes and accounts receivable	1,807,045	-	-	-	-
Other financial assets	25,869	-	-	-	-
Subtotal	2,748,684	-	-	-	-
Total	$ 3,883,479	1,042,655	537	91,603	1,134,795
Financial liabilities measured at amortized cost					
Bank loans	$ 4,323,105	-	-	-	-
Notes and accounts payable	546,343	-	-	-	-
Lease liabilities	328,555	-	-	-	-
Other payable	254,146	-	-	-	-
Payables on equipment	11,367	-	-	-	-
Total	$ 5,463,516	-	-	-	-

	December 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	$ 13,556	13,556	-	-	13,556
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foregn markets	942,940	942,940	-	-	942,940
Domestic unlisted common shares	92,769	-	-	92,769	92,769
Subtotal	1,035,709	942,940	-	92,769	1,035,709

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	December 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 838,593	-	-	-	-
Notes and accounts receivable	1,803,918	-	-	-	-
Other financial assets	33,793	-	-	-	-
Subtotal	2,676,304	-	-	-	-
Total	$ 3,725,569	956,496	-	92,769	1,049,265
Financial liabilities measured at amortized cost					
Bank loans	$ 4,313,391	-	-	-	-
Notes and accounts payable	629,495	-	-	-	-
Other payable	335,864	-	-	-	-
Payables on equipment	38,697	-	-	-	-
Total	$ 5,317,447	-	-	-	-

	March 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	$ 13,500	13,500	-	-	13,500
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and forergn markets	1,085,992	1,085,992	-	-	1,085,992
Domestic unlisted common shares	119,896	-	-	119,896	119,896
Subtotal	1,205,888	1,085,992	-	119,896	1,205,888
Financial assets measured at amortized cost					
Cash and cash equivalents	972,358	-	-	-	-
Notes and accounts receivable	1,762,688	-	-	-	-
Other financial assets	22,995	-	-	-	-
Subtotal	2,758,041	-	-	-	-
Total	$ 3,977,429	1,099,492	-	119,896	1,219,388
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 2,278	-	2,278	-	2,278
Subtotal	2,278	-	2,278	-	2,278

(Continued)

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	March 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Bank loans	$ 4,035,213	-	-	-	-
Notes and accounts payable	645,132	-	-	-	-
Other payable	228,974	-	-	-	-
Payables on equipment	56,326	-	-	-	-
Subtotal	4,965,645	-	-	-	-
Total	$ 4,967,923	-	2,278	-	2,278

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative instruments

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

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

i) the bid-ask spread is increasing; or

ii) the bid-ask spread varies significantly; or

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

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

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

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

(Continued)

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

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

b) Derivative financial instruments

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

3) Transfers between Level 1 and Level 2

The Group didn't have any fair value transfer between levels for the three months ended March 31, 2019 and 2018.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income Unquoted equity instruments
Balance on January 1, 2019	$ 92,769
Total gains or losses:	
Recognized in other comprehensive income	(1,166)
Balance on March 31, 2019	$ **91,603**

	Fair value through other comprehensive income Unquoted equity instruments
Balance on January 1, 2018	$ -
Reclassified	89,200
Total gains or losses:	
Recognized in profit or loss	-
Recognized in other comprehensive income	30,696
Balance on March 31, 2018	$ **119,896**

The aforementioned total gains or losses were included "unrealized gains (losses) on equity investment measured at fair value through other comprehensive income", which related to holding assets on March 31, 2019 were as follows:

	For the three month ended March 31, 2019	For the three month ended March 31, 2018
Recognized in other comprehensive income	$ (1,166)	30,696

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

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobse rvable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income- equity investments without an active market	Comparable Listed companies approach	• Price-Book Ratio (as of March 31, 2019, December 31 and March 31, 2018 were s 2.96~3.30, 3.77, and 2.93~2.98, respectively) • Market liquidity discount rate (as of March 31, 2019, December 31 and March 31, 2018 were all 20%)	• The estimated fair value would increse if the multiplier was higher. • The estimated fair value would decrease if market liquidity discount rate was higher.

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

The Group's measurements of financial instruments' fair value were reasonable, only if using different variables leading different results. For the fair value measurements in level 3, if changing valuation variables, would have the following effects on other comprehensive income on March 31, 2019, December 31 and March 31, 2018:

		Fair value variation on other comprehensive income					
		Favorable			Unfavorable		
Inputs	Upwards or Downwards	March 31, 2019	December 31, 2018	March 31, 2018	March 31, 2019	December 31, 2018	March 31, 2018
Price-book ratio	5%	4,697	4,505	5,858	(4,697)	(4,505)	(5,858)
Market liquidity discount rate	5%	4,453	4,739	6,118	(4,453)	(4,739)	(6,118)

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

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(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(w) of the consolidated financial statements for the year ended December 31, 2018.

(x) Capital management

The Group's objectives, policies and processes of capital management were the same as those described in the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2018.

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Effects of retrospective application	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	March 31, 2019
Short-term borrowings	$ 2,589,403	19,931	-	9,741	-	2,619,075
Long-term borrowings	1,723,988	(20,000)	-	-	42	1,704,030
Lease liabilities	-	(7,934)	333,450	1,100	1,939	328,555
Total liabilities from financing activities	$ 4,313,391	(8,003)	333,450	10,841	1,981	4,651,660

	January 1, 2018	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	March 31, 2018
Short-term borrowings	$ 2,063,876	12,099	6,008	-	2,081,983
Long-term borrowings	1,973,228	(20,000)	-	2	1,953,230
Total liabilities from financing activities	$ 4,037,104	(7,901)	6,008	2	4,035,213

(7) Related-party transactions:

(a) Names and relationship with related parites

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

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

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(b) Significant transactions with related parties

(i) Purchase

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

	For the three month ended March 31, 2019	For the three month ended March 31, 2018
CHCIW	$ 7,026	8,588

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

Account	Name of related party	March 31, 2019	December 31, 2018	March 31, 2018
Accounts payable	CHCIW	$ 9,351	11,270	12,542

(c) Key management personnel compensation

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Short-term employee benefits	$ 8,809	8,660
Post-employment benefits	210	205
	$ 9,019	8,865

(8) Pledged assets: None.

(9) Commitments and contingencies:

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

	March 31, 2019	December 31, 2018	March 31, 2018
Acquisition of property, plant and equipment	$ 189,913	344,814	220,340

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

	March 31, 2019	December 31, 2018	March 31, 2018
Outstanding standby letter of credit	$ 794	306	1,972

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(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 function / By item	For the threemonths ended March 31, 2019			For the threemonths ended March 31, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	190,401	152,741	343,142	193,647	141,315	334,962
Labor and health insurance	18,430	16,211	34,641	18,092	13,212	31,304
Pension	10,128	9,086	19,214	11,754	9,498	21,252
Remuneration of directors	-	3,142	3,142	-	2,522	2,522
Others	7,554	6,616	14,170	6,904	6,487	13,391
Depreciation	125,540	39,391	164,931	121,456	32,925	154,381
Depletion	-	-	-	-	-	-
Amortization(note)	302	4,415	4,717	188	2,967	3,155

(Note) The amortization expenses included long-term prepaid rent, amountd to $155 thousand for the three month ended March 31, 2018.

(b) Seasonality of operations:

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

(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 three months ended March 31, 2019:

1. Loans to other parties: None.

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	782,708	61,640	61,640	30,820	-	0.79	1,956,770	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.

(Continued)

3. Securities held as of March 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of Shares/Units)

				Ending balance				
Name of holder	Category and name of security	Relationship with company	Account	Shares/Units	Carrying value	Percentage of Ownership	Fair value	Note
GLTP	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss-current	812	13,556	-	13,556	
ECIC	Polytronics Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	10,000	550,758	12%	557,000	
〃	Formosa Labortories, Inc.	-	〃	1,975	97,565	2%	83,641	
〃	Chung Hwa Chemical Industrial Works, LTD	-	〃	10,500	176,050	10%	148,050	
〃	Hodogaya Chemical Co.,Ltd	-	〃	100	56,948	1%	89,752	
〃	General Plastic Industrial Co., Ltd.	-	〃	2,140	74,900	2%	75,328	
〃	Andros Pharmaceuticals Co., Ltd.	-	〃	3,880	77,800	16%	86,291	
GLTP	Taiwan Bio Therapentics Co., Ltd.	-	〃	1,140	11,400	9%	5,312	
TTI	General Plastic Industrial Co., Ltd.	-	〃	2,140	74,900	2%	75,328	
			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	381	-		
	Total				1,120,702		1,120,702	

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.
5. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

				Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Counter-party	Nature of relationship	Purchase/Sale	Amount	total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	notes/accounts receivable (payable)	Note
ECIC	ELITE	Subsidiary	Sale	167,599	7.28%	OA 100	Non material differences from those of third-parties	Non material differences from those of third-parties	142,005	7.48%	Note
〃	EVEU	〃	〃	147,891	6.42%	OA 90	〃	〃	119,101	6.27%	Note
〃	EVUS	〃	〃	108,724	4.72%	OA 100	〃	〃	163,459	8.61%	Note

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

(Continued)

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

Name of company	Counter-party	Nature of relationship	Ending balance (note)	Turnover rate	Overdue		Amounts received in subsequent period (As of April 26, 2019)	Loss allowance
					Amount	Action taken		
ECIC	EVUS	Subsidiary	163,459	3.21	-	-	42,150	-
〃	ELITE	〃	142,005	4.29	-	-	46,338	-
〃	EVEU	〃	119,101	5.49	-	-	19,927	-

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

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

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

Number (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentages of the consolidated net revenue or total assets
0	ECIC	ELITE	1	Operating revenue	167,599	No material differences from those of third parties	7.28%
0	〃	EVEU	1	〃	147,891	〃	6.42%
0	〃	EVUS	1	〃	108,724	〃	4.72%
0	〃	EVSH	1	〃	63,478	〃	2.76%
0	〃	EVSZ	1	〃	58,643	〃	2.55%
0	〃	EVHK	1	〃	36,519	〃	1.59%
0	〃	EVGZ	1	〃	28,548	〃	1.24%
0	〃	ETSH	1	〃	25,048	〃	1.09%
1	TTI	EVSZ	2	〃	29,864	〃	1.30%
0	ECIC	ELITE	1	Accounts receivable from related parties	163,459	OA 100	1.15%

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 parent company - 2

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

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

The following are the information on investees for the three months ended March 31, 2019 (excluding investment in mainland China):

Units in Thousands

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance of March 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
ECIC	EVUS	America	Selling chemical product and related raw materials	88,868	88,868	300	100.00%	118,463	1,363	1,363	(Note 2)
〃	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	40,614	1,077	1,077	(Note 2)
〃	EVSG	Singapore	Investing business	779,115	779,115	24,300	100.00%	959,529	8,955	8,955	(Note 2)
〃	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	50,032	14,327	14,327	(Note 2)
〃	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	655,841	3,824	3,162	(Note 2)
〃	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	111,629	2,903	1,452	(Note 2)
〃	GOODTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,865	1,679	376	(Note 1)
〃	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithium ion battery	58,600	58,600	10,000	16.78%	32,397	(3,635)	(399)	(Note 1)
〃	DCBM	Taoyuan City	Manufacturing of medical supplies and providing service of biological technology	62,555	62,555	6,325	91.26%	14,934	(5,799)	(5,293)	(Note 2)
〃	GLTP	Taipei City	Investing business	100,000	100,000	10,000	100.00%	50,881	(3,484)	(3,484)	(Note 2)
	Unrealized gross profit on sales			-	-			(74,411)		-	
				1,437,815	1,437,815			1,980,774		21,536	
GLTP	KEYSTONE	Taipei City	Selling pharmaceuticals	75,000	75,000	7,500	34.09%	31,908	(10,185)	(3,472)	(Note 1)
EVUS	EVHOSA	Honduras	Selling chemical product and related raw materials	3,089 (USD 102)	3,089 (USD 102)	-	51.00%	(7,743)	-	-	(Note 2)

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.

(Continued)

(c) Information on investment in mainland China:

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

Units in Thousands

Name of investee	Main businesses and products	Total amount of paid-in capital		Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019		Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2019		Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current eriod	
		USD	NTD		USD	NTD	Outflow	Inflow	USD	TWD					USD	TWD
ETSH (Note 8)	Selling chemical product and related raw materials	1,700 (Note 7)	52,394	(Note 1)	700	21,574			700	21,574	998	100.00%	998 (Note 2)	134,631	-	-
ETGZ (Note 8)	Selling chemical product and related raw materials	700 (Note 5)	21,574	(Note 1)	200	6,164			200	6,164	(1,050)	100.00%	(1,050) (Note 3)	67,404	-	-
EVSH (Note 8)	Selling chemical product and related raw materials	1,250 (Note 5)	38,525	(Note 1)	1,100	33,902			1,100	33,902	5,532	100.00%	5,532 (Note 2)	142,220	-	-
EVSZ (Note 8)	Manufacturing and selling color chemical, toners and electronic high tech chemical product	20,000 (Note 5)	616,400	(Note 1)	18,600	573,252			18,600	573,252	2,528	100.00%	2,528 (Note 2)	523,864	-	-
ANDA (Note 8)	Selling electronic high tech chemical product	1,200 (Note 5)	36,984	(Note 1)	650	20,033			650	20,033	(22)	56.25%	(12) (Note 3)	11,624	-	-
ADSH (Note 8)	Selling electronic high tech chemical product	157 (Note 6)	4,839	(Note 6)	-	-			-	-	(240)	56.25%	(135) (Note 3)	3,289	-	-
3ESZ (Note 8)	Manufacturing and selling chemical product and related raw materials	6,600 (Note 5)	203,412	(Note 1)	2,490	76,742			2,490	76,742	2,571	40.00%	1,028 (Note 3)	48,582	-	-

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 (1:30.82). 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 March 31, 2019	Investment Amounts Authorized by Investment Commision, MOEA	Upper Limit on Investment
783,968 (USD 25,437)	723,130 (USD 23,463)	4,696,248

As of March 31, 2019, the difference between accumulated investment in mainland China and investment amounts authorized by Investment Commission, MOEA was amounted to USD (1,974) 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 (5,399) thousand.

(iii) Siginificant transactions:
For the three months ended March 31, 2019, 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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(14) Segment information:

(a) General information

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

	For the six months ended March 31, 2019							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals (Note)	Others	Reconciliation and elimination	Total
Revenue from external customers	$ 1,129,265	522,092	218,984	363,815	68,231	977	-	2,303,364
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	$ 1,129,265	522,092	218,984	363,815	68,231	977	-	2,303,364
Reportable segment profit or loss	$ 139,412	60,658	(422)	(1,431)	(30,787)	(6,840)	-	160,590

	For the three months ended March 31, 2018							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals (Note)	Others	Reconciliation and elimination	Total
Revenue from external customers	$ 1,055,040	539,679	268,537	403,467	50,470	899	-	2,318,092
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	$ 1,055,040	539,679	268,537	403,467	50,470	899	-	2,318,092
Reportable segment profit or loss	$ 169,261	37,213	(13,471)	(3,463)	(46,793)	(12,844)	-	129,903

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