

EDISON OPTO CORPORATION**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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The independent auditors' report and the accompanying parent company only 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' report and parent company only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of material accounting policies	9~23
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	23
(6) Explanation of significant accounts	23~52
(7) Related-party transactions	52~56
(8) Pledged assets	56
(9) Commitments and contingencies	56
(10) Losses Due to Major Disasters	56
(11) Subsequent Events	56
(12) Other	57~58
(13) Other disclosures	
(a) Information on significant transactions	58~59
(b) Information on investees	60
(c) Information on investment in mainland China	60~62
(d) Major shareholders	62
(14) Segment information	62
9. List of major account titles	63~74



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Independent Auditors' Report

To the Board of Directors of Edison Opto Corporation:

Opinion

We have audited the financial statements of Edison Opto Corporation (“the Company”), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Edison Opto Corporation as of December 31, 2023 and 2022, and its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Description of key audit matter:

1. Impairment evaluation of accounts receivable

Please refer to Note 4(f) “Financial instruments”, Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(c) “Notes and accounts receivable”.

For the year ended December 31, 2023, the accounts receivable accounted for 6% of the total assets are material to the financial statements. In addition, the provision of bad debt allowance is a subject to the management's judgment. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- Assess the impairment of accounts receivable and whether the impairment has been modified by policy.
- Examine the aging analysis table, analyze the reason of overdue collection and the situation of subsequent collection.
- Evaluate the adequacy of impairment on the financial report date.

2. Revenue recognition

Please refer to Note 4(m) Revenue from contracts with customers, and Note 6(s) “Revenue”.

Description of key audit matter:

The major business activities of Edison Opto Corporation are manufacturing, selling, research and development of LED components, modules and products. Operating Revenue is the main indicator for the management of Edison Opto Corporation and investor to evaluate the financial and business performance of Edison Opto Company. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- Evaluate the Company’s accounting policy of revenue recognition.
- Test the design and implementation of internal controls related with revenue recognition.
- A sample of whole year is selected, and the income transaction records and various vouchers are checked to confirm that the operating income is recognized.
- Analyzing the change in sales revenue from top ten clients and examining significant contracts to assess whether there are significant exceptions.
- Choose the period between the financial reporting, then examine the recognition of income transactions and vouchers cover for the appropriate period.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Edison Opto Corporation’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are HENG-SHEN LIN and PEI-CHI CHEN.

KPMG

Taipei, Taiwan (Republic of China)
February 29, 2024

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only 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' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
EDISON OPTO CORPORATION

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

		<u>December 31, 2023</u>		<u>December 31, 2022</u>				<u>December 31, 2023</u>		<u>December 31, 2022</u>	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
11xx	Current assets:					21xx	Current liabilities:				
1100	Cash and cash equivalents (note 6(a))	\$ 383,870	11	458,222	14	2100	Short-term borrowings (note 6(j))	\$ 180,705	5	61,420	2
1110	Current financial assets at fair value through profit or loss (note 6(b))	6,468	-	-	-	2150	Notes payable	250	-	-	-
1150	Notes receivable, net (note 6(c))	6,036	-	6,707	-	2170	Accounts payable	33,388	1	33,929	1
1170	Accounts receivable, net (note 6(c))	194,145	6	152,485	5	2180	Accounts payable to related parties (note 7)	95,388	3	88,153	3
1180	Accounts receivable due from related parties, net (note 6(c) and 7)	7,466	-	13,871	-	2200	Other payables (note 6(t))	49,760	1	45,647	1
1200	Other receivables, net (note 6(d) and 7)	7,411	-	2,917	-	2280	Current lease liabilities (note 6(m))	3,547	-	1,860	-
1310	Inventories (note 6(e))	57,746	2	72,299	2	2322	Long-term borrowing due within one year (note 6(k) and 8)	16,080	-	16,080	1
1410	Prepayments	9,447	1	12,465	-	2399	Other current liabilities, others	25,548	1	23,105	1
1220	Current tax asset	1,006	-	3,188	-		Total current liabilities	<u>404,666</u>	<u>11</u>	<u>270,194</u>	<u>9</u>
1470	Other current assets (note 8 and 11)	23	-	42	-	25xx	Non-Current liabilities:				
	Total current assets	<u>673,618</u>	<u>20</u>	<u>722,196</u>	<u>21</u>	2530	Bonds payable (note 6(l) and 8)	-	-	170,262	5
15xx	Non-current assets:					2540	Long-term borrowing (note 6(k) and 8)	118,220	5	274,700	8
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	-	-	16	-	2570	Deferred tax liabilities (note 6(o))	1,805	-	3,008	-
1550	Investments accounted for using equity method, net (note 6(f))	1,685,808	50	1,612,407	48	2580	Non-current lease liabilities (note 6(m))	2,745	-	435	-
1600	Property, plant and equipment (note 6(h), 7, 8 and 9)	946,437	28	964,974	29	2600	Other non-current liabilities (note 6(n))	12,065	-	11,426	-
1755	Right-of-use asset (notes 6(i))	6,033	-	2,128	-		Total non-current liabilities	<u>134,835</u>	<u>5</u>	<u>459,831</u>	<u>13</u>
1780	Intangible assets	71	-	40	-		Total liabilities	<u>539,501</u>	<u>16</u>	<u>730,025</u>	<u>22</u>
1840	Deferred tax assets (note 6(o))	56,054	2	59,430	2	31xx	Equity (notes 6(g)(l)(p)(q)):				
1915	Prepayments for business facilities	3,819	-	-	-	3100	Capital stock	1,436,094	43	1,353,353	40
1990	Other non-current assets, others (notes 8 and 9)	4,347	-	5,919	-	3200	Capital surplus	1,562,759	46	1,519,350	45
	Total non-current assets	<u>2,702,569</u>	<u>80</u>	<u>2,644,914</u>	<u>79</u>	3310	Legal reserve	5,835	-	16,903	2
						3320	Special reserve	-	-	112,126	3
						3350	Unappropriated retained earnings	47,591	1	(123,194)	(4)
						3410	Exchange differences on translation of foreign financial statements	(180,453)	(5)	(155,037)	(5)
						3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(976)	-	-	-
						3500	Treasury shares	(34,164)	(1)	(86,416)	(3)
							Total equity	<u>2,836,686</u>	<u>84</u>	<u>2,637,085</u>	<u>78</u>
	Total assets	<u>\$ 3,376,187</u>	<u>100</u>	<u>3,367,110</u>	<u>100</u>		Total liabilities and equity	<u>\$ 3,376,187</u>	<u>100</u>	<u>3,367,110</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

EDISON OPTO CORPORATION**Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar , Except Earnings Per Share)**

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (note 6(s) and 7)	\$ 1,043,571	100	908,361	100
5000	Operating costs (note 6(e)(h)(i)(m)(n) and 7)	<u>847,890</u>	<u>81</u>	<u>764,327</u>	<u>84</u>
5900	Gross profit from operations	195,681	19	144,034	16
5910	Unrealized profit (loss) from sales (note 7)	<u>1,390</u>	<u>-</u>	<u>1,863</u>	<u>-</u>
5950	Gross profit from operations, net	<u>197,071</u>	<u>19</u>	<u>145,897</u>	<u>16</u>
Operating expenses (note 6(h)(i)(m)(n)(q)):					
6100	Selling expenses	79,330	8	66,772	7
6200	Administrative expenses	105,702	10	82,420	9
6300	Research and development expenses	29,225	3	28,100	3
6450	Expected credit loss(reversed) (note 6(c))	<u>(700)</u>	<u>-</u>	<u>907</u>	<u>-</u>
	Total operating expenses	<u>213,557</u>	<u>21</u>	<u>178,199</u>	<u>19</u>
6900	Net operating income (loss)	<u>(16,486)</u>	<u>(2)</u>	<u>(32,302)</u>	<u>(3)</u>
Non-operating income and expenses (note 6(g)(l)(u) and 7):					
7100	Total interest income	3,799	-	748	-
7010	Other income	16,767	2	14,548	2
7020	Other gains and losses, net	4,751	-	(6,338)	(1)
7050	Finance costs, net	(9,081)	(1)	(12,135)	(1)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(f))	<u>50,011</u>	<u>5</u>	<u>62,733</u>	<u>7</u>
	Total non-operating income and expenses	<u>66,247</u>	<u>6</u>	<u>59,556</u>	<u>7</u>
7900	Profit from continuing operations before tax	49,761	4	27,254	4
7950	Less: Income tax expenses (note 6(o))	<u>2,233</u>	<u>-</u>	<u>1,606</u>	<u>-</u>
	Profit	<u>47,528</u>	<u>4</u>	<u>25,648</u>	<u>4</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(n))	63	-	877	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(p))	(976)	-	2,521	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(913)</u>	<u>-</u>	<u>3,398</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(25,416)	(2)	28,571	3
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(25,416)</u>	<u>(2)</u>	<u>28,571</u>	<u>3</u>
8300	Other comprehensive income (loss)	<u>(26,329)</u>	<u>(2)</u>	<u>31,969</u>	<u>3</u>
8500	Total comprehensive income	<u>\$ 21,199</u>	<u>2</u>	<u>57,617</u>	<u>7</u>
Earnings per share (note 6(r))					
9750	Basic earnings per share	<u>\$ 0.35</u>		<u>0.20</u>	
9850	Diluted earnings per share	<u>\$ 0.35</u>		<u>0.19</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

EDISON OPTO CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	Retained earnings				Total other equity interest					Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings (Unappropriated retained earnings)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Employees unrealized reward	Treasury shares	
Balance at January 1, 2022	\$ 1,288,617	1,619,038	4,841	-	124,188	(183,608)	(152,240)	(1,377)	(59,048)	2,640,411
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	12,062	-	(12,062)	-	-	-	-	-
Special reserve appropriated	-	-	-	112,126	(112,126)	-	-	-	-	-
			12,062	112,126	(124,188)					
Net income	-	-	-	-	25,648	-	-	-	-	25,648
Other comprehensive income	-	-	-	-	877	28,571	2,521	-	-	31,969
Total comprehensive income	-	-	-	-	26,525	28,571	2,521	-	-	57,617
Other changes in capital surplus:										
Changes in equity of associates and joint ventures accounted for using equity method	-	292	-	-	-	-	-	-	-	292
Stock dividends from capital surplus	65,000	(65,000)	-	-	-	-	-	-	-	-
Cash dividends from capital surplus	-	(35,000)	-	-	-	-	-	-	-	(35,000)
Purchase of treasury share	-	-	-	-	-	-	-	-	(24,847)	(24,847)
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	(2,521)	(2,521)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	139	-	-	-	-	-	-	-	139
Share-based payments	-	-	-	-	-	-	-	994	-	994
Expiration of restricted employee stock	(264)	(119)	-	-	-	-	-	383	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(149,719)	-	149,719	-	-	-
Balance at December 31, 2022	1,353,353	1,519,350	16,903	112,126	(123,194)	(155,037)	-	-	(86,416)	2,637,085
Appropriation and distribution of retained earnings:										
Legal reserve used to offset accumulated deficits	-	-	(11,068)	-	11,068	-	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	(112,126)	112,126	-	-	-	-	-
			(11,068)	(112,126)	123,194					
Net income	-	-	-	-	47,528	-	-	-	-	47,528
Other comprehensive income	-	-	-	-	63	(25,416)	(976)	-	-	(26,329)
Total comprehensive income	-	-	-	-	47,591	(25,416)	(976)	-	-	21,199
Other changes in capital surplus:										
Stocks dividends from surplus	-	(40,000)	-	-	-	-	-	-	-	(40,000)
Other changes in capital surplus	-	(9,915)	-	-	-	-	-	-	9,915	-
Conversion of convertible bonds	99,541	73,914	-	-	-	-	-	-	-	173,455
Retirement of treasury share	(16,800)	(6,912)	-	-	-	-	-	-	23,712	-
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	153	-	-	-	-	-	-	-	153
Changes in ownership interests in subsidiaries	-	10,329	-	-	-	-	-	-	-	10,329
Share-based payments	-	15,840	-	-	-	-	-	-	18,625	34,465
Balance at December 31, 2023	\$ 1,436,094	1,562,759	5,835	-	47,591	(180,453)	(976)	-	(34,164)	2,836,686

See accompanying notes to consolidated financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

EDISON OPTO CORPORATION

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 49,761	27,254
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	28,653	32,032
Amortization expense	52	48
Expected credit loss (reversal)	(700)	907
Net loss (gain) on financial assets at fair value through profit or loss	(362)	558
Interest expense	9,081	12,135
Interest income	(3,799)	(748)
Share-based payments	15,840	994
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(50,011)	(62,733)
Gain on disposal of property, plant and equipment	(2,971)	(3,553)
Unrealized profit from sales	2,959	4,350
Realized profit on from sales	(4,349)	(6,213)
Loss (gain) on bond redemption	3	-
Total adjustments to reconcile loss	(5,604)	(22,223)
Changes in operating assets and liabilities:		
Notes receivable	671	(1,910)
Accounts receivable	(40,960)	(8,044)
Accounts receivable due from related parties	6,405	(4,020)
Other receivable	(4,494)	382
Inventories	14,553	(24,136)
Prepayments	3,018	8,485
Other current assets	19	10
Notes payable	250	(17)
Accounts payable	(541)	(10,009)
Accounts payable to related parties	7,235	(42,255)
Other payable	4,292	950
Other current liabilities	2,443	(10,850)
Net defined benefit liability	708	566
Total changes in operating assets and liabilities	(6,401)	(90,848)
Cash flows from (used in) operations	37,756	(85,817)
Interest received	3,799	784
Interest paid	(5,770)	(5,272)
Income taxes refund (paid)	2,122	(39)
Net cash flows from (used in) operating activities	37,907	(90,344)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(6,090)	-
Acquisition of investments accounted for using equity method	(52,000)	-
Proceeds from capital reduction of investments accounted for using equity method	-	273,600
Acquisition of property, plant and equipment	(6,460)	(29,316)
Proceeds from disposal of property, plant and equipment	-	10
Increase in refundable deposits	1,607	(122)
Acquisition of intangible assets	(83)	-
Increase in restricted deposits	(35)	32,234
Increase in prepayments for business facilities	(3,819)	-
Dividends received	17,060	22,000
Net cash flows from (used in) investing activities	(49,820)	298,406
Cash flows from (used in) financing activities:		
Increase in short-term loans	621,815	154,280
Decrease in short-term loans	(504,910)	(159,355)
Repayments of bonds	(300)	-
Repayments of long-term debt	(156,480)	(16,080)
Increase (decrease) in guarantee deposits received	(6)	2
Payment of lease liabilities	(3,564)	(4,301)
Cash dividends paid	(40,000)	(35,000)
Payments to acquire treasury shares	-	(24,847)
Treasury shares sold to employees	18,625	-
Net cash flows used in financing activities	(64,820)	(85,301)
Effect of exchange rate changes on cash and cash equivalents	2,381	(2,704)
Net increase (decrease) in cash and cash equivalents	(74,352)	120,057
Cash and cash equivalents at beginning of period	458,222	338,165
Cash and cash equivalents at end of period	\$ 383,870	458,222

See accompanying notes to consolidated financial statements

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

EDISON OPTO CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

Edison Opto Corporation (the “Company”) was approved by the Ministry of Economic Affairs on October 4, 2001 and incorporated in 17F, No.17, Qiao he Rd., Zhong He Dist., New Taipei City, Taiwan. The Company’s shares were listed on the Taiwan Stock Exchange in November 2010. The company are mainly engaged in manufacturing, selling, research and development of LED components and modules in general lighting and automotive lighting area.

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

These financial statements were authorized for issuance by the Board of Directors on February 29, 2024.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

- (ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan dollar, which is the Company’s functional currency. All financial information presented in New Taiwan dollar has been rounded to the nearest thousand.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for investments in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It expects to settle the liability in its normal operating cycle;
 - (ii) It holds the liability primarily for the purpose of trading;
 - (iii) The liability is due to be settled within twelve months after the reporting period.
 - (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
- (e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Time deposits with an original maturities of three months to less than one year which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

- (f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

- (i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses are recognized in profit or loss.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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EDISON OPTO CORPORATION
Notes to the Financial Statements

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

6) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(h) Investment in subsidiary

When making the Parent-only Financial Report, the Company evaluates its investees who have controlling power by using equity method. According to equity method, the amount of amortization in current profit or loss and other profit or loss in Parent-only Financial Report is the same with Parent Company in the Financial Report, and the equity on Parent-only Financial Report is the same with Parent Company in Financial Report.

Changes in a parent's ownership interest in a subsidiary, that do not result in the Parent losing control of the subsidiary, are considered transaction of interests between businesses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings and construction	3 to 45 years
2) Machinery and equipment	3 to 10 years
3) Molding Equipment	2 to 6 years
4) Office and Other equipment	2 to 6 years

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(j) Leases

At inception of a contract, the Company 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.

(i) As a lessee

The Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

When the lease liability is remeasured, other than lease modifications, 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.

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 Company 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 Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and plant that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

(i) Recognition and measurement

Intangible assets acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|----------------------|-----------|
| 1) Computer software | 3~4 years |
|----------------------|-----------|

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

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, and deferred tax assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(i) Sale of goods

The Company manufactures and sells LED components to customer. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The average credit term for sale of goods is 60 days to 120 days, which is consistent with the industry practice, thus, it does not contain any financing element.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Government grant

The Company recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the Company and its employees reach a consensus on the subscription price and the number of subscription shares.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary difference.
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration and convertible corporate bonds.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(s) Segment information

Please refer to the financial report of Edison Opto Corporation for the years ended December 31, 2023 and 2022, for operating segments information.

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

In preparing these consolidated financial statements, management has made 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of trade receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss.

The Company has considered historical experience, current economic conditions and forward looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(c).

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash	\$ 3,879	2,164
Demand Deposit	339,991	369,938
Time Deposit	40,000	86,120
	\$ 383,870	458,222

For bank deposit which original maturity date of bank deposit is less than a year is not for investment but to meet its short-term commitment. It could be transferred into cash and the risk is considered low so was classified as cash and cash equivalent.

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(b) Financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current financial assets at fair value through profit or less:		
Convertible corporate bonds	\$ <u>6,468</u>	<u>-</u>
Non-current financial assets at fair value through profit or loss		
Convertible corporate bonds - call options	\$ <u>-</u>	<u>16</u>

Please refer to note 6(l) for financial assets of fair value through profit or loss and the disposal of cost benefits. The financial assets of the Company were not pledged.

(c) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 6,036	6,707
Accounts receivable	194,399	153,439
Accounts receivable from related parties	7,466	13,871
Less: Loss allowance	<u>(254)</u>	<u>(954)</u>
	<u>\$ 207,647</u>	<u>173,063</u>

The Company 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 were determined as follows:

	<u>December 31, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 201,550	0%	8
1 to 30 days past due	6,351	3.87%	246
31 to 90 days past due	-	0%	-
91 to 180 days past due	<u>-</u>	0%	<u>-</u>
	<u>\$ 207,901</u>		<u>254</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 169,287	0%	12
30 days past due	115	0%	-
31 to 90 days past due	4,069	9.73%	396
91 to 180 days past due	546	100%	546
	\$ 174,017		954

Movements of the loss allowance for notes and accounts receivable were as follows:

	2023	2022
Balance at January 1	\$ 954	47
Impairment losses recognized (reversed)	(700)	907
Balance at December 31	\$ 254	954

Note and account receivables of the Company were not pledged.

(d) Other receivables

	December 31, 2023	December 31, 2022
Other receivables	\$ 20,350	20,470
Other receivables from related parties	7,231	2,617
Less: Loss allowance	(20,170)	(20,170)
Total	\$ 7,411	2,917

Other receivables of the Company were not pledged as collateral.

(e) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 27,336	37,548
Supplies	440	545
Work in progress	7,369	7,371
Finished goods	22,601	26,835
	\$ 57,746	72,299

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

The details of the cost of sales were as follows:

	<u>2023</u>	<u>2022</u>
Inventory that has been sold	\$ 834,131	754,955
Write-down of inventories reversal of write-downs	(1,344)	(4,676)
Unallocated production overheads	<u>15,103</u>	<u>14,048</u>
	<u>\$ 847,890</u>	<u>764,327</u>

The Company did not provide any inventories as collateral for its loans.

(f) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary	<u>\$ 1,685,808</u>	<u>1,612,407</u>

In November 2022, Best Opto Corporation, a subsidiary of the Company, completed a capital reduction and returned the shares. In December 2022, the Company received \$273,600 from the capital reduction. The Company's equity-method investments were not pledged as collateral.

(g) Changes in a parent's ownership interest in a subsidiary

(i) In May 2023, Edison-Litek Opto Corporation, a subsidiary of the Company, distributed a stock dividend of \$14,000 thousand to shareholders as decided at the shareholders' meeting. As a result, the Company's holding of Edison-Litek Opto Corporation's shares increased from 11,000 thousand shares to 12,100 thousand shares, while maintaining the same ownership percentage.

(ii) In December 2023, Edison-Litek Opto Corporation, a subsidiary of the Company, a total of 2,600 thousand shares of Edison-Litek Opto Corporation were issued for cash capital increase, wherein the Company fully subscribed in cash amounting to \$52,000 thousand, resulting in the shareholding ratio of the Company's ownership in Edison-Litek Opto Corporation to increase from 78.57% to 81.67%.

(iii) In December 2023, Edison-Litek Opto Corporation fully subscribed the equity of Edison Litek Opto Corporation Limited for cash capital increase with cash amounting to \$31,285 thousand, which made an increase in the combined interest of the Company and Edison-Litek Opto Corporation Limited from 72.64% to 84.89%.

The effect of changes in shareholdings was as follows:

	<u>2023</u>
Capital surplus differences between consideration and carrying amounts subsidiaries acquired	<u>\$ 10,329</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022, were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Other facilities</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2023	\$ 637,862	425,131	278,017	1,482	16,791	1,359,283
Additions	-	3,920	2,406	-	134	6,460
Disposal	-	-	(361)	(285)	(286)	(932)
Balance at December 31, 2023	<u>\$ 637,862</u>	<u>429,051</u>	<u>280,062</u>	<u>1,197</u>	<u>16,639</u>	<u>1,364,811</u>
Balance at January 1, 2022	\$ 637,862	368,709	289,252	1,482	15,894	1,313,199
Additions	-	27,119	1,300	-	897	29,316
Disposal	-	-	(12,603)	-	-	(12,603)
Reclassify	-	29,303	68	-	-	29,371
Balance at December 31, 2022	<u>\$ 637,862</u>	<u>425,131</u>	<u>278,017</u>	<u>1,482</u>	<u>16,791</u>	<u>1,359,283</u>
Depreciation and impairments loss:						
Balance at January 1, 2023	\$ -	112,693	264,389	1,460	15,767	394,309
Depreciation	-	18,016	6,506	22	453	24,997
Disposal	-	-	(361)	(285)	(286)	(932)
Balance at December 31, 2023	<u>\$ -</u>	<u>130,709</u>	<u>270,534</u>	<u>1,197</u>	<u>15,934</u>	<u>418,374</u>
Balance at January 1, 2022	\$ -	95,114	267,010	1,301	15,554	378,979
Depreciation	-	17,579	9,982	159	213	27,933
Disposal	-	-	(12,603)	-	-	(12,603)
Balance at December 31, 2022	<u>\$ -</u>	<u>112,693</u>	<u>264,389</u>	<u>1,460</u>	<u>15,767</u>	<u>394,309</u>
Carrying amounts:						
Balance at December 31, 2023	<u>\$ 637,862</u>	<u>298,342</u>	<u>9,528</u>	<u>-</u>	<u>705</u>	<u>946,437</u>
Balance at December 31, 2022	<u>\$ 637,862</u>	<u>312,438</u>	<u>13,628</u>	<u>22</u>	<u>1,024</u>	<u>964,974</u>
Balance at January 1, 2022	<u>\$ 637,862</u>	<u>273,595</u>	<u>22,242</u>	<u>181</u>	<u>340</u>	<u>934,220</u>

(i) Guarantee

Some of the property, plant and equipment that belongs to the Company had been pledged as collateral for long-term borrowings and the issuance of corporate bonds; please refer to note 8.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(i) Right-of-use asset

The company leases many assets including land and buildings, machinery and vehicles. Information about leases for which the company as a lessee was presented below:

	<u>Building and construction</u>	<u>Vehicles</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 4,297	6,185	10,482
Additions	7,561	-	7,561
Disposal	<u>(4,297)</u>	<u>(4,869)</u>	<u>(9,166)</u>
Balance at December 31, 2023	<u>\$ 7,561</u>	<u>1,316</u>	<u>8,877</u>
Balance at January 1, 2022	3,523	5,555	9,078
Additions	1,159	630	1,789
Disposal	<u>(385)</u>	<u>-</u>	<u>(385)</u>
Balance at December 31, 2022	<u>\$ 4,297</u>	<u>6,185</u>	<u>10,482</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2023	\$ 3,217	5,137	8,354
Depreciation for the year	2,998	658	3,656
Disposal	<u>(4,297)</u>	<u>(4,869)</u>	<u>(9,166)</u>
Balance at December 31, 2023	<u>\$ 1,918</u>	<u>926</u>	<u>2,844</u>
Balance at January 1, 2022	\$ 1,259	3,381	4,640
Depreciation for the year	2,343	1,756	4,099
Disposal	<u>(385)</u>	<u>-</u>	<u>(385)</u>
Balance at December 31, 2022	<u>3,217</u>	<u>5,137</u>	<u>8,354</u>
Carrying amount:			
Balance at December 31, 2023	<u>\$ 5,643</u>	<u>390</u>	<u>6,033</u>
Balance at December 31, 2022	<u>\$ 1,080</u>	<u>1,048</u>	<u>2,128</u>
Balance at January 1, 2022	<u>\$ 2,264</u>	<u>2,174</u>	<u>4,438</u>

The company leases offices, warehouse and dormitory for the year 2023 and 2022, please refer to note 6(m).

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans	\$ <u>180,705</u>	<u>61,420</u>
Unused short-term credit lines	\$ <u>948,330</u>	<u>1,395,305</u>
Range of interest rates	<u>1.8%~6.44%</u>	<u>5.22%</u>

A key management personnel provided a joint guarantee for the borrowings of the Company from certain financial institutions. Please refer to note 7.

(k) Long-term borrowings

	<u>December 31, 2023</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	NTD	1.1963%~1.9805%	2041	\$ 134,300
Less: due within one year				<u>(16,080)</u>
Total				<u>\$ 118,220</u>
	<u>December 31, 2022</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	NTD	1.1963%~1.8996%	2041	\$ 290,780
Less: due within one year				<u>(16,080)</u>
Total				<u>\$ 274,700</u>

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

(l) Bonds payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total convertible corporate bonds issued	\$ 300,000	300,000
Less: unamortized discounted corporate bonds payable	-	(7,538)
Cumulative converted amount	(299,700)	(122,200)
Cumulative creditors repurchase amount	<u>(300)</u>	<u>-</u>
Convertible bonds issued balance	<u>\$ -</u>	<u>170,262</u>
Embedded derivative-call options (included in financial assets at fair value through profit or loss)	<u>\$ -</u>	<u>16</u>
Equity components – conversion options (included in capital surplus – share options)	<u>\$ -</u>	<u>18,960</u>
	<u>2023</u>	<u>2022</u>
Interest expense	<u>\$ 3,490</u>	<u>6,674</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

<u>Items</u>	<u>Third secured domestic convertible bonds</u>
1.Total issue amount	300,000 thousand
2.Par value	100 thousand
3.Maturity date	January 25, 2021 ~ January 25, 2024
4.Outstanding period	3 years
5.Coupon rate	0%
6.Redemption at maturity	The Company redeems the convertible bond at par value by cash from the bondholders when it meets maturity.
7.Redemption method	<p>(1) If the closing price of shares for each of 30 consecutive trading days is at least 130% of the conversion price between the 3 months after the share issuance date and the 40th day before the maturity date, the Company may redeem all the outstanding bonds at their par value.</p> <p>(2) If the amount outstanding of bonds is less than 10% of the principal amount between the 3 months after the share issuance date and the 40th day before the maturity date, the Company may redeem the outstanding bonds at their principal amount within five business days before the maturity date.</p>
8.Conversion period	<p>(1) The bondholder can convert its bonds into shares at any time between 3 months after the issuance date and the day before the maturity day.</p> <p>(2) For the circumstances below, the conversion terminates in compliance with the method issued by the Company. The closing period in accordance with the applicable laws. The period that starts from the fifteen business days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares in a capital increase for cash, and ends on the date of record for the distribution of the rights/benefits. The period starts from the date of record of the capital decrease and ends one day prior to the reissuance of the trading of shares after the capital decrease.</p>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

Items	Third secured domestic convertible bonds
9. Conversion price	<p>The conversion price is \$19.3 per share when issuance.</p> <p>1) The Company announced on July 29, 2021 that due to the allotment of cash dividends on the ordinary shares, the conversion price has been adjusted from \$19.3 to \$19.1 since August 21, 2021.</p> <p>2) The company announced on August 8th 2022 that due to the allotment of cash dividends and stock dividends on the ordinary shares, the conversion price has been adjusted from 19.1 to 17.9 since August 30th 2022.</p> <p>3) The company announced on June 20th 2023 that due to the allotment of cash dividends and stock dividends on the ordinary shares, the conversion price has been adjusted from 17.9 to 17.7 since July 16th 2023.</p>
10. Pledge	For the collateral for bonds payable, please refer to note 8.

(m) Lease liabilities

The Company's finance lease liabilities was as follows :

	December 31, 2023	December 31, 2022
Current	\$ 3,547	1,860
Non-current	\$ 2,745	435

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ 680	514
Expenses relating to short term leases	\$ 98	36
Expenses relating to leases of low value assets, excluding short term leases of low value assets	\$ 163	170

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

	2023	2022
Total cash outflow for leases	\$ 4,506	5,021

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(i) Real estate leases

As of December 31, 2023, the Company leases building as employees' dormitories, the lease terms are ranged for a period of one to two years. Some of the terms can be extended upon maturity. However, if the option of extension is uncertain, the related expenditures occurred in the covered period would not be accounted for as lease liabilities.

(ii) Other leases

The Company leases machinery and vehicle, the lease terms are ranged for a period of three to four years. Some of the terms can be extended upon maturity. However, if the option of extension is uncertain, the related expenditures occurred in the covered period would not be accounted for as lease liabilities.

Some buildings leased by the Company have a term of less than a year and are considered as short-term leases. The Company decided to apply the exemption of recognition and not to recognize its right-of-use assets and lease liabilities.

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$ 21,649	20,804
Fair value of plan assets	(9,605)	(9,405)
Net defined benefit liabilities	<u>\$ 12,044</u>	<u>11,399</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account amounted to \$9,605 thousand. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

	<u>2023</u>	<u>2022</u>
Defined benefit obligations at January 1	\$ 20,804	20,345
Current service costs and interest cost	873	631
Re-measurements of the net defined benefit liability	<u>(28)</u>	<u>(172)</u>
Defined benefit obligations at December 31	<u><u>\$ 21,649</u></u>	<u><u>20,804</u></u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	<u>2023</u>	<u>2022</u>
Fair value of plan assets at January 1	\$ 9,405	8,635
Interest income	165	65
Re-measurements of the net defined benefit liability	<u>35</u>	<u>705</u>
Fair value of plan assets at December 31	<u><u>\$ 9,605</u></u>	<u><u>9,405</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2023</u>	<u>2022</u>
Current service costs	\$ 509	478
Net interest of net liabilities (assets) for defined benefit	<u>199</u>	<u>88</u>
	<u><u>\$ 708</u></u>	<u><u>566</u></u>
	<u>2023</u>	<u>2022</u>
Operating cost	\$ 105	77
Operating expense	<u>603</u>	<u>489</u>
	<u><u>\$ 708</u></u>	<u><u>566</u></u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

- 5) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	<u>2023</u>	<u>2022</u>
Accumulated amount at January 1	\$ 4,108	4,985
Recognized during the period	(63)	(877)
Accumulated amount at December 31	<u>\$ 4,045</u>	<u>4,108</u>

- 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.625 %	1.750 %
Future salary increase rate	2.500 %	2.500 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$709 thousand.

The weighted average lifetime of the defined benefits plans is 13.27 years.

- 7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Influences of defined benefit obligation</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2023		
Discount rate (movement of 0.25%)	\$ (537)	555
Future salary increasing rate (movement of 0.25%)	537	(523)
December 31, 2022		
Discount rate (movement of 0.25%)	(565)	586
Future salary increasing rate (movement of 0.25%)	570	(533)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted were \$5,958 thousand and \$5,400 thousand in 2023 and 2022.

(o) Income taxes

(i) The components of income tax in the years 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Current tax expense		
Current period	\$ 60	-
Adjust the current income tax of the previous period	60	-
	120	-
Deferred tax income	-	-
Occurences and reversal of temporary differences	3,445	9,410
Recognition of unrecognized tax loss in prior periods	2,173	1,606
	2,233	1,606
Tax income	\$ 2,353	1,606

Reconciliation of income tax and income before tax for 2023 and 2022, were as follows:

	2023	2022
Gain before income tax	\$ 49,761	27,254
Income tax using subsidiaries tax rate	\$ 9,952	5,451
Tax-exempt income	(908)	(7,650)
Gain of investing foreign company	(9,666)	(5,605)
Change in unrecognized deductible temporary difference	3,445	9,410
Prior year income tax adjustment	60	-
Used tax deduction	(972)	-
Other	322	-
Total	\$ 2,233	1,606

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at 31 December 2023 and 2022. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2023	December 31, 2022
Aggregated amount of temporary differences related to investment subsidiaries	<u>\$ 121,411</u>	<u>107,196</u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2023	December 31, 2022
Unrecognized tax loss	<u>\$ 163,130</u>	<u>168,925</u>
	<u>\$ 163,130</u>	<u>168,925</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

	Allowance for obsolete inventory	Others	Tax deduction	Total
Deferred tax assets:				
January 1, 2023	\$ 1,608	4,172	53,650	59,430
Recognized in profit or loss	<u>(268)</u>	<u>2,279</u>	<u>(5,387)</u>	<u>(3,376)</u>
December 31, 2023	<u>\$ 1,340</u>	<u>6,451</u>	<u>48,263</u>	<u>56,054</u>
January 1, 2022	\$ 2,544	2,315	55,629	60,488
Recognized in profit or loss	<u>(936)</u>	<u>1,857</u>	<u>(1,979)</u>	<u>(1,058)</u>
December 31, 2022	<u>\$ 1,608</u>	<u>4,172</u>	<u>53,650</u>	<u>59,430</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

	<u>Equity investment</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:			
January 1, 2023	\$ 1,829	1,179	3,008
Recognized in profit or loss	<u>(24)</u>	<u>(1,179)</u>	<u>(1,203)</u>
December 31, 2023	<u>\$ 1,805</u>	<u>-</u>	<u>1,805</u>
January 1, 2022	\$ 1,157	1,303	2,460
Recognized in profit or loss	<u>672</u>	<u>(124)</u>	<u>548</u>
December 31, 2022	<u>\$ 1,829</u>	<u>1,179</u>	<u>3,008</u>

- 4) As at December 31, 2023, the expiry years of the Company's unutilized business losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Before loss deduction</u>	<u>Year after deduction</u>
2014	\$ 47,390	2024
2015	75,078	2025
2016	93,672	2026
2017	90,158	2027
2018	47,537	2028
2019	28,818	2029
2022	<u>21,793</u>	2032
	<u>\$ 404,446</u>	

- (iii) Assessment of tax

The Company's tax returns for the year through 2021 were assessed by the Taipei National Tax Administration.

- (p) Capital and other equity

As of December 31, 2023 and 2022, the number of authorized ordinary shares were \$2,000,000 thousand with par value of \$10 per share. The total value of authorized ordinary shares was amounted to 200,000 thousand shares. As of December 31, 2023 and 2022, 143,609 thousand and 135,335 thousand of ordinary shares were issued, respectively. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2023 and 2022 was as follows:

	<u>Ordinary shares</u>	
	<u>2023</u>	<u>2022</u>
(in thousands of shares)		
Balance at January 1	135,335	128,862
Capital surplus transferred to ordinary shares	-	6,500
converting corporate bonds	9,954	-
Retirement of treasury stock	(1,680)	-
Retirement of restrict employee stock	-	(27)
Balance at December 31	<u>143,609</u>	<u>135,335</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(i) Issuance and cancellation of ordinary shares

The secured domestic convertible bonds issued by the Company were converted into 2,380 thousand shares, 4,173 thousand shares, 2,345 thousand shares and 1,056 thousand shares of ordinary shares in the 1st, 2nd, 3th and 4th quarters of 2023, total 9,954 thousand shares, respectively, upon the exercise of the conversion rights by the bondholders. The above legal registration procedures have been completed.

The Company retired 1,680 thousand treasury share in November 10, 2023 , respectively. All the statutory registration procedures above had been completed as of the reporting date.

The Company cancelled 27 thousand new restricted stocks in July 2022 , respectively. All the statutory registration procedures above had been completed as of the reporting date.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

	December 31, 2023	December 31, 2022
Premium on issuance of capital stock	\$ 1,463,695	1,400,567
Employee share options	72,142	72,142
Difference arising from subsidiary's share price and its carrying value	10,790	461
Restricted employee	-	26,928
Treasury shares transferred to employees of the Company	15,840	-
Changes in net equity of related companies accounted for using the equity method	292	292
Conversion options	-	18,960
	<u>\$ 1,562,759</u>	<u>1,519,350</u>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock, and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary shares outstanding.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

A resolution was approved during the shareholders' meeting held on May 30, 2023 to distribute the cash dividend of \$40,000 thousand by using the capital surplus. Each share could receive a cash dividend of \$0.30572782 from the capital reserve

A resolution was approved during the shareholders' meeting held on June 22, 2022 to distribute the cash dividend of \$35,000 thousand by using the capital surplus. Each share could receive a cash dividend of \$0.27808294 from the capital reserve. Also, 6,500 thousand shares amounting to \$65,000 thousand will be distributed as stock dividend, and each thousand shares could receive a stock dividend of 51.6439 shares from the capital reserve.

(iii) Retained earnings

The Company's article of incorporation stipulate that 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, 10% is to be appropriated as legal reserve, and then any 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 dividend policy of the Company is coordinated with the share capital, financial structure, operating status, future development plan, fund requirements, competitions, shareholders' benefits, etc. by distributing no less than 60% of the distributable earnings every year.

Nonetheless, when the distributable earnings are lower than 20% of the ordinary shares outstanding, no distribution shall be made during the year. Dividends may be distributed either by cash or by share. However, if the dividends are to be distributed in cash, it shall be no less than 10% of the total dividends issued.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the regulation of the Financial Supervisory Commission, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during the earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve, which does not qualify for earnings distribution, to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

3) Earnings distribution

A proposed was made during the shareholders' meeting held on May 30, 2023, after the net operating loss there is no more surplus to be distributed.

A proposed was made during the shareholders' meeting held on June 22, 2022, after the legal reserve and special reserve are established by legal, there is no more surplus to be distributed.

(iv) Treasury shares

- 1) The Company purchased 4,500 thousand shares of treasury stock, for the purpose of motivating employees, in accordance with Article 28-2 of the Securities and Exchange Act. As of December 31, 2023, the total number of untransformed treasury stock was 1,500 thousand shares.

In December 2023, the Company decided to retire 1,680 thousand treasury shares, at the amount of \$23,712 thousand. The related registration procedures were completed as of the reporting date. In August 2023, the Company transferred treasury stock to employees, the total amount of treasury stock transferred was 1,320 thousand shares, and the purchase cost was \$18,625 thousand, the treasury stock was recognized by employees on August 10, 2023, and was delivered to employees on September 1, 2023, date of shares delivery. The Company recognized capital surplus - treasury shares of \$15,840 thousand for employee remuneration on the date of shares delivery.

- 2) Ledionopto intelligent Technology Co., Ltd., sub-subsidiary of the Company, held 526 thousand shares of the Company's shares. As of December 31, 2023, none of the shares were sold. The market price on December 31, 2023 and 2022, was \$24.40 and \$15.65 per share, respectively.
- 3) In compliance with the Securities and Exchange Act, treasury shares held by the Group should not be pledged, and shareholders' rights are not entitled before the transfer.

(v) OCI accumulated in reserves, 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	Deferred compensation arising from issuance of restricted stock	Total
Balance at January 1, 2023	\$ (155,037)	-	-	(155,037)
Exchange differences on foreign operations	(25,416)	-	-	(25,416)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(976)	-	(976)
Balance at December 31, 2023	<u>\$ (180,453)</u>	<u>(976)</u>	<u>-</u>	<u>(181,429)</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance at January 1, 2022	\$ (183,608)	(152,240)	(1,377)	(337,225)
Share-based payment	-	-	994	994
Disposal of equity instruments designed at fair value through other comprehensive income	-	149,719	-	149,719
Exchange differences on foreign operations	28,571	-	-	28,571
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	2,521	-	2,521
Restrict employee rights stock failure	-	-	383	383
Balance at December 31, 2022	<u>\$ (155,037)</u>	<u>-</u>	<u>-</u>	<u>(155,037)</u>

According to the Company's subsidiary, Edison Fund Investment Corporation, which originally held 15.39% of the ordinary shares of LEDLitek Co., Ltd. in Korea, the investment is recorded under financial assets at fair value through other comprehensive income. As of December 31, 2021, the Company recognized a cumulative valuation loss of \$149,719 thousand due to the significant operating loss of LEDLitek Co. LEDLitek Co., Ltd. was reorganized in 2021 and Edison Fund Investment Corporation obtained a ruling from a Korean Court to complete the bankruptcy reorganization process in November 2022. After the reorganization, Edison Fund Investment Corporation's shareholding in LEDLitek Co., Ltd. was 0%.

Therefore, the Company and Edison Fund Investment Corporation reclassified the unrealized valuation loss of \$149,719 thousand recorded in other equity - investments in equity instruments at fair value through other comprehensive income to retained earnings for the year. Edison Fund Investment Corporation did not receive any notice from LEDLitek Co., Ltd. during the aforementioned reorganization period regarding the reduction or elimination of Edison Fund Investment Corporation's shareholding in LEDLitek Co. Edison Fund Investment Corporation has only received a final Court ruling and has proceeded to investigate the legality of the share cancellation of the LEDLitek Co., Ltd. reorganization, and has taken procedures to protect the Company's interests. It is expected that there will be no significant impact on the Company's financial and business performance.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(q) Share-based payment

(i) Restricted stock

	<u>Equity-settled</u> <u>Treasury shares</u> <u>transferred to employees</u>
Date of shares granted	August 3, 2023
Number of shares granted	1,320,000
Contract term	1 months
grant object	employee
Vesting conditions	Provide future service of 1 years

1) Treasury shares transferred to employees

The Company used Black-Scholes method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	<u>Treasury shares</u> <u>transferred to employees</u>
Fair value on date of grant	12.00
Stock price on grant day	26.15
Exercise price	14.11
Expected volatility (%)	36.48%
Stock option duration	0.079
Risk-free rate (%)	1.015%

2) Number of treasury shares transferred to employees:

	<u>For the years ended</u> <u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Outstanding at January 1 (number)	4,500,000	3,000,000
Buy-back (number)	-	1,500,000
Exercise (number)	(1,320,000)	-
Cancellation (number)	(1,680,000)	-
Outstanding at December 31(number)	<u>1,500,000</u>	<u>4,500,000</u>

(ii) Restricted Stocks

- At the Board of Directors' meeting held on June 20, 2018, the Company decided to award 2,000 thousand new shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C.. On July 2, 2019, the Board of Directors issued all the restricted stock. The fair value on the grant date was 14.50 per share.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

Employees with restricted stock awards are entitled to purchase the Company's shares at the price of 10 with the condition that these employees continue to work for the Company for the following three years. 40%, 30% and 30% of the restricted shares of stock is vested in year 1, 2 and 3 respectively. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period.

If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price, and cancel the shares thereafter.

- 2) Details of the restricted stock of the Company were as follows:

	For the years ended December 31	
	2023	2022
Outstanding at January 1 (number)	\$ -	570
Granted during the year (number)	-	(544)
Forfeited during the year (number)	-	(26)
Outstanding at December 31 (number)	<u>\$ -</u>	<u>-</u>

- (iii) Expense recognized in profit or loss

The Company incurred expenses of share-based arrangements in 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Expenses resulting from restriction of employee stock options	\$ -	994
Expenses resulting from treasury shares transferred to employees	<u>\$ 15,840</u>	<u>-</u>

- (r) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	For the years ended December 31	
	2023	2022
Basic earnings per share		
Profit of the Company for the year	\$ <u>47,528</u>	<u>25,648</u>
Weighted average number of ordinary shares (in thousands of shares)	<u>135,756</u>	<u>131,149</u>
Basic earn per share (in New Taiwan Dollars)	<u>\$ 0.35</u>	<u>0.20</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

	For the years ended December 31	
	2023	2022
Diluted earnings per share		
Profit of the Company for the year	\$ 47,528	25,648
Effect of dilutive potential ordinary shares	-	-
Profit attributable to common stockholders of the Company (including effect of dilutive potential ordinary share)	<u>\$ 47,528</u>	<u>25,648</u>
Weighted average number of ordinary shares (in thousand of shares)	135,756	131,149
Effect of employee share bonus (in thousand of shares)	109	148
Effect of restricted employee shares unvested (in thousand of shares)	-	285
Weighted average number of ordinary shares (in thousand of shares)	<u>135,865</u>	<u>131,582</u>
Diluted earn per share (in New Taiwan Dollars)	<u>\$ 0.35</u>	<u>0.19</u>

Note: The effect of convertible bonds would have been anti-dilutive if included in the calculation of the Group's earnings per share in fiscal 2023 and 2022. The calculation of diluted earnings per share is not included

(s) Revenue from contracts with customers

(i) Revenue detail

	For the years ended December 31	
	2023	2022
Major market:		
China	\$ 134,149	180,292
America and Europe	420,047	363,122
Taiwan	231,120	205,677
Africa	33,999	29,039
Others	224,256	130,231
	<u>\$ 1,043,571</u>	<u>908,361</u>
Major product:		
LED transmitter component	\$ 18,631	36,215
LED lighting product	948,485	786,970
LED automotive product	54,761	65,918
Others	21,694	19,258
	<u>\$ 1,043,571</u>	<u>908,361</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(ii) Contract balances

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>January 1,</u> <u>2022</u>
Note receivables - non related party	\$ 6,036	6,707	4,797
Accounts receivables - non related party	194,399	153,439	145,395
Accounts receivables-related party	7,466	13,871	9,851
Less: loss allowances	<u>(254)</u>	<u>(954)</u>	<u>(47)</u>
Total	<u>\$ 207,647</u>	<u>173,063</u>	<u>159,996</u>

For details on accounts receivables and allowance for impairment, please refer to note 6(c).

(t) Remuneration to employees, directors

In accordance with the Articles of incorporation, the Company should contribute 5%~15% of the profit as employee remuneration and less than 3% 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 amount of remuneration of each director and of remuneration for employees entitled to receive the above-mentioned employee remuneration is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2023 and 2022, the Company accrued and recognized its employee remuneration amounting to \$2,660 thousand and \$1,500 thousand, respectively; as well as its remuneration to directors amounting to \$540 thousand and \$300 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or lost in the following year. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023 and 2022. The related information can be accessed from the Market Observation Post System website. The Board of Directors resolved not to distribute employee compensation and director's remuneration due to the Company has accumulated deficits in 2022, and recognized the difference between the actual distribution and the estimated profit or loss in the 1st quarter of 2023. The related information can be accessed from the Market Observation Post System website.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2023	2022
Interest income from bank deposits	\$ <u>3,799</u>	<u>748</u>

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2023	2022
Other income	\$ <u>16,767</u>	<u>14,548</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2023	2022
Gains on disposal of property, plant and equipment	\$ 2,971	3,553
Net gains on foreign exchange	1,606	12,752
Net gains (losses) on financial assets at fair value through profit or loss	362	(558)
Others	<u>(188)</u>	<u>(22,085)</u>
	\$ <u>4,751</u>	<u>(6,338)</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2023	2022
Interest expense	\$ <u>9,081</u>	<u>12,135</u>

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

2) Concentration of credit risk

As the Company has a large number of customers, not significantly focuses on dealing with a single customer and the sales area is scattered, so there is no significant concentration of the risk of accounts receivable. In order to reduce the credit risk, the Company also regularly assesses the financial status of customers, if necessary, will require customers to provide security or guarantee.

3) Receivable

For credit risk exposure of note and trade receivables, please refer to note 6(c). Other financial assets at amortized cost includes other receivables and deposit.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2023							
Non-derivative financial liabilities							
Long term loans	\$ 134,300	(140,773)	(8,817)	(8,781)	(17,406)	(51,063)	(54,706)
Short term loans	180,705	(181,599)	(181,599)	-	-	-	-
Lease liabilities	6,292	(7,088)	(2,179)	(2,019)	(2,890)	-	-
Notes payable and accounts payable (including related parties)	129,026	(129,026)	(129,026)	-	-	-	-
Other payable	49,760	(49,760)	(49,760)	-	-	-	-
	<u>\$ 500,083</u>	<u>(508,246)</u>	<u>(371,381)</u>	<u>(10,800)</u>	<u>(20,296)</u>	<u>(51,063)</u>	<u>(54,706)</u>
December 31, 2022							
Non-derivative financial liabilities							
Long term loans	\$ 290,780	(322,370)	(9,745)	(9,725)	(19,278)	(56,679)	(226,943)
Short term loans	61,420	(61,947)	(61,947)	-	-	-	-
Lease liabilities	2,295	(2,486)	(1,343)	(668)	(326)	(149)	-
Notes payable and accounts payable (including related parties)	122,082	(122,082)	(122,082)	-	-	-	-
Other payable	45,647	(45,647)	(45,647)	-	-	-	-
Bonds payable	170,262	(177,800)	-	-	(177,800)	-	-
	<u>\$ 692,486</u>	<u>(732,332)</u>	<u>(240,764)</u>	<u>(10,393)</u>	<u>(197,404)</u>	<u>(56,828)</u>	<u>(226,943)</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 6,237	USD/TWD=	30.705	191,497	6,415	USD/TWD= 30.710 197,005
CNY	8,667	CNY/TWD=	4.3355	37,576	61,296	CNY/TWD= 4.4100 270,313
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	5,584	USD/TWD=	30.705	171,466	6,420	USD/TWD= 30.710 197,158
CNY	9	CNY/TWD=	4.3355	38	-	CNY/TWD= - -

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 5% of the TWD against the USD and CNY as at December 31, 2023 and 2022 would have increased (decreased) the equity by \$2,878 thousand and \$13,508 thousand due to cash flow hedges. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for prior year.

3) Foreign exchange gain and loss on monetary items

	2023		2022	
	Exchange losses/gains	Exchange rate	Exchange losses/gains	Exchange rate
NTD	\$ 1,606	-	12,752	-

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 50 basis points, the Company's net income would have increased / decreased by \$1,575 thousand and \$1,761 thousand for the year ended December 31, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates and investment in variable-rate bills.

(v) Fair value of financial instruments

The management of the Company considers that the carrying amount of the financial assets and financial liabilities of the Company in this financial report approximates its fair value.

(w) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company from its receivables, and arises principally from the Company's receivables from customers and investments in debt securities.

As the Company has a large number of customers, not significantly focused on dealing with a single customer and the sales area are scattered, so there is no significant concentration of the risk of account receivable. In order to reduce the credit risk, the Company also regularly assesses the financial status of customers, if necessary, will require customers to provide security or guarantee.

The credit risk of bank deposits and other financial instruments is measured and monitored by the Company finance department. As a result of the Company's transactions and compliance with others are good credit banks, no significant compliance concerns, so there is no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At present, the capital and working capital of the merged company is sufficient to meet all the contractual obligations, so there is no liquidity risk due to the inability to raise funds to meet the contractual obligations.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings. The functional currency of the Company is dominated by TWD and also has USD and CNY. The main currency of the transaction is TWD, USD and CNY.

The Company borrows money in USD from banks to balance the accounts receivable against USD and reduces the risk of loss of USD accounts receivable assets due to exchange rate fluctuations.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

The monetary assets and liabilities denominated in other foreign currencies, when a short-term imbalance occurs, the Company is required to buy or sell foreign currency at instant exchange rate to ensure that the net risk is maintained at an acceptable level.

The Company do not use derivative financial assets for hedging.

2) Interest rate risk

The borrowing of the Company is a floating interest rate debt, so the market interest rate changes will make the effective interest rate changes, and the future cash flow fluctuations. The Company do not hedge through interest rate swap contracts.

3) Other market price risk

In addition to supporting the expected consumption and sales demand, the Company did not sign a commodity contract.

(x) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

The Company's debt-to-equity ratio at the end of the reporting period as at December 31, 2023 and 2022, were as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 539,501	730,025
Less: cash and cash equivalents	<u>(383,870)</u>	<u>(458,222)</u>
Net debt	<u>\$ 155,631</u>	<u>271,803</u>
Total equity	\$ 2,836,686	2,637,085
Less: hedging reserve	<u>-</u>	<u>-</u>
Adjusted equity	<u>\$ 2,836,686</u>	<u>2,637,085</u>
Debt-to-equity ratio	<u>5.49 %</u>	<u>10.31 %</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(y) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

	January 1, 2023	Cash Flow	Non-cash changes				December 31, 2023
			Foreign exchange movement	Changes in lease payments	Discount and premium amortization	Conversion option Other	
Short-term borrowings	\$ 61,420	116,905	2,380	-	-	-	180,705
Lease liabilities	2,295	(3,564)	-	7,561	-	-	6,292
Long term borrowings (including current portion)	290,780	(156,480)	-	-	-	-	134,300
Bonds payable	170,262	(300)	-	-	3,490	(173,455)	3
Deposits received	27	(6)	-	-	-	-	21
Total liabilities from financing activities	<u>\$ 524,784</u>	<u>(43,445)</u>	<u>2,380</u>	<u>7,561</u>	<u>3,490</u>	<u>(173,455)</u>	<u>3</u>

	January 1, 2022	Cash Flow	Non-cash changes				December 31, 2022
			Foreign exchange movement	Changes in lease payments	Discount and premium amortization	Conversion options	
Short-term borrowings	\$ 69,200	(5,075)	(2,705)	-	-	-	61,420
Lease liabilities	4,807	(4,301)	-	1,789	-	-	2,295
Long term borrowings (including current portion)	306,860	(16,080)	-	-	-	-	290,780
Bonds payable	163,588	-	-	-	6,674	-	170,262
Deposits received	25	2	-	-	-	-	27
Total liabilities from financing activities	<u>\$ 544,480</u>	<u>(25,454)</u>	<u>(2,705)</u>	<u>1,789</u>	<u>6,674</u>	<u>-</u>	<u>524,784</u>

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

The Company is the ultimate controller of the Company and its subsidiaries.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the period covered in the financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Best Opto Corporation	Subsidiary of the company
Ledison Opto Corporation	Subsidiary of the company
Edison Opto Corporation	Subsidiary of the company
Edison Fund Investment Corporation	Subsidiary of the company
Edison-Litek Opto Corporation	Subsidiary of the company
Edison-Egypt Opto Corporation	Subsidiary of the company
Edison Opto USA Corporation	Sub-subsidiary of the company
Ledionopto Intelligent Technology Corporation	Sub-subsidiary of the company

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Yangzhou Edison-Litek Opto Limited Company	Sub-subsidiary of the company
Edison Opto (Dong Guan) Limited Company	Sub-subsidiary of the company
Yangzhou Edison Opto Limited Company	Sub-subsidiary of the company
Best Led Corporation	Sub-subsidiary of the company
Edison-Litek Opto Corporation	Sub-subsidiary of the company
Edison Auto Lighting Corporation	Sub-subsidiary of the company
Yangzhou Aichuang Electronic Trade Limited Company	Sub-subsidiary of the company
Wu Chien-Jung	Chairman of the company
Taiwan HYdroxyl Technology Corporation	Related parties

(c) Significant transactions with related parties

(i) Sale

	<u>2023</u>	<u>2022</u>
Sub-subsidiary-Edison Opto USA	\$ 38,304	53,686
Sub-subsidiary-Edison Opto (Dong Guan)	19,430	30,738
Sub-subsidiary-Yangzhou Edison Opto	12,481	19,927
Other	19	6,039
	<u>\$ 70,234</u>	<u>110,390</u>

The raw materials which the Company sells to subsidiaries are not sold to other customers, and the sales price is not comparable to other customers, the collection conditions and sales are not significantly different from those of ordinary customers.

The sales prices and collection terms of the Company's sales of finished goods to subsidiaries and other related parties are not significantly different from those of ordinary customers.

The receivables of the related parties are not pledged, and no impairment loss (bad debt expenses) is required after the assessment.

(ii) Purchases

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

	<u>2023</u>	<u>2022</u>
Sub-subsidiary-Edison Opto (Dong Guan)	\$ 276,217	234,990
Sub-subsidiary-Yangzhou Edison Opto	381,707	337,453
Other	34,972	15,456
	<u>\$ 692,896</u>	<u>587,899</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

The products which the Company purchases from the above-mentioned subsidiaries are not purchased from other vendors, resulting in no purchase price to compare with other vendors. The payment terms are not significantly different from general vendors.

The Company sold raw materials to the subsidiaries, repurchased some of the finished products then sold them to the Company's customers, which is not considered as purchases and sales.

The sales amount in 2023 and 2022 was \$44,752 thousand and \$56,890 thousand respectively, the repurchased amount of finished products in 2023 and 2022 were \$54,027 thousand and \$66,145 thousand respectively.

(iii) Other

1) Manager service revenue

	<u>2023</u>	<u>2022</u>
Subsidiary company-Edison-Litek Opto	\$ 3,960	4,429
Other	<u>600</u>	<u>160</u>
	<u>\$ 4,560</u>	<u>4,589</u>

2) Rental revenue

	<u>2023</u>	<u>2022</u>
Subsidiary company-Edison-Litek Opto	\$ 11,267	8,624
Other	<u>376</u>	<u>296</u>
	<u>\$ 11,643</u>	<u>8,920</u>

The rent collected by the company is based on the market of neighborhood office.

- 3) As of December 31, 2023 and 2022, the unrealized gains of downstream deferred transactions between the parent and subsidiary companies were \$4,495 thousand and \$8,855 thousand respectively, which were included under long-term equity investment.
- 4) As of December 31, 2023 and 2022, the unrealized gains of upstream deferred transactions between the parent and subsidiary companies were \$9,750 thousand and \$7,679 thousand, respectively, which were included under long-term equity investment and share of profit of associates & joint ventures accounted for using equity method, respectively.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(iv) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	Subsidiary company-Edison Opto USA	\$ 7,466	9,235
Accounts receivable	Subsidiary-Edison-Litek Opto	-	1,510
Accounts receivable	Sub-Subsidiary-Edison Auto Lighting	-	3,126
Subtotal		<u>7,466</u>	<u>13,871</u>
Other receivables	Subsidiary company-Edison- Litek Opto	6,256	2,566
Other receivables	Other	1,104	219
Subtotal		<u>7,360</u>	<u>2,617</u>
		<u>\$ 14,826</u>	<u>16,488</u>

(v) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable	Sub-subsidiary-Yangzhou Edison Opto	\$ 45,674	46,072
Accounts payable	Sub-subsidiary-Edison Opto (Dong Guan)	27,428	27,438
Accounts payable	Other	22,286	14,643
Total		<u>\$ 95,388</u>	<u>88,153</u>

(vi) Guarantee

The Company's loan from financial institutions is guaranteed by the key management in accordance with the requirements of the loan contract.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 21,087	18,983
Post-retirement benefits	673	615
Share-based payments	<u>5,040</u>	<u>453</u>
	<u>\$ 26,800</u>	<u>20,051</u>

Please refer to note 6(q) for further explanations related to share-based payment transactions.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deposits (classified under other non-current financial assets)	Deposit to customs	\$ 2,896	2,861
Property, plant, and equipment	Issuance of corporate bonds guarantee	-	197,428
Property, plant, and equipment	Long-term borrowing	<u>245,760</u>	<u>525,996</u>
		<u>\$ 248,656</u>	<u>726,285</u>

(9) Commitments and contingencies:

- (a) The Company obtained the tender for the "Tainan City LED Street Light Replacement Project, District 3" in May 2021, and provided a deposit of \$20,000 thousand as a performance guarantee. In November 2021, the Company received a letter from the Public Works Bureau of Tainan City Government ("Works Bureau") to terminate the aforementioned contract, and in January of 2022, the Works Bureau forfeited the aforementioned security deposit and recovered the tender bond of \$5,000 thousand. The Group proceed the relevant relief procedures and requested for the return of the performance deposit and the revocation of the administrative sanction of the deposit. In March 2023, the Group filed a civil litigation and an administrative litigation processed by the Tainan District Court (return of the performance deposit) and the Kaohsiung High Administrative Court (revocation of the administrative sanction of the deposit).

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(12) Other:

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

By item	By function	2023			2022		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		30,696	111,862	142,558	29,136	83,436	112,572
Labor and health insurance		3,585	8,069	11,654	3,334	7,120	10,454
Pension		1,606	5,060	6,666	1,509	4,457	5,966
Director's remuneration		-	2,424	2,424	-	1,674	1,674
Others		2,178	3,976	6,154	2,768	4,349	7,117
Depreciation		9,040	19,613	28,653	15,324	16,708	32,032
Amortization		-	52	52	-	48	48

Further information of the number of employees and employee benefits as of December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Employees	<u>151</u>	<u>144</u>
Directors not in concurrent employment	<u>7</u>	<u>7</u>
Average employee benefits	<u>\$ 1,160</u>	<u>\$ 993</u>
Average employee salary	<u>\$ 990</u>	<u>\$ 822</u>
Average raise of employee salary	<u>20.44 %</u>	<u>4.98 %</u>
Supervisors' remuneration	<u>\$ -</u>	<u>\$ -</u>

The Company's compensation policies for directors, managements and employees are as follows, which include basic salary (principal salary, food allowance, special environmental allowance), year-end bonus and performance bonus.

(a) Principles of compensation policies

The salary payment standard considers the market average, operation of the Company and company structure, the standard will be adjusted when necessary. The compensation of employees is determined by their professionalism and experience. Bonuses will be granted considering the Company's operation and personal performance. The basic salary payment for graduates and foreign employees complies with government regulations.

(b) Connection among compensation policies, procedure of determination and operating results

According to the policy, the Company will appropriate 5% to 15% of the net income as employees' compensation, but the Company has to recover the accumulated deficit first in any. Compensation policy for general manager, deputy general manager and the equivalents is determined by the remuneration committee considering the operating results of the Company, personal contribution and market average, then agreed by the Board of Directors.

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

The Company has a reward system by giving performance bonus to employee who meets the condition, and year-end bonus will be granted considering the Company's profitability.

(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 Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Edison-Litek Opto Corporation Limited	Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	22,698 (USD700 thousand)	21,494 (USD700 thousand)	-	1%	2	-	Short-term financing	-	-	-	49,679 (Note1)	99,359 (Note1)
2	Yangzhou Edison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	Other receivables due from related parties	Yes	44,422 (CNY10,000 thousand)	-	-	1%	2	-	Short-term financing	-	-	-	196,863 (Note1)	393,727 (Note1)
3	Yangzhou Edison Opto Corporation	Yangzhou Edison - Litek Opto Corporation	Other receivable due from related parties	Yes	45,168 (CNY10,000 thousand)	43,355 (CNY10,000 thousand)	-	1%	2	-	Short-term financing	-	-	-	196,863 (Note1)	393,727 (Note1)

Note 1: The allowable aggregate amount of financing provided to others cannot exceed 40% of the lender's stockholders' equity, the maximum amount of financing provided to an individual counterparty cannot exceed 20% of the lender's stockholders' equity.

Note 2: The amount was the financing facility approved by the Board.

Note 3: Based on the Company's guidelines, the allowable amounts of financing are as follows:

- (1) Loan arrangement for business transaction
- (2) Short-term financing purpose

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	AcBel Polytech Inc.	NO	Current financial assets at fair value through profit or loss	-	6,468	- %	6,468	
Edison Fund Investment Corporation	Taiwan Hydroxyl Technology Co., Ltd	NO	Financial assets through other fair value measurements-non-current	300	1,476	12.50 %	1,476	
Edison Fund Investment Corporation	AUO corporation	NO	Current financial assets at fair value through profit or loss	160	2,904	- %	2,904	
Edison Fund Investment Corporation	Innolux Corporation	NO	Current financial assets at fair value through profit or loss	172	2,459	- %	2,459	

Note: Show market price if public traded; show book value if private held.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Yangzhou Edison Opto Corporation	Bank of Communications Co., Ltd. - structured deposits - RMB financial product (Gold and binary-threesegment structure)	Current financial assets at fair value through profit or loss	Bank of Communications Co., Ltd	None	-	-	-	1,027,524 (RMB237,000 thousand)	-	1,028,655 (RMB237,000 thousand)	1,027,524	1,131	-	-
Yangzhou Edison Opto Corporation	Bank of Communications Co., Ltd. - structured deposits - RMB financial product (Gold and binary-threesegment structure)	Current financial assets at fair value through profit or loss	Bank of Communications Co., Ltd	None	-	-	-	398,870 (RMB92,000 thousand)	-	401,425 (RMB92,589 thousand)	398,870	2,555	-	-
Yangzhou Edison Opto Corporation	Bank of Communications Co., Ltd. - structured deposits - RMB financial product (Exchange rate and binary structure)	Current financial assets at fair value through profit or loss	Bank of Communications Co., Ltd	None	-	-	-	316,495 (RMB73,000 thousand)	-	316,907 (RMB73,095 thousand)	316,495	412	-	-

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Yangzhou Edison Opto Corporation	The company	Parents	Sales	(381,707)	(60.72)%	60 days	No significant difference	-	45,674	39.80 %	
The company	Yangzhou Edison Opto Corporation	Parents	Purchase	381,707	46.15 %	60 days	No significant difference	-	(45,674)	(35.40)%	
Edison Opto (Dong Guan) Co., Ltd.	The company	Parents	Sales	(276,217)	(49.23)%	60 days	No significant difference	-	27,428	31.90 %	
The company	Edison Opto (Dong Guan) Co., Ltd.	Parents	Purchase	276,217	33.39 %	60 days	No significant difference	-	(27,428)	(21.26)%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Edison Opto Corporation	Samoa	Selling of LED components and modules	1,041	1,041	30	100.00 %	10,224	(121)	(121)	
The Company	Ledison Opto Corporation	Samoa	Selling of LED components and modules	145,991	145,991	4,500	100.00 %	246,157	14,215	13,118	
The Company	Best Opto Corporation	Samoa	Selling of LED components and modules	1,277,226	1,277,226	41,000	100.00 %	978,918	38,004	39,393	
The Company	Edison Fund Investment Corporation	Taiwan	Investment	686,000	686,000	25,000	100.00 %	85,779	3,617	3,617	
The Company	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	167,661	167,661	5,500	24.62 %	61,153	(14,023)	(6,252)	
The Company	Edison-Litek Opto Corporation	Taiwan	Selling of LED components and modules	116,500	64,500	14,700	81.67 %	277,877	132	43	
The Company	Edison Egypt Opto Corporation	Taiwan	Selling of LED components and modules	25,000	25,000	2,500	100.00 %	25,700	213	213	
Best Opto Corporation	Best Led Corporation	Samoa	Investment	1,277,226	1,277,226	41,000	100.00 %	984,321	38,004	38,004	
Edison Fund Investment Corporation	Edison Opto USA Corporation	USA	Selling of LED components and modules	6,392	6,392	220	55.00 %	33,868	1,740	957	
Edison Fund Investment Corporation	Ledionopto Intelligent Technology	Taiwan	Selling of LED components and modules	113,185	113,185	2,200	100.00 %	21,045	231	231	
Edison Fund Investment Corporation	Edison Auto Lighting Corporation	Taiwan	Selling of LED components and modules	7,570	7,570	1,000	100.00 %	5,118	964	964	
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	64,472	33,187	13,463	60.27 %	149,709	(14,023)	(3,934)	

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Book value	Investment income (losses)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Edison Opto (Dong Guan) Co., Ltd.	Manufacturing and selling of LED components and modules	USD 145,991 (4,500 thousand)	(2)	USD 111,408 (3,317 thousand)	-	-	(USD) 111,408 (3,317 thousand)	(USD) 14,215 (456 thousand)	100.00%	USD 14,215 (456 thousand)	(USD) 252,416 (8,221 thousand)	(USD) 34,583 (1,183 thousand)
DongGuan Davinci Opto Co., Ltd. (note 2)	Manufacturing and selling of LED components and modules	-	(2)	USD 52,255 (1,714 thousand)	-	-	(USD) 52,255 (1,714 thousand)	-	-	-	-	-
Yangzhou Edison Opto Corporation	Manufacturing and selling of LED components and modules	USD 1,277,226 (41,000 thousand)	(2)	USD 1,277,226 (41,000 thousand)	-	-	(USD) 1,277,226 (41,000 thousand)	(USD) 38,004 (1,200 thousand)	100.00%	USD 38,004 (1,220 thousand)	(USD) 984,317 (32,057 thousand)	-

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Book value	Investment income (losses)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Yangzhou Aichuan Electronic Trade Corporation	Selling of LED components and modules	RMB 2,148 (500 thousand)	(3)	-	-	-	-	40 (RMB 9 thousand)	100.00%	40 (RMB 9 thousand)	2,308 (RMB 532 thousand)	-
Yangzhou Edison Litek Opto Corporation	Manufacturing and selling of LED components and modules	USD 270,552 (8,875 thousand)	(2)	USD 167,661 (5,500 thousand)	-	-	USD 167,661 (5,500 thousand)	(3,014) (USD 97 thousand)	73.84%	USD (2,226) (71 thousand)	USD 150,852 (4,913 thousand)	-

Note 1: Investments are made through one of three ways:

- (a) Direct investment from Mainland China
- (b) Indirect investment from third-party country
 - i) Edison Opto (Dong Guan) Co., Ltd. is indirectly invested by the Company through Ledison Opto Corporation.
 - ii) Dong Guan Davinci Opto Corporation is indirectly invested by Ledion Opto Lighting Inc. through Led Plus Limited.
 - iii) Yangzhou Edison Opto Corporation is indirectly invested by Best Opto Corporation and Best Ltd. Corporation.
 - iv) Yangzhou Edison-Litek Opto Corporation is indirectly invested by the Company and Edison-Litek Opto Corporation Limited.
- (c) Others
 - i) Yangzhou Aichuan Trade Corporation is 100% invested by Yangzhou Edison Opto Corporation.

Note 2: The dissolution has registered in 2020.

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	1,556,295 (USD49,817 thousand)	1,558,893 (note 3) (USD50,770 thousand)	Note 1
Ledionopto Intelligent Technology Corporation	52,255 (note 2) (USD1,714 thousand)	52,628 (USD1,714 thousand)	-

Note 1: Since The Company acquired the permission from Industrial Development Bureau at August 25 2022, Ministry of Economic Affairs, the upper limit on investment is not applicable, under “Regulations Governing The Permission of Commercial Behavior in Mainland China”, Article 3 (documentation reference number: 1112046210).

Note 2: DongGuan Davinci Opto Co., Ltd., in which Ledionopto Intelligent Technology Corporation indirectly invested USD2,000 thousand, had completed the cancellation of its business registration and liquidation with the approval of Investment Commission in June 2020. The investment capital amounting to USD286 thousand had been remitted to Ledionopto. However, according to the regulation, the remittance to Mainland China amounting to USD1,174 thousand had been included in the accumulated investment amount.

Note 3: The indirect investment in Yangzhou Ledison Opto Corporation through the Company, with the amount of USD1,000 thousand, was authorized by the Investment Commission. Yangzhou Ledison had completed its liquidation in 2017 and the remitted capital amount of USD1,230 thousand had been cancelled by the Investment Commission. Therefore, the difference between the Accumulated Investment in Mainland China and Investment Amounts Authorized by Investment Commission amounting to USD230 thousand had been deducted by the Company.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of financial statements, are disclosed in “Information on significant transactions”.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Lighting Investment Corporation		17,411,388	12.12 %
Jeng, Jiun-jung		10,841,790	7.54 %

(14) Segment information:

Please refer to 2023 consolidated financial report.

EDISON OPTO CORPORATION

Cash and cash equivalent

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash	\$ 3,739
	Petty cash	140
	Subtotal	<u>3,879</u>
	Demand deposit	297,420
	Foreign currency (CNY3,785@4.327 ; USD 651 @30.705 ; HKD 65@3.929 ; EUR 151@33.98 ; JPY 3,875@0.2172)	<u>42,571</u>
	Subtotal	<u>339,991</u>
	Time deposit	<u>40,000</u>
Total		<u><u>\$ 383,870</u></u>

Note: The time deposit duration were 90~190 days, and interest rate range from 1.155~1.56%.

EDISON OPTO CORPORATION

Trade receivable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
104628	\$ 55,213
105357	26,167
105122	17,933
105372	17,409
100714	15,444
Others (less than 5%)	<u>62,233</u>
Subtotal	194,399
Less: Allowance for uncollectible accounts	<u>(254)</u>
Total	<u><u>\$ 194,145</u></u>

Note : According to the non-disclosure agreement, customers' name are substituted by the customer code.

Inventories

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Market Price</u>	
Finished goods	\$ 16,082	24,450	Net Realizable Value
Work in process	7,622	7,408	Net Realizable Value
Raw materials	28,775	29,799	Net Realizable Value
Supplies	495	492	Net Realizable Value
Inventories in Transit	11,470	11,470	Market Price
Less : Allowance to reduce inventory to market	<u>(6,698)</u>	<u>-</u>	
Total	<u><u>\$ 57,746</u></u>	<u><u>73,619</u></u>	

EDISON OPTO CORPORATION**Prepayments****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Account</u>
Prepaid expense	\$ 4,414
Prepaid insurance	1,321
Tax credit	909
Prepayment	886
Other prepayment	462
Others (less than 5%)	<u>1,455</u>
Total	<u><u>\$ 9,447</u></u>

EDISON OPTO CORPORATION

Changes in investment

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Profit or Cost	Others	Ending Balance			Guarantee or Collateral	
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Holding Percentage	Amount		Equity
Edison Opto Corporation	30,000	\$ 10,345	-	-	-	-	(121)	-	30,000	100.00 %	10,224	10,224	None
Ledison Opto Corporation	4,500,000	236,204	-	-	-	-	13,118	(3,165)	4,500,000	100.00 %	246,157	252,616	None
Best Opto Corporation	41,000,000	953,391	-	-	-	-	39,393	(13,866)	41,000,000	100.00 %	978,918	984,339	None
Edison Fund Investment Corporation	25,000,000	83,004	-	-	-	-	3,617	(842)	25,000,000	100.00 %	85,779	98,608	None
Edison-Litek Opto Corporation Limited	5,500,000	104,787	-	-	-	-	(6,252)	(37,382)	5,500,000	24.62 %	61,153	61,153	None
Edison-Litek Opto Corporation	11,000,000	198,629	3,700,000	52,000	-	-	43	27,205	14,700,000	81.67 %	277,877	277,877	None
Edison-Egypt Opto Corporation	2,500,000	26,047	-	-	-	-	213	(560)	2,500,000	100.00 %	25,700	25,700	None
Total	89,530,000	\$ 1,612,407	3,700,000	52,000	-	-	50,011	(28,610)	93,230,000		1,685,808		

EDISON OPTO CORPORATION**Other non-current assets****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Account</u>
Refundable deposit	\$ 1,451
Restricted bank deposit	<u>2,896</u>
Total	<u>\$ 4,347</u>

EDISON OPTO CORPORATION

Short term borrowing

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of Interest Rate</u>	<u>Loan Commitment</u>	<u>Collateral</u>
Unsecured loans	Taipei Fubon Bank	30,705	2023.12.28~ 2024.04.24	6.44%	-	None
Unsecured loans	Taipei Fubon Bank	60,000	2023.12.29~ 2024.01.02	1.903%	-	None
Unsecured loans	E.SUN COMMERCIAL BANK, LTD.	60,000	2023.12.27~ 2024.02.27	1.80%	-	None
Unsecured loans	BANK SINOPAC	<u>30,000</u>	2023.12.27~ 2024.02.26	1.9873%	-	None
	Total	<u>\$ 180,705</u>				

Trade payables

<u>Manufacturer</u>	<u>Amount</u>
100001	8,396
100066	6,731
101231	6,632
Others (less than 5%)	<u>11,629</u>
Total	<u>\$ 33,388</u>

EDISON OPTO CORPORATION

Other payables

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payroll expense and bonus	\$ 30,864
Accrued expense-factory	11,440
Estimated accrued expense-factory	3,402
Compensation payable to employees	2,660
Others (less than 5%)	<u>1,394</u>
Total	<u><u>\$ 49,760</u></u>

Other current liabilities

<u>Item</u>	<u>Amount</u>
Advance payment	\$ 15,516
Provisions for Employee benefits	7,504
Refund Liabilities	1,653
Others (less than 5%)	<u>875</u>
Total	<u><u>\$ 25,548</u></u>

EDISON OPTO CORPORATION

Long term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Description</u>	<u>Range of Interest Rate</u>	<u>Loan Commitment</u>	<u>Loan Amount</u>
Real estate and plant long term secured	CTBC bank Co., Ltd	1.1963%~ 1.9805%	2021.1.18- 2041.1.18	\$ 134,300
Less: due within one year				<u>(16,080)</u>
Total				<u>\$ 118,220</u>

Other non-current liabilities

<u>Item</u>	<u>Account</u>
Accrued pension liabilities	\$ 12,044
Others (less than 5%)	<u>21</u>
Total	<u>\$ 12,065</u>

EDISON OPTO CORPORATION
Operating revenue
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity(thousands)</u>	<u>Amount</u>
LED transmitter component	6,149	\$ 18,631
LED lighting product	387,542	948,485
LED automotive product	30,395	54,761
Others	178,576	<u>21,694</u>
Net revenue		<u><u>\$ 1,043,571</u></u>

EDISON OPTO CORPORATION

Operating costs

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw material	
Raw-material inventory, January 1	\$ 39,812
Add: Purchase	105,674
Less: Raw-material, December 31	(28,775)
Sales	(47,092)
Raw material used	69,619
Suppliers	
Suppliers, January 1	579
Add: Purchase	1,457
Less: Suppliers, December 31	(495)
Sales	(57)
Transferred to expenses	(5)
Suppliers used	1,479
Manufacturing overhead	21,008
Manufacturing expenses	24,387
Manufacturing cost	116,493
Work in progress, January 1	7,412
Add : Purchase	2,415
Inventory overage	44,582
Less : Work in process, December 31	(7,622)
Sales	(4,314)
Transferred to expenses	(6,719)
Manufacturing cost	152,247
Add : Finish goods, January 1	20,419
Purchase	671,259
Less : Finished goods, December 31	(16,082)
Transferred to work in progress	(44,582)
Transferred to expenses	(1,805)
Cost of sales – finished goods	781,456
Cost of sales – materials and suppliers and work in progress	52,675
Allowance to reduce inventory to market	(1,344)
Other operating cost	15,103
Operating cost	\$ 847,890

EDISON OPTO CORPORATION

Selling expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Payroll expense and bonus	\$ 32,735
Professional service fee	5,895
Depreciation	5,976
Import and export expenses	4,442
Amortization expense	3,652
Others (less than 5%)	26,630
Total	\$ 79,330

Administrative expenses

Item	Amount
Payroll expense, bonus and compensation	\$ 69,795
Depreciation	9,292
Professional service fee	7,174
Others (less than 5%)	19,441
Total	\$ 105,702

EDISON OPTO CORPORATION
Statement of Research and Development Expense
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Account</u>
Payroll expense and bonus	\$ 12,321
Depreciation Expense	4,171
Professional service fee	3,002
Research and development expense	1,761
Others (less than 5%)	<u>7,970</u>
Total	<u>\$ 29,225</u>

For Statement of Changes in Property, Plant and Equipment, please refer to note 6(h) in financial report.

For Statement of changes in accumulated depreciation of property, plant and equipment, please refer to note 6(h) in financial report.

For Statement of Changes in Right-of-use assets, please refer to note 6(i) in financial report.

For Statement of changes in accumulated depreciation of Right-of-use assets, please refer to note 6(i) in financial report.

For Statement of Change in deferred tax assets, please refer to note 6(o) in financial report.

For Statement of Changes in other income, please refer to note 6(u) in financial report.

For Statement of Other Gains and Losses, please refer to note 6(u) in financial report.

For Statement of Financial Cost, please refer to 6(u) in financial report.