

**EDISON OPTO CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

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

Address: 5F., No. 800, Chung-Cheng Rd., Chung-Ho Dist., New Taipei City
Telephone: (02)8227-6996

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12
(6) Explanation of significant accounts	12~35
(7) Related-party transactions	35~36
(8) Pledged assets	36
(9) Commitments and contingencies	36
(10) Losses Due to Major Disasters	36
(11) Subsequent Events	37
(12) Other	37
(13) Other disclosures	
(a) Information on significant transactions	38~41
(b) Information on investees	42
(c) Information on investment in mainland China	42~43
(d) Major shareholders	43
(14) Segment information	44



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

Independent Auditors' Review Report

To the Board of Directors of Edison Opto Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of EDISON OPTO CORPORATION and its subsidiaries as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, as well as the changes in equity and cash flows for the nine months ended September 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$482,861 thousand and \$460,020 thousand, constituting 13.63% and 12.55% of consolidated total assets at September 30, 2020 and 2019, respectively, total liabilities amounting to \$183,463 thousand and \$97,672 thousand, constituting 18.96% and 12.73% of consolidated total liabilities at September 30, 2020 and 2019, respectively, and total comprehensive income(loss) amounting to \$(7,602) thousand, \$5,191 thousand, \$(10,204) thousand and \$19,002 thousand, constituting (22.72)%, (7.43)%, (120.93)% and (46.12)% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2020 and 2019, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of EDISON OPTO CORPORATION and its subsidiaries as of September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, as well as its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audit resulting in this independent auditors’ report are HENG-SHEN LIN and SHU-CHIH YANG.

KPMG

Taipei, Taiwan (Republic of China)
November 10, 2020

Notes to Readers

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

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

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

EDISON OPTO CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

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

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2020		December 31, 2019		September 30, 2019				September 30, 2020		December 31, 2019		September 30, 2019	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
11xx	Current assets:							21xx	Current liabilities:						
1100	Cash and cash equivalents (note 6(a))	\$ 1,216,943	34	1,000,536	29	977,536	27	2100	Short-term borrowings (note 6(j) and 8)	\$ 423,675	12	283,395	8	240,120	7
1170	Accounts and notes receivable, net (note 6(c)(r))	416,467	12	424,706	12	461,560	12	2170	Accounts and notes payable	291,914	8	319,740	9	267,698	8
1200	Other receivables	3,908	-	2,793	-	4,600	-	2200	Other payables	94,377	3	140,594	4	120,682	3
1310	Inventories (note 6(d))	216,809	6	244,714	7	251,162	7	2230	Current tax liabilities	19,861	1	12,049	-	13,198	-
1410	Prepayments	57,785	2	51,791	1	46,278	1	2280	Current lease liabilities (note 6(k))	12,313	-	10,115	-	11,973	-
1470	Other current assets (note 8)	128,405	4	198,119	6	126,474	4	2399	Other current liabilities, others	35,495	1	27,243	1	21,362	-
	Total current assets	2,040,317	58	1,922,659	55	1,867,610	51		Total current liabilities	877,635	25	793,136	22	675,033	18
15xx	Non-current assets:							25xx	Non-Current liabilities:						
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	106,124	3	106,631	3	86,625	2	2570	Deferred tax liabilities	2,035	-	2,035	-	28,084	2
1600	Property, plant and equipment (notes 6(g), 8 and 9)	1,206,256	34	1,244,786	36	1,482,836	40	2580	Non-current lease liabilities (notes 6(k))	40,669	1	14,200	1	15,521	-
1755	Right-of-use assets (note 6(h))	81,536	2	54,052	2	58,317	2	2600	Other non-current liabilities (notes 6(l))	47,132	1	47,342	2	48,736	1
1780	Intangible assets (note 6(i))	4,277	-	6,354	-	31,996	1		Total non-current liabilities	89,836	2	63,577	3	92,341	3
1840	Deferred tax assets	65,613	2	61,753	2	61,753	2		Total liabilities	967,471	27	856,713	25	767,374	21
1915	Prepayments for business facilities (note 9)	7,938	-	33,836	1	49,908	1	31xx	Equity attributable to owners of parent (notes 6(o)):						
1990	Other non-current assets, others (note 8)	29,638	1	25,130	1	25,589	1	3100	Capital stock	1,225,564	35	1,250,014	36	1,250,014	34
	Total non-current assets	1,501,382	42	1,532,542	45	1,797,024	49	3200	Capital surplus	1,553,526	44	1,841,558	53	1,841,408	50
								3310	Legal reserve	-	-	701	-	701	-
								3320	Special reserve	-	-	6,313	-	6,313	-
								3350	Total unappropriated retained earnings (accumulated deficit)	30,551	1	(289,754)	(8)	(693)	-
								3410	Exchange differences on translation of foreign financial statements	(209,363)	(6)	(198,918)	(6)	(164,079)	(4)
								3420	Unrealized gains (loss) on financial assets at fair value through other comprehensive income	(46,287)	(1)	(45,780)	(1)	(65,541)	(2)
								3491	Other equity, unearned compensation	(8,150)	-	(19,575)	-	(24,288)	-
								3500	Treasury shares	(58,877)	(2)	(58,877)	(2)	(59,121)	(2)
									Total equity attributable to owners of parent:	2,486,964	71	2,485,682	72	2,784,714	76
								36xx	Non-controlling interests	87,264	2	112,806	3	112,546	3
									Total equity	2,574,228	73	2,598,488	75	2,897,260	79
	Total assets	\$ 3,541,699	100	3,455,201	100	3,664,634	100		Total liabilities and equity	\$ 3,541,699	100	3,455,201	100	3,664,634	100

See accompanying notes to consolidated financial statements.

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

EDISON OPTO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the nine months ended September 30, 2020 and 2019

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

		For the three months ended September 30				For the nine months ended September 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (note 6(r))	\$ 478,432	100	534,036	100	1,459,218	100	1,778,696	100
5000	Operating costs (notes 6(d)(g)(h)(i))	<u>382,779</u>	<u>80</u>	<u>439,263</u>	<u>82</u>	<u>1,190,489</u>	<u>82</u>	<u>1,454,868</u>	<u>82</u>
	Gross profit from operations	<u>95,653</u>	<u>20</u>	<u>94,773</u>	<u>18</u>	<u>268,729</u>	<u>18</u>	<u>323,828</u>	<u>18</u>
	Operating expenses (note 6(g)(h)(i)(k)(m)(p)):								
6100	Selling expenses	19,299	4	27,046	5	62,220	4	81,067	5
6200	Administrative expenses	28,663	6	47,437	9	106,797	7	129,626	7
6300	Research and development expenses	30,957	6	38,790	7	78,687	5	102,856	6
6450	Impairment loss (notes 6(c))	<u>9,359</u>	<u>2</u>	<u>(5,950)</u>	<u>(1)</u>	<u>18,739</u>	<u>1</u>	<u>5,505</u>	<u>-</u>
	Total operating expenses	<u>88,278</u>	<u>18</u>	<u>107,323</u>	<u>20</u>	<u>266,443</u>	<u>17</u>	<u>319,054</u>	<u>18</u>
6900	Net operating income (loss)	<u>7,375</u>	<u>2</u>	<u>(12,550)</u>	<u>(2)</u>	<u>2,286</u>	<u>1</u>	<u>4,774</u>	<u>-</u>
	Non-operating income and expenses (note 6(t)):								
7100	Interest income	3,920	1	4,631	1	14,799	1	14,654	1
7010	Total other income (notes 6(l))	10,496	2	4,502	1	16,530	1	14,826	1
7020	Other gains and losses	5,806	1	2,488	-	2,885	-	(1,183)	-
7050	Finance costs	<u>(1,895)</u>	<u>-</u>	<u>(3,029)</u>	<u>(1)</u>	<u>(6,414)</u>	<u>-</u>	<u>(9,436)</u>	<u>(1)</u>
	Total non-operating income and expenses	<u>18,327</u>	<u>4</u>	<u>8,592</u>	<u>1</u>	<u>27,800</u>	<u>2</u>	<u>18,861</u>	<u>1</u>
7900	Profit (loss) from continuing operations before tax	<u>25,702</u>	<u>6</u>	<u>(3,958)</u>	<u>(1)</u>	<u>30,086</u>	<u>3</u>	<u>23,635</u>	<u>1</u>
7950	Less: Income tax expenses (note 6(n))	<u>3,315</u>	<u>1</u>	<u>318</u>	<u>-</u>	<u>9,691</u>	<u>1</u>	<u>14,381</u>	<u>1</u>
	Profit (loss)	<u>22,387</u>	<u>5</u>	<u>(4,276)</u>	<u>(1)</u>	<u>20,395</u>	<u>2</u>	<u>9,254</u>	<u>-</u>
8300	Other comprehensive income:								
8310	Components of other comprehensive income that will not be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(507)	-	(7,874)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(507)</u>	<u>-</u>	<u>(7,874)</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	37,974	8	(65,591)	(12)	(11,450)	(1)	(42,585)	(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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>37,974</u>	<u>8</u>	<u>(65,591)</u>	<u>(12)</u>	<u>(11,450)</u>	<u>(1)</u>	<u>(42,585)</u>	<u>(3)</u>
8300	Other comprehensive income	<u>37,974</u>	<u>8</u>	<u>(65,591)</u>	<u>(12)</u>	<u>(11,957)</u>	<u>(1)</u>	<u>(50,459)</u>	<u>(3)</u>
8500	Total comprehensive income	<u>\$ 60,361</u>	<u>13</u>	<u>(69,867)</u>	<u>(13)</u>	<u>8,438</u>	<u>1</u>	<u>(41,205)</u>	<u>(3)</u>
	Profit (loss), attributable to:								
8610	Profit (loss), attributable to owners of parent	\$ 25,781	6	(5,886)	(1)	30,551	3	3,500	-
8620	Profit (loss), attributable to non-controlling interests	<u>(3,394)</u>	<u>(1)</u>	<u>1,610</u>	<u>-</u>	<u>(10,156)</u>	<u>(1)</u>	<u>5,754</u>	<u>-</u>
		<u>\$ 22,387</u>	<u>5</u>	<u>(4,276)</u>	<u>(1)</u>	<u>20,395</u>	<u>2</u>	<u>9,254</u>	<u>-</u>
	Comprehensive income attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ 62,347	13	(68,784)	(13)	19,599	2	(45,383)	(3)
8720	Comprehensive income, attributable to non-controlling interests	<u>(1,986)</u>	<u>-</u>	<u>(1,083)</u>	<u>-</u>	<u>(11,161)</u>	<u>(1)</u>	<u>4,178</u>	<u>-</u>
		<u>\$ 60,361</u>	<u>13</u>	<u>(69,867)</u>	<u>(13)</u>	<u>8,438</u>	<u>1</u>	<u>(41,205)</u>	<u>(3)</u>
	Basic earnings per share (note 6(q))								
9750	Basic earnings per share	<u>\$ 0.22</u>		<u>(0.05)</u>		<u>0.26</u>		<u>0.03</u>	
	Diluted earnings per share								
9850	Diluted earnings per share	<u>\$ 0.22</u>		<u>(0.05)</u>		<u>0.25</u>		<u>0.03</u>	

See accompanying notes to consolidated financial statements.

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

EDISON OPTO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Retained earnings					Other equity						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	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	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2019	\$ 1,250,014	1,883,244	-	-	7,014	(123,070)	(57,667)	(526)	(93,570)	2,865,439	109,287	2,974,726
Net income	-	-	-	-	3,500	-	-	-	-	3,500	5,754	9,254
Other comprehensive income	-	-	-	-	-	(41,009)	(7,874)	-	-	(48,883)	(1,576)	(50,459)
Total comprehensive income	-	-	-	-	3,500	(41,009)	(7,874)	-	-	(45,383)	4,178	(41,205)
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	701	-	(701)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	6,313	(6,313)	-	-	-	-	-	-	-
Other changes in capital surplus:												
Cash dividends from capital surplus	-	(36,000)	-	-	-	-	-	-	-	(36,000)	-	(36,000)
Retirement of treasury share	(20,000)	(14,836)	-	-	-	-	-	-	34,836	-	-	-
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	(387)	(387)	387	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(4,193)	-	-	-	-	(4,193)	(6,206)	(10,399)
Share-based payments	20,000	9,000	-	-	-	-	-	(23,762)	-	5,238	-	5,238
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	4,900	4,900
Balance at September 30, 2019	\$ 1,250,014	1,841,408	701	6,313	(693)	(164,079)	(65,541)	(24,288)	(59,121)	2,784,714	112,546	2,897,260
Balance at January 1, 2020	\$ 1,250,014	1,841,558	701	6,313	(289,754)	(198,918)	(45,780)	(19,575)	(58,877)	2,485,682	112,806	2,598,488
Net income	-	-	-	-	30,551	-	-	-	-	30,551	(10,156)	20,395
Other comprehensive income	-	-	-	-	-	(10,445)	(507)	-	-	(10,952)	(1,005)	(11,957)
Total comprehensive income	-	-	-	-	30,551	(10,445)	(507)	-	-	19,599	(11,161)	8,438
Appropriation and distribution of retained earnings:												
Legal reserve used to offset accumulated deficits	-	-	(701)	-	701	-	-	-	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	(6,313)	6,313	-	-	-	-	-	-	-
Other changes in capital surplus:												
Capital surplus used to offset accumulated deficits	-	(282,740)	-	-	282,740	-	-	-	-	-	-	-
Cash dividends from capital surplus	-	(12,300)	-	-	-	-	-	-	-	(12,300)	-	(12,300)
Purchase of treasury share	-	-	-	-	-	-	-	-	(19,832)	(19,832)	-	(19,832)
Retirement of treasury share	(16,180)	(3,652)	-	-	-	-	-	-	19,832	-	-	-
Changes in ownership interests in subsidiaries	-	14,381	-	-	-	-	-	-	-	14,381	(14,381)	-
Share-based payments	-	-	-	-	-	-	-	(566)	-	(566)	-	(566)
Forfeit of restricted employee stocks	(8,270)	(3,721)	-	-	-	-	-	11,991	-	-	-	-
Balance at September 30, 2020	\$ 1,225,564	1,553,526	-	-	30,551	(209,363)	(46,287)	(8,150)	(58,877)	2,486,964	87,264	2,574,228

See accompanying notes to consolidated financial statements.

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

EDISON OPTO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 30,086	23,635
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	92,230	128,446
Amortization expense	1,896	1,268
Impairment loss	18,739	5,505
Interest expense	6,414	9,436
Interest income	(14,799)	(14,654)
Share-based payments	(566)	5,238
Loss (gain) on disposal of property, plant and equipment	(11,136)	384
Others	-	(35)
Total adjustments to reconcile profit	92,778	135,588
Changes in operating assets and liabilities:		
Accounts and notes receivable	(10,467)	4,062
Other receivables	(2,250)	5,063
Inventories	27,905	118,056
Prepayments	(5,292)	(51)
Other current assets	(189)	(344)
Other operating assets	257	1,907
Accounts and notes payable	(27,826)	(141,422)
Other payable	(46,246)	(3,979)
Other current liabilities	8,253	(3,047)
Net defined benefit liability	572	483
Total changes in operating assets and liabilities	(55,283)	(19,272)
Cash inflow generated from operations	67,581	139,951
Interest received	15,934	9,081
Interest paid	(6,386)	(6,419)
Income taxes	(6,441)	(11,983)
Net cash flows from operating activities	70,688	130,630
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(23,268)	(17,497)
Proceeds from disposal of property, plant and equipment	16,010	12,563
Increase in refundable deposits	(230)	(2,600)
Acquisition of intangible assets	-	(5,306)
Increase in other financial assets	118,437	-
Decrease in other financial assets	-	(110,797)
Decrease in restricted deposits	(52,798)	-
Increase in other non-current assets	(1,033)	-
Increase in prepayments for business facilities	(4,953)	(47,337)
Net cash flows from (used in) investing activities	52,165	(170,974)
Cash flows from (used in) financing activities:		
Increase in short-term loans	123,121	855
Increase in guarantee deposits received	(10)	(18)
Payment of lease liabilities	(9,459)	(12,131)
Cash dividends paid	(12,300)	(36,000)
Payments to acquire treasury shares	(19,832)	-
Acquisition of ownership interests in subsidiaries	-	(10,399)
Change in non-controlling interests	-	4,900
Net cash flows from financing activities	81,520	(52,793)
Effect of exchange rate changes on cash and cash equivalents	12,034	(22,735)
Net increase (decrease) in cash and cash equivalents	216,407	(115,872)
Cash and cash equivalents at beginning of period	1,000,536	1,093,408
Cash and cash equivalents at end of period	\$ 1,216,943	977,536

See accompanying notes to consolidated financial statements

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

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2020 and 2019

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

(1) Company history

Edison Opto Corporation (the “Company”) was approved by the Ministry of Economic Affairs on October 4, 2001 and incorporated in 5F, No.800, Chung-Cheng Rd., Chung-Ho Dist., New Taipei City, Taiwan. The Company’s shares were listed on the Taiwan Stock Exchange in November 2000. The company and its subsidiaries (hereinafter referred as Group) are mainly engaged in manufacturing, selling, research and development of LED components and modules.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 10, 2020.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

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

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”	January 1, 2021

The Group assessed that the above IFRSs may not be relevant to the Group.

(4) Summary of significant accounting policies:

- (a) Statement of compliance

These consolidated 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) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>			<u>Note</u>
			<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	
The Company	Edison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	3
The Company	Ledison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	3
The Company	Best Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
The Company	Edison Fund Investment Corporation	Investment	100.00 %	100.00 %	100.00 %	
The Company	Edison-Litek Opto Corporation Limited (note 1)	Investment	44.58 %	61.80 %	61.80 %	5
The Company	Edison-Litek Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
The Company	Edison-Egypt Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	3
Ledison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	Business of opto-electronics	100.00 %	100.00 %	100.00 %	3
Best Opto Corporation	Best Led Corporation	Investment	100.00 %	100.00 %	100.00 %	
Best Led Corporation	Yangzhou Edison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
Yangzhou Edison Opto Corporation	Yangzhou Aichuang Electronic Trade Corporation (note 2)	Business of opto-electronics	100.00 %	100.00 %	- %	3
Edison Fund Investment Corporation	Edison Opto USA Corporation	Business of opto-electronics	55.00 %	55.00 %	55.00 %	3
Edison Fund Investment Corporation	Edison Auto Lighting Corporation (note 2)	Business of opto-electronics	51.00 %	51.00 %	- %	3
Edison Fund Investment Corporation	Davinci Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	3
Edison Fund Investment Corporation	Ledionopto Lighting Inc.	Business of opto-electronics	100.00 %	100.00 %	100.00 %	3
Ledionopto Lighting Inc.	Led Plus Co., Ltd. (note 4)	Investment	- %	100.00 %	100.00 %	3
Edison-Litek Opto Corporation Limited	Yangzhou Edison-Litek Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
Led Plus Co., Ltd.	Dong Guan Davinci Opto Corporation (note 4)	Business of opto-electronics	- %	100.00 %	100.00 %	3
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited (note 1)	Investment	28.06 %	0.28 %	0.28 %	5

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1: The Company and Edison-Litek Opto Corporation Limited held 72.64% of Edison-Litek Opto Corporation Limited in Total.

Note 2: The Company has been registered in 2019.

Note 3: The Company is a non-significant subsidiary, its financial statements have not been reviewed.

Note 4: The dissolution of the Company has been registered in 2020.

Note 5: Edison-Litek Opto Corporation purchased all the shares issued by Edison-Litek Opto Corporation Limited with the amount of USD1,100 thousand by cash, which makes the shareholding ratio increased from 0.28% to 28.06%.

(ii) Subsidiaries excluded from the consolidated financial statements: None.

(c) Income taxes

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

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

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Except for the following, the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019.

Please refer to note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2020	December 31, 2019	September 30, 2019
Cash	\$ 8,551	7,337	7,140
Demand Deposit	464,571	776,127	499,002
Time Deposit	743,821	217,072	471,394
	<u><u>\$ 1,216,943</u></u>	<u><u>1,000,536</u></u>	<u><u>977,536</u></u>

(b) Financial assets at fair value through other comprehensive income

	September 30, 2020	December 31, 2019	September 30, 2019
Debt investments at fair value through other comprehensive income			
Unlisted common shares—Foreign Company – LEDLitek Co., Ltd.	<u><u>\$ 106,124</u></u>	<u><u>106,631</u></u>	<u><u>86,625</u></u>

The Group holds 15.39% of common shares of LED Litek Co., Ltd, and the main operating activities of the Company are Sales car lighting module. The Group designated the investments shown above should recognize as fair value through other comprehensive income, because these investments were intended to be held for long-term strategic purposes.

There were no disposed of investments for the nine months ended September 30, 2020 and 2019 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

The above financial assets of the Group were not pledged.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Notes and accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 12,918	1,145	8,468
Accounts receivable	428,703	429,988	463,352
Overdue receivable	2,027	56,095	56,144
Less: Loss allowance	(27,181)	(62,522)	(66,404)
	<u>\$ 416,467</u>	<u>424,706</u>	<u>461,560</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision in Taiwan was determined as follows:

September 30, 2020			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 404,830	0.01%	18
1 to 30 days past due	4,315	2.92%	126
31 to 90 days past due	375	7.47%	28
91 to 180 days past due	32,101	77.82%	24,982
	<u>\$ 441,621</u>		<u>25,154</u>
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
180 days past due	\$ 2,027	100%	2,027
December 31, 2019			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 405,311	0.02%	94
1 to 30 days past due	7,345	3.50%	257
31 to 90 days past due	9,915	8.89%	881
91 to 180 days past due	8,562	60.86%	5,195
	<u>\$ 431,133</u>		<u>6,427</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
180 days past due	<u>\$ 56,095</u>	100%	<u>56,095</u>
September 30, 2019			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 453,253	0.63%	2,868
1 to 30 days past due	3,111	4.85%	151
31 to 90 days past due	4,313	7.60%	328
91 to 180 days past due	<u>11,143</u>	62.03%	<u>6,913</u>
	<u>\$ 471,820</u>		<u>10,260</u>
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
180 days past due	<u>\$ 56,144</u>	100%	<u>56,144</u>

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

	For the nine months ended September 30,	
	2020	2019
Balance at January 1	\$ 62,522	61,054
Impairment losses recognized	18,739	5,505
Amounts written off	(54,047)	-
Foreign exchange losses	<u>(33)</u>	<u>(155)</u>
Balance at September 30	<u>\$ 27,181</u>	<u>66,404</u>

Note and account receivables of the Group were not pledged.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Inventories

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	\$ 86,568	84,934	79,480
Supplies	3,072	3,131	3,389
Work in progress	53,740	69,318	70,383
Finished goods	73,429	87,331	97,910
	<u>\$ 216,809</u>	<u>244,714</u>	<u>251,162</u>

The details of the cost of sales were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Inventory that has been sold	\$ 369,864	429,465	1,159,002	1,400,722
Write-down of inventories	276	(3,948)	4,546	6,300
Unallocated production overheads	12,639	13,746	26,941	47,846
	<u>\$ 382,779</u>	<u>439,263</u>	<u>1,190,489</u>	<u>1,454,868</u>

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

(e) Changes in ownership interests in subsidiaries

- (i) Edison-Litek Opto Corporation Limited had processed a cash capital increase in July, 2020. The Group purchased all the shares issued with the amount of \$32,417 thousand by cash through Edison-Litek Opto Corporation, which makes the shareholding ratio increased from 62.08% to 72.64%.

The effect of changes in shareholdings was as follows:

Capital surplus differences between consideration and carrying amounts subsidiaries acquired	<u>\$ 14,381</u>
--	------------------

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Material non-controlling interests of subsidiaries

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Parentage of non-controlling interests</u>		
		<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Edison-Litek Opto Corporation Limited	Hong Kong	27.36 %	37.92 %	37.92 %

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

(i) Edison-Litek Opto Corporation Limited's collective financial information

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current assets	\$ 212,160	238,809	234,212
Non-current assets	101,473	121,798	130,313
Current liabilities	(65,501)	(114,205)	(120,539)
Non-current liabilities	-	(3,297)	(3,368)
Net assets	<u>\$ 248,132</u>	<u>243,105</u>	<u>240,618</u>
Non-controlling interests	<u>\$ 67,890</u>	<u>92,186</u>	<u>91,243</u>

	<u>For the nine months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Sales revenue	<u>\$ 46,309</u>	<u>91,495</u>	<u>153,842</u>	<u>408,209</u>
Net income	\$ (9,628)	2,533	(25,491)	11,581
Other comprehensive income	3,969	(7,072)	(3,033)	(4,712)
Comprehensive income	<u>\$ (5,659)</u>	<u>(4,539)</u>	<u>(28,524)</u>	<u>6,869</u>
Profit, attributable to non-controlling interests	<u>\$ (3,383)</u>	<u>961</u>	<u>(9,399)</u>	<u>4,392</u>
Comprehensive income, attributable to non-controlling	<u>\$ 2,683</u>	<u>(1,721)</u>	<u>460</u>	<u>2,605</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the nine months ended September 30,	
	2020	2019
Net cash flows from operating activities	\$ (46,635)	41,341
Net cash flows from investing activities	4,356	4,296
Net cash flows from financing activities	43,472	-
Effect of exchange rate changes on cash and cash equivalents	(3,033)	(4,714)
Net increase (decrease) in cash and cash equivalents	<u><u>\$ (1,840)</u></u>	<u><u>40,923</u></u>

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Consolidated Company for the nine months ended September 30, 2020 and 2019, 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 decked cost:						
Balance at January 1, 2020	\$ 260,051	803,349	1,367,864	38,611	214,443	2,684,318
Additions	-	1,730	20,099	-	1,439	23,268
Disposal	-	(3,223)	(197,795)	(112)	(13,975)	(215,105)
Reclassify	-	3,597	25,935	-	365	29,897
Effect of movements in exchange rates	-	(3,328)	(6,522)	(209)	(1,215)	(11,274)
Balance at September 30, 2020	<u><u>\$ 260,051</u></u>	<u><u>802,125</u></u>	<u><u>1,209,581</u></u>	<u><u>38,290</u></u>	<u><u>201,057</u></u>	<u><u>2,511,104</u></u>
Balance at January 1, 2019	\$ 260,051	827,817	1,406,584	46,024	232,182	2,772,658
Additions	-	1,106	10,443	661	5,287	17,497
Disposal	-	(1,329)	(43,080)	(7,226)	(21,564)	(73,199)
Reclassify	-	-	3,556	558	2,941	7,055
Effect of movements in exchange rates	-	(11,846)	(20,636)	(720)	(3,831)	(37,033)
Balance at September 30, 2019	<u><u>\$ 260,051</u></u>	<u><u>815,748</u></u>	<u><u>1,356,867</u></u>	<u><u>39,297</u></u>	<u><u>215,015</u></u>	<u><u>2,686,978</u></u>
Depreciation and impairments loss:						
Balance at January 1, 2020	\$ -	208,227	1,138,279	27,468	65,558	1,439,532
Depreciation	-	17,593	51,405	2,677	10,053	81,728
Disposal	-	(2,914)	(194,786)	(61)	(12,470)	(210,231)
Effect of movements in exchange rates	-	(675)	(4,994)	(130)	(382)	(6,181)
Balance at September 30, 2020	<u><u>\$ -</u></u>	<u><u>222,231</u></u>	<u><u>989,904</u></u>	<u><u>29,954</u></u>	<u><u>62,759</u></u>	<u><u>1,304,848</u></u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Building and construction	Machinery and equipment	Molding equipment	Other facilities	Total
Balance at January 1, 2019	\$ -	190,327	865,467	30,463	78,349	1,164,606
Depreciation	-	18,647	83,999	3,551	11,256	117,453
Disposal	-	(1,329)	(30,597)	(6,615)	(21,711)	(60,252)
Effect of movements in exchange rates	-	(2,688)	(12,769)	(505)	(1,703)	(17,665)
Balance at September 30, 2019	<u>\$ -</u>	<u>204,957</u>	<u>906,100</u>	<u>26,894</u>	<u>66,191</u>	<u>1,204,142</u>
Carrying amounts:						
Balance at January 1, 2020	<u>\$ 260,051</u>	<u>595,122</u>	<u>229,585</u>	<u>11,143</u>	<u>148,885</u>	<u>1,244,786</u>
Balance at September 30, 2020	<u>\$ 260,051</u>	<u>579,894</u>	<u>219,677</u>	<u>8,336</u>	<u>138,298</u>	<u>1,206,256</u>
Balance at January 1, 2019	<u>\$ 260,051</u>	<u>637,490</u>	<u>541,117</u>	<u>15,561</u>	<u>153,833</u>	<u>1,608,052</u>
Balance at September 30, 2019	<u>\$ 260,051</u>	<u>610,791</u>	<u>450,767</u>	<u>12,403</u>	<u>148,824</u>	<u>1,482,836</u>

Some of the property, plant and equipment that belongs to the Group had been pledged as collateral for short-term borrowings; please refer to note 8.

(h) Right-of-use assets

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

	Land	Building and Construction	Machinery equipment	Vehicles	Total
Cost:					
Balance at January 1, 2020	\$ 31,948	31,091	173	4,659	67,871
Additions	-	37,103	-	1,162	38,265
Disposal	-	(11,997)	(173)	-	(12,170)
Effect of changes in foreign exchange rates	(180)	(163)	-	-	(343)
Balance at September 30, 2020	<u>\$ 31,768</u>	<u>56,034</u>	<u>-</u>	<u>5,821</u>	<u>93,623</u>
Balance at January 1, 2019	33,280	33,273	779	-	67,332
Additions	-	38	464	3,842	4,344
Disposals	-	(1,111)	(599)	-	(1,710)
Effect of changes in foreign exchange rates	(640)	(586)	(4)	-	(1,230)
Balance at September 30, 2019	<u>\$ 32,640</u>	<u>31,614</u>	<u>640</u>	<u>3,842</u>	<u>68,736</u>
Accumulated depreciation:					
Balance at January 1, 2020	\$ 843	12,207	112	657	13,819
Depreciation	628	8,662	61	1,151	10,502
Disposal	-	(11,997)	(173)	-	(12,170)
Effect of changes in foreign exchange rates	(5)	(59)	-	-	(64)
Balance at September 30, 2020	<u>\$ 1,466</u>	<u>8,813</u>	<u>-</u>	<u>1,808</u>	<u>12,087</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Building and Construction</u>	<u>Machinery equipment</u>	<u>Vehicles</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation	669	9,769	206	349	10,993
Disposals	-	(131)	(107)	-	(238)
Effect of changes in foreign exchange rates	(24)	(310)	(2)	-	(336)
Balance at September 30, 2019	<u>\$ 645</u>	<u>9,328</u>	<u>97</u>	<u>349</u>	<u>10,419</u>
Carrying amount:					
Balance at January 1, 2020	<u>\$ 31,105</u>	<u>18,884</u>	<u>61</u>	<u>4,002</u>	<u>54,052</u>
Balance at September 30, 2020	<u>\$ 30,302</u>	<u>47,221</u>	<u>-</u>	<u>4,013</u>	<u>81,536</u>
Balance at January 1, 2019	<u>\$ 33,280</u>	<u>33,273</u>	<u>779</u>	<u>-</u>	<u>67,332</u>
Balance at September 30, 2019	<u>\$ 31,995</u>	<u>22,286</u>	<u>543</u>	<u>3,493</u>	<u>58,317</u>

(i) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the nine months ended September 30, 2020 and 2019 were as follows:

	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2020	<u>\$ -</u>	<u>6,354</u>	<u>6,354</u>
Balance at September 30, 2020	<u>\$ -</u>	<u>4,277</u>	<u>4,277</u>
Balance at January 1, 2019	<u>\$ 25,086</u>	<u>2,598</u>	<u>27,684</u>
Balance at September 30, 2019	<u>\$ 25,086</u>	<u>6,910</u>	<u>31,996</u>

As of September 30, 2020 and 2019, the intangible assets of the Group were not pledged.

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Secured bank loans	\$ 159,075	126,455	80,000
Unsecured bank loans	264,600	156,940	160,120
Total	<u>\$ 423,675</u>	<u>283,395</u>	<u>240,120</u>
Unused short-term credit lines	<u>\$ 1,100,671</u>	<u>1,491,747</u>	<u>1,469,352</u>
Range of interest rates	<u>0.155%~1.4%</u>	<u>1.07%~2.96%</u>	<u>1.09%~2.91%</u>

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Lease liability

The carrying values of the lease liabilities were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Current	\$ <u>12,313</u>	<u>10,115</u>	<u>11,973</u>
Non-current	\$ <u>40,669</u>	<u>14,200</u>	<u>15,521</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest on lease liabilities	\$ <u>990</u>	<u>1,034</u>	<u>2,416</u>	<u>3,134</u>
Expenses relating to short-term leases	\$ <u>255</u>	<u>275</u>	<u>784</u>	<u>821</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>45</u>	<u>-</u>	<u>142</u>	<u>40</u>

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

	For the nine months ended September 30,	
	2020	2019
Total cash outflow for leases	\$ <u>12,801</u>	<u>16,126</u>

(i) Real estate leases

The Group leases building for its employee dormitories and plant offices. The lease terms ranged for a period of 1 to 2 years and 2 to 5 years for employee dormitories and plant offices, respectively. Some of the terms can be extended upon maturity. However, if the option of extension is uncertain, the related expenditures incurred in the covered period cannot be accounted for as lease liabilities.

(ii) Other leases

The Group leases machinery and vehicle, with lease terms ranging for a period of 4 to 5 years. Some of the terms can be extended upon maturity. However, if the option of extension is uncertain, the related expenditures incurred in the covered period would not be accounted for as lease liabilities.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Some buildings leased by the Group have a term with no more than a year are considered as short-term leases. Therefore, the Group decided to apply the exemption for recognition to recognize its right of use assets and lease liabilities.

(l) Deferred income

The agreement between Yangzhou Edison Opto Corporation and Yangzhou Land And Resources Bureau entitled right of land use of Yangzhou Economic Development Zone, from December, 2006 to December, 2056. The right of land use of CNY \$9,788 thousand is subsidized by the Administrative Commission of Yangzhou Economic Development Zone, generating the long-term deferred revenue of CNY \$9,393 thousand recognized under other non-current liabilities and is amortized for 50 years to recognize revenue. As of September 30, 2020, December 31, 2019 and September 30, 2019, the amount of unamortized deferred revenue was \$29,079 thousand, \$29,851 thousand and \$31,994 thousand, respectively.

(m) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Operating cost	\$ 65	90	264	294
Operating expenses	185	123	484	344
	<u>\$ 250</u>	<u>213</u>	<u>748</u>	<u>638</u>

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the nine months ended September 30, 2020 and 2019, were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Operating cost	\$ 465	2,479	2,916	9,502
Operating expenses	816	1,658	3,334	5,733
	<u>\$ 1,281</u>	<u>4,137</u>	<u>6,250</u>	<u>15,235</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Income taxes

(i) The components of income tax in the years 2020 and 2019 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Current tax expense				
Current period	\$ 3,315	318	9,691	14,381
Adjustment for prior periods	-	-	-	-
Income tax expense	<u>\$ 3,315</u>	<u>318</u>	<u>9,691</u>	<u>14,381</u>

(ii) Assessment of tax

The Company's tax returns for the years through 2017 were assessed by the Taipei National Tax Administration.

(o) Capital and other equity

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

Reconciliation of the shares outstanding for the nine months ended September 30, 2020 and 2019 was as follows:

	Ordinary shares	
(in thousands of shares)	September 30, 2020	September 30, 2019
Balance on January 1	125,001	125,001
Issuance of restricted stocks	-	2,000
Retirement of restricted stocks	(827)	-
Retirement of treasury stocks	(1,618)	(2,000)
Balance on September 30	<u>122,556</u>	<u>125,001</u>

(i) Ordinary shares

The Company purchased and retired 827 thousand restricted stocks and 1,618 thousand treasury shares in August 2020. The related registration procedures were completed.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Share capital	\$ 1,439,808	1,738,499	1,738,349
Employee share options	72,142	72,142	72,142
Difference arising from subsidiary's share price and its carrying value	14,381	-	-
Restricted stock	27,195	30,917	30,917
	<u>\$ 1,553,526</u>	<u>1,841,558</u>	<u>1,841,408</u>

A resolution was decided during the board of shareholders' meeting held on June 16, 2020 to distribute the cash dividend of \$12,300. Each share could receive a cash dividend of \$0.10081853 from capital reserve. On June 18, 2019, the Company's shareholders approved to distribute the cash dividend of \$36,000 by capital surplus. Each share could receive a cash dividend of \$0.2999 from 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 common stock 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) Earnings distribution

The Board of Directors approved a resolution to cover the deficit on March 3, 2020, so there were no earnings distributed for 2019. A resolution was approved during the shareholders' meeting on June 18, 2019 to reclassify the distributable earnings of the Company to legal reserve and special reserve. Therefore, there were no earnings distributed for 2018.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Treasury shares

- 1) The Company has decided to retire 2,000 thousand treasury shares via the Board Meeting in May 2019. The amount was \$34,836, and the related registration procedures were completed. As of September 30, 2020, 3,000 thousand shares of treasury shares had not been sold.
- 2) The Group purchased 1,618 thousand treasury shares to maintain the credit of the Company and shareholders' benefits through April to May 2020. The Company decided to retire 1,618 thousand treasury shares via the Board Meeting in August 2020. The amount retired was \$19,832, and the related registration procedures were completed. As of September 30, 2020, 3,000 thousand shares of treasury share has not been sold.
- 3) Ledionopto Lighting Inc., sub-subsidiary of the Company, held 500 thousand shares of the Company's treasury share. As of September 30, 2020, all treasury shares were not sold and the market price on September 30, 2020, December 31 and September 30, 2019 was \$11.25, \$13.25 and \$13.40 per share, respectively.
- 4) In compliance with the Securities and Exchange Act, treasury shares held by the Group should not be pledged, and shareholder rights are not entitled before the transfer.

(p) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to September 30, 2020 and 2019. For the related information, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2019.

(i) Restricted stocks

Details of the restricted stock of the Company are as follows:

	For the three months ended September 30,	
	2020	2019
Outstanding at January 1 (number)	\$ 2,000	263
Vested during the year (number)	-	(263)
Granted during the year (number)	-	2,000
Forfeited during the year (number)	(827)	-
Outstanding at September 30 (number)	<u><u>\$ 1,173</u></u>	<u><u>2,000</u></u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Expense recognized in profit or loss

The Group incurred expenses of share-based arrangements in 2020 and 2019 as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Expenses (reversed) resulting from restricted stocks	\$ <u>(7,091)</u>	<u>4,712</u>	<u>(566)</u>	<u>5,238</u>

(q) Earnings (loss) per share

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Basic earnings per share				
Profit (loss) of the Company for the year	\$ <u>25,781</u>	<u>(5,886)</u>	<u>30,551</u>	<u>3,500</u>
Weighted average number of ordinary shares (in thousands of shares)	<u>118,383</u>	<u>120,001</u>	<u>119,282</u>	<u>119,914</u>
Basic earnings (loss) per share	\$ <u>0.22</u>	<u>(0.05)</u>	<u>0.26</u>	<u>0.03</u>
Diluted earnings per share				
Profit (loss) of the Company for the year	\$ <u>25,781</u>	<u>(5,886)</u>	<u>30,551</u>	<u>3,500</u>
Weighted average number of ordinary shares (in thousands of shares)	118,383	120,001	119,282	119,914
Effect of restricted employee shares unrested	1,182	-	1,727	754
Effect of employee share bonus (in thousands of shares)	-	-	-	32
Weighted average number of ordinary shares (in thousands of shares)	<u>119,565</u>	<u>120,001</u>	<u>121,009</u>	<u>120,700</u>
Diluted earnings (loss) per share	\$ <u>0.22</u>	<u>(0.05)</u>	<u>0.25</u>	<u>0.03</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Revenue from contracts with customers

(i) Revenue detail

For the three months ended September 30, 2020							
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison- Litek Opto Corporation	Other	Total
Major market:							
China	\$ 21,610	95,224	79,926	14,950	-	-	211,710
America and Europe	49,541	-	-	167	69,304	25,527	144,539
Taiwan	23,057	-	-	-	12	363	23,432
Africa	8,864	-	-	-	-	4,266	13,130
Others	82,249	-	104	-	24	3,244	85,621
	<u>\$ 185,321</u>	<u>95,224</u>	<u>80,030</u>	<u>15,117</u>	<u>69,340</u>	<u>33,400</u>	<u>478,432</u>
Major product:							
LED transmitter component	\$ 13,228	63,770	-	-	-	-	76,998
LED lighting component	67,912	6,442	56,904	-	-	6,367	137,625
LED lighting module and product	103,472	24,832	7,003	-	-	15,405	150,712
Automotive LED lighting module	-	-	-	15,117	69,340	10,662	95,119
Others	709	180	16,123	-	-	966	17,978
	<u>\$ 185,321</u>	<u>95,224</u>	<u>80,030</u>	<u>15,117</u>	<u>69,340</u>	<u>33,400</u>	<u>478,432</u>
For the three months ended September 30, 2019							
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison- Litek Opto Corporation	Other	Total
Major market							
China	\$ 16,916	83,664	71,654	5,863	-	1,987	180,084
America and Europe	78,710	-	-	2,795	92,662	56,097	230,264
Taiwan	6,968	-	-	-	-	24	6,992
Africa	7,309	-	-	-	-	804	8,113
Others	75,404	22,146	-	-	2,784	8,249	108,583
	<u>\$ 185,307</u>	<u>105,810</u>	<u>71,654</u>	<u>8,658</u>	<u>95,446</u>	<u>67,161</u>	<u>534,036</u>
Major product:							
LED transmitter component	\$ 4,787	54,297	-	-	-	-	59,084
LED lighting component	99,027	1,341	61,626	-	-	12,677	174,671
LED lighting module and product	52,907	50,071	8,140	-	-	53,994	165,112
Automotive LED lighting module	-	-	-	8,658	92,245	-	100,903
Others	28,586	101	1,888	-	3,201	490	34,266
	<u>\$ 185,307</u>	<u>105,810</u>	<u>71,654</u>	<u>8,658</u>	<u>95,446</u>	<u>67,161</u>	<u>534,036</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2020							
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Other	Total
Major market							
China	\$ 40,236	254,903	212,964	36,243	-	1,623	545,969
America and Europe	149,777	-	-	2,577	217,454	71,912	441,720
Taiwan	68,370	-	-	-	27	392	68,789
Africa	148,116	-	-	-	-	8,203	156,319
Others	235,102	-	335	17	2,632	8,335	246,421
	<u>\$ 641,601</u>	<u>254,903</u>	<u>213,299</u>	<u>38,837</u>	<u>220,113</u>	<u>90,465</u>	<u>1,459,218</u>
Major product:							
LED transmitter component	\$ 26,372	139,723	-	-	-	-	166,095
LED lighting component	215,465	10,972	150,716	-	-	15,355	392,508
LED lighting module and product	392,162	103,615	30,590	-	-	58,891	585,258
Automotive LED lighting module	-	-	-	37,962	220,113	14,507	272,582
Others	7,602	593	31,993	875	-	1,712	42,775
	<u>\$ 641,601</u>	<u>254,903</u>	<u>213,299</u>	<u>38,837</u>	<u>220,113</u>	<u>90,465</u>	<u>1,459,218</u>
For the nine months ended September 30, 2019							
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Other	Total
Major market							
China	\$ 38,889	234,351	237,966	14,296	-	1,987	527,489
America and Europe	222,537	-	-	3,861	475,433	91,983	793,814
Taiwan	56,647	-	-	-	-	24	56,671
Africa	40,179	-	-	-	-	16,143	56,322
Others	310,637	22,239	72	2	3,201	8,249	344,400
	<u>\$ 668,889</u>	<u>256,590</u>	<u>238,038</u>	<u>18,159</u>	<u>478,634</u>	<u>118,386</u>	<u>1,778,696</u>
Major product:							
LED transmitter component	\$ 17,554	137,633	-	-	-	-	155,187
LED lighting component	358,813	9,294	203,965	-	-	25,408	597,480
LED lighting module and product	252,284	109,372	20,740	-	-	92,118	474,514
Automotive LED lighting module	-	-	-	16,609	475,433	-	492,042
Others	40,238	291	13,333	1,550	3,201	860	59,473
	<u>\$ 668,889</u>	<u>256,590</u>	<u>238,038</u>	<u>18,159</u>	<u>478,634</u>	<u>118,386</u>	<u>1,778,696</u>

(ii) Contract balances

	September 30, 2020	December 31, 2019	September 30, 2019
Note receivables	\$ 12,918	1,145	8,468
Accounts receivables	428,703	429,988	463,352
Less: Loss allowance	(25,154)	(6,427)	(10,260)
Total	<u>\$ 416,467</u>	<u>424,706</u>	<u>461,560</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(s) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute 5%~15% of the profit as employee compensation and less than 3% as directors' and supervisors' 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 supervisor and of compensation for employees entitled to receive the abovementioned employee compensation 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 three months and nine months period ended September 30, 2020, there were no estimated remunerations to employees and directors as the amounts were immaterial. For the three months and nine months period ended September 30, 2019, the remunerations to employees and directors amounted to \$0,\$0, \$315 and \$63, respectively.

The Company has suffered in loss so there is no estimated employee and directors' remuneration in 2019. In 2018, the employee compensation and directors' remuneration were \$539 and \$108 respectively and there is no difference between the actual amount and the estimated amount. Related information would be available at the Market Observation Post System website.

(t) Non-operating income and expenses

(i) Interest income

The details of net other income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest income from bank deposits	\$ 2,008	1,887	6,180	5,298
Other interest income	1,912	2,744	8,619	9,356
	\$ 3,920	4,631	14,799	14,654

(ii) Other income

The details of net other income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Other income-others	\$ 10,496	4,502	16,530	14,826

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Net gains (losses) on disposal of Property, plant, and equipment	\$ 12,566	(331)	11,136	(384)
Net gains(losses) on foreign exchange	(5,418)	4,717	(5,845)	1,964
Others	(1,342)	(1,898)	(2,406)	(2,763)
	<u>\$ 5,806</u>	<u>2,488</u>	<u>2,885</u>	<u>(1,183)</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest expenses	\$ <u>1,895</u>	<u>3,029</u>	<u>6,414</u>	<u>9,436</u>

(u) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note6(v) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

Accounts receivable were due from many customers. Therefore, there was no concentration of credit risk. In order to reduce the credit risk of accounts receivable, the Company continually evaluates each customer's financial situation. Otherwise, the customer will have to provide bank guarantees or collaterals.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 time deposits.

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(g) of the consolidated financial statements for the year ended December 31, 2019.

(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>
September 30, 2020							
Non-derivative financial liabilities							
Secured loans	\$ 159,075	(159,201)	(159,201)	-	-	-	-
Unsecured loans	264,600	(264,690)	(264,690)	-	-	-	-
Lease liabilities	52,982	(68,952)	(9,444)	(9,195)	(17,776)	(32,537)	-
Notes payable and accounts payable	291,914	(291,914)	(291,914)	-	-	-	-
Other payable	94,377	(94,377)	(94,377)	-	-	-	-
	<u><u>\$ 862,948</u></u>	<u><u>(879,134)</u></u>	<u><u>(819,626)</u></u>	<u><u>(9,195)</u></u>	<u><u>(17,776)</u></u>	<u><u>(32,537)</u></u>	<u><u>-</u></u>
December 31, 2019							
Non-derivative financial liabilities							
Secured loans	\$ 126,455	(126,860)	(126,860)	-	-	-	-
Unsecured loans	156,940	(157,035)	(157,035)	-	-	-	-
Lease liabilities	24,135	(28,914)	(8,076)	(4,480)	(7,463)	(8,895)	-
Notes payable and accounts payable	319,740	(319,740)	(319,740)	-	-	-	-
Other payable	140,594	(140,594)	(140,594)	-	-	-	-
	<u><u>\$ 767,864</u></u>	<u><u>(773,143)</u></u>	<u><u>(752,305)</u></u>	<u><u>(4,480)</u></u>	<u><u>(7,463)</u></u>	<u><u>(8,895)</u></u>	<u><u>-</u></u>
September 30, 2019							
Non-derivative financial liabilities							
Secured loans	\$ 80,000	(80,111)	(80,111)	-	-	-	-
Unsecured loans	160,120	(160,221)	(160,221)	-	-	-	-
Lease liabilities	27,494	(32,984)	(8,153)	(6,622)	(7,347)	(10,862)	-
Notes payable and accounts Payable	267,698	(267,698)	(267,698)	-	-	-	-
Other payable	120,682	(120,682)	(120,682)	-	-	-	-
	<u><u>\$ 655,994</u></u>	<u><u>(661,696)</u></u>	<u><u>(636,865)</u></u>	<u><u>(6,622)</u></u>	<u><u>(7,347)</u></u>	<u><u>(10,862)</u></u>	<u><u>-</u></u>

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	September 30, 2020				December 31, 2019				September 30, 2019				
	Foreign currency	Exchange rate		TWD	Foreign currency	Exchange rate		TWD	Foreign currency	Exchange rate		TWD	
<u>Financial assets</u>													
<u>Monetary items</u>													
USD	\$	8,470	USD/TWD=	29.1000	246,477	11,106	USD/TWD=	29.9800	332,958	9,671	USD/TWD=	31.0400	300,188
USD		7,064	USD/CNY=	6.8101	205,505	8,380	USD/CNY=	6.9762	251,154	16,369	USD/CNY=	7.0729	508,149
CNY		113,134	CNY/TWD=	4.2719	483,295	36,288	CNY/TWD=	4.2961	155,988	22,727	CNY/TWD=	4.3891	99,750
<u>Financial liabilities</u>													
<u>Monetary items</u>													
USD		16,486	USD/TWD=	29.1000	479,743	12,455	USD/TWD=	29.9800	373,401	11,351	USD/TWD=	31.0400	352,335
USD		2,932	USD/CNY=	6.8101	85,298	799	USD/CNY=	6.9762	23,947	3,057	USD/CNY=	7.0729	94,900
CNY		3,548	CNY/TWD=	4.2719	15,157	3,574	CNY/TWD=	4.2961	15,354	1,234	CNY/TWD=	4.3891	5,416

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, financial assets at fair value through other comprehensive income, 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 September 30, 2020 and 2019 would have increased (decreased) the equity by \$17,753 and \$22,772 due to cash flow hedges. 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.

Since the Consolidated Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the nine months ended September 30, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(5,845) and \$1,964, respectively.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Fair value of financial instruments

- 1) The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and financial assets at fair value through other comprehensive income (available for sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

September 30, 2020				
	Book Value	Fair Value		
		Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income				Total
	\$ 106,124	-	-	106,124
				106,124
December 31, 2019				
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income				Total
	\$ 106,631	-	-	106,631
				106,631
September 30, 2019				
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income				Total
	\$ 86,625	-	-	86,625
				86,625

2) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
January 1, 2020	\$ 106,631
Total gains and losses recognized:	
In other comprehensive income	(507)
September 30, 2020	\$ 106,124
January 1, 2019	\$ 94,499
Total gains and losses recognized:	
In other comprehensive income	(7,874)
September 30, 2019	\$ 86,625

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2020 and 2019, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Total gains and losses recognized:				
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ -	-	(507)	(7,874)

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

The Group’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – debt investments” and “fair value through other comprehensive income (available-for-sale financial assets) – equity investments”.

Most fair values in Level 3 include one significant unobservable input, and the fair values of investments in equity instrument without active market consist of multiple significant unobservable inputs. Therefore, significant unobservable inputs of investments in equity instrument without active market are independent with no inter-relationship.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Market comparable companies	<ul style="list-style-type: none"> Assets multiple (1.81%, 1.56% and 1.97% on September 30, 2020, and December 31 and September 30, 2019, respectively) Discount for lack of marketability (25% on September 30, 2020, and December 31 and September 30, 2019) 	<ul style="list-style-type: none"> The higher the assets multiple, the higher the fair value The higher the discount for lack of marketability, the lower the fair value

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 4) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

The fair value measurement of financial instruments by the Consolidated Company is reasonable, but the use of different evaluation models or evaluation parameters may result in different evaluation results. For fair value measurements in Level 3, if the evaluation parameters change, would have the following effects of profit or loss or other comprehensive income:

	<u>Input</u>	<u>Change</u>	<u>Recognized in other comprehensive income</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>
September 30, 2020				
Financial assets fair value through other comprehensive income	1.81	1%	1,171	(1,171)
December 31, 2019				
Financial assets fair value through other comprehensive income	1.56	1%	1,066	(1,066)
September 30, 2019				
Financial assets fair value through other comprehensive income	1.97	1%	1,294	(1,294)

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

- (v) Financial risk management

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

- (w) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2019 for further details.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the years ended September 30, 2020 and 2019, were as follows:

	January 1, 2020	Cash Flows	Non-cash changes Foreign exchange movement	Changes in lease payments	September 30, 2020
Short-term borrowings	\$ 283,395	123,121	17,159	-	423,675
Lease liabilities	24,315	(9,459)	(139)	38,265	52,982
Total liabilities from financing activities	<u>\$ 307,710</u>	<u>113,662</u>	<u>17,020</u>	<u>38,265</u>	<u>476,657</u>

	January 1, 2019	Cash Flows	Non-cash changes Foreign exchange movement	Changes in lease payments	September 30, 2019
Short-term borrowings	\$ 239,145	855	120	-	240,120
Lease liabilities	34,052	(12,131)	(399)	5,972	27,494
Total liabilities from financing activities	<u>\$ 273,197</u>	<u>(11,276)</u>	<u>(279)</u>	<u>5,972</u>	<u>267,614</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Wu, Chien-Jung	The Company's chairman
Wu, Pei-Chun	First degree kinship of the Company's chairman

(b) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Short-term employee benefits	\$ 7,870	12,709	26,872	38,560
Share-based payments	-	2,001	-	2,159
	<u>\$ 7,870</u>	<u>14,710</u>	<u>26,872</u>	<u>40,719</u>

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Significant transactions with related parties

(i) The acquisitions of shares from related parties by June 30, 2019 are summarized as follows:

	<u>Number of shares</u>	<u>Company</u>	<u>Price of acquisition</u>
Other related parties	336 thousand of shares	LedionOpto Lighting Inc.	\$ <u><u>3,695</u></u>

Price per share from related parties, which is similar to one from non-related parties, is determined by Board of Directors with reference of external appraisal.

(ii) Guarantee

A key management personnel provided a joint guarantee for the borrowings of the Group from certain financial institutions.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Deposits (classified under current assets)	The guarantee letter of credit	\$ 17,542	9,252	11,906
Deposits (classified under current assets)	Short-term loans	108,981	64,442	-
Deposits (classified under non-current assets)	Deposit to customs	8,085	2,787	2,787
Property, plant, and equipment	Short-term loans	<u>55,126</u>	<u>56,452</u>	<u>56,894</u>
		<u>\$ 189,734</u>	<u>132,933</u>	<u>71,587</u>

(9) Commitments and contingencies:

The Consolidated Company's unrecognized contractual commitments are as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Acquisition of property, plant and equipment	<u>\$ 8,659</u>	<u>18,023</u>	<u>24,224</u>

(10) Losses Due to Major Disasters: None.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(11) Subsequent Events:

- (a) In response to the demand of operating space, the Board of Directors made a resolution on November 10, 2020 that the Company would purchase new plant and office. The total transaction price is approximately \$536,000, the actual price is subject to the signing date.
- (b) Due to the need of repaying bank loans, the Board of Directors made a resolution on November 10, 2020 that the Company would issue the third domestic secured convertible bonds, with a total denomination of \$300,000. The actual issuance amount and conversion method will be issued after being approved by the authority.

(12) Other:

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

By item	By function	For the three months ended September 30,					
		2020			2019		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		38,055	28,607	66,662	58,103	46,075	104,178
Labor and health insurance		2,181	2,235	4,416	2,113	2,595	4,708
Pension		530	1,001	1,531	2,569	1,781	4,350
Director's remuneration		-	150	150	-	192	192
Others		3,724	1,964	5,688	2,484	2,001	4,485
Depreciation		23,554	8,760	32,314	31,626	9,166	40,792
Amortization		35	586	621	33	359	392

By item	By function	For the nine months ended September 30,					
		2020			2019		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		110,927	103,660	214,587	138,893	132,906	271,799
Labor and health insurance		5,801	7,066	12,867	6,912	8,011	14,923
Pension		3,180	3,818	6,998	9,796	6,077	15,873
Director's remuneration		-	534	534	-	528	528
Others		11,328	6,382	17,710	12,344	8,208	20,552
Depreciation		69,575	22,655	92,230	103,294	25,152	128,446
Amortization		105	1,791	1,896	106	1,162	1,268

- (b) The operation of the Group is not affected by seasonal or periodic factors.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Consolidated 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	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	26,302 (CNY6,000 thousand)	25,631 (CNY6,000 thousand)	-	0%-2.5%	2	-	Short-term financing	-	-	-	228,769 (Note1)	457,537 (Note1)
2	Edison-Litek Opto Corporation Limited	Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	32,439 (USD1,100 thousand)	32,010 (USD1,100 thousand)	32,010 (USD1,100 thousand)	0%-1%	2	-	Short-term financing	-	-	-	49,626 (Note1)	99,253 (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 of Directors.

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

Note 4: The amount was eliminated in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of September 30, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of shares)

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	
Edison Fund Investment Corporation	LED Litek Co., Ltd.	NO	Financial assets through other fair value measurements- non-current	124	106,124	15.39 %	106,124	

Note: Those without public market price will be shown in market approach.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated 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. RMB structured deposits of Bank of Communications - RMB financial product (exchange rate related)	Current financial assets at fair value through profit or loss	-	-	-	-	-	510,588 (RMB120,000 thousand)	-	513,494 (RMB120,683 thousand)	510,588	2,906	-	-
Yangzhou Edison Opto Corporation	FUBON BANK(CHINA) CO., LTD. structured deposits - RMB financial product	Current financial assets at fair value through profit or loss	-	-	-	-	-	680,784 (RMB160,000 thousand)	-	684,562 (RMB160,888 thousand)	680,784	3,778	-	-
Yangzhou Edison Opto Corporation	Bank of Communication Co., Ltd. RMB structured deposits of Bank of communications-RMB financial product (exchange rate and binary option related)	Current financial assets at fair value through profit or loss	-	-	-	-	-	502,078 (RMB118,000 thousand)	-	502,529 (RMB118,000 thousand)	502,078	451	-	-

- (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/Sales	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Edison Opto Corporation	The Company	Parent Company	Sales	(125,467)	(100.00)%	90 days	No sales to other customers	-	26,229	100.00 %	
The Company	Edison Opto Corporation	Subsidiary	Purchase	125,467	18.81 %	90 days	No purchase from other suppliers	-	(26,229)	(12.51)%	
Yangzhou Edison Opto Corporation	The Company	Parent Company	Sales	(303,739)	(54.03)%	90 days	No significant difference	-	118,141	52.94 %	
The Company	Yangzhou Edison Opto Corporation	Subsidiary	Purchase	303,739	45.53 %	90 days	No significant difference	-	(118,141)	(56.37)%	
Edison Opto (Dong Guan) Co., Ltd.	The Company	Parent Company	Sales	(133,383)	(33.79)%	90 days	No significant difference	-	21,752	20.28 %	
The Company	Edison Opto (Dong Guan) Co., Ltd.	Subsidiary	Purchase	133,383	19.99 %	90 days	No significant difference	-	(21,752)	10.38 %	

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sales	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Sub-subsidiary	Sales	(115,005)	(74.75)%	90 days	No significant difference	-	27,474	40.82 %	
Edison-Litek Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Sub-subsidiary	Purchase	115,005	74.83 %	90 days	No significant difference	-	(27,474)	(65.00)%	

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
Yangzhou Edison Opto Corporation	The Company	Sub-subsidiary company	118,141 (USD4,060 thousand)	3.41	-		34,940	-

Note 1 : As of October 26, 2020.

Note 2 : The amount was eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Yangzhou Edison Opto Corporation	1	Sales	27,967	90 days	1.92%
0	The Company	Edison Opto (Dong Guan) Co., Ltd.	1	Sales	59,836	90 days	4.10%
0	The Company	Edison Opto USA Corporation	1	Sales	29,749	90 days	2.04%
0	The Company	Edison Opto USA Corporation	1	Accounts receivable	13,462	90 days	0.38%
0	The Company	Edison-Egypt Opto Corporation	1	Sales	12,158	90 days	0.83%
1	Edison Opto Corporation	The Company	2	Sales	125,467	90 days	8.60%
1	Edison Opto Corporation	The Company	2	Accounts receivable	26,229	90 days	0.74%
2	Yangzhou Edison Opto Corporation	The Company	2	Sales	303,739	90 days	20.82%
2	Yangzhou Edison Opto Corporation	The Company	2	Accounts receivable	118,141	90 days	3.34%
2	Yangzhou Edison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	3	Sales	24,406	90 days	1.67%
2	Yangzhou Edison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	3	Accounts receivable	9,340	90 days	0.26%
2	Yangzhou Edison Opto Corporation	Edison-Egypt Opto Corporation	3	Sales	20,457	90 days	1.40%
2	Yangzhou Edison Opto Corporation	Edison-Egypt Opto Corporation	3	Accounts receivable	16,180	90 days	0.45%
3	Edison Opto (Dong Guan) Co., Ltd.	The Company	2	Sales	133,383	90 days	9.14%

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
3	Edison Opto (Dong Guan) Co., Ltd.	The Company	2	Accounts receivable	21,752	90 days	0.61%
4	Yangzhou Edison-litek Opto Corporation	Edison Litek Opto Corporation	3	Sales	115,005	90 days	7.88%
4	Yangzhou Edison-litek Opto Corporation	Edison Litek Opto Corporation	3	Accounts receivable	27,474	90 days	0.78%
5	Edison-Litek Opto Corporation Limited	Edison Litek Opto Corporation	3	Other receivables	32,010	90 days	0.90%

Note 1: (a) 0 represents The Company

(b) 1 and thereafter represent subsidiaries

Note 2: The relationships between guarantor and guarantee are as follows:

(a) 1 represents parent to subsidiary

(b) 2 represents subsidiary to parent

(c) 3 represents subsidiary to subsidiary

Note 3: Disclose only operating revenue and accounts receivable; related purchase, expense, and prepayment are neglected.

(b) Information on investees:

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

(In Thousands of Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Edison Opto Corporation	Samoa	Selling of LED components and modules	1,041	1,041	30	100.00 %	6,693	2,543	2,543	-
The Company	Edison Opto Corporation	Samoa	Selling of LED components and modules	145,991	145,991	4,500	100.00 %	216,797	15,877	15,877	-
The Company	Best Opto Corporation	Samoa	Selling of LED components and modules	1,550,826	1,841,964	50,000	100.00 %	1,125,911	10,669	10,669	-
The Company	Edison Fund Investment Corporation	Taiwan	Investment	655,000	655,000	21,900	100.00 %	139,484	(1,414)	(1,414)	-
The Company	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	167,661	167,661	5,500	44.58 %	110,949	(25,490)	(15,347)	-
The Company	Edison-Litek Opto Corporation	Taiwan	Selling of LED components and modules	48,900	48,900	9,000	100.00 %	159,631	18,874	18,874	-
The Company	Edison-Egypt Opto Corporation	Taiwan	Selling of LED components and modules	47,940	47,940	4,794	100.00 %	17,028	(23,042)	(23,042)	-
Best Opto Corporation	Best Led Corporation	Samoa	Investment	1,550,826	1,841,964	50,000	100.00 %	1,143,844	10,639	10,639	-
Edison Fund Investment Corporation	Edison Opto USA Corporation	USA	Selling of LED components and modules	6,392	6,392	220	55.00 %	19,926	2,164	1,190	-
Edison Fund Investment Corporation	Ledion Opto Lighting Inc.	Taiwan	Selling of LED components and modules	113,185	113,185	2,200	100.00 %	14,691	(640)	(640)	-
Edison Fund Investment Corporation	Davinci Opto Corporation (Note 2)	Taiwan	Selling of LED components and modules	5,000	5,000	500	100.00 %	959	-	-	-
Ledion Opto Lighting Inc.	Led Plus Limited (Note 2)	Samoa	Investment	-	61,715	-	- %	-	(82)	(82)	-
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	33,187	770	3,463	28.06 %	69,626	(25,490)	(774)	-

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
Edison Fund Investment Corporation	Edison Auto Lighting Corporation (Note 1)	Taiwan	Selling of LED components and modules	5,100	5,100	510	51.00 %	3,197	(3,535)	(1,803)	-

Note 1: The establishment of Company has registered in 2019.

Note 2: The dissolution of Company has registered in 2020.

Note 3: The amount was eliminated in the consolidated financial statements.

(c) Information on investment in mainland China:

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

(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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Edison Opto (Dong Guan) Co., Ltd.	Manufacturing and selling of LED components and modules	USD 145,991 (4,500 thousand)	(b)	USD 145,991 (4,500 thousand)	-	34,583 (USD 1,183 thousand)	111,408 (USD 3,317 thousand)	19,778 (USD 663 thousand)	100.00%	19,778 (USD 663 thousand)	219,987 (USD 7,560 thousand)	34,583 (USD 1,183 thousand)
DongGuan Davinci Opto Co., Ltd. (note 2)	Manufacturing and selling of LED components and modules	-	(b)	USD 60,767 (2,000 thousand)	-	8,512 (USD 286 thousand)	52,255 (USD 1,714 thousand)	(82) (USD 3 thousand)	-%	(82) (USD 3 thousand)	- (USD 0 thousand)	-
Yangzhou Edison Opto Corporation	Manufacturing and selling of LED components and modules	USD 1,550,826 (50,000 thousand)	(b)	USD 1,841,964 (60,000 thousand)	-	291,138 (USD 10,000 thousand)	1,550,826 (50,000 thousand)	10,639 (USD 357 thousand)	100.00%	10,639 (USD 357 thousand)	1,143,844 (USD 39,307 thousand)	-
Yangzhou Aichuan Electronic Trade Corporation	Selling of LED components and modules	RMB 2,148 (500 thousand)	(c)	-	-	-	-	11 (RMB 3 thousand)	100.00%	11 (RMB 3 thousand)	2,147 (RMB 503 thousand)	-
Yangzhou Edison-Litek Opto Corporation	Manufacturing and selling of LED components and modules	USD 270,552 (8,875 thousand)	(b)	USD 167,661 (5,500 thousand)	-	-	167,661 (USD 5,500 thousand)	(25,555) (USD 857 thousand)	72.64%	(18,563) (USD 622 thousand)	156,419 (USD 5,375 thousand)	-

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

(a) Direct investment from Mainland China

(b) Indirect investment from third-party country

1. Edison Opto (Dong Guan) Co., Ltd. is indirectly invested by the company through Ledison Opto Corporation.
2. Dong Guan Davinci Opto Corporation is indirectly invested by Ledison Opto Lighting Inc. through Led Plus Limited.
3. Yangzhou Edison Opto Corporation is indirectly invested by Best Opto Corporation and Best Led Corporation.
4. Yangzhou Edison-Litek Opto Corporation is indirectly invested by the Company and Edison-Litek Opto Corporation Limited.

(c) Others

1. Yangzhou Aichuan Trade Corporation is 100% invested by Yangzhou Edison Opto Corporation.

Note 2: The dissolution has registered in 2020.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	1,829,895 (USD58,817 thousand)	2,030,307 (note 3、4) (USD69,770 thousand)	Note 1
Ledionopto Lighting Inc.	52,255 (note 2) (USD1,714 thousand)	52,255 (USD1,714 thousand)	8,851

Note 1: Since the Company acquired the permission from Industrial Development Bureau at September 9, 2019, 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: 10820423850).

Note 2: DongGuan Davinci Opto Co., Ltd., in which Ledionopto Lighting Inc. 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 Edison Opto Corporation through the Company, with the amount of USD1,000 thousand, was authorized by the Investment Commission. Yangzhou Edison 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.

Note 4: The indirect investment to Yangzhou Edison Opto Corporation through the Company amounting to USD60,000 thousand was authorized by the Investment Commission. Yangzhou Edison had processed a capital reduction with the approval of Investment Commission in October 2020. The investment capital amounting to USD10,000 thousand had been remitted to the Company.

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Lighting Investment Corporation		16,556,182	13.50 %
Epistar Corporation		9,424,000	7.68 %

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Information on investment in mainland China:

The Consolidated Company operating segment information and reconciliation are as follows:

For the three months ended September 30, 2020								
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	\$ 185,321	95,224	80,030	15,117	69,340	33,400	-	478,432
Intersegment revenues	34,011	59,088	112,264	30,069	41	-	(235,473)	-
Total revenue	\$ 219,332	154,312	192,294	45,186	69,381	33,400	(235,473)	478,432
Reportable segment profit or loss	\$ 25,781	3,613	12,797	(9,622)	10,694	(9,802)	(7,759)	25,702
For the three months ended September 30, 2019								
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	\$ 185,307	107,496	71,231	8,671	-	161,331	-	534,036
Intersegment revenues	77,599	57,035	142,852	82,825	-	-	(360,311)	-
Total revenue	\$ 262,906	164,531	214,083	91,496	-	161,331	(360,311)	534,036
Reportable segment profit or loss	\$ (5,886)	11,470	(20,705)	1,802	-	15,934	(6,573)	(3,958)
For the nine months ended September 30, 2020								
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	641,601	254,903	213,299	38,837	220,113	90,465	-	1,459,218
Intersegment revenues	97,052	139,864	348,897	115,005	762	-	(701,580)	-
Total revenue	\$ 738,653	394,767	562,196	153,842	220,875	90,465	(701,580)	1,459,218
Reportable segment profit or loss	\$ 30,551	23,268	10,670	(25,188)	23,592	(21,534)	(11,273)	30,086
For the nine months ended September 30, 2019								
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	\$ 668,889	258,276	237,615	18,172	-	595,744	-	1,778,696
Intersegment revenues	173,419	152,822	480,582	390,038	-	3,989	(1,200,850)	-
Total revenue	\$ 842,308	411,098	718,197	408,210	-	599,733	(1,200,850)	1,778,696
Reportable segment profit or loss	\$ 3,500	16,247	(41,471)	13,208	-	80,019	(47,868)	23,635