

**EDISON OPTO CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

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

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

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Independent Auditors' Review Report

To the Board of Directors of Edison Opto Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of EDISON OPTO CORPORATION and its subsidiaries as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, changes in equity and cash flows for the six months ended June 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 \$453,985 thousand and \$982,476 thousand, constituting 13.50% and 24.62% of consolidated total assets at June 30, 2020 and 2019, respectively, total liabilities amounting to \$129,462 thousand and \$282,130 thousand, constituting 15.37% and 28.07% of consolidated total liabilities at June 30, 2020 and 2019, respectively, and total comprehensive income(loss) amounting to \$2,314 thousand, \$(21,311) thousand, \$(2,602) thousand and \$13,811 thousand, constituting (8.60)%, 91.37%, 5.01% and 48.19% of consolidated total comprehensive income (loss) for the three months and six months ended June 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 June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019, as well as its consolidated cash flows for the six months ended June 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)
August 4, 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 June 30, 2020 and 2019**EDISON OPTO CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****June 30, 2020, December 31, 2019, and June 30, 2019****(Expressed in Thousands of New Taiwan Dollars)**

		June 30, 2020		December 31, 2019		June 30, 2019				June 30, 2020		December 31, 2019		June 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))	\$ 1,107,323	33	1,000,536	29	1,051,304	26	2100	Short-term borrowings (note 6(h) and 8)	\$ 314,831	9	283,395	8	390,845	10
1170	Accounts and notes receivable, net (note 6(c)(p))	415,191	12	424,706	12	564,822	14	2170	Accounts and notes payable	277,373	8	319,740	9	342,469	9
1200	Other receivables	1,393	-	2,793	-	8,223	-	2200	Other payables	117,123	4	140,594	4	103,730	3
1310	Inventories (note 6(d))	240,816	7	244,714	7	318,292	8	2216	Dividends payable	12,300	-	-	-	36,000	1
1410	Prepayments	54,928	2	51,791	1	51,119	1	2230	Current tax liabilities (note 6(m))	16,553	-	12,049	-	12,301	-
1470	Other current assets (note 8)	74,174	2	198,119	6	152,599	4	2280	Current lease liabilities (note 6(i))	6,514	-	10,115	-	12,495	-
	Total current assets	1,893,825	56	1,922,659	55	2,146,359	53	2399	Other current liabilities, others	37,526	1	27,243	1	41,847	1
15xx	Non-current assets:								Total current liabilities	782,220	22	793,136	22	939,687	24
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	106,124	3	106,631	3	86,625	2	25xx	Non-Current liabilities:						
1600	Property, plant and equipment (notes 6(e), 8 and 9)	1,215,685	36	1,244,786	36	1,555,006	39	2570	Deferred tax liabilities	2,035	-	2,035	-	28,084	1
1755	Right-of-use assets (note 6(f))	46,371	2	54,052	2	59,883	1	2580	Non-current lease liabilities (notes 6(i))	11,430	-	14,200	1	15,090	-
1780	Intangible assets (note 6(g))	4,815	-	6,354	-	29,303	1	2600	Other non-current liabilities (notes 6(j)(k))	46,578	2	47,342	2	49,700	1
1840	Deferred tax assets	61,753	2	61,753	2	61,753	2		Total non-current liabilities	60,043	2	63,577	3	92,874	2
1915	Prepayments for business facilities (note 9)	7,515	-	33,836	1	25,170	1		Total liabilities	842,263	24	856,713	25	1,032,561	26
1990	Other non-current assets, others (note 8)	27,133	1	25,130	1	25,977	1	31xx	Equity attributable to owners of parent (notes 6(m)):						
	Total non-current assets	1,469,396	44	1,532,542	45	1,843,717	47	3100	Capital stock	1,250,014	37	1,250,014	36	1,230,014	31
								3200	Capital surplus	1,546,518	46	1,841,558	53	1,832,408	46
								3310	Legal reserve	-	-	701	-	701	-
								3320	Special reserve	-	-	6,313	-	6,313	-
								3350	Total unappropriated retained earnings (accumulated deficit)	4,770	-	(289,754)	(8)	5,193	-
								3410	Exchange differences on translation of foreign financial statements	(245,929)	(7)	(198,918)	(6)	(101,181)	(3)
								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	(13,050)	-	(19,575)	-	-	-
								3500	Treasury shares	(78,709)	(2)	(58,877)	(2)	(59,121)	(1)
									Total equity attributable to owners of parent:	2,417,327	73	2,485,682	72	2,848,786	71
								36xx	Non-controlling interests	103,631	3	112,806	3	108,729	3
									Total equity	2,520,958	76	2,598,488	75	2,957,515	74
	Total assets	\$ 3,363,221	100	3,455,201	100	3,990,076	100		Total liabilities and equity	\$ 3,363,221	100	3,455,201	100	3,990,076	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 six months ended June 30, 2020 and 2019

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

	For the three months ended June 30				For the six months ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (note 6(p))	\$ 484,312	100	591,766	100	980,786	100	1,244,660	100
5000 Operating costs (notes 6(d)(e)(f)(g)(k))	<u>388,048</u>	<u>80</u>	<u>477,695</u>	<u>81</u>	<u>807,710</u>	<u>82</u>	<u>1,015,605</u>	<u>82</u>
Gross profit from operations	<u>96,264</u>	<u>20</u>	<u>114,071</u>	<u>19</u>	<u>173,076</u>	<u>18</u>	<u>229,055</u>	<u>18</u>
Operating expenses (note 6(e)(f)(g)(i)(k)(n)):								
6100 Selling expenses	15,796	3	27,919	5	42,921	4	54,021	4
6200 Administrative expenses	38,354	8	43,925	7	78,134	8	82,189	7
6300 Research and development expenses	25,393	5	34,129	6	47,730	5	64,066	5
6450 Impairment loss (notes 6(c))	<u>7,483</u>	<u>2</u>	<u>9,307</u>	<u>1</u>	<u>9,380</u>	<u>1</u>	<u>11,455</u>	<u>1</u>
Total operating expenses	<u>87,026</u>	<u>18</u>	<u>115,280</u>	<u>19</u>	<u>178,165</u>	<u>18</u>	<u>211,731</u>	<u>17</u>
6900 Net operating income (loss)	<u>9,238</u>	<u>2</u>	<u>(1,209)</u>	<u>-</u>	<u>(5,089)</u>	<u>-</u>	<u>17,324</u>	<u>1</u>
Non-operating income and expenses (note 6(r)):								
7100 Interest income	5,615	2	5,439	1	10,879	1	10,323	1
7010 Total other income (notes 6(j))	1,989	-	8,837	1	6,034	1	10,023	1
7020 Other gains and losses	(1,915)	-	2,734	-	(2,921)	-	(3,670)	-
7050 Finance costs	<u>(1,943)</u>	<u>-</u>	<u>(3,992)</u>	<u>-</u>	<u>(4,519)</u>	<u>-</u>	<u>(6,407)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>3,746</u>	<u>2</u>	<u>13,018</u>	<u>2</u>	<u>9,473</u>	<u>2</u>	<u>10,269</u>	<u>1</u>
7900 Profit from continuing operations before tax	12,984	4	11,809	2	4,384	2	27,593	2
7950 Less: Income tax expenses (note 6(l))	<u>4,011</u>	<u>1</u>	<u>6,389</u>	<u>1</u>	<u>6,376</u>	<u>1</u>	<u>14,063</u>	<u>1</u>
Profit (loss)	<u>8,973</u>	<u>3</u>	<u>5,420</u>	<u>1</u>	<u>(1,992)</u>	<u>1</u>	<u>13,530</u>	<u>1</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)	(1)
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>(507)</u>	<u>-</u>	<u>(7,874)</u>	<u>(1)</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	(35,879)	(7)	(28,745)	(5)	(49,424)	(5)	23,006	2
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	<u>(35,879)</u>	<u>(7)</u>	<u>(28,745)</u>	<u>(5)</u>	<u>(49,424)</u>	<u>(5)</u>	<u>23,006</u>	<u>2</u>
8300 Other comprehensive income	<u>(35,879)</u>	<u>(7)</u>	<u>(28,745)</u>	<u>(5)</u>	<u>(49,931)</u>	<u>(5)</u>	<u>15,132</u>	<u>1</u>
8500 Total comprehensive income	<u>\$ (26,906)</u>	<u>(4)</u>	<u>(23,325)</u>	<u>(4)</u>	<u>(51,923)</u>	<u>(4)</u>	<u>28,662</u>	<u>2</u>
Profit (loss), attributable to:								
8610 Profit (loss), attributable to owners of parent	\$ 12,705	4	3,364	1	4,770	2	9,386	1
8620 Profit (loss), attributable to non-controlling interests	<u>(3,732)</u>	<u>(1)</u>	<u>2,056</u>	<u>-</u>	<u>(6,762)</u>	<u>(1)</u>	<u>4,144</u>	<u>-</u>
	<u>\$ 8,973</u>	<u>3</u>	<u>5,420</u>	<u>1</u>	<u>(1,992)</u>	<u>1</u>	<u>13,530</u>	<u>1</u>
Comprehensive income attributable to:								
8710 Comprehensive income, attributable to owners of parent	\$ (21,276)	(3)	(24,317)	(4)	(42,748)	(3)	23,401	2
8720 Comprehensive income, attributable to non-controlling interests	<u>(5,630)</u>	<u>(1)</u>	<u>992</u>	<u>-</u>	<u>(9,175)</u>	<u>(1)</u>	<u>5,261</u>	<u>-</u>
	<u>\$ (26,906)</u>	<u>(4)</u>	<u>(23,325)</u>	<u>(4)</u>	<u>(51,923)</u>	<u>(4)</u>	<u>28,662</u>	<u>2</u>
Basic earnings per share (note 6(o))								
9750 Basic earnings per share	<u>\$ 0.11</u>		<u>0.03</u>		<u>0.04</u>		<u>0.08</u>	
Diluted earnings per share								
9850 Diluted earnings per share	<u>\$ 0.10</u>		<u>0.03</u>		<u>0.04</u>		<u>0.08</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 six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											Non-controlling interests	Total equity
	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			
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	
Profit	-	-	-	-	9,386	-	-	-	-	9,386	4,144	13,530	
Other comprehensive income	-	-	-	-	-	21,889	(7,874)	-	-	14,015	1,117	15,132	
Total comprehensive income	-	-	-	-	9,386	21,889	(7,874)	-	-	23,401	5,261	28,662	
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	-	
Share-based payments	-	-	-	-	-	-	-	526	-	526	-	526	
Changes in non-controlling interests	-	-	-	-	(4,193)	-	-	-	-	(4,193)	(6,206)	(10,399)	
Balance at June 30, 2019	\$ 1,230,014	1,832,408	701	6,313	5,193	(101,181)	(65,541)	-	(59,121)	2,848,786	108,729	2,957,515	
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	
Loss	-	-	-	-	4,770	-	-	-	-	4,770	(6,762)	(1,992)	
Other comprehensive income	-	-	-	-	-	(47,011)	(507)	-	-	(47,518)	(2,413)	(49,931)	
Total comprehensive income	-	-	-	-	4,770	(47,011)	(507)	-	-	(42,748)	(9,175)	(51,923)	
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)	
Share-based payments	-	-	-	-	-	-	-	6,525	-	6,525	-	6,525	
Balance at June 30, 2020	\$ 1,250,014	1,546,518	-	-	4,770	(245,929)	(46,287)	(13,050)	(78,709)	2,417,327	103,631	2,520,958	

See accompanying notes to consolidated financial statements.

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EDISON OPTO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 4,384	27,593
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	59,916	87,654
Amortization expense	1,275	876
Impairment loss	9,380	11,455
Interest expense	4,519	6,407
Interest income	(10,879)	(10,323)
Share-based payments	6,525	526
Loss on disposal of property, plant and equipment	1,430	53
Others	-	(14)
Total adjustments to reconcile profit (loss)	72,166	96,634
Changes in operating assets and liabilities:		
Accounts and notes receivable	308	(105,266)
Other receivable	(48)	1,637
Inventories	3,898	50,926
Prepayments	(3,199)	(7,615)
Other current assets	(179)	(503)
Other operating assets	(134)	2,714
Accounts and notes payable	(42,367)	(66,651)
Other payable	(23,573)	(17,855)
Other current liabilities	10,284	17,439
Net defined benefit liability	401	317
Total changes in operating assets and liabilities	(54,609)	(124,857)
Cash inflow generated from (used in) operations	21,941	(630)
Interest received	12,327	4,553
Interest paid	(4,418)	(4,269)
Income taxes paid	(1,810)	(9,839)
Net cash flows from (used in) operating activities	28,040	(10,185)
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(14,954)	(13,035)
Proceeds from disposal of property, plant and equipment	842	161
Decrease in refundable deposits	(230)	506
Acquisition of intangible assets	-	(2,483)
Decrease in other financial assets	116,520	-
Increase in other financial assets	-	(136,771)
Decrease in restricted deposits	5,472	-
Increase in other non-current assets	(967)	-
Increase in prepayments for business facilities	(5,151)	(20,795)
Net cash flows from (used in) investing activities	101,532	(172,417)
Cash flows from (used in) financing activities:		
Increase in short-term loans	31,671	149,708
Increase in guarantee deposits received	(10)	-
Decrease in guarantee deposits received	-	10
Payment of lease liabilities	(6,765)	(7,686)
Payments to acquire treasury shares	(19,832)	-
Acquisition of ownership interests in subsidiaries	-	(10,399)
Net cash flows from financing activities	5,064	131,633
Effect of exchange rate changes on cash and cash equivalents	(27,849)	8,865
Net increase (decrease) in cash and cash equivalents	106,787	(42,104)
Cash and cash equivalents at beginning of period	1,000,536	1,093,408
Cash and cash equivalents at end of period	\$ 1,107,323	1,051,304

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

June 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 August 4, 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 IASB but not yet endorsed by the FSC

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 17 “Insurance Contracts”	January 1, 2023

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

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

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(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.

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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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 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	61.80 %	61.80 %	61.80 %	
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.	Investment	100.00 %	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	0.28 %	0.28 %	0.28 %	

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 1: The Company and Edison-Litek Opto Corporation Limited held 62.08% of Edison-Litek Opto Corporation Limited in Total.

Note 2: The Company has been registered in 2019.

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

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

(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.

(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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

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

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

(a) Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash	\$ 7,970	7,337	9,938
Demand Deposit	995,889	776,127	514,569
Time Deposit	103,464	217,072	526,797
	<u><u>\$ 1,107,323</u></u>	<u><u>1,000,536</u></u>	<u><u>1,051,304</u></u>

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

	June 30, 2020	December 31, 2019	June 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 of these investments were intend to hold for long-term strategic purposes.

There were no disposed of investments for the six months ended June 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.

(c) Notes and accounts receivable

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 9,437	1,145	14,209
Accounts receivable	421,444	429,988	566,872
Overdue receivable	56,038	56,095	56,211
Less: Loss allowance	<u>(71,728)</u>	<u>(62,522)</u>	<u>(72,470)</u>
	<u><u>\$ 415,191</u></u>	<u><u>424,706</u></u>	<u><u>564,822</u></u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 were determined as follows:

June 30, 2020			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 390,734	0.00%	7
1 to 30 days past due	3,261	7.35%	240
31 to 90 days past due	24,121	22.72%	5,481
91 to 180 days past due	12,765	78.04%	9,962
	<u><u>\$ 430,881</u></u>		<u><u>15,690</u></u>
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
180 days past due	<u><u>\$ 56,038</u></u>	100%	<u><u>56,038</u></u>
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><u>\$ 431,133</u></u>		<u><u>6,427</u></u>
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
180 days past due	<u><u>\$ 56,095</u></u>	100%	<u><u>56,095</u></u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 532,630	0%	-
1 to 30 days past due	5,914	4.62%	273
31 to 90 days past due	17,881	9.91%	1,772
91 to 180 days past due	<u>24,656</u>	57.65%	<u>14,214</u>
	<u>\$ 581,081</u>		<u>16,259</u>

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
180 days past due	<u>\$ 56,211</u>	100%	<u>56,211</u>

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

	For the six months ended June 30,	
	2020	2019
Balance at January 1	\$ 62,522	61,054
Impairment losses recognized	9,380	11,455
Foreign exchange losses	(174)	(39)
Balance at June 30	<u>\$ 71,728</u>	<u>72,470</u>

Note and account receivables of the Group were not pledged.

(d) Inventories

	June 30, 2020	December 31, 2019	June 30, 2019
Raw materials	\$ 92,665	84,934	114,629
Supplies	2,969	3,131	3,630
Work in progress	42,475	69,318	71,253
Finished goods	<u>102,707</u>	<u>87,331</u>	<u>128,780</u>
	<u>\$ 240,816</u>	<u>244,714</u>	<u>318,292</u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The details of the cost of sales were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Inventory that has been sold	\$ 373,711	458,274	789,138	971,257
Write-down of inventories	3,659	2,819	4,270	10,248
Unallocated production overheads	10,678	16,602	14,302	34,100
	<u>\$ 388,048</u>	<u>477,695</u>	<u>807,710</u>	<u>1,015,605</u>

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

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Consolidated Company for the six months ended June 30, 2020 and 2019, were as follows:

	Land	Building and construction	Machinery and equipment	Molding equipment	Other facilities	Total
Cost or decked cost:						
Balance at January 1, 2020	\$ 260,051	803,349	1,367,864	38,611	214,443	2,684,318
Additions	-	1,732	11,897	-	1,325	14,954
Disposal	-	(3,236)	(9,229)	(21)	(11,529)	(24,015)
Reclassify	-	3,612	27,512	-	325	31,449
Effect of movements in exchange rates	-	(15,049)	(26,935)	(940)	(4,622)	(47,546)
Balance at June 30, 2020	<u>\$ 260,051</u>	<u>790,408</u>	<u>1,371,109</u>	<u>37,650</u>	<u>199,942</u>	<u>2,659,160</u>
Balance at January 1, 2019	\$ 260,051	827,817	1,406,584	46,024	232,182	2,772,658
Additions	-	874	5,148	638	3,150	9,810
Disposal	-	(1,329)	(24,149)	(6,526)	(21,344)	(53,348)
Reclassify	-	-	2,220	562	2,862	5,644
Effect of movements in exchange rates	-	6,031	10,672	386	1,858	18,947
Balance at June 30, 2019	<u>\$ 260,051</u>	<u>833,393</u>	<u>1,400,475</u>	<u>41,084</u>	<u>218,708</u>	<u>2,753,711</u>
Depreciation and impairments loss:						
Balance at January 1, 2020	\$ -	208,227	1,138,279	27,468	65,558	1,439,532
Depreciation	-	11,756	32,217	2,017	6,723	52,713
Disposal	-	(2,925)	(8,539)	(16)	(10,263)	(21,743)
Effect of movements in exchange rates	-	(3,352)	(21,063)	(672)	(1,940)	(27,027)
Balance at June 30, 2020	<u>\$ -</u>	<u>213,706</u>	<u>1,140,894</u>	<u>28,797</u>	<u>60,078</u>	<u>1,443,475</u>

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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	-	12,490	57,920	2,140	7,923	80,473
Disposal	-	(1,329)	(24,484)	(6,168)	(21,154)	(53,135)
Effect of movements in exchange rates	-	990	4,712	210	849	6,761
Balance at June 30, 2019	<u>\$ -</u>	<u>202,478</u>	<u>903,615</u>	<u>26,645</u>	<u>65,967</u>	<u>1,198,705</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 June 30, 2020	<u>\$ 260,051</u>	<u>576,702</u>	<u>230,215</u>	<u>8,853</u>	<u>139,864</u>	<u>1,215,685</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 June 30, 2019	<u>\$ 260,051</u>	<u>630,915</u>	<u>496,860</u>	<u>14,439</u>	<u>152,741</u>	<u>1,555,006</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.

(f) 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	-	200	-	579	779
Effect of changes in foreign exchange rates	(814)	(744)	(4)	-	(1,562)
Balance at June 30, 2020	<u>\$ 31,134</u>	<u>30,547</u>	<u>169</u>	<u>5,238</u>	<u>67,088</u>
Balance at January 1, 2019	33,280	33,273	779	-	67,332
Disposals	-	(1,111)	-	-	(1,111)
Effect of changes in foreign exchange rates	327	299	1	-	627
Balance at June 30, 2019	<u>\$ 33,607</u>	<u>32,461</u>	<u>780</u>	<u>-</u>	<u>66,848</u>
Accumulated depreciation:					
Balance at January 1, 2020	\$ 842	12,208	112	657	13,819
Depreciation	411	6,000	52	740	7,203
Effect of changes in foreign exchange rates	(21)	(281)	(3)	-	(305)
Balance at June 30, 2020	<u>\$ 1,232</u>	<u>17,927</u>	<u>161</u>	<u>1,397</u>	<u>20,717</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation	449	6,406	326	-	7,181
Disposals	-	(131)	-	-	(131)
Effect of changes in foreign exchange rates	(6)	(78)	(1)	-	(85)
Balance at June 30, 2019	<u>\$ 443</u>	<u>6,197</u>	<u>325</u>	<u>-</u>	<u>6,965</u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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	<u>Land</u>	<u>Building and Construction</u>	<u>Machinery equipment</u>	<u>Vehicles</u>	<u>Total</u>
Carrying amount:					
Balance at January 1, 2020	\$ <u>31,106</u>	<u>18,883</u>	<u>61</u>	<u>4,002</u>	<u>54,052</u>
Balance at June 30, 2020	\$ <u>29,902</u>	<u>12,620</u>	<u>8</u>	<u>3,841</u>	<u>46,371</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 June 30, 2019	\$ <u>33,164</u>	<u>26,264</u>	<u>455</u>	<u>-</u>	<u>59,883</u>

(g) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the six months ended June 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 June 30, 2020	\$ <u>-</u>	<u>4,815</u>	<u>4,815</u>
Balance at January 1, 2019	\$ <u>25,086</u>	<u>2,598</u>	<u>27,684</u>
Balance at June 30, 2019	\$ <u>25,086</u>	<u>4,217</u>	<u>29,303</u>

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

(h) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Secured bank loans	\$ 76,311	126,455	91,651
Unsecured bank loans	<u>238,520</u>	<u>156,940</u>	<u>299,194</u>
Total	\$ <u>314,831</u>	<u>283,395</u>	<u>390,845</u>
Unused short-term credit lines	\$ <u>1,228,677</u>	<u>1,491,747</u>	<u>1,348,744</u>
Range of interest rates	<u>1.00%~1.65%</u>	<u>1.07%~2.96%</u>	<u>1.10%~3.44%</u>

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

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Lease liability

The carrying value of the lease liabilities were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Current	\$ <u>6,514</u>	<u>10,115</u>	<u>12,495</u>
Non-current	\$ <u>11,430</u>	<u>14,200</u>	<u>15,090</u>

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

The amounts recognized in profit or loss was as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest on lease liabilities	\$ <u>652</u>	<u>1,671</u>	<u>1,425</u>	<u>2,100</u>
Expenses relating to short-term leases	\$ <u>264</u>	<u>273</u>	<u>529</u>	<u>546</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>53</u>	<u>-</u>	<u>97</u>	<u>40</u>

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

	For the six months ended June 30,	
	2020	2019
Total cash outflow for leases	\$ <u>8,816</u>	<u>10,372</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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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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.

(j) 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 June 30, 2020, December 31, 2019 and June 30, 2019, the amount of unamortized deferred revenue was \$28,696, \$29,851 and \$31,826, respectively.

(k) 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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Operating cost	\$ 95	99	199	204
Operating expenses	154	118	299	221
	<u>\$ 249</u>	<u>217</u>	<u>498</u>	<u>425</u>

(ii) Defined contribution plans

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Operating cost	\$ 391	3,479	2,451	7,023
Operating expenses	1,006	1,962	2,518	4,075
	<u>\$ 1,397</u>	<u>5,441</u>	<u>4,969</u>	<u>11,098</u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Income taxes

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Current tax expense				
Current period	\$ 4,011	6,389	6,376	14,063
Adjustment for prior periods	-	-	-	-
Income tax expense	<u>\$ 4,011</u>	<u>6,389</u>	<u>6,376</u>	<u>14,063</u>

(ii) Assessment of tax

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

(m) 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 June 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.

(i) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Share capital	\$ 1,443,459	1,738,499	1,738,349
Employee share options	72,142	72,142	72,142
Restricted stock	30,917	30,917	21,917
	<u>\$ 1,546,518</u>	<u>1,841,558</u>	<u>1,832,408</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.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) 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 share holders' meeting approved a resolution to cover the deficit on June 16, 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.

(iii) Treasury shares

- 1) The Company has decided to retire 2,000 thousand treasury stocks via the Board Meeting in May 2019. The amount was \$34,836, and the related registration procedures were completed. As of June 30, 2019, 3,000 thousand shares of treasury shares had not been sold.
- 2) The Group purchase 1,618 thousand treasury shares to maintain the credit of the Company and shareholders' benefits through April to May, 2020. As of June 30, 2020 4,618 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 June 30, 2020, all treasury stocks were not sold and the market price on June 30, 2020, December 31 and June 30, 2019 was \$11.05, \$13.25 and \$14.40 per share, respectively.
- 4) In compliance with the Securities and Exchange Act, treasury stocks held by the Consolidated Company should not be pledged, and shareholder rights are not entitled before the transfer.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to June 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 six months ended June 30,	
	2020	2019
Outstanding at January 1 (number)	\$ 2,000	263
Granted during the year (number)	-	(263)
Forfeited during the year (number)	-	-
Outstanding at June 30 (number)	<u>\$ 2,000</u>	<u>-</u>

(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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Expenses resulting from restricted stocks	<u>\$ 3,263</u>	<u>-</u>	<u>6,525</u>	<u>526</u>

(o) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2019	2019
Basic earnings per share				
Profit of the Company for the year	<u>\$ 12,705</u>	<u>3,364</u>	<u>4,770</u>	<u>9,386</u>
Weighted average number of ordinary shares (in thousands of shares)	<u>119,462</u>	<u>120,001</u>	<u>119,732</u>	<u>119,870</u>
Basic earn(loss) per share	<u>\$ 0.11</u>	<u>0.03</u>	<u>0.04</u>	<u>0.08</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2019	2019
Diluted earnings per share				
Profit of the Company for the year	\$ <u>12,705</u>	<u>3,364</u>	<u>4,770</u>	<u>9,386</u>
Weighted average number of ordinary shares (in thousands of shares)	119,462	120,001	119,732	119,870
Effect of restricted employee shares unvested (in thousands of shares)	2,000	-	2,000	132
Effect of employee share bonus (in thousands of shares)	-	22	-	34
Weighted average number of ordinary shares (in thousands of shares)	<u>121,462</u>	<u>120,023</u>	<u>121,732</u>	<u>120,036</u>
Diluted earnings per share	\$ <u>0.10</u>	<u>0.03</u>	<u>0.04</u>	<u>0.08</u>
(p) Revenue from contracts with customers				
(i) Revenue detail				

	For the three months ended June 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	\$ 13,318	99,590	72,354	12,223	-	714	198,199
America and Europe	60,423	-	-	434	56,168	27,939	144,964
Taiwan	25,660	-	-	-	15	-	25,675
Africa	28,954	-	-	-	-	-	28,954
Others	79,720	-	116	-	1,721	4,963	86,520
	<u>\$ 208,075</u>	<u>99,590</u>	<u>72,470</u>	<u>12,657</u>	<u>57,904</u>	<u>33,616</u>	<u>484,312</u>
Major product:							
LED transmitter component	\$ 8,133	43,624	-	-	-	-	51,757
LED lighting component	77,176	3,416	40,518	-	-	4,072	125,182
LED lighting module and product	117,303	52,462	23,396	-	-	25,391	218,552
Automotive LED lighting module	-	-	-	11,752	57,904	3,845	73,501
Others	5,463	88	8,556	905	-	308	15,320
	<u>\$ 208,075</u>	<u>99,590</u>	<u>72,470</u>	<u>12,657</u>	<u>57,904</u>	<u>33,616</u>	<u>484,312</u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the three months ended June 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	\$ 15,482	78,510	96,498	3,788	-	-	194,278
America and Europe	51,608	-	-	798	171,619	13,311	237,336
Taiwan	28,138	-	-	-	-	-	28,138
Africa	9,181	-	-	-	-	13,680	22,861
Others	109,145	1	-	-	7	-	109,153
	<u>\$ 213,554</u>	<u>78,511</u>	<u>96,498</u>	<u>4,586</u>	<u>171,626</u>	<u>26,991</u>	<u>591,766</u>
Major product:							
LED transmitter component	\$ 8,201	44,397	-	-	-	-	52,598
LED lighting component	99,608	3,645	81,778	-	-	5,133	190,164
LED lighting module and product	98,081	30,353	8,627	-	-	21,587	158,648
Automotive LED lighting module	-	-	-	4,581	171,626	-	176,207
Others	7,664	116	6,093	5	-	271	14,149
	<u>\$ 213,554</u>	<u>78,511</u>	<u>96,498</u>	<u>4,586</u>	<u>171,626</u>	<u>26,991</u>	<u>591,766</u>
For the six months ended June 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	\$ 18,626	159,679	133,038	21,293	-	1,623	334,259
America and Europe	100,236	-	-	2,410	148,150	46,385	297,181
Taiwan	45,313	-	-	-	15	29	45,357
Africa	139,252	-	-	-	-	3,937	143,189
Others	152,853	-	231	17	2,608	5,091	160,800
	<u>\$ 456,280</u>	<u>159,679</u>	<u>133,269</u>	<u>23,720</u>	<u>150,773</u>	<u>57,065</u>	<u>980,786</u>
Major product:							
LED transmitter component	\$ 13,144	75,953	-	-	-	-	89,097
LED lighting component	147,553	4,530	93,812	-	-	8,988	254,883
LED lighting module and product	288,690	78,783	23,587	-	-	43,486	434,546
Automotive LED lighting module	-	-	-	22,810	150,773	3,845	177,428
Others	6,893	413	15,870	910	-	746	24,832
	<u>\$ 456,280</u>	<u>159,679</u>	<u>133,269</u>	<u>23,720</u>	<u>150,773</u>	<u>57,065</u>	<u>980,786</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the six months ended June 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	\$ 21,973	150,687	166,312	8,433	-	-	347,405
America and Europe	143,827	-	-	1,066	382,771	35,886	563,550
Taiwan	49,679	-	-	-	-	-	49,679
Africa	32,870	-	-	-	-	15,339	48,209
Others	235,233	93	72	2	417	-	235,817
	<u>\$ 483,582</u>	<u>150,780</u>	<u>166,384</u>	<u>9,501</u>	<u>383,188</u>	<u>51,225</u>	<u>1,244,660</u>
Major product:							
LED transmitter component	\$ 12,767	83,336	-	-	-	-	96,103
LED lighting component	259,786	7,953	142,339	-	-	12,731	422,809
LED lighting module and product	199,377	59,301	12,600	-	-	38,124	309,402
Automotive LED lighting module	-	-	-	7,951	383,188	-	391,139
Others	11,652	190	11,445	1,550	-	370	25,207
	<u>\$ 483,582</u>	<u>150,780</u>	<u>166,384</u>	<u>9,501</u>	<u>383,188</u>	<u>51,225</u>	<u>1,244,660</u>

(ii) Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019
Note receivables	\$ 9,437	1,145	14,209
Accounts receivables	421,444	429,988	566,872
Less: Loss allowance	(15,690)	(6,427)	(16,259)
Total	<u>\$ 415,191</u>	<u>424,706</u>	<u>564,822</u>

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

(q) 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 six months ended June 30, 2020, there were no estimated remunerations to employees and directors as the amounts were immaterial. For the three months and six months ended June 30, 2019, the remunerations to employees and directors amounted to \$0, \$0, \$315 and \$63, respectively.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(r) Non-operating income and expenses

(i) Interest income

The details of net other income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest income from bank deposits	\$ 2,077	5,439	4,172	10,323
Others interest income	3,538	-	6,707	-
	<u>\$ 5,615</u>	<u>5,439</u>	<u>10,879</u>	<u>10,323</u>

(ii) Other income

The details of net other income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Other income-others	\$ 1,989	8,837	6,034	10,023

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Net gains (losses) on disposal of Property, plant, and equipment	\$ (1,648)	176	(1,430)	(53)
Net gains(losses) on foreign exchange	(1,287)	4,361	(427)	(2,753)
Others	1,020	(1,803)	(1,064)	(864)
	<u>\$ (1,915)</u>	<u>2,734</u>	<u>(2,921)</u>	<u>(3,670)</u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest expenses	\$ <u>1,943</u>	<u>3,992</u>	<u>4,519</u>	<u>6,407</u>

(s) Financial instruments

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

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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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>
June 30, 2020							
Non-derivative financial liabilities							
Secured loans	\$ 76,311	(76,362)	(76,362)	-	-	-	-
Unsecured loans	238,520	(238,663)	(238,663)	-	-	-	-
Lease liabilities	17,944	(21,185)	(4,615)	(3,829)	(7,521)	(5,220)	-
Notes payable and accounts payable	277,373	(277,373)	(277,373)	-	-	-	-
Other payable	117,123	(117,123)	(117,123)	-	-	-	-
Dividends payable	12,300	(12,300)	(12,300)	-	-	-	-
	<u>\$ 739,571</u>	<u>(743,006)</u>	<u>(726,436)</u>	<u>(3,829)</u>	<u>(7,521)</u>	<u>(5,220)</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>\$ 767,864</u>	<u>(773,143)</u>	<u>(752,305)</u>	<u>(4,480)</u>	<u>(7,463)</u>	<u>(8,895)</u>	<u>-</u>
June 30, 2019							
Non-derivative financial liabilities							
Secured loans	\$ 91,651	(91,651)	(91,651)	-	-	-	-
Unsecured loans	299,194	(300,051)	(300,051)	-	-	-	-
Lease liabilities	27,585	(33,197)	(7,702)	(7,649)	(7,028)	(10,818)	-
Notes payable and accounts payable	342,469	(342,469)	(342,469)	-	-	-	-
Other payable	103,730	(103,730)	(103,730)	-	-	-	-
Dividends payable	36,000	(36,000)	(36,000)	-	-	-	-
	<u>\$ 900,629</u>	<u>(907,098)</u>	<u>(881,603)</u>	<u>(7,649)</u>	<u>(7,028)</u>	<u>(10,818)</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.

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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:

	June 30, 2020					December 31, 2019			June 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	\$	11,673	USD/TWD=	29.6300	345,871	11,106	USD/TWD=	29.9800	332,958	9,829	USD/TWD=	31.0600	305,289
USD		7,391	USD/CNY=	7.0795	219,068	8,380	USD/CNY=	6.9762	251,154	18,225	USD/CNY=	6.8474	566,221
CNY		16,324	CNY/TWD=	4.1867	68,344	36,288	CNY/TWD=	4.2961	155,988	17,305	CNY/TWD=	4.5192	78,205
<u>Financial liabilities</u>													
<u>Monetary items</u>													
USD		13,823	USD/TWD=	29.6300	409,575	12,455	USD/TWD=	29.9800	373,401	11,427	USD/TWD=	31.0600	354,923
USD		522	USD/CNY=	7.0795	15,472	799	USD/CNY=	6.9762	23,947	3,745	USD/CNY=	6.8474	116,351
CNY		2,551	CNY/TWD=	4.1867	10,680	3,574	CNY/TWD=	4.2961	15,354	1,131	CNY/TWD=	4.5192	5,111

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 June 30, 2020 and 2019 would have increased or decreased the equity by \$9,878 and \$23,667 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 six months ended June 30, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(427) and \$(2,753), respectively.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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(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 :

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

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)
June 30, 2020	<u>\$ 106,124</u>
January 1, 2019	\$ 94,499
Total gains and losses recognized:	
In other comprehensive income	(7,874)
June 30, 2019	<u>\$ 86,625</u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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For the six months ended June 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 June 30,		For the six months ended June 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 (1.90%, 1.56% and 1.80% on June 30, 2020, and December 31 and June 30, 2019, respectively) Discount for lack of marketability (25% on June 30, 2020, and December 31 and June 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

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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:

	Input	Change	Recognized in other comprehensive income	
			Favorable change	Unfavorable change
June 30, 2020				
Financial assets fair value through other comprehensive income	1.45	1%	1,205	(1,205)
December 31, 2019				
Financial assets fair value through other comprehensive income	1.32	1%	1,066	(1,066)
June 30, 2019				
Financial assets fair value through other comprehensive income	1.80	1%	1,209	(1,209)

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.

- (t) 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.

- (u) 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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Investing activities not affecting current cash flow

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

	January 1, 2020	Cash Flows	Non-cash changes		June 30, 2020
			Foreign exchange movement	Changes in lease payments	
Short-term borrowings	\$ 283,395	31,671	(235)	-	314,831
Lease liabilities	24,315	(6,765)	(385)	779	17,944
Total liabilities from financing activities	<u>\$ 307,710</u>	<u>24,906</u>	<u>(620)</u>	<u>779</u>	<u>332,775</u>

	January 1, 2019	Cash Flows	Non-cash changes		June 30, 2019
			Foreign exchange movement	Changes in lease payments	
Short-term borrowings	\$ 239,145	149,708	1,992	-	390,845
Lease liabilities	34,052	(7,686)	74	1,145	27,585
Total liabilities from financing activities	<u>\$ 273,197</u>	<u>142,022</u>	<u>2,066</u>	<u>1,145</u>	<u>418,430</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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Short-term employee benefits	\$ 5,518	7,339	19,002	20,777
Share-based payments	-	-	-	158
	<u>\$ 5,518</u>	<u>7,339</u>	<u>19,002</u>	<u>20,935</u>

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

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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:

	Number of shares	Company	Price of acquisition
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:

Pledged assets	Object	June 30, 2020	December 31, 2019	June 30, 2019
Deposits (classified under current assets)	The guarantee letter of credit	\$ 17,832	9,252	11,914
Deposits (classified under current assets)	Short-term loans	52,554	64,442	135,576
Deposits (classified under non-current assets)	Deposit to customs	7,980	2,787	2,767
Property, plant, and equipment	Short-term loans	55,568	56,452	57,336
		<u>\$ 133,934</u>	<u>132,933</u>	<u>207,593</u>

(9) Commitments and contingencies:

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

	June 30, 2020	December 31, 2019	June 30, 2019
Acquisition of property, plant and equipment	<u>\$ 9,952</u>	<u>18,023</u>	<u>13,804</u>

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 June 30,					
		2020			2019		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		36,744	32,594	69,338	40,268	44,151	84,419
Labor and health insurance		1,395	1,871	3,266	2,067	2,483	4,550
Pension		486	1,160	1,646	3,578	2,080	5,658
Director’s remuneration		-	192	192	-	123	123
Others		3,603	1,914	5,517	5,500	2,742	8,242
Depreciation		22,138	7,749	29,887	35,526	8,274	43,800
Amortization		20	605	625	34	402	436

By item	By function	For the six months ended June 30,					
		2020			2019		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		72,872	75,053	147,925	80,790	86,831	167,621
Labor and health insurance		3,620	4,831	8,451	4,799	5,416	10,215
Pension		2,650	2,817	5,467	7,227	4,296	11,523
Director's remuneration		-	384	384	-	336	336
Others		7,604	4,418	12,022	9,860	6,207	16,067
Depreciation		46,021	13,895	59,916	71,668	15,986	87,654
Amortization		70	1,205	1,275	73	803	876

- (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		
I	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	26,302 (CNY6,000 thousand)	25,510 (CNY6,000 thousand)	-	0%-2.5%	2	-	Short-term financing	-	-	-	278,358 (Note1)	556,715 (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 June 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			Gain (loss) on disposal	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost		Shares	Amount
Yangzhou Edison Opto Corporation	Bank of Communications Co., Ltd. RMB structured deposits of Bank of Communications - RMB financial product	Current financial assets at fair value through profit or loss	-	-	-	-	-	341,768 (RMB80,000 thousand)	-	344,224 (RMB80,575 thousand)	341,768	2,456	-	-
Yangzhou Edison Opto Corporation	FUBON BANK(CHINA) CO., LTD. structured deposits - RMB financial product	Current financial assets at fair value through profit or loss	-	-	-	-	-	341,768 (RMB80,000 thousand)	-	344,694 (RMB80,685 thousand)	341,768	2,926	-	-

- (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	(126,241)	(100.00)%	90 days	No sales to other customers	-	26,707	100.00 %	
The Company	Edison Opto Corporation	Subsidiary	Purchase	126,241	44.18 %	90 days	No purchase from other suppliers	-	(26,707)	(11.22)%	
Yangzhou Edison Opto Corporation	The Company	Parent Company	Sales	(202,067)	(55.09)%	90 days	No significant difference	-	117,082	55.13 %	
The Company	Yangzhou Edison Opto Corporation	Subsidiary	Purchase	202,067	70.72 %	90 days	No significant difference	-	(117,082)	(49.15)%	

- (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	117,082 (USD3,902 thousand)	3.42	-		43,245	-

Note 1: As of July 22, 2020.

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

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to 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	23,057	90 days	2.35%
0	The Company	Edison Opto (Dong Guan) Co., Ltd.	1	Sales	32,753	90 days	3.34%
0	The Company	Edison Opto USA Corporation	1	Sales	17,664	90 days	1.80%
0	The Company	Edison Opto USA Corporation	1	Accounts receivable	12,261	90 days	0.36%
0	The Company	Edison-Egypt Opto Corporation	1	Sales	12,158	90 days	1.24%
0	The Company	Edison-Egypt Opto Corporation	1	Accounts receivable	5,959	90 days	0.18%
1	Edison Opto Corporation	The Company	2	Sales	126,241	90 days	12.87%
1	Edison Opto Corporation	The Company	2	Accounts receivable	26,707	90 days	0.79%
2	Yangzhou Edison Opto Corporation	The Company	2	Sales	202,067	90 days	20.60%
2	Yangzhou Edison Opto Corporation	The Company	2	Accounts receivable	117,082	90 days	3.48%
2	Yangzhou Edison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	3	Sales	17,369	90 days	1.77%
2	Yangzhou Edison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	3	Accounts receivable	8,669	90 days	0.26%
2	Yangzhou Edison Opto Corporation	Edison-Egypt Opto Corporation	3	Sales	13,876	90 days	1.41%
2	Yangzhou Edison Opto Corporation	Edison-Egypt Opto Corporation	3	Accounts receivable	12,261	90 days	0.36%
3	Edison Opto (Dong Guan) Co., Ltd.	The Company	2	Sales	77,644	90 days	7.92%
3	Edison Opto (Dong Guan) Co., Ltd.	The Company	2	Accounts receivable	37,453	90 days	1.11%
4	Yangzhou Edison-litek Opto Corporation	Edison Litek Opto Corporation	3	Sales	83,813	90 days	8.55%
4	Yangzhou Edison-litek Opto Corporation	Edison Litek Opto Corporation	3	Accounts receivable	8,833	90 days	0.26%

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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the six months ended June 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 June 30, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 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 %	6,931	2,677	2,677	-
The Company	Ledison Opto Corporation	Samoa	Selling of LED components and modules	145,991	145,991	4,500	100.00 %	247,849	16,706	16,706	-
The Company	Best Opto Corporation	Samoa	Selling of LED components and modules	1,841,964	1,841,964	60,000	100.00 %	1,383,111	(2,126)	(2,126)	-
The Company	Edison Fund Investment Corporation	Taiwan	Investment	655,000	655,000	21,900	100.00 %	139,882	(1,382)	(1,382)	-
The Company	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	167,661	167,661	5,500	61.80 %	137,384	(15,865)	(9,805)	-
The Company	Edison-Litek Opto Corporation	Taiwan	Selling of LED components and modules	48,900	48,900	9,000	100.00 %	113,676	10,318	10,318	-
The Company	Edison-Egypt Opto Corporation	Taiwan	Selling of LED components and modules	47,940	47,940	4,794	100.00 %	27,247	(12,823)	(12,823)	-
Best Opto Corporation	Best Led Corporation	Samoa	Investment	1,841,964	1,841,964	60,000	100.00 %	1,391,796	(2,156)	(2,156)	-
Edison Fund Investment Corporation	Edison Opto USA Corporation	USA	Selling of LED components and modules	6,392	6,392	220	55.00 %	19,523	767	422	-
Edison Fund Investment Corporation	Ledison Opto Lighting Inc.	Taiwan	Selling of LED components and modules	113,185	113,185	2,200	100.00 %	14,797	(534)	(534)	-
Edison Fund Investment Corporation	Davinci Opto Corporation (Note 2)	Taiwan	Selling of LED components and modules	5,000	5,000	500	100.00 %	959	-	-	-
Ledison Opto Lighting Inc.	Led Plus Limited	Samoa	Investment	-	61,715	-	- %	-	(82)	(82)	-
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	770	770	25	0.28 %	620	(15,865)	(44)	-
Edison Fund Investment Corporation	Edison Auto Lighting Corporation (Note1)	Taiwan	Selling of LED components and modules	5,100	5,100	510	51.00 %	3,862	(2,229)	(1,137)	-

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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to 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 June 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	145,991 (USD 4,500 thousand)	(b)	145,991 (USD 4,500 thousand)	-	-	145,991 (USD 4,500 thousand)	16,707 (USD 557 thousand)	100.00%	16,707 (USD 557 thousand)	251,037 (USD 8,472 thousand)	-
DongGuan Davinci Opto Co., Ltd. (note 3)	Manufacturing and selling of LED components and modules	-	(b)	60,767 (USD 2,000 thousand)	-	8,512 (USD 286 thousand)	52,255 (USD 1,714 thousand)	(82) (USD 3 thousand)	100.00%	(82) (USD 3 thousand)	-	-
Yangzhou Edison Opto Corporation	Manufacturing and selling of LED components and modules	1,841,964 (USD 60,000 thousand)	(b)	1,841,964 (USD 60,000 thousand)	-	-	1,841,964 (USD 60,000 thousand)	(2,156) (USD 72 thousand)	100.00%	(2,156) (USD 72 thousand)	1,391,795 (USD 44,543 thousand)	-
Yangzhou Aichuan Trade Corporation (Note 2)	Selling of LED components and modules	2,148 (RMB 500 thousand)	(c)	-	-	-	-	7 (RMB 2 thousand)	100.00%	7 (RMB 2 thousand)	2,100 (RMB 500 thousand)	-
Yangzhou Edison-Litek Opto Corporation	Manufacturing and selling of LED components and modules	270,552 (USD 8,875 thousand)	(b)	167,661 (USD 5,500 thousand)	-	-	167,661 (USD 5,500 thousand)	(15,865) (USD 529 thousand)	62.08%	(9,849) (USD 328 thousand)	136,970 (USD 4,623 thousand)	-

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

- (a) Direct investment from Mainland China
- (b) Indirect investment from third-party country
- (c) Others

Note 2: Yangzhou Aichuan Trade Corporation is 100% invested by Yangzhou Edison Opto Corporation.

Note 3: The dissolution has registered in 2020.

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	2,155,616 (USD 70,000 thousand)	2,067,285 (note 3) (US 69,770 thousand)	Note 1
Ledionopto Lighting Inc.	52,255 (note 2) (USD 1,714 thousand)	52,255 (USD 1,714 thousand)	8,878

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).

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EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(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	13.24 %
Epistar Corporation		9,424,000	7.53 %

(14) Information on investment in mainland China:

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

For the three months ended June 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	\$ 208,075	99,590	72,470	12,657	57,904	33,616	-	484,312
Intersegment revenues	27,765	52,652	135,129	24,001	762	-	(240,309)	-
Total revenue	\$ 235,840	152,242	207,599	36,658	58,666	33,616	(240,309)	484,312
Reportable segment profit or loss	\$ 12,706	18,485	4,705	(10,671)	2,095	(7,305)	(7,031)	12,984
For the three months ended June 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	\$ 213,554	78,511	96,498	4,586	171,626	26,991	-	591,766
Intersegment revenues	47,167	49,523	337,395	141,017	-	-	(575,102)	-
Total revenue	\$ 260,721	128,034	433,893	145,603	171,626	26,991	(575,102)	591,766
Reportable segment profit or loss	\$ 3,364	3,178	(2,196)	7,748	22,113	6,919	(29,317)	11,809

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the six months ended June 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	456,280	159,679	133,269	23,720	150,773	57,065	-	980,786
Intersegment revenues	63,041	80,776	236,633	84,936	762	-	(466,148)	-
Total revenue	<u>\$ 519,321</u>	<u>240,455</u>	<u>369,902</u>	<u>108,656</u>	<u>151,535</u>	<u>57,065</u>	<u>(466,148)</u>	<u>980,786</u>
Reportable segment profit or loss	<u>\$ 4,770</u>	<u>19,655</u>	<u>(2,127)</u>	<u>(15,566)</u>	<u>12,898</u>	<u>(11,732)</u>	<u>(3,514)</u>	<u>4,384</u>
For the six months ended June 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	483,582	150,780	166,384	9,501	383,188	51,225	-	1,244,660
Intersegment revenues	95,820	95,787	337,730	307,213	-	3,989	(840,539)	-
Total revenue	<u>\$ 579,402</u>	<u>246,567</u>	<u>504,114</u>	<u>316,714</u>	<u>383,188</u>	<u>55,214</u>	<u>(840,539)</u>	<u>1,244,660</u>
Reportable segment profit or loss	<u>\$ 9,386</u>	<u>4,777</u>	<u>(20,766)</u>	<u>11,406</u>	<u>51,593</u>	<u>12,492</u>	<u>(41,295)</u>	<u>27,593</u>

(Continued)