

EDISON OPTO CORPORATION**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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

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Independent Auditors' Report

To the Board of Directors of Edison Opto Corporation:

Opinion

We have audited the financial statements of Edison Opto Corporation, which comprise the statement of financial position as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Edison Opto Corporation as of December 31, 2020 and 2019, and its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Edison Opto Corporation in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Description of key audit matter:

1. Revenue recognition

Please refer to Note 4(m) Revenue from contracts with customers, and Note 6(r) "Revenue".

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2021

Notes to Readers

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

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

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

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
11xx	Assets					21xx	Liabilities and Equity				
	Current assets:						Current liabilities:				
1100	Cash and cash equivalents (note 6(a))	\$ 401,122	13	187,608	6	2100	Short-term borrowings (note 6(j) and 8)	\$ 340,499	11	236,940	8
1150	Notes receivable, net (note 6(b))	1,059	-	71	-	2150	Notes payable	669	-	675	-
1170	Accounts receivable, net (note 6(b))	126,937	4	125,820	4	2170	Accounts payable	44,573	1	59,340	2
1180	Accounts receivable due from related parties, net (note 6(b) and 7)	49,765	2	26,209	1	2180	Accounts payable to related parties (note 7)	49,139	2	136,265	5
1200	Other receivables, net (note 6(c) and 7)	4,318	-	9,871	-	2200	Other payables (note 6(r))	34,250	1	42,690	2
1310	Inventories (note 6(d))	24,022	1	15,678	1	2280	Current lease liabilities (note 6(k))	1,941	-	1,613	-
1410	Prepayments (note 7)	18,907	1	13,455	-	2399	Other current liabilities, others	23,567	1	16,770	1
1220	Current tax assets	252	-	92	-		Total current liabilities	494,638	16	494,293	18
1470	Other current assets (note 8)	17,394	1	9,280	-	25xx	Non-Current liabilities:				
	Total current assets	643,776	22	388,084	12	2570	Deferred tax liabilities (note 6(m))	2,035	-	2,035	-
15xx	Non-current assets:					2580	Non-current lease liabilities (note 6(k))	1,579	-	2,416	-
1550	Investments accounted for using equity method, net (note 6(e))	1,837,597	60	2,119,643	71	2600	Other non-current liabilities (note 6(l))	11,618	-	17,482	1
1600	Property, plant and equipment (note 6(g), 7, 8 and 9)	414,447	13	408,822	14		Total non-current liabilities	15,232	-	21,933	1
1755	Right-of-use asset (notes 6(h))	3,244	-	3,865	-		Total liabilities	509,870	16	516,226	19
1780	Intangible assets (note 6(i) and 7)	257	-	715	-	31xx	Equity (notes 6(f)(n) and (o)):				
1840	Deferred tax assets (note 6(m))	61,753	2	61,753	2	3100	Capital stock	1,225,564	40	1,250,014	42
1915	Prepayments for business facilities (note 9)	297	-	13,623	1	3200	Capital surplus	1,553,577	51	1,841,558	61
1990	Other non-current assets, others (notes 6(g),8 and 9)	113,320	3	5,403	-	3310	Legal reserve	-	-	701	-
	Total non-current assets	2,430,915	78	2,613,824	88	3320	Special reserve	-	-	6,313	-
						3350	Unappropriated retained earnings (accumulated deficit)	48,411	2	(289,754)	(10)
						3410	Exchange differences on translation of foreign financial statements	(177,025)	(6)	(198,918)	(7)
						3420	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	(17,426)	(1)	(45,780)	(2)
						3491	Other equity, unearned compensation	(6,378)	-	(19,575)	(1)
						3500	Treasury shares	(61,902)	(2)	(58,877)	(2)
							Total equity	2,564,821	84	2,485,682	81
	Total assets	\$ 3,074,691	100	3,001,908	100		Total liabilities and equity	\$ 3,074,691	100	3,001,908	100

See accompanying notes to consolidated financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
EDISON OPTO CORPORATION
Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollar , Except Earnings Per Share)

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (note 6(q) and 7)	\$ 917,985	100	998,160	100
5000	Operating costs (note 6(d)(g)(h)(i)(l) and 7)	<u>808,998</u>	<u>88</u>	<u>896,354</u>	<u>90</u>
5900	Gross profit from operations	108,987	12	101,806	10
5910	Unrealized profit (loss) from sales (note 7)	<u>(2,451)</u>	<u>-</u>	<u>(1,342)</u>	<u>-</u>
5950	Gross profit from operations, net	<u>106,536</u>	<u>12</u>	<u>100,464</u>	<u>10</u>
	Operating expenses (note 6(g)(h)(i)(k)(l)(o)):				
6100	Selling expenses	37,193	4	46,172	5
6200	Administrative expenses	54,750	6	68,995	7
6300	Research and development expenses	30,750	3	39,341	4
6450	Expected credit loss (note 6(b))	<u>154</u>	<u>-</u>	<u>175</u>	<u>-</u>
	Total operating expenses	<u>122,847</u>	<u>13</u>	<u>154,683</u>	<u>16</u>
6900	Net operating loss	<u>(16,311)</u>	<u>(1)</u>	<u>(54,219)</u>	<u>(6)</u>
	Non-operating income and expenses (note 6(g)(s) and 7):				
7100	Total interest income	1,799	-	510	-
7010	Other income	42,040	5	17,145	2
7020	Other gains and losses, net	6,369	1	(17,112)	(2)
7050	Finance costs, net	(4,024)	-	(4,987)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(e))	<u>12,281</u>	<u>1</u>	<u>(253,688)</u>	<u>(25)</u>
	Total non-operating income and expenses	<u>58,465</u>	<u>7</u>	<u>(258,132)</u>	<u>(25)</u>
7900	Profit (loss) from continuing operations before tax	42,154	6	(312,351)	(31)
7950	Less: Income tax benefits (note 6(m))	<u>-</u>	<u>-</u>	<u>(26,049)</u>	<u>(3)</u>
	Profit (loss)	<u>42,154</u>	<u>6</u>	<u>(286,302)</u>	<u>(28)</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(l))	6,257	1	741	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	28,354	3	11,887	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>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>34,611</u>	<u>4</u>	<u>12,628</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	21,893	2	(75,848)	(8)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>21,893</u>	<u>2</u>	<u>(75,848)</u>	<u>(8)</u>
8300	Other comprehensive income	<u>56,504</u>	<u>6</u>	<u>(63,220)</u>	<u>(7)</u>
8500	Total comprehensive income	<u>\$ 98,658</u>	<u>12</u>	<u>(349,522)</u>	<u>(35)</u>
	Basic earnings(losses) per share (note 6(p))				
9750	Basic earnings(losses) per share	<u>\$ 0.35</u>		<u>(2.39)</u>	
	Diluted earnings(losses) per share				
9850	Diluted earnings(losses) per share	<u>\$ 0.35</u>		<u>(2.39)</u>	

See accompanying notes to consolidated financial statements.

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

EDISON OPTO CORPORATION**Statements of Changes in Equity****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollar)**

	Retained earnings					Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings (Unappropriated retained earnings)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Employees unrealized reward	Treasury shares	Total equity
Balance at January 1, 2019	<u>\$ 1,250,014</u>	<u>1,883,244</u>	<u>-</u>	<u>-</u>	<u>7,014</u>	<u>(123,070)</u>	<u>(57,667)</u>	<u>-</u>	<u>(526)</u>	<u>(93,570)</u>	<u>2,865,439</u>
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	701	-	(701)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	6,313	(6,313)	-	-	-	-	-	-
Cash dividends from capital surplus	-	(36,000)	-	-	-	-	-	-	-	-	(36,000)
Loss	-	-	-	-	(286,302)	-	-	-	-	-	(286,302)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>741</u>	<u>(75,848)</u>	<u>11,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,220)</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(285,561)</u>	<u>(75,848)</u>	<u>11,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(349,522)</u>
Retirement of treasury share	(20,000)	(14,836)	-	-	-	-	-	-	-	34,836	-
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	-	(143)	(143)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	150	-	-	-	-	-	-	-	-	150
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(4,193)	-	-	-	-	-	(4,193)
Share-based payments	<u>20,000</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,049)</u>	<u>-</u>	<u>9,951</u>
Balance at December 31, 2019	<u>1,250,014</u>	<u>1,841,558</u>	<u>701</u>	<u>6,313</u>	<u>(289,754)</u>	<u>(198,918)</u>	<u>(45,780)</u>	<u>-</u>	<u>(19,575)</u>	<u>(58,877)</u>	<u>2,485,682</u>
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	-	-	-	-	-	-
Capital surplus used to offset accumulated deficits	-	(282,740)	-	-	282,740	-	-	-	-	-	-
Cash dividends from capital surplus	-	(12,300)	-	-	-	-	-	-	-	-	(12,300)
Net income	-	-	-	-	42,154	-	-	-	-	-	42,154
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,257</u>	<u>21,893</u>	<u>28,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,504</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,411</u>	<u>21,893</u>	<u>28,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,658</u>
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(19,832)	(19,832)
Retirement of treasury share	(16,180)	(3,652)	-	-	-	-	-	-	-	19,832	-
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	-	(3,025)	(3,025)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	51	-	-	-	-	-	-	-	-	51
Changes in ownership interests in subsidiaries	-	14,381	-	-	-	-	-	-	-	-	14,381
Share-based payments	<u>(8,270)</u>	<u>(3,721)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,197</u>	<u>-</u>	<u>1,206</u>
Balance at December 31, 2020	<u><u>\$ 1,225,564</u></u>	<u><u>1,553,577</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>48,411</u></u>	<u><u>(177,025)</u></u>	<u><u>(17,426)</u></u>	<u><u>-</u></u>	<u><u>(6,378)</u></u>	<u><u>(61,902)</u></u>	<u><u>2,564,821</u></u>

See accompanying notes to consolidated financial statements.

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

EDISON OPTO CORPORATION**Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollar)**

	2020	2019
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 42,154	(312,351)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	19,343	27,686
Amortization expense	458	1,124
Expected credit loss	154	175
Interest expense	4,024	4,987
Interest income	(1,799)	(510)
Share-based payments	1,206	9,951
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(12,281)	253,688
Gain on disposal of property, plant and equipment	(2,731)	(112)
Impairment loss on non-financial assets	-	20,148
Unrealized profit from sales	5,632	3,181
Realized loss (profit) on from sales	(3,181)	(3,240)
Others	-	(35)
Total adjustments to reconcile profit (loss)	10,825	317,043
Changes in operating assets and liabilities:		
Notes receivable	(988)	473
Accounts receivable	(1,271)	88,150
Accounts receivable due from related parties	(23,556)	(6,865)
Other receivable	62	1,487
Other receivable due from related parties	5,531	6,004
Inventories	(8,344)	14,976
Prepayments	(5,452)	(2,107)
Other current assets	(8,114)	3,769
Notes payable	(6)	(240)
Accounts payable	(14,767)	941
Accounts payable to related parties	(87,126)	(107,739)
Other payable	(8,440)	(13,825)
Other current liabilities	6,797	(2,097)
Net defined benefit liability	400	682
Total changes in operating assets and liabilities	(145,274)	(16,391)
Cash flows from (used in) operations	(92,295)	(11,699)
Interest received	1,759	512
Interest paid	(4,024)	(4,987)
Income taxes refund (paid)	(160)	172
Net cash flows from (used in) operating activities	(94,720)	(16,002)
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	-	(23,900)
Proceeds from disposal of subsidiaries	34,583	-
Proceeds from capital reduction of investments accounted for using equity method	291,138	100,000
Acquisition of property, plant and equipment	(9,120)	(5,577)
Proceeds from disposal of property, plant and equipment	10,271	563
Increase in refundable deposits	(321)	(1,612)
Acquisition of intangible assets	-	(192)
Increase in restricted deposits	(25)	-
Increase in other non-current assets	(107,571)	-
Increase in prepayments for business facilities	(297)	(13,620)
Dividends received	20,220	-
Net cash flows from (used in) investing activities	238,878	55,662
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,257,043	1,050,028
Decrease in short-term loans	(1,153,250)	(1,050,743)
Decrease in guarantee deposits received	(9)	(23)
Payment of lease liabilities	(2,278)	(1,777)
Cash dividends paid	(12,300)	(36,000)
Payments to acquire treasury shares	(19,832)	-
Net cash flows from (used in) financing activities	69,374	(38,515)
Effect of exchange rate changes on cash and cash equivalents	(18)	(1,492)
Net increase (decrease) in cash and cash equivalents	213,514	(347)
Cash and cash equivalents at beginning of period	187,608	187,955
Cash and cash equivalents at end of period	\$ 401,122	187,608

See accompanying notes to consolidated financial statements

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

EDISON OPTO CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

Edison Opto Corporation (the “Company”) was approved by the Ministry of Economic Affairs on October 4, 2001 and incorporated in 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 are mainly engaged in manufacturing, selling, research and development of LED components and modules.

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

These financial statements were authorized for issuance by the Board of Directors on February 25, 2021.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(c) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

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

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

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

3) Impairment of financial assets

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

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

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

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

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

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

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

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

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

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

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

4) Derecognition of financial assets

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

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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EDISON OPTO CORPORATION

Notes to the Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

6) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

(h) Investment in subsidiary

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

Land is not depreciated.

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

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

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

(j) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(ii) As a lessee

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

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

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

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

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

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

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

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

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

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

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

(iii) As a lessor

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

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

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

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

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

(l) Impairment of non-financial assets

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

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

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

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

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

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

(m) Revenue from contracts with customers (policy applicable from January 1, 2018)

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

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

(i) Sale of goods

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

The average credit term for sale of goods is 60 days to 90 days, which is consistent with the industry practice, thus, it does not contain any financing element.

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

(ii) Financing components

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

(n) Government grant

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

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

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

(iii) Short-term employee benefits

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

(p) Share-based payment

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

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

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

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

(q) Income taxes

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

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

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

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

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

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

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

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

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

(r) Earnings per share

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(s) Segment information

Please refer to the financial report of Edison Opto Corporation for the years ended December 31, 2020 and 2019, for operating segments information.

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

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have no significant effects.

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

(a) Impairment of property, plant and equipment, and intangible assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, expected future income and expenses related to the specific asset Company considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Refer to note 6(g) for further description of the key assumptions used to determine the recoverable amount.

(b) The assessment of assets impairment for investment accounted for using equity method

In the assessment of assets impairment, the Company determines the independent cash flow of the assets and uncertain revenues and expenses in the future according to the using pattern of the assets and the industry features that relied on subjective judgement. Any changes of the estimation due to economic situation and company policy may cause major impairment loss or recovery of impairment loss.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash	\$ 6,005	5,288
Demand Deposit	263,192	182,320
Time Deposit	131,925	-
	<u>\$ 401,122</u>	<u>187,608</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

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

(b) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 1,059	71
Accounts receivable	127,516	126,245
Accounts receivable from related parties	49,765	26,209
Overdue receivable	2,027	31,485
Less: Loss allowance	<u>(2,606)</u>	<u>(31,910)</u>
	<u>\$ 177,761</u>	<u>152,100</u>

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

December 31, 2020			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 158,123	0%	3
30 days past due	19,780	2.68%	530
31 to 90 days past due	<u>437</u>	10.53%	<u>46</u>
	<u>\$ 178,340</u>		<u>579</u>
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
180 days past due	<u>\$ 2,027</u>	100%	<u>2,027</u>
December 31, 2019			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 151,680	0%	2
91 to 180 days past due	<u>845</u>	50.06%	<u>423</u>
	<u>\$ 152,525</u>		<u>425</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ <u>31,485</u>	100%	<u>31,485</u>

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

	2019	2019
Balance at January 1	\$ 31,910	31,735
Impairment losses recognized	154	175
Amounts write-off	(29,458)	-
Balance at December 31	<u>\$ 2,606</u>	<u>31,910</u>

Note and account receivables of the Company were not pledged.

(c) Other receivables

	December 31, 2020	December 31, 2019
Other accounts receivable	\$ 57	79
Other accounts receivable from related parties	4,261	9,792
Total	<u>\$ 4,318</u>	<u>9,871</u>

Other receivables of the Company were not pledged.

(d) Inventories

	December 31, 2020	December 31, 2019
Raw materials	\$ 8,522	5,473
Supplies	200	214
Work in progress	6,757	6,212
Finished goods	8,543	3,779
	<u>\$ 24,022</u>	<u>15,678</u>

The details of the cost of sales were as follows:

	2020	2019
Inventory that has been sold	\$ 801,469	888,907
Write-down of inventories (reversal of write-downs)	(4,425)	(3,442)
Unallocated production overheads	11,954	10,889
Others	-	-
	<u>\$ 808,998</u>	<u>896,354</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

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

(e) Investments accounted for using equity method

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

	December 31, 2020	December 31, 2019
Subsidiary	\$ <u>1,837,597</u>	<u>2,119,643</u>

The Company did not provide any investments accounted for using the equity method as collateral for its loans.

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

- (i) Edison-Litek Opto Corporation Limited had processed a cash capital increase in July 2020. The Group purchased all the shares issued with the amount of \$32,417 thousand by cash through Edison Litek Opto Corporation, which makes the shareholding ratio increased from 62.08% to 72.94%.
- (ii) As of March 2019, the Company increased its ownership of Ledionopto Lighting Inc. through Edison Fund Investment Corporation from 94.97% to 100.00% with the amount of \$10,399 by cash.

The effect of changes in shareholdings was as follows:

	2020
Capital surplus differences between consideration and carrying amounts subsidiaries acquired	\$ <u>14,381</u>

The effects of changes in shareholdings were as follows:

	2019
Carrying amount of non-controlling interest on acquisition	\$ 6,206
Consideration paid to non-controlling interests	<u>(10,399)</u>
Capital surplus differences between consideration and carrying amounts subsidiaries acquired	\$ <u>(4,193)</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Other facilities</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2020	\$ 260,051	213,215	288,171	1,136	17,495	780,068
Additions	-	1,265	7,775	80	-	9,120
Disposal	-	(130)	(22,744)	-	(471)	(23,345)
Reclassify	-	-	13,623	-	-	13,623
Balance at December 31, 2020	<u>\$ 260,051</u>	<u>214,350</u>	<u>286,825</u>	<u>1,216</u>	<u>17,024</u>	<u>779,466</u>
Balance at January 1, 2019	\$ 260,051	213,942	307,612	6,574	38,343	826,522
Additions	-	602	4,885	-	90	5,577
Disposal	-	(1,329)	(24,326)	(5,438)	(20,938)	(52,031)
Balance at December 31, 2019	<u>\$ 260,051</u>	<u>213,215</u>	<u>288,171</u>	<u>1,136</u>	<u>17,495</u>	<u>780,068</u>
Depreciation and impairments loss:						
Balance at January 1, 2020	\$ -	81,387	271,550	1,000	17,309	371,246
Depreciation	-	5,725	11,029	142	57	16,953
Disposal	-	(130)	(22,639)	-	(411)	(23,180)
Balance at December 31, 2020	<u>\$ -</u>	<u>86,982</u>	<u>259,940</u>	<u>1,142</u>	<u>16,955</u>	<u>365,019</u>
Balance at January 1, 2019	\$ -	76,964	256,008	6,258	37,737	376,967
Depreciation	-	5,752	19,353	180	426	25,711
Disposal	-	(1,329)	(23,959)	(5,438)	(20,854)	(51,580)
Impairment loss	-	-	20,148	-	-	20,148
Balance at December 31, 2019	<u>\$ -</u>	<u>81,387</u>	<u>271,550</u>	<u>1,000</u>	<u>17,309</u>	<u>371,246</u>
Carrying amounts:						
Balance at December 31, 2020	<u>\$ 260,051</u>	<u>127,368</u>	<u>26,885</u>	<u>74</u>	<u>69</u>	<u>414,447</u>
Balance at December 31, 2019	<u>\$ 260,051</u>	<u>131,828</u>	<u>16,621</u>	<u>136</u>	<u>186</u>	<u>408,822</u>
Balance at January 1, 2019	<u>\$ 260,051</u>	<u>136,978</u>	<u>51,604</u>	<u>316</u>	<u>606</u>	<u>449,555</u>

(i) Impairment loss

Due to the product transformation of the Company in 2020, some of the machinery's production capacity were deemed as idle. Therefore, the Company conducted impairment evaluation for these property, plant and equipment.

In year 2020, the recoverable amount of the CGU was estimated based on its value in use, the carrying amount was higher than its recoverable amount, therefore, the company recognized the amount of impairment loss \$20,148 in other gain and loss of comprehensive income, please refer to note 6(s).

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

The estimate of value in use was determined using a per tax discount rate of 9.66%.

(ii) Guarantee

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

(iii) Prepaid payments for land and buildings

The Company purchased a new office with \$536,000 and had prepaid \$107,571 as of December 31, 2020, which was recognized under other non-current assets-other. The remaining balances were paid, and the transferring procedures were completed on January 22, 2021. Please refer to note 9 and 11.

(h) Right-of-use asset

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

	Building and construction	Machinery and equipment	Vehicles	Total
Cost:				
Balance at January 1, 2020	\$ 1,761	-	3,842	5,603
Additions	1,190	-	579	1,769
Disposal	(1,448)	-	-	(1,448)
Balance at December 31, 2020	<u>\$ 1,503</u>	<u>-</u>	<u>4,421</u>	<u>5,924</u>
Balance at January 1, 2019	2,835	591	-	3,426
Additions	38	-	3,842	3,880
Disposal	(1,112)	(591)	-	(1,703)
Balance at December 31, 2019	<u>\$ 1,761</u>	<u>-</u>	<u>3,842</u>	<u>5,603</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2020	\$ 1,127	-	611	1,738
Depreciation for the year	1,165	-	1,225	2,390
Disposal	(1,448)	-	-	(1,448)
Balance at December 31, 2020	<u>\$ 844</u>	<u>-</u>	<u>1,836</u>	<u>2,680</u>
Balance at January 1, 2019	\$ -	-	-	-
Depreciation for the year	1,257	107	611	1,975
Disposal	(130)	(107)	-	(237)
Balance at December 31, 2019	<u>1,127</u>	<u>-</u>	<u>611</u>	<u>1,738</u>
Carrying amount:				
Balance at December 31, 2020	<u>\$ 659</u>	<u>-</u>	<u>2,585</u>	<u>3,244</u>
Balance at December 31, 2019	<u>\$ 634</u>	<u>-</u>	<u>3,231</u>	<u>3,865</u>
Balance at January 1, 2019	<u>\$ 2,835</u>	<u>591</u>	<u>-</u>	<u>3,426</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

The company leases offices, warehouse and dormitory for the year 2020 and 2019, please refer to note 6(k).

(i) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2020 and 2019 were as follows:

	Computer Software
Costs	
Balance at January 1, 2020 (as end of the year)	\$ <u><u>19,269</u></u>
Balance at January 1, 2019	\$ 19,077
Additions	<u>192</u>
Balance at December 31, 2019	\$ <u><u>19,269</u></u>
Accumulated amortization and impairment losses	
Balance at January 1, 2020	\$ 18,554
Amortization for the year	<u>458</u>
Balance at January 1, 2020	\$ <u><u>19,012</u></u>
Balance at January 1, 2019	\$ 17,430
Amortization for the year	<u>1,124</u>
Balance at December 31, 2019	\$ <u><u>18,554</u></u>
Carrying value	
Balance at January 1, 2020	\$ <u><u>257</u></u>
Balance at December 31, 2019	\$ <u><u>715</u></u>
Balance at January 1, 2019	\$ <u><u>1,647</u></u>

As of December 31, 2020 and 2019, the intangible assets of the Company were not pledged.

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2020	December 31, 2019
Secured bank loans	\$ 20,000	80,000
Unsecured bank loans	<u>320,499</u>	<u>156,940</u>
Total	\$ <u><u>340,499</u></u>	<u><u>236,940</u></u>
Unused short-term credit lines	\$ <u><u>1,139,219</u></u>	<u><u>1,441,474</u></u>
Range of interest rates	<u><u>0.16%~1.23%</u></u>	<u><u>1.07%~2.51%</u></u>

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(k) Lease liabilities

The Company's finance lease liabilities was as follows :

	December 31, 2020	December 31, 2019
Current	\$ <u>1,941</u>	<u>1,613</u>
Non-current	\$ <u>1,579</u>	<u>2,416</u>

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	\$ <u>529</u>	<u>523</u>
Expenses relating to short term leases	\$ <u>-</u>	<u>377</u>
Expenses relating to leases of low value assets, excluding short term leases of low value assets	\$ <u>156</u>	<u>60</u>

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

	2020	2019
Total cash outflow for leases	\$ <u>2,963</u>	<u>2,737</u>

(i) Real estate leases

As of December 31, 2020, the Company leases building as employees' dormitories, the lease terms are ranged for a period of one to two years. Some of the terms can be extended upon maturity. However, if the option of extension is uncertain, the related expenditures occurred in the covered period would not be accounted for as lease liabilities.

(ii) Other leases

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

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(l) Employee benefits

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ 21,118	27,168
Fair value of plan assets	(9,536)	(9,731)
Net defined benefit liabilities	<u><u>\$ 11,582</u></u>	<u><u>17,437</u></u>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account amounted to \$9,536 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	2020	2019
Defined benefit obligations at January 1	\$ 27,168	26,648
Current service costs and interest cost	761	977
Re-measurements of the net defined benefit liability	(5,978)	(457)
Payment	(833)	-
Defined benefit obligations at December 31	<u><u>\$ 21,118</u></u>	<u><u>27,168</u></u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

3) Movements of defined benefit plan assets

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

	2020	2019
Fair value of plan assets at January 1	\$ 9,731	9,150
Interest income	110	127
Re-measurements of the net defined benefit liability	279	284
Contributed to plan	249	170
Payment	(833)	-
Fair value of plan assets at December 31	<u><u>\$ 9,536</u></u>	<u><u>9,731</u></u>

4) Expenses recognized in profit or loss

	2020	2019
Current service costs	\$ 457	613
Net interest of net liabilities (assets) for defined benefit	194	237
	<u><u>\$ 651</u></u>	<u><u>850</u></u>
	2020	2019
Operating cost	\$ 302	354
Operating expense	349	496
	<u><u>\$ 651</u></u>	<u><u>850</u></u>

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

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

	2020	2019
Accumulated amount at January 1	\$ 11,602	12,343
Recognized during the period	(6,257)	(741)
Accumulated amount at December 31	<u><u>\$ 5,345</u></u>	<u><u>11,602</u></u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

6) Actuarial assumptions

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

	December 31, 2020	December 31, 2019
Discount rate	0.750 %	1.125 %
Future salary increase rate	2.500 %	3.000 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$551.

The weighted average lifetime of the defined benefits plans is 15.73 years.

7) Sensitivity analysis

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

	Influences of defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
December 31, 2020		
Discount rate (movement of 0.25%)	(681)	707
Future salary increasing rate (movement of 0.25%)	683	(660)
December 31, 2019		
Discount rate (movement of 0.25%)	(912)	950
Future salary increasing rate (movement of 0.25%)	915	(887)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$4,747 and \$5,622 in 2020 and 2019 .

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(m) Income taxes

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

	<u>2020</u>	<u>2019</u>
Deferred tax income	\$ -	-
Origination and reversal of temporary differences	-	(26,049)
Tax income	<u>\$ -</u>	<u>(26,049)</u>

Reconciliation of income tax and income before tax for 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Gain or (loss) before income tax	<u>\$ 42,154</u>	<u>(312,351)</u>
Income tax using subsidiaries tax rate	\$ 8,431	(62,470)
Non-deductible expense	6,706	(3,437)
Loss of investing foreign company	(2,004)	54,050
Change in unrecognized temporary difference	1,201	(3,551)
Current-year losses for which no deferred tax asset was recognized	(8,434)	2,639
Income tax on foreign repatriations of surplus	(3,843)	-
Investment allowance	(1,647)	-
Other	(410)	(13,280)
Total	<u>\$ -</u>	<u>(26,049)</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized Deferred Tax Liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at 31 December 2020 and 2019. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unrecognized deferred tax liabilities	<u>\$ 19,087</u>	<u>22,108</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

2) Unrecognized deferred tax assets

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

	December 31, 2020	December 31, 2019
Tax effect of deductible Temporary Differences	\$ 1,357	156
The carry forward of unused tax losses	39,146	47,580
	<u>\$ 40,503</u>	<u>47,736</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Allowance for obsolete inventory	Others	Tax deduction	Total
Deferred tax assets:				
December 31, 2020 (as beginning of the year)	\$ <u>3,815</u>	<u>7,584</u>	<u>50,354</u>	<u>61,753</u>
December 31, 2019 (as beginning of the year)	\$ <u>3,815</u>	<u>7,584</u>	<u>50,354</u>	<u>61,753</u>
	Equity investment	Others	Total	
Deferred tax liabilities:				
December 31, 2020 (as beginning of the year)	\$ <u>2,035</u>	<u>-</u>	<u>2,035</u>	
January 1, 2019	\$ 28,084	-	28,084	
Recognized in profit or loss	(26,049)	-	(26,049)	
December 31, 2019	<u>\$ 2,035</u>	<u>-</u>	<u>2,035</u>	

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

- 4) As at December 31, 2020, the expiry years of the Company's unutilized business losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Before loss deduction</u>	<u>Year after deduction</u>
2014	\$ 98,302	2024
2015	75,078	2025
2016	93,672	2026
2017	90,158	2027
2018	47,537	2028
2019	42,752	2029
	<u>\$ 447,499</u>	

(iii) Assessment of tax

The Company's tax returns for the year through 2018 were assessed by the Taipei National Tax Administration.

(n) Capital and other equity

As of December 31, 2020 and 2019, the number of authorized ordinary shares were \$2,000,000 thousand shares with par value of \$10 per share. The total value of authorized ordinary shares was amounted to \$200,000. As of December 31, 2020 and 2019, \$122,556 thousand and \$125,001 thousand of ordinary shares were issued, respectively. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2020 and 2019 was as follows:

(in thousands of shares)	<u>Ordinary shares</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	125,001	125,001
Retirement of treasury stock	(1,618)	(2,000)
Retirement of restrict employee stock	(827)	-
Issuance of restrict employee stock	-	2,000
Balance at December 31	<u>122,556</u>	<u>125,001</u>

(i) Ordinary shares

The Company issued 2,000 thousand new shares of restricted stock and retired 2,000 thousand treasury shares in 2019. The Company recovered and retired 827 thousand restrict employee stock and 1,618 thousand treasury shares in August 2020. The related registration procedures were completed.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Premium on issuance of capital stock	\$ 1,439,858	1,738,499
Difference arising from subsidiary's share price and its carrying value	14,381	-
Employee share options	72,142	72,142
Restricted employee	27,196	30,917
	<u>\$ 1,553,577</u>	<u>1,841,558</u>

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

The Company decided to distribute cash dividends \$12,300 by capital surplus via the general meeting of shareholders held on June 16, 2020. Each share could receive a cash dividend of 0.10081853 from capital surplus. The Company decided to distribute cash dividends \$36,000 by capital surplus via the general meeting of shareholders held on June 18, 2019. Each share could receive a cash dividend of 0.2999 from capital surplus.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

In order to bring about stability in the payment of dividends, the Company distributes dividends depending on the level of earnings of the each years. The Company is facing a rapidly changing industrial environment. In consideration of the Company's long-term operating plan and funding needs, the Company adopts a stable dividends policy. Therefore, dividend distributions should not be less than 60% of distributable earnings. However, when the accumulated earnings were lower than 20% of capital stocks, then the Company could not to distribute the dividends. The Company could distribute the dividend by cash or stocks, but the cash dividend should not be less than 10% of dividends.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

1) Legal reserve

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

2) Special reserve

In accordance with Rule No. 1010012865 and No. 1010047490 issued by the FSC on April 6, 2012 and November 21, 2011, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

A resolution was approved during the shareholders' meeting on June 16, 2020, to cover the deficit, so there was no earnings distribution. 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, no earnings were distributed for 2018.

(iv) Treasury shares

- 1) The Company has decided to retire 2,000 thousand treasury shares via the Board Meeting in May 2019. The amount was \$34,836, and the related registration procedures were completed. As of December 31, 2019, 3,000 thousand shares of treasury shares had not been sold.
- 2) The Group purchased 1,618 thousand treasury shares to maintain the credit of the Company and shareholders's benefits through April to May 2020. The Company decided to retire 1,618 thousand treasury shares via the Board Meeting in August 2020. The amount retired was \$19,382, and the related registration procedures were completed. As of December 31, 2020, 3,000 thousand shares of treasury share have not been sold.
- 3) Ledionopto Lighting Inc., sub subsidiary of the Company, held 500 thousand shares of the Company's treasury stock. The amount on December 31, 2020 and 2019, was \$9,650 and \$6,625, respectively. As of December 31, 2020, all treasury stocks were not sold and the market price on December 31, 2020 and 2019 was 19.30 and 13.25 per share, respectively. Ledionopto Lighting Inc., collected \$51 and \$150 cash dividend in 2020 and 2019 respectively.
- 4) In compliance with the Securities and Exchange Act, treasury shares held by the Group should not be pledged, and shareholder rights are not entitled before the transfer.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(v) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance at January 1, 2020	\$ (198,918)	(45,780)	(19,575)	(264,273)
Share-based payment	-	-	13,197	13,197
Exchange differences on foreign operations	21,893	-	-	21,893
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	28,354	-	28,354
Balance at December 31, 2020	<u>\$ (177,025)</u>	<u>(17,426)</u>	<u>(6,378)</u>	<u>(200,829)</u>

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance at January 1, 2019	\$ (123,070)	(57,667)	(526)	(181,263)
Share based payment	-	-	(19,049)	(19,049)
Exchange differences on foreign operations	(75,848)	-	-	(75,848)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :	-	11,887	-	11,887
Balance at December 31, 2019	<u>\$ (198,918)</u>	<u>(45,780)</u>	<u>(19,575)</u>	<u>(264,273)</u>

(o) Share-based payment

(i) Restricted stock

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

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

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

	<u>2020</u>	<u>2019</u>
Outstanding at January 1 (number)	\$ 2,000	263
Vested during the year (number)	-	(263)
Granted during the year (number)	-	2,000
Forfeited during the year (number)	(827)	-
Outstanding at December 31 (number)	<u>\$ 1,173</u>	<u>2,000</u>

- (ii) Expense recognized in profit or loss

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

	<u>2020</u>	<u>2019</u>
Expenses resulting from restriction of employee stock options	<u>\$ 1,206</u>	<u>9,951</u>

- (p) Earnings(loss) per share

The calculation of basic earnings per share and diluted earnings per share for the year 2020 and 2019 are as follows:

Basic earnings per share	<u>2020</u>	<u>2019</u>
Profit/(loss) of the Company for the year	<u>\$ 42,154</u>	<u>(286,302)</u>
Weighted average number of ordinary shares (in thousands of shares)	<u>119,058</u>	<u>119,936</u>
Basic earn(loss) per share	<u>\$ 0.35</u>	<u>(2.39)</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

	<u>2020</u>	<u>2019</u>
Diluted earnings per share		
Profit/(loss) of the Company for the year	\$ <u>42,154</u>	<u>(286,302)</u>
Effect of dilutive potential ordinary shares:		
Weighted average number of ordinary shares (diluted)	119,058	119,936
Effect of employee share bonus	<u>140</u>	<u>-</u>
Effect of restricted employee shares unrested	<u>1,589</u>	<u>-</u>
Weighted average number of ordinary shares (diluted)	<u>120,787</u>	<u>119,936</u>
Diluted earn (loss) per share	\$ <u>0.35</u>	<u>(2.39)</u>
(q) Revenue from contracts with customers		

(i) Revenue detail

	<u>2020</u>	<u>2019</u>
Major market:		
China	\$ 136,488	125,471
America and Europe	233,461	329,728
Taiwan	113,484	120,164
Africa	154,402	43,216
Others	<u>280,150</u>	<u>379,581</u>
	\$ <u>917,985</u>	<u>998,160</u>
Major product:		
LED transmitter component	\$ 35,217	21,639
LED lighting component	300,138	484,696
LED lighting module and product	505,874	390,097
Other	<u>76,756</u>	<u>101,728</u>
	\$ <u>917,985</u>	<u>998,160</u>

(ii) Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Note receivables	\$ 1,059	71	544
Accounts receivables	127,516	126,245	214,395
Accounts receivables-related party	49,765	26,209	19,344
Less: loss allowances	<u>(579)</u>	<u>(425)</u>	<u>(250)</u>
Total	\$ <u>177,761</u>	<u>152,100</u>	<u>234,033</u>

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(r) Employee compensation and directors' 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' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of compensation for employees entitled to receive the above-mentioned 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.

The employees' compensation and directors' remuneration for the year ended December 31, 2020, were \$2,250 and \$450, respectively. The calculation is based on the Company's net income before tax excluding employees' compensation, director's remuneration and recovery of deficit that multiplied by the percentage of compensation to employees and remuneration to directors. The compensations and remunerations were expensed under operating costs or operating expenses during 2020. If there is difference between the actual amount paid and the estimated amount, it will be dealt as changes in accounting estimation and be recognized in the following period. Related information would be available at the Market Observation Post System website which is no difference with the resolution of Board of Directors.

The Company has suffered losses in 2019, so there is no estimated employee compensation and directors' remuneration. Relevant information is available at the Market Observation Post System website.

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2020	2019
Interest income	<u>\$ 1,799</u>	<u>510</u>

(ii) Other income

The details of other income were as follows:

	2020	2019
Other income	<u>\$ 42,040</u>	<u>17,145</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2020</u>	<u>2019</u>
Net losses on disposal of property, plant, and equipment	\$ 2,731	112
Net gains (losses) on foreign exchange	4,239	1,109
Impairment loss	-	(20,148)
Other	<u>(601)</u>	<u>1,815</u>
	<u><u>\$ 6,369</u></u>	<u><u>(17,112)</u></u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2020</u>	<u>2019</u>
Interest expense	<u><u>\$ (4,024)</u></u>	<u><u>(4,987)</u></u>

(t) Financial instruments

(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

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

3) Receivable

For credit risk exposure of note and trade receivables, please refer to note 6(b).

Other financial assets at amortized cost includes other receivables and deposit.

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

(Continued)

EDISON OPTO CORPORATION

Notes to the 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>
December 31, 2020							
Non-derivative financial liabilities							
Secured loans	\$ 20,000	(20,001)	(20,001)	-	-	-	-
non-secured loans	320,499	(320,622)	(320,622)	-	-	-	-
Lease liabilities	3,520	(3,951)	(1,360)	(901)	(1,560)	(130)	-
Notes payable and accounts payable (including related parties)	94,381	(94,381)	(94,381)	-	-	-	-
Other payable (including related parties)	34,251	(34,251)	(34,251)	-	-	-	-
	<u>\$ 472,651</u>	<u>(473,206)</u>	<u>(470,615)</u>	<u>(901)</u>	<u>(1,560)</u>	<u>(130)</u>	<u>-</u>
December 31, 2019							
Non-derivative financial liabilities							
Secured loans	\$ 80,000	(80,108)	(80,108)	-	-	-	-
Unsecured loans	156,940	(157,035)	(157,035)	-	-	-	-
Notes payable and accounts payable (related parties included)	4,029	(4,789)	(1,243)	(784)	(1,326)	(1,436)	-
Notes payable and accounts payable (including related parties)	196,280	(196,280)	(196,280)	-	-	-	-
Other payable (including related parties)	42,690	(42,690)	(42,690)	-	-	-	-
	<u>\$ 479,939</u>	<u>(480,902)</u>	<u>(477,356)</u>	<u>(784)</u>	<u>(1,326)</u>	<u>(1,436)</u>	<u>-</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

<u>December 31, 2020</u>					<u>December 31, 2019</u>				
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>			<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 3,647	USD/TWD=	28.480	103,867	6,354	USD/TWD=	29.980	190,493	
CNY	17,873	CNY/TWD=	4.3770	78,230	28,470	CNY/TWD=	4.2961	122,311	
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	10,931	USD/TWD=	28.480	311,315	11,351	USD/TWD=	29.980	340,303	
CNY	129	CNY/TWD=	4.3770	565	1,234	CNY/TWD=	4.2961	5,301	

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

2) Sensitivity analysis

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

A strengthening (weakening) of 5% of the TWD against the USD and CNY as at December 31, 2020 and 2019 would have increased (decreased) the equity by \$(6,489) and \$(1,640) due to cash flow hedges. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2019 (prior year).

3) Foreign exchange gain and loss on monetary items

	2020		2019	
	Exchange losses/gains	Exchange rate	Exchange losses/gains	Exchange rate
NTD	\$ 4,239	-	1,109	-

(iv) Interest rate analysis

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

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

If the interest rate had increased / decreased by 50 basis points, the Company's net loss would have increased / decreased by \$1,702 and \$850 for the year ended December 31, 2020 and 2019, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates and investment in variable-rate bills.

(v) Fair value of financial instruments

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

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EDISON OPTO CORPORATION

Notes to the Financial Statements

(u) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

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

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

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

(iv) Liquidity risk

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

(v) Market risk

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

1) Currency risk

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

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

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

The Company do not use derivative financial assets for hedging.

2) Interest rate risk

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

3) Other market price risk

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

(v) Capital management

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

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

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

The Company's debt-to-equity ratio at the end of the reporting period as at December 31, 2020 and 2019, is as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 509,871	516,226
Less: cash and cash equivalents	<u>(401,122)</u>	<u>(187,608)</u>
Net debt	<u>\$ 108,749</u>	<u>328,618</u>
Total equity	\$ 2,564,821	2,485,682
Less: hedging reserve	<u>-</u>	<u>-</u>
Adjusted equity	<u>\$ 2,564,821</u>	<u>2,485,682</u>
Debt-to-equity ratio	<u>4.24 %</u>	<u>18.34 %</u>

(w) Investing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

	January 1, 2020	Cash Flow	Non-cash changes		December 31, 2020
			Foreign exchange movement	Changes in lease payments	
Short-term borrowings	\$ 236,940	103,793	(234)	-	340,499
Lease liabilities	<u>4,029</u>	<u>(2,807)</u>	<u>-</u>	<u>2,298</u>	<u>3,520</u>
Total liabilities from financing activities	<u>\$ 240,969</u>	<u>100,986</u>	<u>(234)</u>	<u>2,298</u>	<u>344,019</u>

	January 1, 2019	Cash Flow	Non-cash changes		December 31, 2019
			Foreign exchange movement	Changes in lease payments	
Short-term borrowings	\$ 239,145	(715)	(1,490)	-	236,940
Lease liabilities	<u>3,426</u>	<u>(2,300)</u>	<u>-</u>	<u>2,903</u>	<u>4,029</u>
Total liabilities from financing activities	<u>\$ 242,571</u>	<u>(3,015)</u>	<u>(1,490)</u>	<u>2,903</u>	<u>240,969</u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(7) Related-party transactions:

- (a) Parent company and ultimate controlling company

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

- (b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Best Opto Corporation	Subsidiary of the company
Ledison Opto Corporation	Subsidiary of the company
Edison Opto Corporation	Subsidiary of the company
Edison Fund Investment Corporation	Subsidiary of the company
Edison-Litek Opto Corporation	Subsidiary of the company
Edison-Egypt Opto Corporation	Subsidiary of the company
Edison Opto USA Corporation	Sub-subsidiary of the company
Ledionopto Lighting, Inc.	Sub-subsidiary of the company
Yangzhou Edison-Litek Opto Corporation	Sub-subsidiary of the company
Davinci Opto Corporation	Sub-subsidiary of the company
DongGuan Davinci Opto Co., Ltd. (Note)	Sub-subsidiary of the company
Edison Opto (Dong Guan) Co., Ltd.	Sub-subsidiary of the company
Yangzhou Edison Opto Corporation	Sub-subsidiary of the company
Best Led Corporation	Sub-subsidiary of the company
Led Plus Co., Ltd (Note)	Sub-subsidiary of the company
Edison-Litek Opto Corporation Limited	Sub-subsidiary of the company
Edison Auto Lighting Corporation	Sub-subsidiary of the company
Yangzhou Aichuang Electronic Trade Corporation	Sub-subsidiary of the company
Wu Chien-Jung	Chairman of the company

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(c) Significant transactions with related parties

(i) Sale

	<u>2020</u>	<u>2019</u>
Sub-subsidiary-Edison Opto USA	\$ 41,230	46,980
Sub-subsidiary-Yangzhou Edison-Litek Opto	94	248
Sub-subsidiary-Edison Opto (Dong Guan)	60,709	50,141
Sub-subsidiary-Yangzhou Edison Opto	20,546	24,741
Subsidiary company-Edison-Egypt Opto	12,158	44,944
Sub-subsidiary-Edison Auto Lighting	<u>3,022</u>	<u>-</u>
	<u>\$ 137,759</u>	<u>167,054</u>

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

The sales prices and collection terms of the Company's sales of finished goods to subsidiaries and other related parties are not significantly different from those of ordinary customers. The receivables of the related parties are not pledged, and no impairment loss (bad debt expenses) is required after the assessment.

(ii) Purchases

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

	<u>2020</u>	<u>2019</u>
Subsidiary company-Edison Opto	\$ 126,595	17,220
Sub-subsidiary-Edison Opto (Dong Guan)	143,290	151,536
Sub-subsidiary-Yangzhou Edison Opto	<u>357,161</u>	<u>518,556</u>
	<u>\$ 627,046</u>	<u>687,312</u>

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

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

The sales amount in 2020 and 2019 was \$50,236 and \$62,460 respectively, the repurchased amount of finished products in 2020 and 2019 were \$56,235 and \$67,911 respectively.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(iii) Property transactions

The disposals of property, plant and equipment to related parties are summarized as follows:

	2020		2019	
	Disposal price	Gain (loss) from disposal	Disposal price	Gain (loss) from disposal
Subsidiary company- Yangzhou Edison Opto	\$ 9,979	9,874	-	-
Subsidiary company-Edison- Litek Opto	-	-	29	22
Total	<u>\$ 9,979</u>	<u>9,874</u>	<u>29</u>	<u>22</u>

(iv) Guarantee

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

(v) Other

1) Manager service revenue

	2020	2019
Subsidiary company-Edison-Litek Opto	\$ 5,816	3,863
Subsidiary company-Edison-Egypt Opto	7,368	3,723
Sub-subsidiary company-Edison Opto USA	200	106
Sub-subsidiary company-Edison Auto Lighting	649	-
	<u>\$ 14,033</u>	<u>7,692</u>

2) Rental revenue

	2020	2019
Subsidiary company-Edison Investment Co. Ltd	\$ 34	34
Subsidiary company-Edison-Litek Opto	12,343	6,342
Sub-subsidiary-Ledionopto Lighting, Inc.	34	420
Subsidiary company-Edison-Egypt Opto	102	34
Sub-subsidiary-Edison Auto Lighting	48	-
	<u>\$ 12,561</u>	<u>6,830</u>

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

- 3) As of December 31, 2020 and 2019, the unrealized gains of deferred transactions between the parent and subsidiary companies were \$14,687 and \$11,412 respectively, which were included under long-term equity investment.

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

- 4) As of December 31, 2020 and 2019, the unrealized gains of deferred transactions between the parent and subsidiary companies were \$1,248 and \$1,380, respectively, which were included under long-term equity investment and share of profit of associates & joint ventures accounted for using equity method, respectively.

(vi) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	Subsidiary company-Egypt Opto	\$ -	12,099
Accounts receivable	Sub-subsidiary-Edison Opto USA	14,439	14,065
Accounts receivable	Sub-subsidiary-Yangzhou Edison-Litek Opto	48	45
Accounts receivable	Sub-subsidiary-Edison Opto (Dong Guan)	34,887	-
Accounts receivable	Sub-subsidiary-Edison Auto Lighting	391	-
Subtotal		<u>49,765</u>	<u>26,209</u>
Other receivables	Sub-subsidiary-Ledionopto Lighting, Inc	3	52
Other receivables	Subsidiary company-Edison- Litek Opto	3,220	7,609
Other receivables	Sub-subsidiary-Yangzhou Edison Opto	-	642
Other receivables	Subsidiary company-Edison Opto USA	78	90
Other receivables	Subsidiary company-Edison Fund Investment Co., Ltd.	3	3
Other receivables	Subsidiary company-Edison- Egypt Opto	642	1,307
Other receivables	Sub-subsidiary-Edison Opto (Dong Guan)	38	89
Other receivables	Sub-subsidiary-Edison Auto Lighting	277	-
Subtotal		<u>4,261</u>	<u>9,792</u>
		<u><u>\$ 54,026</u></u>	<u><u>36,001</u></u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(vii) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Accounts payable	Sub-subsidiary-Edison Opto (Dong Guan)	\$ -	16,853
Accounts payable	Sub-subsidiary-Yangzhou Edison Opto	23,469	119,412
Accounts payable	Subsidiary-Edison Opto	25,670	-
Total		<u><u>\$ 49,139</u></u>	<u><u>136,265</u></u>

(viii) Prepayment

Account	Relationship	December 31, 2020	December 31, 2019
Prepayment for purchases	Subsidiary company-Edison Opto	<u><u>\$ -</u></u>	<u><u>1,220</u></u>

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ 13,239	22,458
Share-based payments	273	1,891
	<u><u>\$ 13,512</u></u>	<u><u>24,349</u></u>

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

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2020	December 31, 2019
Deposits (classified under other current financial assets)	The guarantee letter of credit	\$ 17,312	9,252
Deposits (classified under other non-current financial assets)	Deposit to customs	2,813	2,787
Property, plant, and equipment	Issuance of corporate bonds	72,654	-
Property, plant, and equipment	Short-term borrowing	-	56,452
		<u><u>\$ 92,779</u></u>	<u><u>68,491</u></u>

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(9) Commitments and contingencies:

The Company's unrecognized contractual commitments are as follows:

	December 31, 2020	December 31, 2019
Acquisition of property, plant and equipment	<u>\$ 428,767</u>	<u>5,737</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

Due to the need of repaying bank loans, the Board of Directors made a resolution on November 10, 2020, that the Company would issue the third domestic secured convertible bonds with a total denomination of \$300,000. The issuance was approved by the authority on December 14, 2020, and were issued on January 25, 2021. The actual issued price was \$303,000, which is 101% of the total denomination of the corporate bonds, the interest rate is 0% within the three-year period.

In response to the demand of operating space, the Board of Directors made a resolution on November 10, 2020, that the Company would purchase new plant and office amounting to \$536,000. The Company had prepaid \$107,571 as of December 31, 2020, then paid the remaining balance on January 22, 2021, while the transfer procedures were completed.

(12) Other:

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

By item	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	31,488	60,998	92,486	38,354	84,027	122,381
Labor and health insurance	3,636	5,668	9,304	4,029	6,821	10,850
Pension	1,956	3,442	5,398	2,218	4,254	6,472
Director's remuneration	-	924	924	-	714	714
Others	2,660	3,583	6,243	2,932	4,053	6,985
Depreciation	10,743	8,600	19,343	17,608	10,078	27,686
Amortization	86	372	458	84	1,040	1,124

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

Further information of the number of employees and employee benefits as of December 31, 2019 and 2018 are as follows:

	<u>2020</u>	<u>2019</u>
Employees	<u>149</u>	<u>197</u>
Directors not in concurrent employment	<u>6</u>	<u>6</u>
Average employee benefits	<u>\$ 793</u>	<u>768</u>
Average employee salary	<u>\$ 647</u>	<u>641</u>
Average raise of employee salary	<u>0.94 %</u>	<u>26.68 %</u>
Supervisors' remuneration	<u>\$ -</u>	<u>-</u>

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

(a) Principles of compensation policies

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

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

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

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

(Continued)

EDISON OPTO CORPORATION

Notes to the 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 Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	26,302 (CNY15,000 thousand)	26,262 (CNY15,000 thousand)	-	0%~2.5%	2	-	Short-term financing	-	-	-	233,879 (Note1)	467,757 (Note1)
2	Edison-Litek Opto Corporation Limited	Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	32,439 (USD1,200 thousand)	31,328 (USD1,200 thousand)	-	0%~1%	2	-	Short-term financing	-	-	-	49,761 (Note1)	99,522 (Note1)

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

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

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

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

(ii) Guarantees and endorsements for other parties: None

(In Thousands of New Taiwan Dollars)

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): None

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

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Yangzhou Edison Opto Corporation	Bank of Communications Co., Ltd. RMB structured deposits of Bank of Communications - RMB financial product (exchange rate related)	Current financial assets at fair value through profit or loss	-	-	-	-	-	525,240 (RMB120,000 thousand)	-	528,231 (RMB120,683 thousand)	525,240	2,991	-	-
Yangzhou Edison Opto Corporation	FUBON BANK(CHINA) CO., LTD. structured deposits - RMB financial product	Current financial assets at fair value through profit or loss	-	-	-	-	-	700,320 (RMB160,000 thousand)	-	704,207 (RMB160,888 thousand)	700,320	3,887	-	-

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Yangzhou Edison Opto Corporation	Bank of Communication Co., Ltd. RMB structured deposits of Bank of communications-RMB financial product (exchange rate and binary option related)	Current financial assets at fair value through profit or loss	-	-	-	-	-	1,063,611 (RMB118,000 thousand)	-	1,064,895 (RMB118,000 thousand)	1,063,611	1,284	-	-

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Taiwan Tech. Square	2020.11	536,000	107,571	Telin Construction Group	Non-related				-	Appraisal of real estate	Group operating demand	None

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Edison Opto Corporation	Subsidiary company	Purchase	126,595	15.35 %	90 days	No purchase from other suppliers	-	(25,670)	(25.79) %	
Edison Opto Corporation	The Company	Parents	Sales	(126,595)	(100.00) %	90 days	No sales to other clients	-	25,670	100.00 %	
Edison Opto (Dong Guan) Co., Ltd.	The company	Parents	Sales	(143,290)	(32.56) %	90 days	No significant difference	-	-	- %	
The Company	Edison Opto (Dong Guan) Co., Ltd.	Subsidiary	Purchase	143,290	21.34 %	90 days	No significant difference	-	-	- %	
Yangzhou Edison Opto Corporation	The company	Parents	Sales	(357,161)	(50.45) %	90 days	No significant difference	-	23,469	15.96 %	
The company	Yangzhou Edison Opto Corporation	Subsidiary	Purchase	357,161	46.67 %	90 days	No purchase from other suppliers	-	(23,469)	(23.58) %	
Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Sub-subsiary	Sales	(168,913)	(75.33) %	90 days	No significant difference	-	40,271	46.56 %	
Edison-Litek Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Sub-subsiary	Purchase	168,913	78.07 %	90 days	No significant difference	-	(40,271)	(73.00) %	

- (viii) Trading in derivative instruments: None

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 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 %	6,525	2,494	2,494	
The Company	Ledison Opto Corporation	Samoa	Selling of LED components and modules	145,991	145,991	4,500	100.00 %	220,457	16,984	16,604	
The Company	Best Opto Corporation	Samoa	Selling of LED components and modules	1,550,826	1,841,964	50,000	100.00 %	1,149,610	8,164	8,676	
The Company	Edison Fund Investment Corporation	Taiwan	Investment	655,000	655,000	21,900	100.00 %	166,872	653	602	
The Company	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	167,661	167,661	5,500	44.58 %	110,917	(28,835)	(17,622)	
The Company	Edison-Litek Opto Corporation	Taiwan	Selling of LED components and modules	48,900	48,900	9,000	100.00 %	174,444	32,446	32,825	
The Company	Edison-Egypt Opto Corporation (note 1)	Taiwan	Selling of LED components and modules	47,940	47,940	4,794	100.00 %	8,772	(31,298)	(31,298)	
Best Opto Corporation	Best Led Corporation	Samoa	Investment	1,550,826	1,841,964	50,000	100.00 %	1,166,454	8,134	8,134	
Edison Fund Investment Corporation	Edison Opto USA Corporation	USA	Selling of LED components and modules	6,392	6,392	220	55.00 %	22,221	7,275	4,001	
Edison Fund Investment Corporation	Ledionopto Lightning Inc.	Taiwan	Selling of LED components and modules	113,185	113,185	2,200	100.00 %	17,714	(642)	(642)	
Edison Fund Investment Corporation	Davinci Opto Corporation	Taiwan	Selling of LED components and modules	5,000	5,000	500	100.00 %	730	(228)	(228)	
Ledionopto Lighting Inc.	Led Plus Limited	Samoa	Investment	-	61,715	-	- %	-	-	-	
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	33,187	770	3,463	28.06 %	72,265	(28,835)	(1,770)	
Edison Fund Investment Corporation	Edison Auto Lighting Corporation	Taiwan	Selling of LED components and modules	5,100	5,100	510	51.00 %	2,692	(4,522)	(2,308)	

Note 1: The dissolution of the Company has been registered in 2020.

(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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Book value	Investment income (losses)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Edison Opto (Dong Guan) Co., Ltd.	Manufacturing and selling of LED components and modules	(USD 145,991 4,500 thousand)	(2)	(USD 145,991 4,500 thousand)	-	34,583 (USD 1,183 thousand)	111,408 (USD 3,317 thousand)	20,849 (USD 706 thousand)	100.00%	20,849 (USD 706 thousand)	225,886 (USD 7,931 thousand)	34,583 (USD 1,183 thousand)

(Continued)

EDISON OPTO CORPORATION

Notes to the Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Book value	Investment income (losses)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
DongGuan Davinci Opto Co., Ltd. (note 2)	Manufacturing and selling of LED components and modules	-	(2)	USD 60,767 (2,000 thousand)	-	USD 8,512 (286 thousand)	USD 52,255 (1,714 thousand)	USD (82) (3 thousand)	-%	USD (82) (3 thousand)	-	-
Yangzhou Edison Opto Corporation	Manufacturing and selling of LED components and modules	USD 1,550,826 (50,000 thousand)	(2)	USD 1,841,964 (60,000 thousand)	-	USD 291,138 (10,000 thousand)	USD 1,550,826 (50,000 thousand)	USD 8,132 (275 thousand)	100.00%	USD 8,132 (275 thousand)	USD 1,166,450 (40,957 thousand)	-
Yangzhou Aichuan Electronic Trade Corporation	Selling of LED components and modules	RMB 2,148 (500 thousand)	(3)	-	-	-	-	20 (RMB 5 thousand)	100.00%	20 (RMB 5 thousand)	2,209 (RMB 505 thousand)	-
Yangzhou Edison Litek Opto Corporation	Manufacturing and selling of LED components and modules	USD 270,552 (8,875 thousand)	(2)	USD 167,661 (5,500 thousand)	-	-	USD 167,661 (5,500 thousand)	USD (28,947) (980 thousand)	72.64%	USD (21,027) (712 thousand)	USD 157,379 (5,526 thousand)	-

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

(a) Direct investment from Mainland China

(b) Indirect investment from third-party country

i) Edison Opto (Dong Guan) Co., Ltd. is indirectly invested by the Company through Ledison Opto Corporation.

ii) Dong Guan Davinci Opto Corporation is indirectly invested by Ledion Opto Lighting Inc. through Led Plus Limited.

iii) Yangzhou Edison Opto Corporation is indirectly invested by Best Opto Corporation and Best Ltd. Corporation.

iv) Yangzhou Edison-Litek Opto Corporation is indirectly invested by the Company and Edison-Litek Opto Corporation Limited.

(c) Others

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

Note 2: The dissolution has registered in 2020.

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	1,829,895 (USD58,817 thousand)	1,702,249 (note 3) (USD59,770 thousand)	Note 1
Ledionopto Lighting Inc.	52,255 (note 2) (USD1,714 thousand)	52,255 (USD1,714 thousand)	10,628

Note 1: Since The Company acquired the permission from Industrial Development Bureau at September 9 2019, Ministry of Economic Affairs, the upper limit on investment is not applicable, under “ Regulations Governing The Permission of Commercial Behavior in Mainland China”, Article 3 (documentation reference number: 10820423850).

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

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

(Continued)

EDISON OPTO CORPORATION
Notes to the Financial Statements

(iii) Significant transactions:

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

(d) Major shareholders:

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

(14) Segment information:

Please refer to 2020 consolidated financial report.

(Continued)

EDISON OPTO CORPORATION
Statement of cash and cash equivalents
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash	\$ 5,730
	Petty cash	<u>275</u>
	Subtotal	<u>6,005</u>
Bank deposit	Check deposit	148
	Demand deposit	253,130
	Foreign currency (CNY576@4.377 ; USD576 @28.480 ; HKD82@36.373 ; EUR262@35.020 ; JPY1,811@0.2763)	<u>9,914</u>
	Subtotal	<u>263,192</u>
	Time deposit	22,500
	Foreign currency (CNY25,000@4.377)	<u>109,425</u>
	Subtotal	<u>131,925</u>
Total		<u><u>\$ 401,122</u></u>

EDISON OPTO CORPORATION**Statement of trade receivables****December 31, 2020****(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
104628	\$ 35,777
100714	11,965
100002	6,367
Others(less than 5%)	<u>73,407</u>
Subtotal	127,516
Less: Allowance for uncollectible accounts	<u>(579)</u>
Total	<u><u>\$ 126,937</u></u>

Note: According to the non-disclosure agreement, a customer's name is substituted by a customer code.

EDISON OPTO CORPORATION

Statement of inventories

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Market Price	
Finished goods	\$ 17,752	19,422	Net Realizable Value
Work in process	7,186	7,469	Net Realizable Value
Raw materials	9,397	9,303	Net Realizable Value
Supplies	266	270	Net Realizable Value
Inventories in Transit	4,677	4,677	Market Price
Less : Allowance to reduce inventory to market	<u>(15,256)</u>	<u>-</u>	-
Total	<u>\$ 24,022</u>	<u>41,141</u>	

EDISON OPTO CORPORATION

Statement of changes in investments accounted for using the equity method

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Profit or Cost	Others	Ending Balance			Guarantee	
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Holding Percentage	Amount	Equity	or Collateral
Edison Opto Corporation	30,000	\$ 4,339	-	-	-	-	2,494	(308)	30,000	100.00 %	6,525	6,526	None
Ledison Opto Corporation	4,500,000	237,611	-	-	-	-	16,604	(33,758)	4,500,000	100.00 %	220,457	226,074	None
Best Opto Corporation	60,000,000	1,420,923	-	-	10,000,000	291,138	8,676	11,149	50,000,000	100.00 %	1,149,610	1,166,479	None
Edison Fund Investment Corporation	21,900,000	142,212	-	-	-	-	602	24,058	21,900,000	100.00 %	166,872	215,049	None
Edison-Litek Opto Corporation Limited	5,500,000	151,235	-	-	-	-	(17,622)	(22,696)	5,500,000	44.58 %	110,917	110,917	None
Edison-Litek Opto Corporation	7,300,000	123,253	-	-	-	-	32,825	18,366	7,300,000	100.00 %	174,444	173,767	None
Edison-Egypt Opto Corporation	4,794,000	40,070	-	-	-	-	(31,298)	-	4,794,000	100.00 %	8,772	8,772	None
Total	104,024,000	\$ 2,119,643	-	-	10,000,000	291,138	12,281	(3,189)	94,024,000		1,837,597		

EDISON OPTO CORPORATION
Statement of short-term borrowings
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of Interest Rate</u>	<u>Loan Commitment</u>	<u>Collateral</u>
Secured loans	Taipei Fubon Bank	\$ 20,000	2020.7.28~2021.7.27	0.155% ~ 0.655%	20,000	Enterprise Credit Guarantee Fund of Government Relief Policy
Unsecured loans	The Shanghai Commercial & Savings Bank, LTD.	119,616	2020.10.8~2021.2.14	1.218% ~ 1.230%	199,360	None
Unsecured loans	Taipei Fuban Bank	140,883	2020.12.14~2021.6.14	0.155% ~ 0.655%	227,840	None
Unsecured loans	CTBC Bank Co., Ltd	<u>60,000</u>	2020.10.16~2021.1.15	0.98%	100,000	None
	Total	<u>\$ 340,499</u>				

EDISON OPTO CORPORATION

Statement of trade payables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Manufacturer</u>	<u>Amount</u>
101231	\$ 22,981
100001	12,393
Others(less than 5%)	<u>9,199</u>
Total	\$ <u>44,573</u>

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

EDISON OPTO CORPORATION
Statement of other payables
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payroll expense and bonus	\$ 19,084
Accrued expense	14,059
Others(less than 5%)	<u>1,108</u>
Total	<u><u>\$ 34,251</u></u>

EDISON OPTO CORPORATION
Statement of operating revenue
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Item	Quantity(thousands)	Amount
LED transmitter component	17,410	\$ 35,217
LED lighting component	1,378,931	300,138
LED lighting module and product	10,068	505,874
Others	295,958	<u>76,756</u>
Net revenue		<u><u>\$ 917,985</u></u>

EDISON OPTO CORPORATION

Statement of operating costs

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw material	
Raw-material inventory, January 1	\$ 9,145
Add: Purchase	136,818
Less: Raw-material, December 31	(9,397)
Transferred to expenses	(241)
Sales	(96,799)
Raw material used	<u>39,526</u>
Suppliers	
Suppliers, January 1	319
Add: Purchase of suppliers	1,167
Less: Suppliers, December 31	(266)
Sales	(38)
Transferred to expenses	(4)
Suppliers used	<u>1,178</u>
Manufacturing overhead	19,015
Manufacturing expenses	<u>40,190</u>
Manufacturing cost	99,909
Work in progress, January 1	6,626
Add : Purchase	5,686
Finish goods transfer in	20,735
Less : Work in process, December 31	(7,186)
Sales	(7,427)
Transferred to expenses	(4,816)
Manufacturing cost	113,527
Add : Finish goods, January 1	18,413
Purchase	485,906
Less : Finished goods, December 31	(17,752)
Transfer to work in progress	(18,068)
Transferred to expenses	(3,176)
Cost of sales — finished goods	578,850
Cost of sales — materials and suppliers and work in progress	104,264
Cost of sales — merchandise inventory	130,309
Allowance to reduce inventory to market	(4,425)
Operating cost	<u><u>\$ 808,998</u></u>

EDISON OPTO CORPORATION
Statement of selling expenses
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payroll expense	\$ 17,829
Sampling expense	2,894
Advertisement expense	2,178
Import and export expenses	2,137
Others(less than 5%)	<u>12,155</u>
Total	<u><u>\$ 37,193</u></u>

EDISON OPTO CORPORATION
Statement of administrative expenses
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payroll expense	\$ 31,434
Professional service fees	6,693
Others(less than 5%)	<u>16,623</u>
Total	<u><u>\$ 54,750</u></u>

EDISON OPTO CORPORATION
Statement of Research and Development Expense
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Account</u>
Payroll expense	\$ 11,735
Material expense	4,210
Depreciation Expense	4,181
Utilities expense	1,498
Research and developement expense	2,476
Others(less than 5%)	<u>6,650</u>
Total	<u><u>\$ 30,750</u></u>

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

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

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

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

For Statement of Change in Intangible Assets, please refer to note 6(i) in financial report.

For Statement of Changes in accumulated amortization of Intangible assets, please refer to note 6(i) in financial report.

For Statement of Other Income, please refer to note 6(s) in financial report.

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

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